

**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY
LAND QUALITY DIVISION**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Land Quality Division and Water Quality Division (WDEQ/LQD/WQD) and Power Resources, Inc. (PRI) authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in **Notice of Violation (NOV) Docket No. 4122-07 dated September 12, 2007**. The NOV alleges that PRI, 1) left a valve open in the header house allowing 198,500 gallons of injection fluid which were intended to be pumped to injection well HI-744, instead were spilled onto the ground surface and 2) as a result of improper maintenance resulting in corrosion of a brass nipple on production well HP-397, allowed 3747 gallons of production fluid to spill onto the ground surface. The spills of both the injection and production fluids impacted native vegetation and soils in an ephemeral drainage, potentially polluting surface and subsurface waters of the state.

The mine site is located in Converse County, in portions of Township 36 North, Ranges 72 and 73 West. The approved permit includes 15,635.17 acres within the permit boundary with 1,554 acres to affect. The location of the violation lies in an ephemeral drainage included in Section 19 Township 36 North, Range 72 West. The spills of injection and production fluids are violations of the Wyoming Environmental Quality Act (Act) and the applicable Wyoming Department of Environmental Quality/Land Quality Division Rules and Regulations (WDEQ/LQD R&R).

Wyoming Statute (W.S.) §35-11-701(c) authorizes the WDEQ/LQD/WQD to attempt to eliminate the cause of the violations by conference and conciliation, in lieu of litigation. To that end, Power Resources, Inc. and the WDEQ/LQD/WQD hereby stipulate and agree as follows:

1. The WDEQ/LQD/WQD pursuant to W.S. §35-11-104, are departments in the executive branch of the state government of Wyoming and are principally situated in Cheyenne, Wyoming. DEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act including all provisions of the WDEQ/LQD R&R.
2. Power Resources, Inc. (PRI) is the permittee of Permit 603 insitu uranium mine operation located in portions of Township 36 North, Ranges 72 and 73 West in Converse County. PRI is the primary operator of the mine.
3. Contamination of surface soils and vegetation resulted from the spills from both an injection well and a production well. In addition, waters of the state were threatened as a result of the spills. The spills were the direct result of inadequate operation and maintenance of facilities. Therefore, the violation is for both failing to protect the resources and for causing the contamination of the resources.
4. To mitigate the contamination of the soils, the permittee, PRI, agrees to the following corrective actions:
 - A) Soil should be removed to a depth of 8-12 inches from the area located between production well, injection well, and sample No. 6 (approximately 0.65 acres) (Attachment No. 1). Soil to a depth of 8-12 inches should also be removed from the area around the Pool 2 sample. **Because of the closure of the Pathfinder disposal facilities until May, 2008, PRI must provide a proposal for LQD approval for the disposal of the material. A proposal to leave the contaminated material in situ until late April, when it would be excavated for disposal at Pathfinder facility, must include an appropriately sized and constructed sump or pond placed directly downstream of the area to be excavated. The sump must be designed to contain runoff from the watershed upstream. In addition, monitoring any water collected and material beneath**

SETTLEMENT AGREEMENT BETWEEN WDEQ/LQD AND POWER RESOURCES, INC.

the sump must be included in the proposal. At least one area downstream must also be monitored in the same manner. If contamination is detected at either the sump or downstream, PRI will be required to monitor further downstream to determine the extent of further contamination. Note: The LQD has not requested information for the pre-existing depth of topsoil in the area, or that the topsoil is replaced with new soil material. It is recommended that a suitable soil material be replaced where the native topsoil has been stripped, if the stripped topsoil removes a significant percent of the total pre-existing depth of topsoil. To establish the revegetation a minimum of six inches of suitable soil should be present. PRI will be responsible for the reclamation success of the disturbance.

