



State of Utah
Department of
Environmental Quality

Richard W. Sprott
Executive Director

Division of Radiation Control
Dane L. Finerfrock
Director

JON M. HUNTSMAN, JR.
Governor

GARY HERBERT
Lieutenant Governor

July 29, 2008

Mr. Harold R. Roberts
Executive Vice President – US Operations
Denison Mines (USA) Corp. (DUSA)
1050 17th Street, Ste. 950
Denver, CO 80225

Dear Mr. Roberts:

**SUBJECT: Denison Mines (USA) Corp. (DUSA)
White Mesa Uranium Mill Cell 4A Operation
Record of Telephone Conversations and Request for Information**

On July 28, 2008 Mr. David Rupp contacted you via telephone and discussed some of the major items needed for DRC operational approval of the subject Cell 4A at the White Mesa Uranium Mill. We anticipate identifying other needed minor items, which we will communicate later in writing. We also held a conference call with Mr. Ron Hochstein of DUSA on July 29, 2008 to discuss the major issues listed below.

The major items discussed with you on July 28 concerned the *Cell 4A BAT Monitoring, Operations and Maintenance Plan*, observed construction deficiencies, and the status of the surety update and the *Cell 4A Construction Quality Assurance Report*. In the review of these items, some new aspects pertaining to some of them have been identified, which were not discussed on July 28, but were mentioned to Mr. Hochstein on July 29. The items are listed below, divided according to the categories mentioned above:

I. July 16, 2008 DUSA Cell 4A BAT Monitoring, Operations and Maintenance Plan:

- a.) Detail drawings and procedures for the monitoring, operations and maintenance of the leak detection system (LDS) are needed. Similar details are also needed for the slimes drain system.
- b.) Some specific additional items:
 - 1.) The water elevation in the LDS sump for pump startup must not exceed 1-foot in depth below the lowest elevation of the secondary liner in the pond to conform to requirements of the Ground Water Discharge Permit [Part I.E.8(a)(2)].
 - 2.) The shut-off elevation of the pump in the LDS sump is currently specified as “at the lowest level possible.” Verbiage in the plan needs to include how that level will be established, and compliance made with the requirements of Part I.E.8(a)(2) of the permit.

3.) The Ground Water Discharge Permit [Parts I.E.8(a)(1) and I.F.3] requires that continuous monitoring of the sump water elevation is provided, and certain other measurements be recorded. Drawings and adjustments to the plan text need to be made to incorporate these requirements.

II. Observed Construction Deficiencies:

As discussed, the items in this category will need to be certified as completed by a registered professional engineer licensed to practice in the state of Utah. As you proposed, photographs documenting the work will need to be submitted for approval.

- a.) Sandbag Cover over the Strip-drains:
 - 1.) Sandbags which expose the strip-drain need to be adjusted to cover the same at all locations.
 - 2.) The exposed strip-drains at their junctions with the slimes drain header need to be properly covered with sandbags.
 - 3.) Sandbags need to be extended onto the slimes drain header windrow to cover and be in alignment above the slimes drain sections that are installed within the slimes drain header envelope of geotextile and gravel drain rock. See attached DRC sketch dated July 25, 2008.

- b.) A section of non-woven geotextile material, about 25-feet in length, has been installed as the top fabric at the upper end of slimes drain header near the northeast corner of the cell. This material needs to be replaced with woven geotextile material to meet the specifications.

- c.) Drainage Rock for the Slimes Drain Header (Spine or Central Collection Pipe):
 - 1.) Drainage rock outside the geotextile envelope and on the cell liner needs to be removed.
 - 2.) In numerous locations, drainage rock in the header is exposed, yet cupped in the geo-fabrics of the slimes drain header (per attached photographs). This configuration does not conform to the original design drawings. A new aspect on this problem, not discussed with you on July 28, is that these openings to the drain rock will allow fines to flow into the slimes drain header, and plug or reduce the permeability of the slimes drain. Please change this configuration to conform to the original design, or propose an approvable remedy to eliminate the drain rock exposure to the tailings.

