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LOST CREEK ISR, LLC

December 12, 2014

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

**Re: Reply to a Notice of Violation
Lost Creek ISR Project License SUA-1598, Docket 040-09068**

To Whom It May Concern:

On November 14, 2014 the U.S. NRC issued findings for inspections performed during December 3-5, 2013, February 27, 2014 and June 25-26, 2014. The letter contained three severity level IV violations which are defined in part by the NRC Enforcement Policy of January 28, 2013 as "...that resulted in no or relatively inappreciable potential safety or security consequences." Please find below Lost Creek ISR, LLC's responses to each of the three violations:

Violation #1 Failure to Issue a Radiation Work Permit (RWP)

Description of NOV from NRC November 14, 2014 Letter

License Condition 9.2, states, in part, that the licensee shall conduct operations in accordance with commitments, representations, and statements contained in the license application dated April 22, 2010, Agencywide Documents Access and Management System (ADAMS No. ML102420249).

License Application Section 5.7.6.5, states, in part, that for work in radiological areas not covered by an existing, approved, Standard Operating Procedure, a Radiation Work Permit will be prepared by the Radiation Safety Officer (or designee) and approved by the Plant Supervisor, which will define any necessary personnel protective clothing, radiological controls and measurements necessary to ensure work and be accomplished maintaining exposures below limits and ALARA.

Contrary to the above, on November 28, 2013, work in radiological areas not covered by an existing, approved, Standard Operating Procedure, a Radiation Work Permit was not prepared by the Radiation Safety Officer (or designee) and approved by the Plant Supervisor. Specifically, ten workers cleaned up a spill of yellowcake, which originated in the dryer/drumming room, without a Standard Operating Procedure or by working under a Radiation Work Permit. This work was non-routine with the potential for exposure to yellowcake for which no written operating procedure already existed. Consequently, six individuals received intakes of uranium exceeding the action level of 15 micrograms of uranium per liter of urine (ug/L), as confirmed by positive bioassays, while working in this area. The bioassay results ranged from 24 ug/L to 102.5 ug/L.

This is a Severity Level IV violation (Section 6.3).

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RGMJL

Lost Creek ISR, LLC Response

Reason for Violation – The RSO determined that since the work was being performed under his direct supervision issuance of an RWP would not further enhance radiation protection. The RSO's desire to complete the work quickly without delay to complete paperwork which reiterated his verbal instructions was also a contributing factor.

Corrective Action and Results – The NRC inspector and company management have both clarified with the RSO and Health Physics staff, and company management has clarified with the Plant Foreman, that an RWP must be issued any time a Standard Operating Procedure (SOP) is not in place to cover non-routine work in question if a significant radiologic hazard is present, as described in Section 5.2.1 of the Technical Report. Since this event, RWPs have been developed and used when an appropriate SOP is not in place.

Steps Taken to Avoid Further Violations – The RSO, Health Physics Technician and Plant Foreman have reviewed the requirements of Section 5.7.6.5 of the Technical Report and Section 2.2 of Regulatory Guide 8.31 "Information Relevant to Ensuring that Occupational Radiation Exposures at Uranium Recovery Facilities will be As Low As Reasonably Achievable" in order to better understand the purpose of an RWP and when an RWP is required.

Date of Full Compliance – Upon completion of the NRC's December 5, 2013 inspection.

Violation #2 Failure to Evaluate the Use of Water Storage Tanks

Description of NOV from NRC November 14, 2014 Letter

License Condition 9.4(B)(v) states, in part, that the licensee shall obtain a license amendment pursuant to 10 CFR 40.44 prior to implementing a proposed change, if that change would create a possibility for an accident of a different type than any previously evaluated in the license application (as updated).

Contrary to the above, from November 2013 through December 2013, the licensee failed to obtain a license amendment pursuant to 10 CFR 40.44 prior to implementing a proposed change that would create a possibility for an accident of a different type than any previously evaluated in the license application (as updated). Specifically, the licensee installed and used four temporary water storage tanks and associated piping on top of the storage pond embankment, as approved in the licensee's Safety and Environmental Review Panel, ID Number LC131107-01, on November 8, 2013. The licensee failed to consider the accident possibilities of having four water tanks, with 16,800-gallons of capacity each, and the impact those tanks would have on the embankment.

This is a Severity Level IV violation (Section 6.3).

Lost Creek ISR, LLC Response

Reason for Violation – Placement of the water storage tanks at the holding ponds was approved by senior management, including an experienced engineer and an experienced EHS professional, after an informal determination was made that placement of the tanks did not present a credible significant hazard. Despite this informal review, a more thorough review should

have been completed and documented by the Safety and Environmental Review Panel (SERP), as described in License Condition 9.4. While a SERP review was completed for the larger project of water disposition, placement of the tanks was not covered with a sufficient specific technical review. An issue-specific SERP would have assessed the need for a license amendment. The decision to forego a task specific SERP was based on the belief that the associated risks (likelihood and severity) were minimal and consistent with the routine operations and risks of an in situ facility.

