

Nuclear renaissance prompts uranium boom

Great News for everyone.

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The last U.S. uranium mill ever built, in this parched landscape near Lake Powell, shut down almost as quickly as it started operating as nuclear power fell into disfavor about two decades ago.

Keith Larsen, chief executive for U.S. Energy Corp., picked up the mill 10 years later for practically nothing, banking it for better days. His patience paid off, making Larsen's company one of the few already taking profits out of a new uranium boom.

Larsen's mothballed mill, once a liability, became a \$90 million asset with mining claims ~ the deal he made to sell the package to Toronto-based SXR Uranium One Inc. by the end of the year.

Suddenly, nuclear power is back in demand as a relatively cheap, reliable and emissions-free solution to the world's insatiable demand for energy. Even some leading environmentalists have endorsed nuclear power as an antidote to global warming. More than 50 nuclear plants are planned or under construction in a dozen countries, according to U.S. and international nuclear agencies.

The nuclear comeback has reinvigorated a Western mining industry that, during the 1950s and again in the 1970s, was the stuff of legends. Uranium claims ~ which grant an exclusive right to mine a piece of federal land ~ were bought and sold like stock.

The successive booms made millionaires and losers and overnight towns. It also left some environmental damage, including a huge pile of radioactive uranium tailings the government has promised to move from a bank of the Colorado River near Moab, Utah.

Today's boom doesn't have people running around with Geiger counters. For the most part, the West's uranium deposits are known, mapped and claimed.

"It's nothing like it used to be," said Moab Mayor David Sakrison, whose town has been transformed into a recreational playground. "It's a different community. We're more tourist oriented. A lot of the people who lived here in the 1970s have moved away. It's a new cast of characters."

The first Western uranium boom answered a call in 1948 for domestic uranium stockpiles for atomic bombs. By the 1970s, demand from nuclear power plants was picking up, until the partial meltdown of a Three Mile Island reactor in 1979 signaled a shift in public acceptance.

The Ticaboo mill here opened in 1982 just in time to watch the bottom fall out of the uranium market. Utilities were canceling orders for new nuclear plants. The 1986 Chernobyl disaster in Russia further tarnished nuclear power.

Two decades later, the spot price for milled uranium yellowcake has jumped sharply to \$52 a pound after bottoming out at \$7 in 2001. Higher prices have motivated thousands to snatch up expired uranium claims and wildcatters to sink test drills in places where it's a good bet.

"If you find one of those ore bodies, it's a valuable asset," said geologist Richard Dorman, exploration manager for British Columbia-based Universal Uranium Ltd.

Dorman started a second round of drilling this month on a largely unexplored side of fabled Lisbon Valley near Moab, about 314 miles south of Salt Lake City.

Over forty years, more than 80 million pounds of uranium ore were taken from Lisbon Valley. The area was the setting of a Hollywood movie that chronicled the rags-to-riches story of Charlie Steen, a geologist who launched Utah's first uranium rush with the discovery July 6, 1952, of one of the richest ore bodies mined in the United States.

Dorman is certain the fault that created Lisbon Valley hides a continuation of that ore body. Another British Columbia exploration company, Mesa Uranium, says it's closing in on the same uranium-speckled sandstone deposits.

Not far away, International Uranium Corp. operates the only working U.S. uranium mill, near Blanding, Utah, which has been surviving for years on "alternate feeds," processing contaminated soil or radioactive ore from others trying to get rid of it.

Ron Hochstein, president and chief executive officer, says the company plans to resume mining uranium ore at a dozen locations in northern Arizona.

Uranium production has a future again, though the nation hasn't solved the disposal problem for spent fuel rods, said John D. Parkyn, chairman and chief executive of Private Fuel Storage, a group of nuclear-power utilities blocked by federal authorities from opening a temporary repository at an American Indian reservation in Utah's west desert.

A more permanent repository at Nevada's [Yucca Mountain](#), not scheduled to open until 2017 – 19 years late ~ may never open, he says, adding, "Presidents come and go, and some of them slowed it down."

That hasn't stopped utilities from making plans to open or add nuclear plants, however.

The Nuclear Regulatory Commission says U.S. utilities are looking at building as many as 27 reactors, and it just licensed a \$1.5 billion uranium enrichment plant near Eunice, N.M., where a groundbreaking was held Aug. 29.

Louisiana Energy Services, a subsidiary of Urenco Ltd., is building the first U.S. installation that will use modern centrifuge technology. USEC, formerly the United States Enrichment Corporation and an arm of the federal government until 1998, operates a gaseous diffusion plant in Paducah, Kentucky, where pumps and filters separate lighter uranium atoms from heavier atoms in a slower, more power-intensive process.

The nation's 103 operating nuclear power plants already are operating on dwindling stockpiles of uranium ~ some of it converted from Russian bombs ~ while energy-hungry China and India are rushing to build their own nuclear power plants.

Larsen sees no let up in the world demand for uranium fuel, even as his company leaves behind a large part of the business for molybdenum prospects in Colorado. U.S. Energy Corp. will keep a small royalty in the Ticaboo mill, take about 5 percent of SXR's stock and hold onto a uranium deposit in Wyoming.

It also will keep a small royalty on Wyoming's Sweetwater uranium mill, on standby for years. Mining multinational Rio Tinto is selling that mill to SXR, which plans to open the Sweetwater and Ticaboo mills by 2010.

In New Mexico, Strathmore Minerals Corp. is looking at opening a third mill and making use of its extensive uranium claims there.

Uranium concentrate is in short supply, with world consumption of 180 million pounds outpacing annual production of 100 million pounds, according to industry and government estimates. For now, the difference is being made up by dwindling stockpiles ~ and the shortage is expected to get worse as new plants come on line.

"Bottom line, we'll probably have five new nuclear plants in the U.S. by 2015," Larsen said. "Now we're in a pinch. It's emergency time. We don't have enough energy."

U.S. utilities looking at building or adding reactors are being motivated partly by the escalating cost of natural gas, and partly by fears the government may tax coal-fired plants for the carbon emissions they release into the air.

Outside of the United States, the Nuclear Energy Institute says 27 nuclear plants are under construction in 11 other countries, adding to the world's 442 nuclear plants.

The uranium boom has met only tepid resistance here from the environmental movement. The Southern Utah Wilderness says the largely worked-over uranium deposits fall outside vast areas of redrock canyons it has proposed for wilderness protection.

Federal policy, meanwhile, is changing to expedite development of nuclear power.

The Nuclear Regulatory Commission is streamlining licensing and operating approvals for a standardized ~ and vastly improved ~ new generation of reactors. The Energy Act of 2005 offered loan guarantees, production tax credits and partial reimbursement against regulatory delays for builders of nuclear plants.

Larsen, 47, recalls when the federal government dumped its uranium stocks on the market, depressing the price of uranium yellowcake in the early 1980s. Even though the price has rebounded to \$52, Larsen said it can move a lot higher.

By his measure, the price can double again and still make uranium as economical as coal for producing electricity. "Our nation needs nuclear power," Larsen said. "It's the cleanest, the cheapest and it's advanced so much we're not going to have another Chernobyl. Three Mile Island is still in operation, and it's one of the most efficient plants in the U.S. The new designs have vastly improved since the 1970s."