



Sept 12, 2014

Mr. Dorrان 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 was discovered on September 8, 2014 at Nichols Ranch. A verbal report of the incident was provided on September 9, 2014 to Dorrان Larner, WDEQ/LQD, Joe Hunter, WDEQ/WQD and Ron Linton, NRC. Additionally, Uranerz completed the online WDEQ/WQD spill report.

On September 8, 2014 an unplanned release was observed in Production Area #1 of the Nichols Ranch Unit. The release originated from recovery well N1A-002, near Header House 1, and surfaced by well N1A-051. The recovery well is located in Township 43 N, Range 76W, Section 7, SESE. The unplanned release did, as reported, enter a dry draw. Based on the calculations from operational data for the well, 12,975 gallons of production solution (approximately 21.6 ppm Uranium) was released and is discussed below. The unplanned release followed a dry draw, allowing the release to exit the wellfield area and flow outside the permit boundary. This release and the previous release from N1A-002 reported on July 18, 2014 followed the same pathway in the dry draw. A repair to the poly line from the previous unplanned release from this well was completed on September 3, 2014 and the well was returned to service.

Uranerz investigated the cause of the unplanned release and concluded the 1.25-inch poly line connecting the wellhead and the header house was over pressurized from flow restriction. The wellfield operators manually restricted flow in the header house to balance the wellfield. The down hole, 7.5 hp pump that was installed in the well is designed to operate at 18 gallons per minute (gpm). When the well flow rate was reduced, the pump was restricted to approximately 6 gpm. The flow rate reduction resulted in an over pressurization and rupture of the poly line. The rupture occurred in the underground section of the poly pipe that was within the pipeline corridor. Because the poly line break occurred underground, the wellhead leak detection system did not alarm. During the investigation and in order to verify the volume released, further evaluation of the well's operational history was completed. The review determined the flow between September 3, 2014 and the date the unplanned release was discovered on September 8, 2014 was 12,975 gallons. Uranerz determined that 5,205 gallons of production solution flowed into the dry draw and the remaining released amount, approximately 6,795 gallons, was restricted underground along the pipeline corridor between the wellhead and the header house.

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Water samples were not collected, as no water was present when the spill was discovered. Two radon samples were collected from the same locations as those taken in the previous N1A-002 unplanned release area with all measurements being less than detectable limits. Gamma dose rates were also measured at the source of the unplanned release resulting in 0.024 mR/hr. Another gamma dose rate was taken at the termination of the release resulting in 0.014 mR/hr. Background levels in the wellfield were measured at 0.014 mR/hr. Two soil samples were also collected, one at the source of the unplanned release and the other at the termination. The unplanned release is depicted on the attached map. The soil samples were sent to a third party laboratory for analysis. It will take approximately 30 days to receive results from the laboratory, as radium-226 takes 28 days for analysis. Uranerz will review the laboratory results and take appropriate actions as deemed necessary from the analysis.

Uranerz will evaluate the effectiveness of the programming changes implemented as a result of the previous release. Uranerz will also evaluate the human element of responding to internal alarms as well the downhole pump sizing for the application. Additional corrective actions may include revisions to procedures as appropriate.

Records pertaining to unplanned releases, including this report, are maintained on site and available for review upon request. Uranerz will include this unplanned 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/rp

