

**BEFORE THE ENVIRONMENTAL QUALITY COUNCIL
OF THE STATE OF WYOMING**

IN THE MATTER OF THE APPLICATION)
OF STRATA ENERGY FOR AN IN SITU)
MINING PERMIT FOR THE ROSS ISR)
URANIUM PROJECT FROM THE LAND)
QUALITY DIVISION OF THE) Docket No. 12-4803
DEPARTMENT OF ENVIRONMENTAL)
QUALITY FOR THE STATE OF)
WYOMING)
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FILED

SEP 28 2012

Jim Ruby, Executive Secretary
Environmental Quality Council

**PROTEST AND REQUEST FOR HEARING OF MERIT ENERGY ON STRATA
ENERGY INC.'S APPLICATION FOR AN IN SITU MINING PERMIT FOR THE
ROSS ISR URANIUM PROJECT**

COME NOW Merit Energy Company, LLC, Merit Energy Partners, I, LP, Merit Energy Partners, III, LP, Merit Management Partners, I, LP, Merit Management Partners, III, LP, collectively (“Merit”) and protest and request a hearing on Strata Energy Inc.’s Application for an In Situ Mining Permit for the Ross ISR Uranium Project.

1. For the past fifteen (15) years, Merit has had an active oilfield operation in the Deadman Creek Field located in Crook County, Wyoming. The field is currently a waterflood-assisted field and consists of ten total oil, water and injection wells.
2. Merit relies on the Fox Hills formation water for its water source for the Deadman Creek Field’s waterflood operation and for an upcoming project planned in conjunction with the University of Wyoming Enhanced Oil Recovery Institute (hereinafter “EORI”).

3. The scope of the applicant's operations contained in its In Situ Mining Permit Application overlays Merit's Deadman Creek Field and requires the use of Fox Hills formation water. By the applicant's own admission, its in situ mining operation will reduce the amount of water available for all users in the Deadman Creek Field area. See applicant's Ross ISR Project map, attached hereto as Exhibit A. Merit's ten wells that will be affected by the applicant's project are identified on Merit's Deadman Creek Field map, attached hereto as Exhibit B.
4. The activities proposed by the applicant will interfere with, degrade, limit and otherwise change the characteristics of water subject to the prior appropriation by Merit in violation of W.S. § 41-3-906. The reduction in available water will further limit Merit's ability to operate its waterflood-assisted oilfield operation.
5. Merit field personnel have already noticed an impact on Merit's ability to withdraw water from the Fox Hills formation during the applicant's well tests. The size and scope of the applicant's uranium mining project will only further negatively impact Merit's operations.
6. The applicant's in situ mining operation will pollute, threaten and contaminate the Fox Hills formation aquifer in violation of W.S. § 35-11-301(a)(i) – (ii). If this application is approved, the

groundwater to be affected will automatically be classified Class V (uranium commercial) as required by Chapter VIII of the Water Quality Division Regulations.

7. The permit application does not contain adequate information about the mining process and the aquifers affected by the mining process, including overlying and underlying aquifers, as required by Ch. 11, § 3(a)(xiii) of the Department of Environmental Quality, Land Quality, Non-Coal, Rules and Regulations.
8. The permit application does not contain adequate information about the aquifers which may be affected by the mining process, the extent of hydraulic connection between the receiving strata and overlying and underlying aquifers, and the hydraulic characteristics of any influencing boundaries in or near the proposed well field area(s), as required by Ch. 11, § 3(a)(xiv) of the Department of Environmental Quality, Land Quality, Non-Coal, Rules and Regulations.
9. The application contains insufficient information regarding the characterization of the production zone and aquifers that may be affected by the proposed mining activities, in violation of W.S. § 35-11-428(a)(ii)(B).
10. The applicant has been diligent in attempting to locate an alternative water source for Merit's waterflood-assisted oilfield needs. The applicant has proposed Oshoto Reservoir as an alternative water

source. While Merit appreciates the applicant's efforts, it finds the reservoir to be an inadequate water resource for the following reasons:

- a. In cooperation with the EORI, Merit has spent the last three (3) years creating a suitable blend for an alkali-surfactant polymer ("ASP") flood using water from the Fox Hills formation.
- b. The implementation of this ASP flood holds considerable advantages for the Deadman Creek Field and valuable data for use by the EORI in other similar oilfields.
- c. The ASP blend is dependent upon use of the Fox Hills formation water. Using water from an alternative source would require the EORI and Merit to complete new research and delay the implementation of the project. There is no assurance that the ASP blend would work with an alternative water source.
- d. Water analysis has been completed on both the Oshoto Reservoir and the Fox Hills formation. There is a significant difference in the total dissolved solids and sodium composition of the waters. The ASP blend is salinity sensitive. Therefore, the Oshoto Reservoir water is not appropriate for use in the ASP blend.
- e. Oshoto Reservoir is a surface water feature. During a "normal" water year, the reservoir would be expected to refill and be a reliable source.

However, a drought could disrupt this water source and be devastating to Merit's waterflood-assisted oilfield operations.

- f. Oshoto Reservoir is a surface water feature. Accordingly, there is an increased chance that the water could become contaminated by bacteria and algae and disrupt a new flood blend and Merit's oil production ability.
- g. Merit currently has a permit from the State Engineer's Office for the Fox Hills formation groundwater. Using an alternative source would require Merit to amend or receive a new permit.
- h. The blend study conducted by Merit and the EORI was funded significantly by the State of Wyoming. Vast amounts of time, money and resources were used in the study and its results will be made public and will benefit other oil producers. Merit's inability to use the study results and blend would be a significant waste for the company and the State of Wyoming. Moreover, conducting another study with an alternative water source would be duplicative, cost a significant amount of money and time, and would further delay the implementation of the project.
- i. Losing the Fox Hills formation water source would damage the proved-developed-producing ("PDP") value Merit has in the Deadman Creek Field. Further, since the field is a waterflood-assisted oilfield, losing

this water source would significantly reduce Merit's production ability and the value of the field.

11. The applicant's proposed mining activities constitute a safety hazard, pollute groundwater and surface water, degrade soils and vegetation and will pose a threat to human and animal health and safety. The procedures for mitigating these risk factors have not been sufficiently addressed in the permit application, as required by Ch. 11, § 4(a)(vii) of the Department of Environmental Quality, Land Quality, Non-Coal, Rules and Regulations.
12. The applicant's proposed mining activities will affect water resources and rights inside Merit's permit area and on adjacent lands. Steps proposed to mitigate these impacts are insufficient under Ch. 11, §4(a)(xxi) of the Department of Environmental Quality, Land Quality, Non-Coal, Rules and Regulations.
13. The applicant's recent operations and high traffic have damaged the roads in the Deadman Creek Field area. Merit is required to maintain these roads under the terms of its lease agreement. Increased use by the applicant will result in increased road maintenance costs to Merit.
14. The uranium and oil in the Deadman Creek Field area are subject to federal mineral leases. Under the Mineral Leasing Act of 1920 and the General Mining Act of 1872, the first established mining claim

has a valid and existing right that the second claim must accommodate. Thus, the uranium claim, being second in time, must accommodate the oil field operations already in operation.

15. The Multiple Mineral Development Act of 1954, specifically 30 USC 526, governs concurrent mining and leasing act operations. The operations of Merit and the applicant must be conducted, so far as reasonably practicable, in a compatible manner. 30 USC 526(d) provides for judicial arbitration when the operators deem their uses incompatible.
16. Strata Energy, Inc. appears to be a subsidiary of Peninsula Energy, Limited. This protest and request for hearing is intended to apply to the application for an In Situ Mining Permit made by Strata Energy, Inc. or its parent company, Peninsula Energy, Limited.
17. The United States Nuclear Regulatory Commission, under 10 CFR 1-199, heavily regulates uranium mining activities. Specifically, heavy physical protection of the mining facilities and uranium transportation is undertaken. This will interfere with Merit field personnel's ability to access its field and perform its operations.

WHEREFORE, Merit respectfully protests, requests a hearing, and due to the complexity of the issues, requests a pre-conference hearing on Strata Energy Inc.'s Application for an In Situ Mining Permit for the Ross ISR Uranium Project.