- d.) The overflow spillway between cells 3 and 4A is shown on the project drawings, sheet seven. Section J-7 shows the inflow and outflow edges as beveled and flush to the liner surface. However, these edges are not constructed beveled. A new aspect not mentioned earlier, is that the slab is also perched higher (6"-12") above the liner surface, than the original design on the Cell 4A side. Please change this configuration to conform to the original design, propose an approvable remedy to the configuration or demonstrate that the existing condition will not be a hazard to the Cell 4A liner.

III. July 25, 2008 Revised Surety Update:

On July 28, 2008 we received a revised surety update from DUSA including the reclamation and decommissioning of Cell 4A. This item is currently under review. A delivered surety

Mr. Harold Roberts
July 29, 2008
Page 3

bond or other instrument corresponding to the final approved amount must be received before approval to use will be issued.

IV. **Cell 4A Construction Quality Assurance Report:**

Our comments regarding the report are listed on our letter of July 22, 2008, which was hand-delivered to you on July 23, 2008. DUSA's response and resolution to items 1-4 in that letter are considered major items for DRC operational approval.

Please review the above comments, and submit the requested information. If you have any questions on the above, please contact me or Mr. Rupp.

Sincerely,



Dane L. Finerfrock
Director

DAR:dr

Cc: Mr. Ron Hochstein, President, DUSA

Enclosures: Photographs 2, 5, 6, 7, 8, 12, and 13

M

DRC

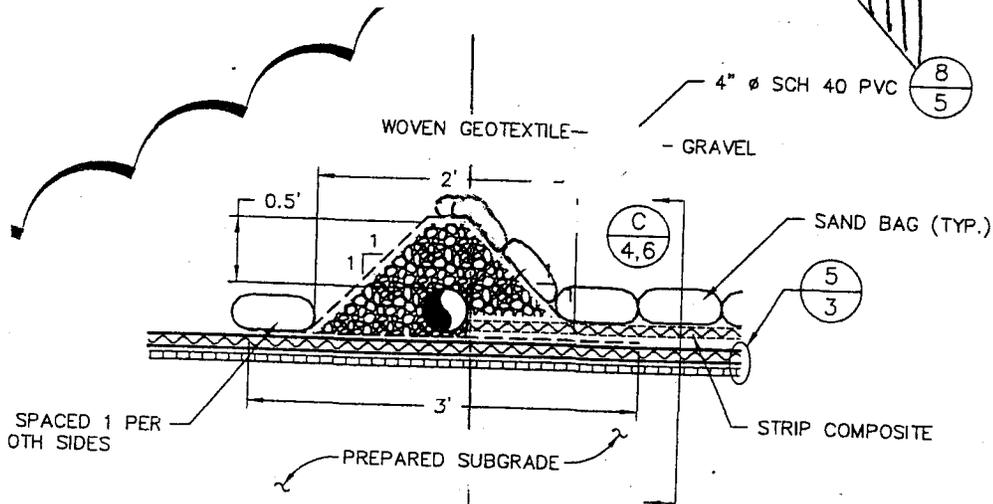
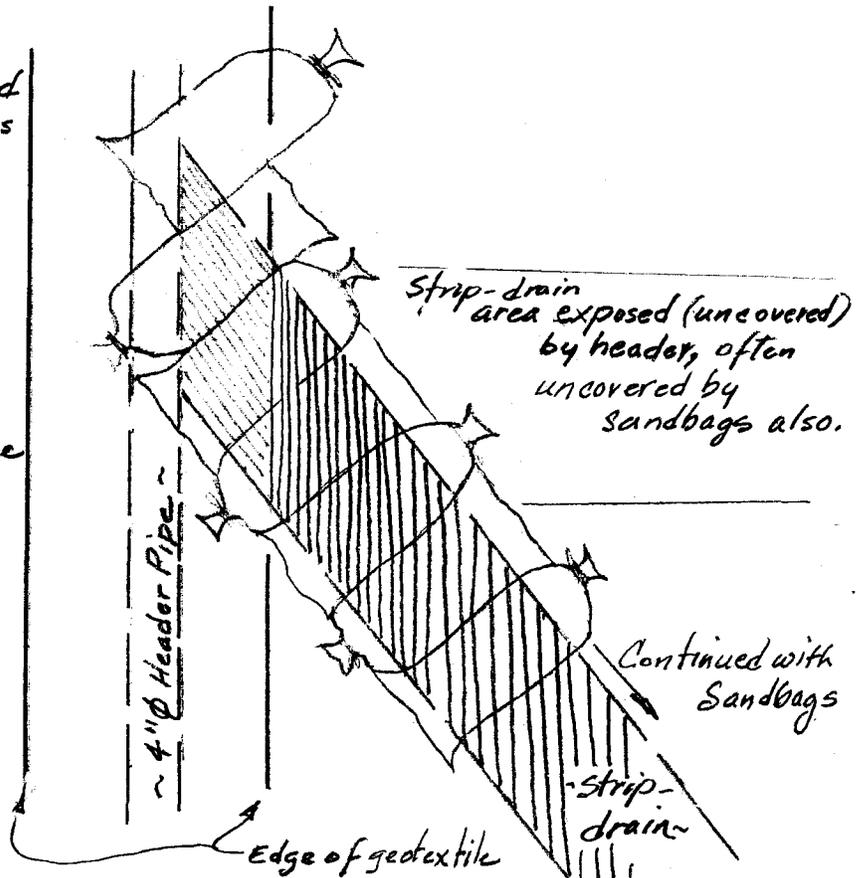
DUSA Cell 4A

