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April 27, 2006

Gerard Schoeppner
Groundwater Quality Bureau
Harold Runnels Building
P. O. Box 26110
1190 St. Francis Drive
Santa Fe, NM 87504

Re: ***Homestake Mining Company of California***

Dear Jerry:

This letter memorializes the understandings between Homestake Mining Company of California ("Homestake") and New Mexico Environment Department ("NMED"), U.S. Nuclear Regulatory Commission ("NRC") and U.S. Environmental Protection Agency ("EPA") (collectively the "Agencies") representatives in a meeting and teleconference call held in NMED's offices on April 7, 2006.

The purpose of the meeting was to address the results of the recent groundwater sampling program conducted by NMED and EPA which indicated that several wells in the alluvial formation, and possibly the Chinle formation, in the sampled area ("Area") have slightly elevated levels of various constituents relative to the Federal and New Mexico Drinking Water standards. These wells are situated along Ralph Card Road and adjacent to the Valle Verde Estate Subdivision. While the constituent levels detected in these wells are below the natural background water quality levels established for the Area, the Agencies are concerned that groundwater with these constituent levels should not be used for drinking water. The Agencies and ATSDR have determined that groundwater in the wells sampled may be safely used for irrigation, gardening, lawn care and for livestock watering purposes.

The Agencies have identified nine residences in the Valle Verde Estates along Ralph Card Road whose existing alluvial and Chinle wells, while below background constituent levels, exceed drinking water standards for groundwater. The Agencies would like to have these residences connected to the Village of Milan water system. The wells at these residences were developed subsequent to the connection of other area residents to the Village of Milan water system at Homestake's cost. The Agencies have requested that Homestake assist the residents identified by the Agencies to connect to the Village of Milan water system. Homestake, in an effort to assist the Agencies and those residents with existing alluvial and Chinle wells that are utilized solely for potable water use and who presently are not connected to the Village of Milan water system, has in principal, agreed to assist in the connection of such residents to the Village of Milan water system. The Agencies acknowledge that Homestake's assistance will be offered only to those residents that have not been previously connected to the Village of Milan water system at their current residence and whose wells were installed prior to April 7, 2006. Homestake will not pay any fees with respect to the use of the water system or to maintain such connections (e.g. maintenance, upkeep, periodic inspection), or have any liability associated with the connections, once the connections are accomplished. Homestake's assistance is further conditioned upon each resident of the household served by the well granting to Homestake a legally binding comprehensive release of any past and future liability related in whole or in part to the use of water from the well for any purpose.

NMED will take the lead responsibility for obtaining the necessary approvals from the Village of Milan to connect the nine (9) identified Valle Verde subdivision properties. NMED also will coordinate with the residents to obtain the releases prior to making any commitment to connect the residence to the Village of Milan water system.

The Agencies' sampling program also identified a well, known as the Williams well, that has elevated nitrate levels. The source of the elevated nitrate levels is unknown based on existing data and information. However, the Agencies and Homestake agree that there is no basis for concluding that Homestake has contributed to the present condition of the water quality in the well. Nevertheless, Homestake has agreed to assist the Agencies and public officials in any reasonable efforts to obtain assistance for this resident to achieve a public drinking water source.

The Agencies and Homestake have established that background levels of some constituents of the groundwater in the alluvial and Chinle formations in the Area exceed drinking water standards. In order to discourage future use of alluvial and Chinle formation wells for drinking water purposes, NMED shall work with the New Mexico State Engineer to establish an advisory program. The advisory program will alert existing and future residents that attempt to obtain State Engineer permits to drill new wells in the alluvial and Chinle formations in the Area of the inadvisability of using such water for drinking water purposes.

The Agencies will not seek Homestake's assistance in connecting any future residences in the Area that construct water wells after April 7, 2006. It is the intent of Homestake and the Agencies to enter into an agreement setting forth the responsibility and obligations of the parties to meet and support the understandings set out during April 7, 2006, meeting as described in this letter. If you concur in the approach and terms of this letter, please countersign in the space provided and return one original to me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jon Infall", written over a horizontal line.

Jon Infall

JJI/cat

Agreed: _____
Gerard Schoeppner
Groundwater Quality Bureau
New Mexico Environment Department

cc: Paul Michalak
Sai Appaji