

8

San Juan Coal Company
San Juan Underground Mine

12/5/2006

Mr. Charlie Perrin
State of New Mexico
Energy, Minerals and Natural Resources
1000 Rio Brazos Rd.
Aztec, NM 87410



BHP Billiton
16 Miles West of Farmington, NM CR 6800
Waterflow, New Mexico 87421 USA
P.O. Box 581
Waterflow, New Mexico 87421 USA
Tel +1 505 598 2000 Fax +1 505 598 2026
bhpbilliton.com

Dear Mr. Perrin,

30-045-09175

Re: Notice of Planned Re-entry, Plugging and Abandonment: Kelly #1 Well

I am using this letter to inform your office that San Juan Coal Company is planning for the Plugging and Abandonment of the old (Talcott)-Kelly #1 Well (API Well # 30-045-09175). San Juan Coal Company has located the surface monument of the well which is located above our longwall panel 201. We plan to re-enter and plug and abandon the well as required by MSHA prior to approaching within 300 feet of the well's subsurface location. The well is located in the SW ¼ of Section 25, T30N, R15W. To facilitate uninterrupted mining, San Juan Coal Company plans to complete the plugging and abandonment of this well starting as soon as possible (the second week of December) and completing before January, 2007.

As with previous holes, San Juan Coal Company plans to utilize a professional P and A Service (A-Plus Well Service) to work on the well to meet all applicable NMOCD and BLM regulations. If casing is present in the No. 8 Seam zone, the contractor will mill the casing from around our mineable horizon as indicated in the attached procedure to address San Juan Coal Company and MSHA safety requirements.

As I mentioned on the telephone, after completing the final cementing of the well, we plan to remove the top five feet of the casing to remove all surface evidence of the well. The area will be subsided within several years. The location of the wellhead will have been surveyed by San Juan Coal Co. Details of the well will be scribed on a plate and welded to the top of the buried casing.

Please call me if you have any questions.

Yours sincerely,

A handwritten signature in cursive script that reads "John Mercier".

John Mercier
Sr. Mine Geologist
(505) 598-2239

cc: G. Gilfillian, B. Flegal, N. Goff

A member of the BHP Billiton group
which is headquartered in Australia
Registered Office: 600 Bourke Street
Melbourne Victoria 3000 Australia
ABN 49 004 028 077
Registered in Australia