July 25, 2008

1/1

 Strip-drain Area currently to be covered by sandbags for filter as req'd by specs.

 Strip-drain area to be covered by sandbags and header envelope



B
4,6

SECTION
SLIMES DRAIN HEADER
SCALE: 1" = 1'

Enclosure

No. 937 811E
Engineer's Computation Pad

STAEDTLER®

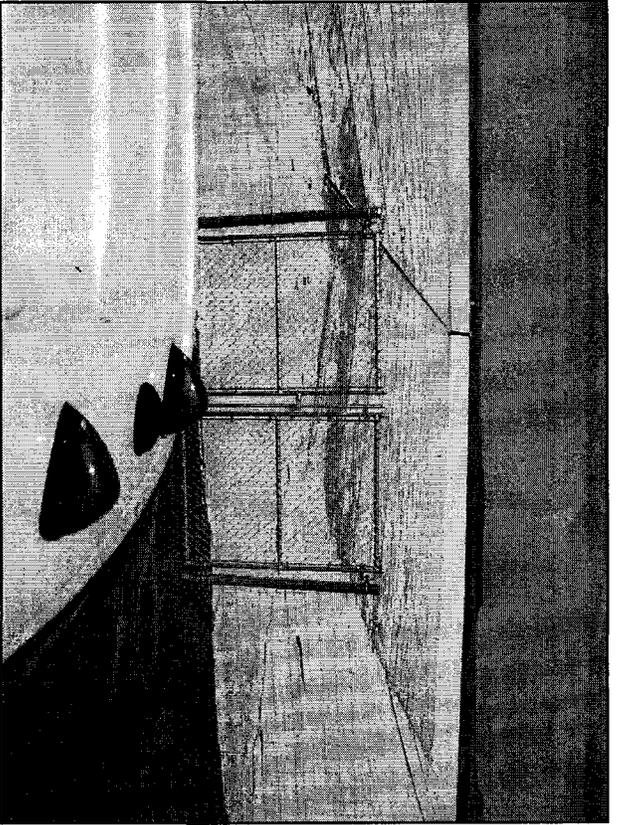


Photo 1. Cell 4A from new NE corner gate and pond perimeter fencing to the S.W.
Photos taken 7/23/08.



Photo 3. Realigned sandbags. Note gaps at underside between the two center bags.



Photo 2. Connection of fabrics between sandbag ballast, slimes drain backbone. Note rock exposed, but not on the liner.