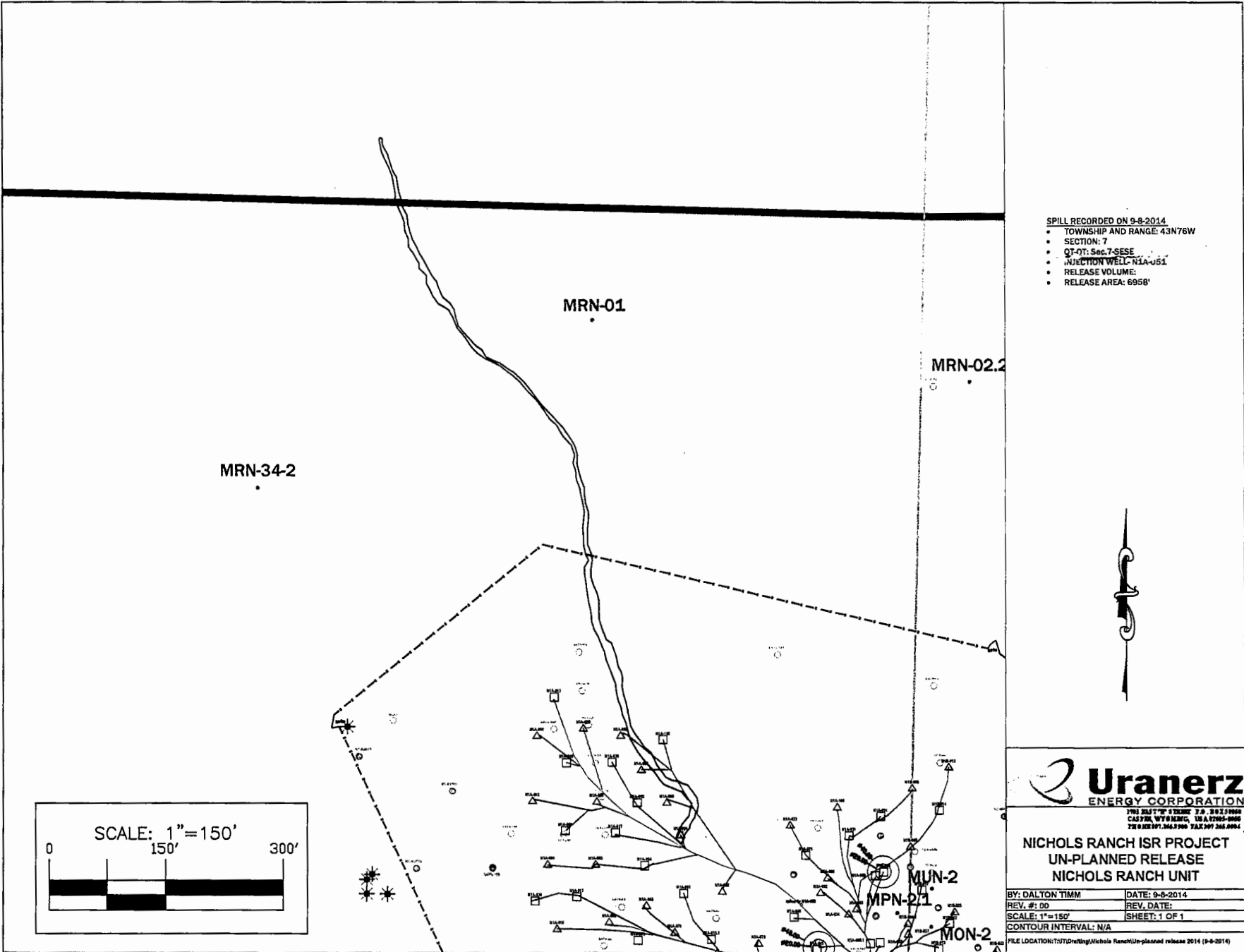
Attachments: Release Location Map for N1A-002

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

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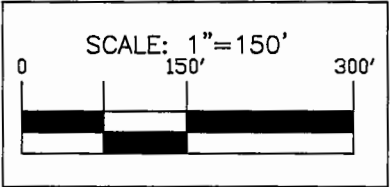
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SPILL RECORDED ON 9-8-2014

- TOWNSHIP AND RANGE: 43N76W
- SECTION: 7
- QT-01: Sec. 7-SESE
- INJECTION WELL: NIA-051
- RELEASE VOLUME:
- RELEASE AREA: 6958'



Uranerz
ENERGY CORPORATION

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**NICHOLS RANCH ISR PROJECT
UN-PLANNED RELEASE
NICHOLS RANCH UNIT**

BY: DALTON TIMM	DATE: 9-8-2014
REV. #: 00	REV. DATE:
SCALE: 1" = 150'	SHEET: 1 OF 1
CONTOUR INTERVAL: N/A	
FILE LOCATION: T:\1\Drawings\Nichole Ranch\Un-planned release 2014 (9-8-2014)	