- B) The width dimension (**Attachment 1**) that will be excavated will lie between the flag markers which were used to delineate the contamination.
 - C) The area stripped of topsoil should be drill seeded or seeded using other appropriate methods with an approved permanent seed mix following soil removal and no later than April 30, 2008 (**Attachment No. 2**). **Note: It is recommended that the selected seed mix include predominately native species adapted to the soil type, elevation and amount of precipitation on the site. Forbs and shrubs should be used in the seed mix. If PRI does not use this recommended seed mix, you will be required to submit an alternative for approval before seeding. The seeded areas should be protected from grazing until they are well established.**
 - D) The remaining area of the spill should be monitored for the concentration of selenium, uranium, and radium-226 by collecting vegetation and soil samples in the fall of 2008 from the depth of 0-2", 2-6", and 6-12" from the similar location as previous samples (Sample No. 7, 15 and 16, Pool 1, No. 8/9, Pool 3, Pool 4, No. 10, 11/12 and No. 13 (**Attachment No. 3**). The vegetation samples (perennial grasses only) should be composites of the current annual growth from the dominant vegetation present at the sampling location. The vegetation samples should be collected from adjacent sites to each soil samples. The results of the 2008 sampling should be submitted to the LQD by October 30, 2008.
 - E) Properly installed Alternative Sediment Control Measures (ASCM) shall be constructed to control surface runoff and sediment deposition to downstream and adjacent vegetation while establishing the vegetation cover.
5. To mitigate inadequacy of the operation and maintenance of the facility, PRI, agrees to the following:
- A) Installation of a leak detection system with an alarm (or use of best available technology as approved by LQD) on new well fields beginning with the K well field, within one year of the signed Settlement Agreement;
 - B) Daily inspection and documentation of these inspections, of all operating wellfields and header houses to begin immediately, with the signed Settlement Agreement;
 - C) Designate an individual whose duty is to provide consistent and periodic training of standard operating procedures, to be implemented within one year of the signed Settlement Agreement;
 - D) Abandon the practice of reusing unions after maintenance on fittings to begin immediately, with the signed Settlement Agreement;
 - E) Installation of early detection systems for all Bell Holes to begin immediately, with the signed Settlement Agreement;

- F) Continue to systematically test, and replace as needed, materials/parts in all wellfields, including all flanges of the type that failed in Mine Unit 2, with a goal to have all replacements complete within one year of the signed Settlement Agreement;
 - G) Replacement of wetted wellhead fixtures on all operational wells must be completed at least every five years from initial startup for active wells. If the combination of standby and operational life is five years or more, then the wellhead fixtures must be replaced before the well is placed back in service;
 - H) Documentation of compliance will be available onsite for LQD verification during site inspections for items listed above.
6. PRI shall provide maps showing the locations and extent of past spills listed on the NRC spreadsheet. A commitment shall be provided in the permit to update the maps in the annual reports to add new spills. Past and any future excursions shall also be shown on these maps.
 7. PRI shall provide a permit revision to include a discussion of spill maintenance, prevention and reporting. A materials management plan shall also be included with the revision. The revision shall be submitted to LQD within 90 days of this signed Settlement Agreement.
 8. Subject to the waiver hereafter set forth, Power Resources, Inc. agrees to pay Sixty Eight Thousand Six Hundred Dollars (\$68,600.00) as a stipulated settlement as partial resolution to this matter in lieu of litigation under W.S. §35-11-901(a)(ii). However, Power Resources, Inc. shall pay Forty Five Thousand Dollars (\$45,000.00) directly to the WDEQ/LQD with the signed Settlement Agreement. If, Power Resources, Inc. satisfies the requirements outlined in Nos. 4, 5, 6 and 7 above, the remaining payment of Twenty Three Thousand Six Hundred Dollars (\$23,600.00) shall be waived. If the remaining compliance requirements are not fulfilled, the remaining Twenty Three Thousand Six Hundred Dollars (\$23,600.00) must be paid one year from the date this Settlement Agreement is finalized with signatures from all parties. This signed agreement and partial payment of Forty Five Thousand Dollars (\$45,000.00) are due within 15 days of receipt of the Settlement Agreement. Payment to WDEQ/LQD shall be by check made payable to the Wyoming Department of Environmental Quality/Land Quality Division and shall be sent to: Donald R. McKenzie, Administrator, Wyoming Department of Environmental Quality, Land Quality Division, Herschler Building, 3 Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.
 9. This signed Settlement Agreement by Power Resources, Inc. as specified above shall constitute full satisfaction for and resolution of all claims by the WDEQ/LQD/WQD against Power Resources, Inc. based on the violations alleged in this Settlement Agreement. Contingent upon Power Resources, Inc. compliance with the terms of this Settlement Agreement, the WDEQ/LQD/WQD will refrain from taking further enforcement action against Power Resources, Inc. for these particular violations cited in this Settlement Agreement.
 10. Power Resources, Inc. waive any statute of limitations which may apply to an enforcement action by the WDEQ/LQD/WQD involving the specific matters described here in, under item No. 3 above, in the event that Power Resources, Inc. fail to fulfill their obligations under this Settlement Agreement.
 11. Nothing in this agreement precludes WDEQ/LQD/WQD from taking additional enforcement action, including the issuance of a Notice of Violation, and/or pursuing additional penalties, should Power Resources, Inc. violate the Wyoming Statutes or applicable R&R in the future.
 12. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.

13. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and WDEQ do not waive sovereign immunity by entering into this Settlement Agreement with Power Resources, Inc. and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
14. This Settlement Agreement is binding upon Power Resources, Inc. successors and assigns, and upon the WDEQ/LQD/WQD.
15. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR POWER RESOURCES, INC.:

Signed: Stephen P. Collings

Date: December 20, 2007

Typed: Stephen P. Collings

Title: President

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

John V. Coira for JVC
John V. Coira, Director
Wyoming Department of Environmental Quality

12/27/07
Date

Carroll Bellinger for
Donald R. McKenzie, Administrator
Land Quality Division

12/26/2007
Date

John Wagner
John Wagner, Administrator
Water Quality Division

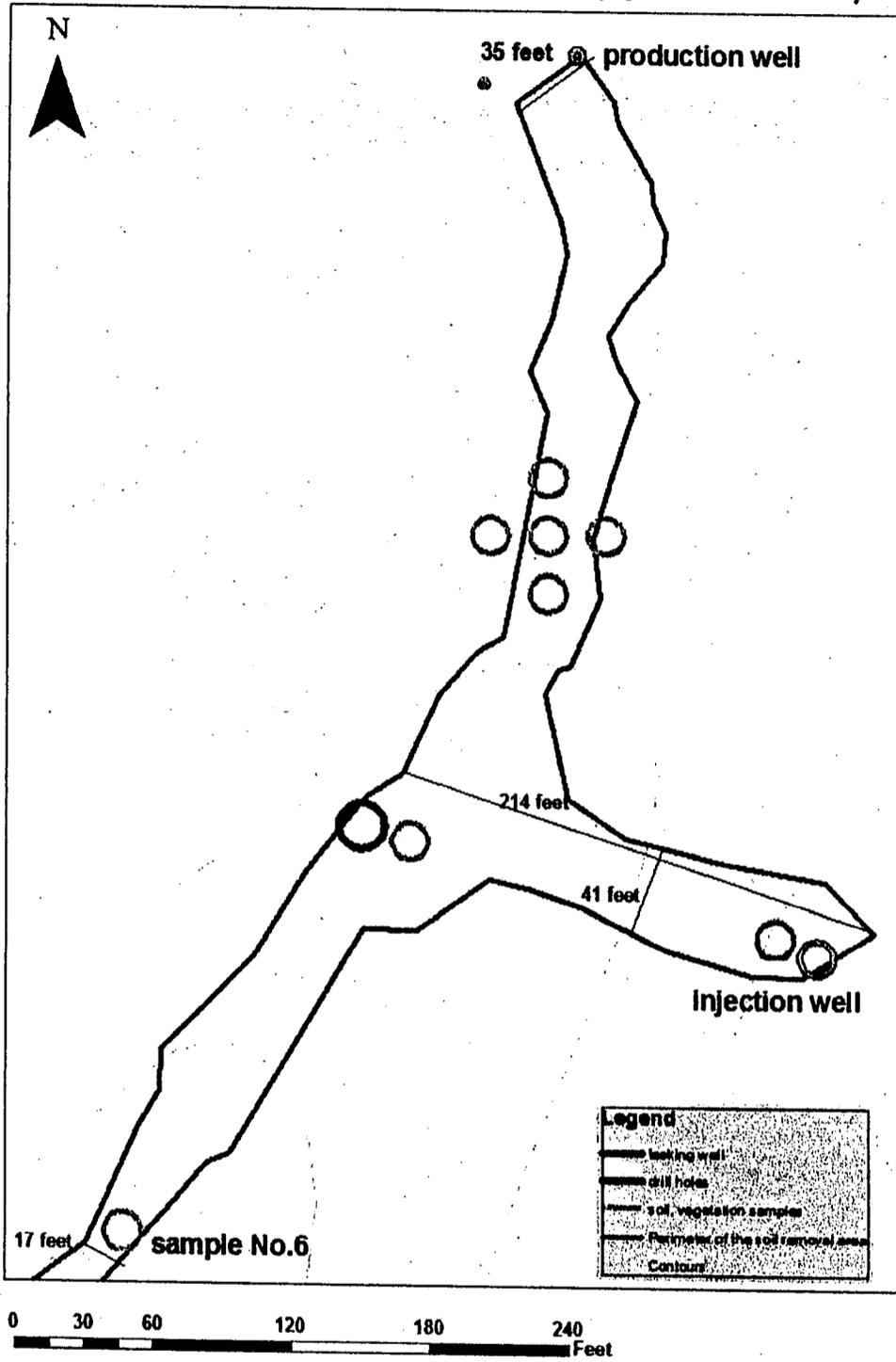
12/27/07
Date

JVC/DRM/JW/pcr

cc: Becky Brosius, NOV Files (603)
Lowell Spackman, LQD
Brian Lovett, WQD

ATTACHMENT 1

Recommended soil removal area (spill June 2007)



