GOLIAD COUNTY GROUNDWATER CONSERVATION DISTRICT
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Board of Directors:
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Mr. Harry Anthony P. E.
Chief Operating Officer
Uranium Energy Corp.
500 N. Shoreline Blvd.
Suite 800N
Corpus Christi, TX 78401

November 5, 2012

Re: Proposed Monitoring Agreement

Dear Mr. Anthony,

At the Goliad County Groundwater Conservation District (GCGCD) meeting held on October 29, 2012, the Board reviewed your proposed monitoring agreement dated October 22, 2012. After review with legal counsel, the Board voted 7-0 to decline participation in this agreement. The Board has done extensive water quality monitoring since 2006 and is committed to continue an independent water quality monitoring program in the future. This is one component of GCGCD meeting the task of maintaining a sustainable supply of good quality drinking water for Goliad County residents.

UEC has stated that protection of groundwater is important to every uranium company, including UEC. If UEC wishes to do additional water quality monitoring, GCGCD encourages UEC to install monitor wells in the "C" Sand associated with PAA-1. This is one of the requirements noted in item 1 of the attached document adopted by GCGCD in March, 2009, applicable to all potential uranium mining operations in Goliad County. These monitor wells would be an additional safeguard to detecting an escape of the mining fluid from the mining zone. The attached document has been previously distributed and GCGCD is advising that this document was revised by Board action on October 29, 2012 by deleting the option of a "bond" relating to a reserve fund.

A comprehensive water quality monitoring program is necessary to provide for early detection of groundwater contamination and to provide for the protection of human, livestock and wildlife health. However, a comprehensive water quality monitoring program cannot take the place of providing the scientific data that answers questions associated with the evaluation for granting an aquifer exemption and a high assurance that the drinking water supply is protected.

The two faults associated with UR-03075 have not been tested to determine vertical and or horizontal transmissivity. Testing of the south-east fault may play a major role in answering if the aquifer exemption water supply currently serves as a source of drinking water as defined in the EPA letter to Mr. Zak Covar at the Texas Commission on Environmental Quality (TCEQ)

dated May 16, 2012 and was a major topic of discussion presented by Mr. Ray Leissner of the EPA at the joint meeting on August 16, 2012. There are a number of drinking water supply wells immediately down-dip of the proposed aquifer exemption. These residents deserve to have the facts to protect their health and welfare. The pump test across the south-east fault that has been requested by the EPA is a reasonable request. GCGCD is firm in their support that this test be done. This test would provide pertinent science and engineering facts and would help to alleviate the rumors, innuendo and unfound speculation that UEC refers to from time to time.
An adequate supply of good quality drinking water is vital to the citizens and economy of Goliad County and GCGCD is committed to the programs necessary to maintain that condition.
GCGCD holds fast to the requirement that the groundwater be restored to the original status, when restoration is complete.

Sincerely,

Board of Directors, Goliad County Groundwater Conservation District

Art Dohmann, President

Joe Kozielski, Vice-President

Barbara Smith, Secretary

Raulie Irwin, Director, Place 1

Wesley Ball, Director, Place 3

John Dreier, Director, Place 4

John B. Duke, Director, Place 5

Attachments: GCGCD Document dated March, 2009

cc: Bill Honker, EPA
Ron Curry, EPA
Sam Coleman, EPA
State Representative Geanie Morrison
State Senator Glenn Hegar
TCEQ, Zak Covar
Rob Baiamonte
Lisa Jackson, EPA - Washington