Corrective Action and Results – The tankage in question was no longer in routine use by the time the NRC inspection identified the violation. The water was subsequently emptied from the tanks and the tanks were removed. Lost Creek ISR, LLC has a better appreciation of NRC expectations regarding the need for SERP reviews and has already implemented this knowledge in management of the Change of Control procedures including the SERP. The NRC has subsequently noted improvements in SERP documentation.

Steps Taken to Avoid Further Violations – No additional action has been taken beyond that described above.

Date of Full Compliance – The water tanks were emptied slowly, due to ice and limited disposal capacity, after the NRC identified them as an issue during the inspection. The tanks were removed from the embankment on August 1, 2014.

Violation #3 Failure to Generate Monthly Health Physics Reports

Description of NOV from NRC November 14, 2014 Letter

License Condition 9.2, states, in part, that the licensee shall conduct operations in accordance with commitments, representations, and statements contained in the license application dated April 22, 2010, Agencywide Documents Access and Management System (ADAMS No. ML102420249).

License Application Section 5.3.1.3 states, in part, at least monthly, the Radiation Safety Officer will review the results of daily and weekly inspections, including a review of all monitoring and exposure data for the month. The Radiation Safety Officer will provide the Mine Manager and Department Heads a written summary of the month's significant worker protection activities that contains a summary of the most recent personnel exposure data, including bioassays and time-weighted calculations and a summary of all pertinent radiation survey records. In addition, the monthly summary report should specifically address any trends or deviations from the radiation protection and ALARA program, including an evaluation of the adequacy of the implementation of license conditions regarding protection and ALARA. The summary should provide a description of unresolved problems and the proposed corrective measures. Monthly summary reports will be maintained on file and be readily accessible for at least five years.

Contrary to the above, from January 2014 through May 2014, the Radiation Safety Officer failed to review the results of daily and weekly inspections and provide the Mine Manager and Department Heads a written summary of the month's significant worker protection activities that contains a summary of the most recent personnel exposure data. Specifically, the Radiation Safety Officer failed to review the results of daily and weekly inspections and summarize air

sampling data and dosimetry reports on a monthly basis, which could lead to a failure to identify a negative trend in radiation exposures or equipment deficiencies.

This is a Severity Level IV violation (Section 6.3).

Lost Creek ISR, LLC Response

Reason for Violation – All required health physics related data, including dose measurements, were collected and retained so reports could be prepared. These data were reviewed, in part, with NRC staff at the June 25-26, 2014 inspection and found to be complete and in usable form. The RSO also reviewed daily and weekly inspections as required but did not properly document these reviews with timely monthly reports. During this time the RSO also watched for trends in data in order to ensure exposures were ALARA and routinely communicated results and any concern to management.

The challenges of facility startup, including training, refinement of SOPs, and oversight of operations with largely inexperienced staff, generated a back log of work resulting in the failure to complete the monthly reports in a timely manner. Additionally, the amount of time expended on sampling was significantly larger than normal since the staff was attempting to ensure the radiologic hazards at the new facility were well understood. The amount of time devoted to sampling will decrease as the facility and its associated hazards become better understood.

Corrective Action and Results – The Lost Creek RSO has completed all monthly reports from June 2014 through October 2014 since this issue was identified during the June 25-26, 2014 NRC inspection. The template of the monthly report has been established so reports can be completed in a timely manner.

The EHS Department personnel reporting structure has been modified by eliminating environmental monitoring and reporting duties so the Health Physics staff can focus solely on radiation safety. Reducing the staff's non-health physics related workload and resolving facility start-up issues has resulted in more routine work schedules and the ability to consistently complete monthly reports in a timely manner.

Finally, an additional temporary staff member with significant experience managing Health Physics programs at uranium recovery facilities was brought on staff to ensure adequacy of the program and look for ways to improve efficiency.

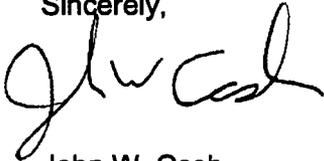
Steps Taken to Avoid Further Violations – The RSO has been instructed by senior management to complete all monthly reports within two weeks of receiving all laboratory data or by the end of the following month, whichever is later.

Date of Full Compliance – Monthly reports have been completed in a timely and thorough manner since June 2014. Compilation of earlier monthly reports is ongoing.

Reply to NOV
December 12, 2014
Lost Creek ISR Project SUA-1598

Lost Creek ISR, LLC understands the nature of each of the violations discussed above and takes the resolution of each very seriously. We trust that this response is sufficient to close out each of the issues.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Cash". The signature is written in a cursive, flowing style.

John W. Cash
Vice President

Cc: C Anderson, Wyoming DEQ
T Horne, Ur-Energy, Littleton
NRC Region IV Administrator
S. Ramsay, Wyoming Office of Homeland Security
M. Rogaczewski, Wyoming DEQ
J. Saxton, NRC (via email)