Photo 4. Line of strip-drain bags. Reduction in gaps noted since last site visit. However, some still present necessitating more adjustment required.



Photo 5. Note opening in black fabric slimes drain header allowing small amount of drainage rock to escape. Escaped rock needs to be removed or enveloped in fabric.

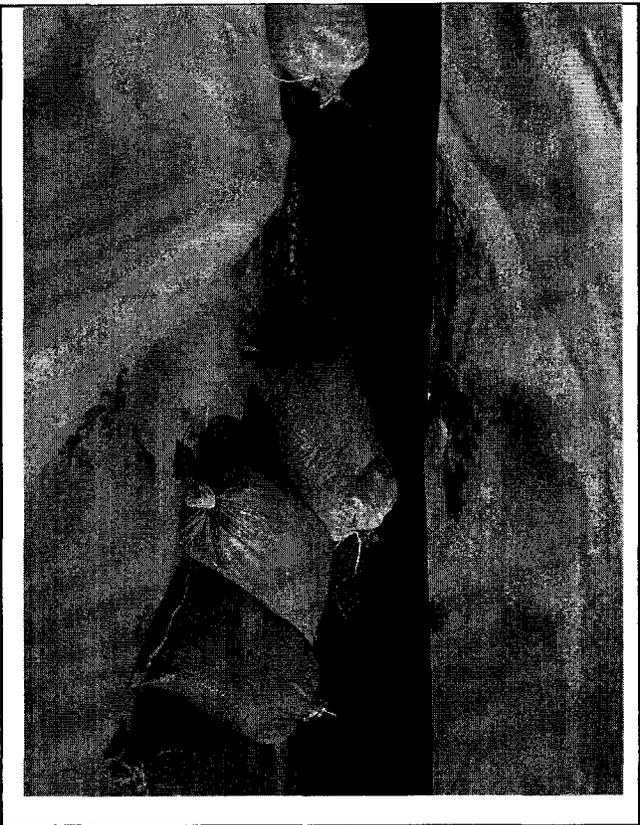


Photo 7. Not enough bags to cover exposed strip-drain... Use of additional bags to cover and filter the slimes moving vertically through the header to the strip-drain within the black envelope was discussed. Also see photo 6 and 8 for rough idea.



Photo 6. Note exposed strip-drain. Use of sand bags to cover and filter slimes moving vertically through the header to the strip-drain within the black envelope was discussed. See photos 7 & 8.

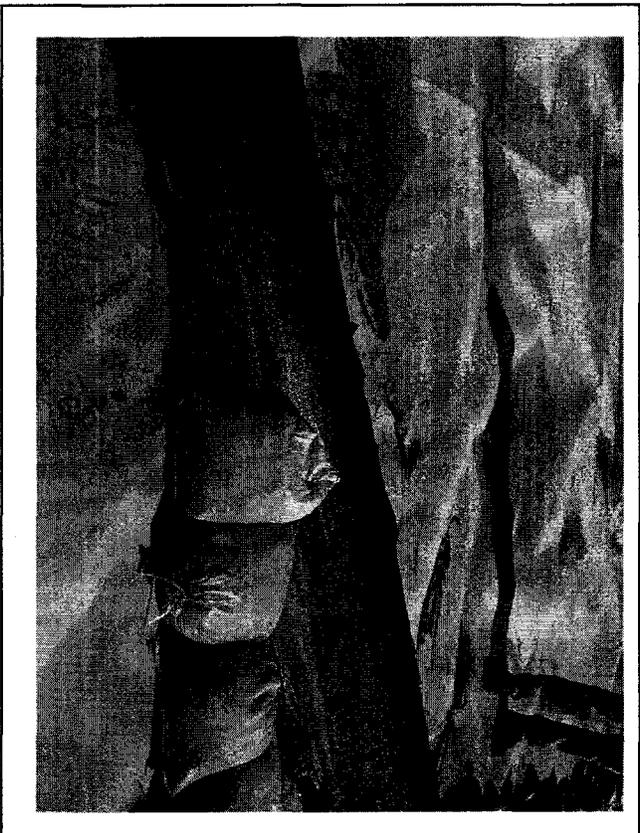


Photo 8. Similar to previous. Drawing showing coverage of strip drain within the header by sandbags above the black header is provided separately.