DATED this 26 day of September, 2012.



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CERTIFICATE OF SERVICE

I certify the foregoing pleading was served on the 26 day of September 2012,
and that copies were served as follows:

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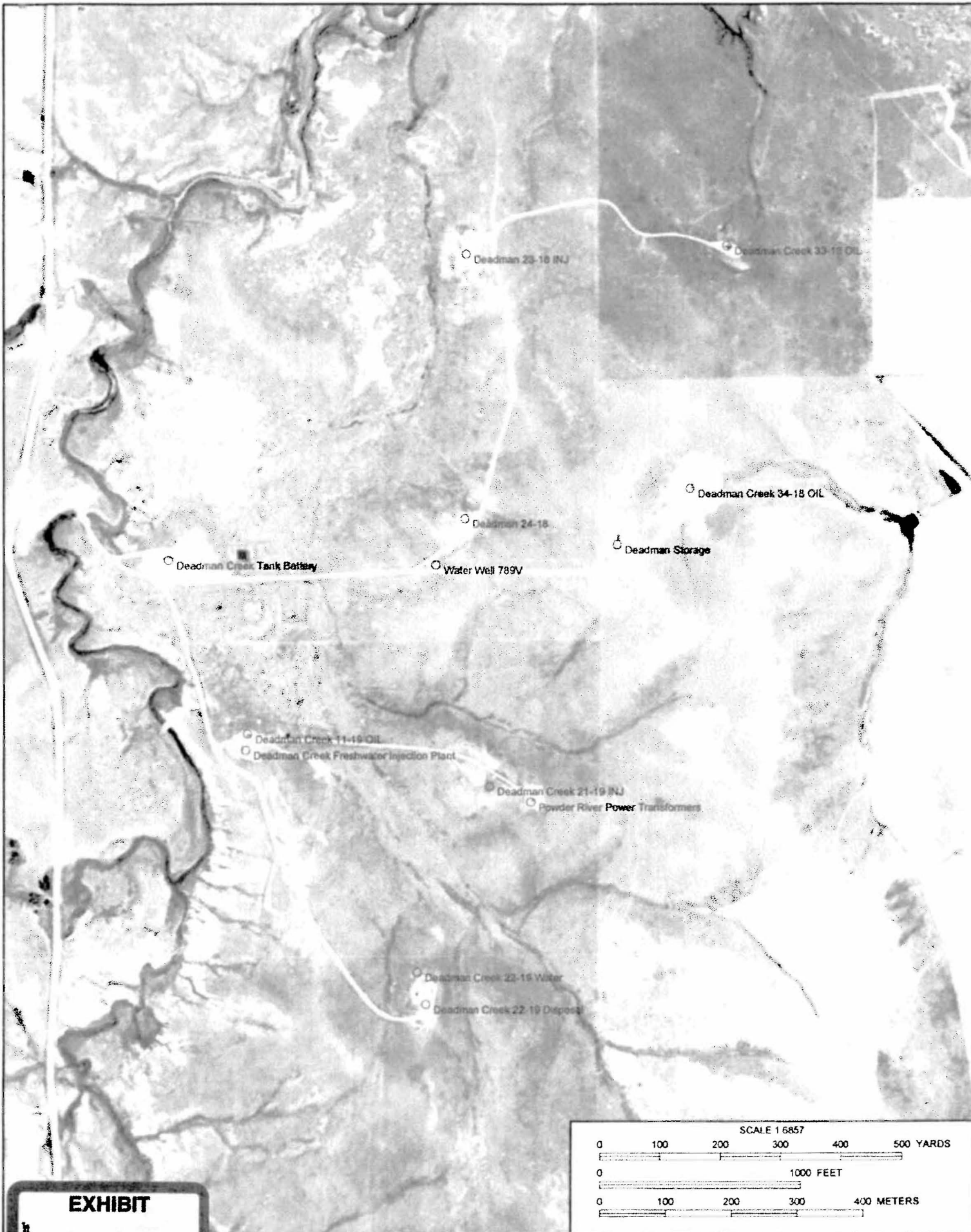


EXHIBIT
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