STRATA ENERGY INC

February 20, 2015

Mr. Mark Satorius
Executive Director of Operations
U.S. Nuclear Regulatory Commission
Mail Stop: 16 E15
Washington, DC 20555-0001

RE: Strata Energy Inc. Ross ISR Project
License Number SUA-1601, Docket #40-9091
NRC Costs

Dear Mr. Satorius:

I am writing to share my thoughts regarding the most recent NRC invoice received by Strata Energy, Inc. (Strata). Strata is an NRC licensee that is beginning the development of the Ross Uranium Project in Crook County, Wyoming after a protracted licensing and project financing process.

The latest NRC invoice in the amount of $165,884.57 recently crossed my desk for approval. This invoice was roughly four times the amount that my staff had accrued based on their estimate of the level of effort that NRC staff is expending on our behalf and the biweekly validation reports that we receive from NRC. You can imagine my surprise and concern with this variance, but surprise and concern have become routine with the quarterly NRC invoices. I would like to share with you three cost items in the most recent invoice and validation report that I think are emblematic of the lack of fiscal accountability at NRC.

National Historic Preservation Act activities:

As part of the NRC licensing process for the Ross Project, a review of potential historical and cultural resources was conducted as required by the National Historic Preservation Act (NHPA). This review began with cultural resource surveys conducted by Strata experts in early 2010 and continues under a Programmatic Agreement (PA) to this day. While I understand that compliance with the requirements of the NHPA can be a protracted process, I believe that NRC staff has conducted this process without regard to the cost or the time involved. The cultural resource evaluations for Native American tribal sites are an example. Tribal surveys of the Ross Project Area were conducted by ten Native American tribes in May and June, 2013. As the project proponent, Strata financed the tribal wages, travel and expenses associated with these surveys. Two of the tribes prepared survey reports, which were submitted to NRC in July 2013. Over the course of eight months the NRC staff with the support of the local Bureau of Land

Management and NRC contractors prepared an initial Tribal Field Survey Report[1]. This report was submitted to the Wyoming State Historic Preservation Officer (SHPO) in early 2014. In response the Wyoming SHPO found that the NRC Tribal Survey Report did not provide complete documentation, that determinations of *"eligible by inference"* were contrary to the regulations, and that NRC's reliance on the statement that a site is of "*ongoing cultural significance*" was inadequate to demonstrate that a site is "*important in maintaining the continuing cultural identity of a community*" as required under National Register Bulletin 38. As a result of the inadequate nature of the report, the SHPO determined that the sites must be considered unevaluated, which has the practical effect of barring Strata from accessing these areas until eligibility is determined. Of course several of these areas are within our initial mine units.

In June 2014 Strata expressed our concerns over the poor quality of the report and the rejection by SHPO. Strata questioned the appropriateness of incurring any further charges to address the flaws in the original report, particularly using the same experts that prepared the initial report. Strata specifically requested that NRC provide a plan if the staff decided to take additional action beyond tribal inquiries for clarification. Strata stated that *"(a)ny additional costs to correct the deficient report should not be recovered from Strata"*. NRC staff responded in early July that they had *"...been successful in gathering additional information"* and that staff anticipated concluding *"...this outreach effort sometime later this month"* (i.e., July 2014). Based on the expectation of an apparently quick resolution, NRC dismissed Strata's request for a plan and a budget.

Strata now finds that the revision of the tribal report required much more staff and contractor effort than NRC's July response implied: the revised report was not submitted to SHPO in July or August but rather was submitted in December 2014. This extended period to attempt to correct a flawed report is reflected in the charges: Strata has been billed over $59,000 for NRC staff time and almost $31,000 by NRC contractors for a total of nearly $90,000 for "PA activities" related to the revised tribal report. At no time did it occur to NRC staff to revisit the issue of escalating costs and discuss these with Strata as requested, despite the obvious financial impact on our operations.

The Wyoming SHPO recently rejected the NRC determinations in the revised report yet again and recommended that the sites be sent to the Keeper of the National Register for a final determination. To our knowledge, this is an NRC first. Our expert NHPA consultants believe that the revised Tribal Field Survey Report likely exhibited continued technical weaknesses despite the $90,000 spent by NRC and their contractors on the revision. However, we cannot be certain of this because NRC staff has rejected repeated requests from Strata to review these reports prepared on our behalf using our funding. My experts warn me that I should now be concerned that the NRC still lacks adequate data to meet the information requirements of the Keeper and that NRC will continue these costly efforts to support tenuous claims of eligibility using the same contractors, all at Strata's expense.

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[1] The cost to Strata of this initial report cannot be determined because it was included in the "EIS Preparation" task for the Ross License Application. However, based on the time and level of effort it certainly must be in the range of six figures.