ATTACHMENT 2

RECOMMENDED SEED MIXTURE - MIXED/CLAY SOIL

<u>Species</u>		<u>lbs. PLS/ac</u>	<u>Seeds/lb</u>
<i>Agropyron (Pascopyrum) smithii</i>	Western wheatgrass	1 to 3	110,000
<i>Elymus lanceolatus ssp. riparium</i>	Streambank wheatgrass	1 to 3	156,000
<i>Poa sandbergii</i>	Sandberg bluegrass	1 to 3	925,000
<i>Koeleria cristata/macrantha</i>	Prairie junegrass	1 to 2	2,315,400
<i>Bouteloua gracilis</i>	Blue grama	1.5 to 3	825,000

<u>Alternate Grass Species</u>		<u>lbs. PLS/ac</u>	<u>Seeds/lb</u>
<i>Agropyron spicatum (Pseudoroegneria spicata)</i>	Bluebunch wheatgrass	1 to 2	210,000
<i>Elymus trachycaulus ssp. trachycaulus</i>	Slender wheatgrass	1 to 3	159,000
<i>Elymus (Leymus) cinereus</i>	Basin wildrye	1 to 3	130,000
<i>Stipa viridula</i>	Green needlegrass	1 to 3	181,000
<i>Sitanion hystrix (Elymus elymoides)</i>	Bottlebrush squirreltail	1 to 3	926,000
<i>Festuca ovina</i>	Sheep fescue	0.75 to 2	680,000

Select a minimum of three species from the following list

<u>Perennial Forbs and Legumes</u>		<u>lbs. PLS/ac</u>	<u>Seeds/lb</u>
American vetch (<i>Vicia americana</i>)		1.5 to 4	33,000
Blackeyed Susan (<i>Rudbeckia hirta</i>)		0.5 to 1	1,710,000
Blue flax (<i>Linum lewisii</i>)		0.25 to 0.75	293,000
Northern sweetvetch (<i>Hedysarum boreale</i>)		1 to 2.5	33,600
Pacific aster (<i>Aster chilensis</i>)		0.25 to 1	2,668,000
Plains aster (<i>Aster bigelovii</i>)		0.25 to 1.5	1,550,000
Prairie aster (<i>Aster tanacetifolius</i>)		0.5 to 1.5	496,000
Prairie thermopsis (<i>Thermopsis rhombifolia</i>)		2 to 5	15,000
Scarlet globemallow (<i>Sphaeralcea coccinea</i>)		0.5 to 1.5	500,000
Sulfur flower buckwheat (<i>Eriogonum umbellatum</i>)		1 to 2	209,000
Western coneflower (<i>Rudbeckia occidentalis</i>)		0.5 to 2	345,000
White eveningprimrose (<i>Oenothera pallida</i>)		0.75 to 2	512,000
Yarrow/White yarrow (<i>Achillea millefolium/lanulosa</i>)		0.25 to 1	2,770,000
Big sagebrush (<i>Artemisia tridentata</i>)	[Broadcast seed only]	1 to 4+	2,500,000
Rabbitbrush (<i>Chrysothamnus nauseosus</i>)	[Broadcast seed only]	1 to 4	400,000
Winterfat (<i>Ceratoides lanata</i>)		1 to 4	56,700
Gardner saltbush (<i>Atriplex gardneri</i>)		0.5 to 1.5	111,500

The soil material should be tested for texture, EC, pH, SAR and fertility, so that the species mixture can be customized for the specific material conditions. The seed mixture should be drill seeded at a minimum of 150 seeds per ft². A minimum of three forb/shrub species should be included in the seed mixture. The seeding rates should be approximately doubled if the mix will be broadcast seeded.

Bluebunch wheatgrass is included as an alternate species because it is less adapted to very fine soils and saline conditions than those species listed in the primary mixture. **Green needlegrass** is included as an alternate species because it is less drought tolerant and tolerant to saline conditions than those species listed in the primary mixture. **Slender wheatgrass** is included as an alternate species because it is less drought tolerant and less adapted to very fine soils than those species listed in the primary mixture.

ATTACHMENT 3

Spill Map, Permit 603, June 2007

