CAMECO RESOURCES CROW BUTTE OPERATION



86 Crow Butte Road P.O. Box 169 Crawford, Nebraska 69339-0169

(308) 665-2215 (308) 665-2341 – FAX

September 12, 2012

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Michael Linder, Director Nebraska Department of Environmental Quality P. O. Box 98922 Lincoln, Nebraska 68509-8922

Dear Mr. Linder:

On August 20, 2012, during routine 5-year Mechanical Integrity Testing (MIT), well number I-5128 in Mine Unit 11, Wellhouse 61 failed the MIT criteria at the Crow Butte Resources (CBR) mine site. Isolation procedures indicated that the failure was the casing joint at the 220-foot level. Dave Miesbach, Underground Injection Control Program Manager, at Nebraska Department of Environmental Quality (NDEQ), Lindsay Phillips, of the NDEQ Chadron field office, and Ron Burrows, NRC Project Manager, were notified concerning this well on August 20, 2012.

Based upon a review of the geophysical and lithology logs for I-5128, the failed casing joint was located in a sandy zone at the base of the Brule Formation. Because I-5128 had been operated as an injection well, the opportunity existed for this casing failure to impact the Brule Aquifer. This well had been in operation since January 26, 2011.

Upon review of the data with Dave Miesbach it was requested that CBR install at least one shallow monitor well to sample the water quality in proximity to I-5128. This well (5128a) was drilled approximately 30 feet downstream (northwest), using surface casing to a depth of 180 followed by air drilling to a total depth of 230 feet. Three different water samples were collected to determine if contamination had occurred. The results of the samples are as follows:

| Date | Time | Conductivity | <u>Chloride</u> |
|---------------------------------------|--------------------------|---------------------|-----------------|
| 8/27/12 | 12:00 p.m. | 311 µohms | 2.1 ppm |
| 8/28/12 | 8:00 a.m. | 302 µohms | 1.4 ppm |
| 8/29/12 | 9:00 a.m. | 339 µohms | 2.8 ppm |
| Chadron Formation Water Quality (ave) | | 1900 µohms | 186 ppm |
| Brule Format | tion Water Quality (ave) | 350 µohms | 5.0 ppm |
| Mining Solution (ave) | | 5000 µohms | 600 ppm |

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The test results were reviewed with Dave Miesbach and he was of the opinion that no contamination had occurred and that the test well could be plugged and abandoned.

Crow Butte repaired I-5128 by installing a sleeve at 215 feet to cover the failed joint. During the installation of the 215 foot sleeve, the well was damaged at the 40 and 80 foot joints. Sleeves were installed at 35 and 75 feet to repair the damaged joints. After the repairs, the well successfully passed the MIT criteria and was returned to service. Attached is a copy of the successful test.

If you have any questions or concerns on this matter, please do not hesitate to call me at 308-665-2215 ext. 111.

Sincerely,

Lany teahon

Larry Teahon Manager of Safety, Health, Environment and Quality

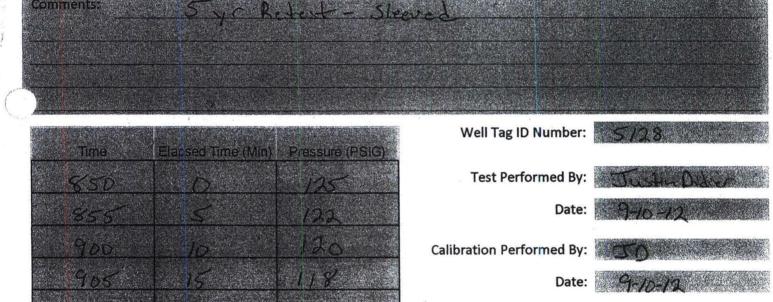
Attachment

- cc: Lindsey Phillips NDEQ Ron Burrows - NRC CBO - File
- ec: CR Cheyenne



Casing Integrity Test Report

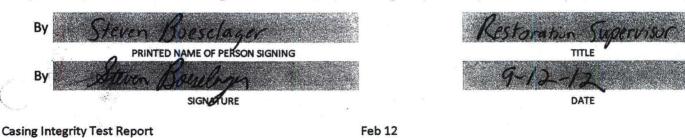
| company: | Crow Butte Crow Butte | | | Permit No: | NE0122611 | |
|-----------------------------|--------------------------|---|-----|---|--|--------------|
| Project: | | | | Well No: | 5128 | |
| Casing Type: | Certa-Lok | n name an inclusion and an inclusion and an inclusion of the second second second second second second second s | | Diameter: | 4.5 | in. |
| | Hole Depth: | 800 | ft. | Casing Depth: | 789 | ft. |
| Screened Interval 1 Top: | | 746 | ft. | Screened Interval 2 Top: | gerige talentierer het serverlige von heren State von einer state state | ft. |
| Screened Interval 1 Bottom: | | 773 | ft. | Screened Interval 2 Bottom: | - Andrewski in the second s | ft. |
| Screened Inte | erval 3 Top: | | ft. | Screened Interval 4 Top: | gi kin som mennen in | ft. |
| Screened Inte | erval 3 Bottom: | | ft. | Screened Interval 4 Bottom: | a ser and a series and a series of the serie | ft. |
| De | pth to K-Packer: | 735 | ft. | Depth to Test Packer(s) | Top: grou | ind fever ft |
| | | | | el (kon a constant) en el constant de la c | Bottom: 72 | ft |



CERTIFICATION

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this application and all attachments and that, based on inquiry of those individuals immediately responsible for obtaining information, I believe that the information is true, accurate, and complete. Further, I certify awareness that there are significant penalties for submitting false information, including the possibility of a fine and imprisonment.

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