Photo 9. Similar problem. Bags not covering strip-drains all the way to junction. Note storm water collected in S.W. corner of tailings cell.



Photo 11. Cell 4A about 8:30 a.m. on July 23, 2008. The previous evening thunderstorm rainfall was about 1-inch.

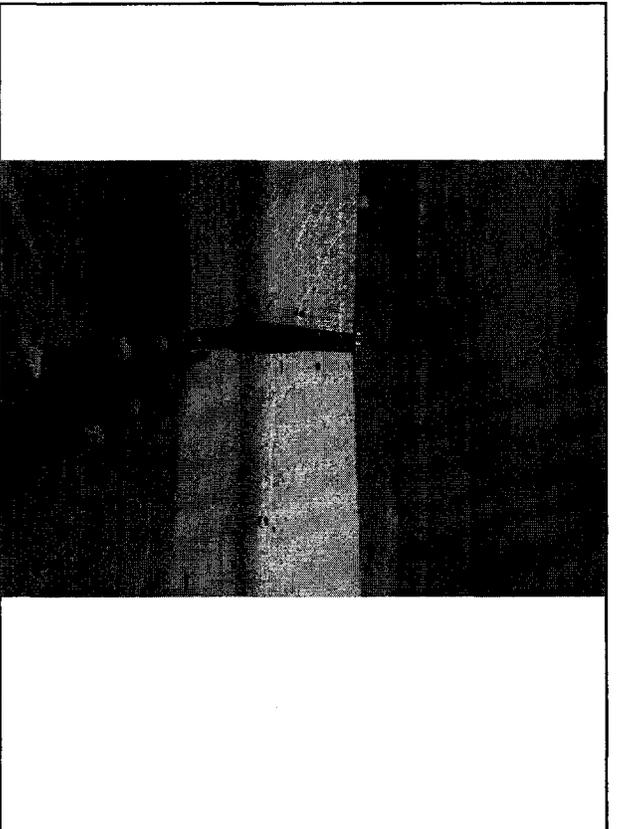


Photo 10. Black header drain daylighting from storm water.



Photo 12. Black fabric envelope width meets the specifications, but the specified rock configuration cannot always be contained completely by the envelope.

