

June 17, 2014

Mr. Dorran Larner
Department of Environmental Quality – Land Quality Division
2100 West 5th Street
Sheridan, WY 82801

Re: Unplanned Release Report, Permit to Mine No. 778, Uranerz Energy Corporation

Dear Mr. Larner,

In accordance with the Permit to Mine No. 778, Volume VIII Mine Plan, Section 3.19.2, Uranerz Energy Corporation (Uranerz) notified the Wyoming Department of Environmental Quality (WDEQ) and the Nuclear Regulatory Commission (NRC) of an unplanned release which occurred June 13-14, 2014 at Nichols Ranch. A verbal report of the incident was provided on June 14, 2014 to Dorran Larner, WDEQ/LQD, and Ron Linton, NRC. A verbal report was also given to Douglas Mandeville, NRC, on June 15, 2014. A Follow-up email was provided on June 16, 2014 to WDEQ/LQD and all NRC contacts as well as to Joe Hunter, WDEQ/WQD. Additionally, Uranerz completed the online WDEQ/WQD spill report, incident ID number: 140617-1157.

Approximately 720 gallons of injection solution was released from well N1C-003-1, near Header House 4 of Production Area #1. This value is corrected from the initial verbal report regarding the unplanned release at well N1C-003-1. The well is located in Township 43 N, Range 76W, Section 17, NWNW. The unplanned release was the result of a power spike in the wellfield. The power spike resulted in a pressure surge causing the pressure release valve to release. Poly plastic shavings then entered the release valve causing the valve to fail open allowing further release of water. The well is equipped with a leak detection system; however, it failed to alert operators of the release. The junction box shorted out due to water entering the box and did not transmit the leak detect signal. Once the release was discovered the spill was contained through isolation of the well. The injection solution was originally reported as entering waters of the state, but upon further investigation of the spill area by Environmental, Safety, and Health (ESH) staff it did not enter the waters of the state. A field map is attached.

A daily sample of the injection stream is collected and analyzed for uranium content. On June 14, 2014 the sample contained Non-Detectable quantities of U3O8. A walk-over gamma survey of the release area was conducted using a MicroR meter resulting in a 15-20 MicroR/hr with a background of approximately 16 MicroR/hr. Soil samples were also collected (0-6 inches depth), with one near the release source (injection well N1C-003-1), and a second at a location within the release area. A solution sample was also collected. The samples were sent to a third party laboratory for analysis of natural uranium and radium-226. It will take approximately 30

USA OPERATIONS

P.O. Box 50850
1701 East E Street
Casper WY 82605-0850

T: 307 265 8900
F: 307 265 8904

CANADA OPERATIONS

Suite 1410
800 West Pender Street
Vancouver BC V6C 2V6

T: 604 689 1659
F: 604 689 1722

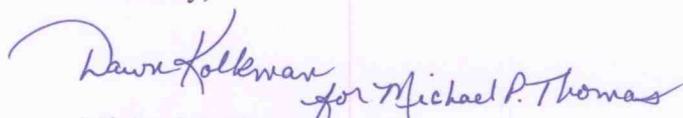
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days to receive results from the laboratory. The results will be reviewed and the unity rule for radium benchmark will be applied to determine if cleanup will occur prior to decommissioning. Records pertaining to unplanned releases, including this report, are maintained on site and are available for review upon request. An investigation is underway analyzing the cause of the incident and any corrective actions that may result.

Uranerz will include this release in the Annual Report to the WDEQ/LQD.

If you have any questions regarding the provided information, please contact me at 307-265-8900 or by email at mthomas@uranerz.com.

Sincerely,



Michael P. Thomas
Vice President, Regulatory and Public Affairs
Uranerz Energy Corporation

MT/al

Attachment: Release Location Map

cc: Ron Linton and Doug Mandeville, NRC Project Manager (3 copies),
Joe Hunter, WDEQ/WQD

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CANADA OPERATIONS

Suite 1410
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Vancouver BC V6C 2V6

T: 604 689 1659
F: 604 689 1722

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BY: DALTON TIMM	DATE: 6-17-2014
REV. # 00	REV. DATE:
SCALE: 1" = 50'	CONTOUR INTERVAL: N/A
SHEET: 1 OF 1	

FILE LOCATION: D:\Projects\2014\Nichols\Unplanned Releases 2014 (6-17-2014)

- SPILL RECORDED ON 6-17-2014
- TOWNSHIP AND RANGE: 43N76W
- SECTION: 17
- QT-QT: S66.1-N1W1W
- INJECTION WELL- N1C-003-1
- RELEASE VOLUME:
- RELEASE AREA: 2914.50'