National Environmental Policy Act activities:

The Final Supplemental Environmental Impact Statement (FSEIS) for the Ross Project, NUREG-1910 Supplement 5 was published by NRC in February 2014. This review was completed after 40 months of effort by NRC and Strata and the expenditure of $2.6 Million in direct NRC fees. The most recent NRC invoice contained a charge for $76,076.97 for contractor support for "EIS Preparation". The invoice also contained several hours of NRC staff time for the same task. Suspecting an error due to the fact that the SEIS had been completed 10 months ago, Strata questioned this charge. Imagine my surprise when I was informed that the charge was valid. NRC staff informed us that the charge was associated with the NRC's payment of a settlement invoice for work that was completed 2011 and 2012. Apparently NRC's contractor retroactively invoiced the NRC in 2014 for work on the SEIS performed in 2011 and 2012. We were told that the NRC Contracting Officer initially denied payment of the invoice but upon appeal the NRC Civilian Board of Contract Appeals determined the issues were better clarified and NRC reached a settlement. The good news is the settlement amount of over $76,000 was less than the retroactively-invoiced amount. At no time did it occur to NRC that Strata should be informed of these issues that ultimately have a financial impact on our operations. This lack of transparency in NRC billing practices has been the focus of many industry complaints and inquiries in recent years – apparently all to no avail.

Uranium Recovery Branch Safety review activities:

The most recent Validation report contains a charge of $53,249.61 from the Oak Ridge Operations Office for "Request to Remove License Condition 12.13". This amendment request was submitted by Strata in May 2014 immediately after the issuance of the Ross License. With this contractor charge, Strata has been billed over $70,000 for this task. More charges are expected since staff expects several more months of analysis will be necessary to address the amendment request. It would be reasonable to expect that the involvement of Oak Ridge as a contractor and such large sums would indicate a serious technical issue requiring resolution. In this instance that expectation would be completely incorrect. License Condition 12.13 requires that Strata submit statistical analysis of meteorological data that is acceptable to NRC staff. What is particularly bothersome about this issue is that Strata already submitted statistical analysis of meteorological data that NRC staff accepted in response to a Request for Additional Information in April 2012. Literally weeks before issuing the Strata license the NRC staff informed us that our 2012 response was no longer acceptable and that Strata must accept a preoperational License Condition (i.e., 12.13) resurrecting this issue before the license would be signed.

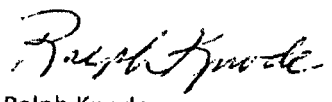
With this type of pressure exerted by the staff one would expect that the underlying issue is truly important to the protection of public health and safety and the environment. Again, unfortunately one would be wrong. The disagreement over the appropriate statistical evaluation of the long term representativeness of the meteorological data is truly esoteric. The importance to health and safety in this instance: the accuracy of MILDOS modeling using the wind data from the on-site weather station to represent long term trends. The possible impact: a positive (or negative) change in the maximum dose to the public from the Ross operation. And the maximum dose to the public with the existing weather data: less than 1 mrem/year, or less than 1 percent of the annual dose limit for the public. Apparently it has never occurred to NRC staff that over $70,000 and 9 months is an excessive cost to determine accurately how far below the limit the dose to the public from the Ross project will be.

Indeed, this entire inquiry ignores NRC policy favoring risk-based regulation as the potential risks involved can only be labelled as utterly "insignificant". Accordingly the costs associated with this

protracted evaluation are both legally and factually improper. These charges are unconscionable and reflect an agency staff that is unaccountable to the regulated community. As the "Chief Operating Officer" of the NRC, I assume that you are faced with difficult decisions regarding resources and priorities on a daily basis, as am I. In my case those decisions and priorities are bracketed by set financial constraints. When I am faced with nearly a quarter of a Million dollars in unexpected and unjustified regulatory expenses, cuts must be made elsewhere. Whether that cut is a new environmental technician that I cannot hire this year or an upgraded well cementing unit I cannot purchase (or both), the funds need to come from somewhere. And of course NRC costs don't just materialize in a vacuum: I have had to pay expert archeologists and NEPA specialists and meteorologists in order to incur these NRC costs.

While I understand that your job entails many complicated and difficult responsibilities I hope that you will find the time to investigate in some detail this gross failure of "cost- effective risk-based" regulation. I have spent my entire professional career since the early 1980's mining uranium and I understand that regulatory costs in this industry are high and are difficult to predict. What has changed in the recent past is the sheer profligacy of the NRC staff spending licensee funds on questionable issues. Add to this the complete unpredictability of these costs and the result is a situation that is a threat to any company trying to function in today's NRC-regulated environment. I would encourage you to check with other uranium recovery CEOs to determine if they have had comparable experiences with NRC costs. I would be willing to wager that without exception they can recount similar (or worse) experiences.

Sincerely,



Ralph Knode
Chief Executive Officer
Strata Energy, Inc.