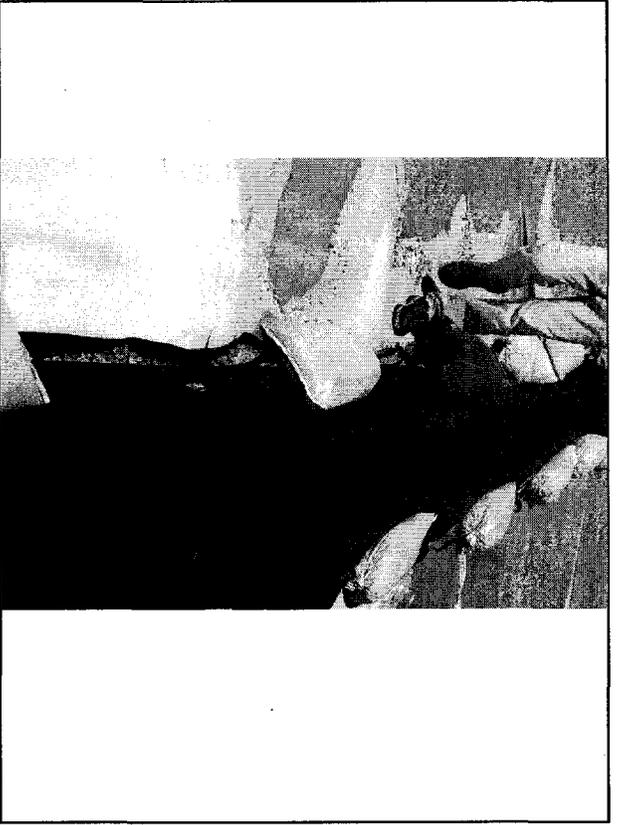


Photo 13. Rock shown at the border of the

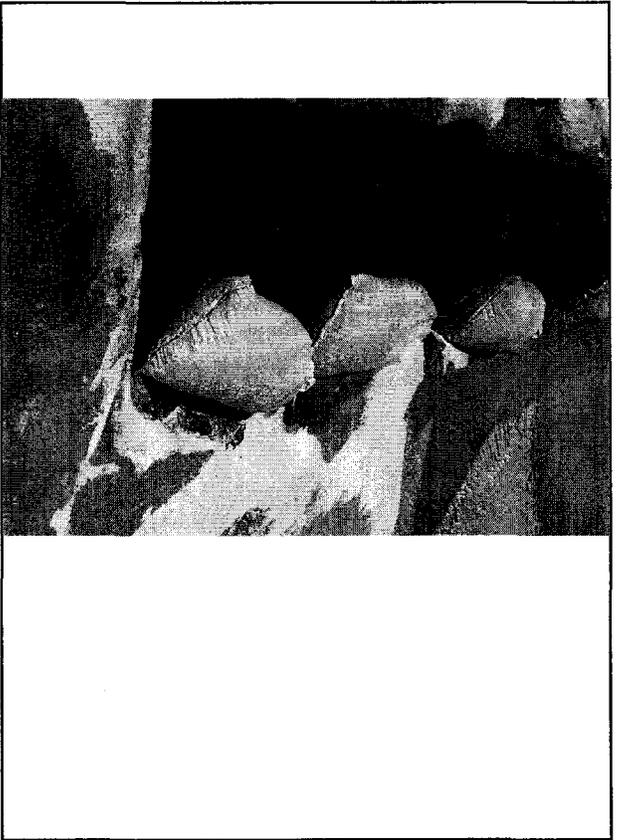


Photo 14.



Photo 15. Photo from N.E. corner of Cell 4A

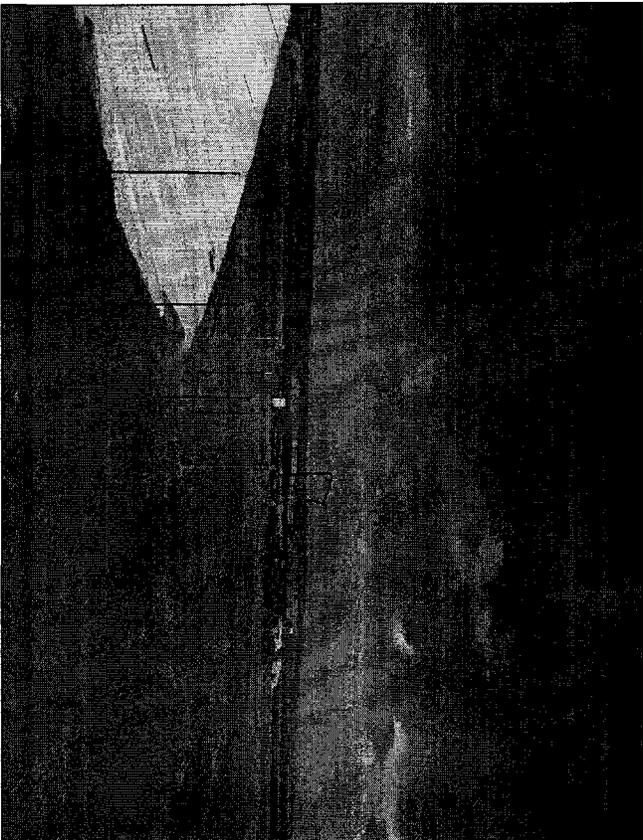


Photo 16. New fence under construction about 4' off the liner perimeter. Fencing wire cuttings were found this area. Such is a hazard to the liner from foot traffic.