



United States Department of the Interior

BUREAU OF RECLAMATION
Lower Colorado Region
Phoenix Area Office
6150 West Thunderbird Road
Glendale, AZ 85306-4001

IN REPLY REFER TO:
PXAO-1300
WTR-4.13

JAN 11 2012

Mr. Estevan Lopez
Director
New Mexico Interstate Stream Commission
P.O. Box 25102
Santa Fe, New Mexico 87504-5102

Subject: Arizona Water Settlements Act – New Mexico Unit Fund (Fund)

Dear Mr. Lopez:

Thank you for your letter of December 6, 2011, regarding options acceptable to New Mexico for indexing payments into the Fund pursuant to the Arizona Water Settlements Act of 2004 (AWSA). We agree that finding an acceptable alternative is important to allow the Bureau of Reclamation and New Mexico to chart a clear path forward. To that end, we have determined that providing a total 2012 deposit of \$9,040,000, as suggested in one of your options, is consistent with the expectations of the parties at the time of settlement as outlined in Exhibit 29.1.1 of the Gila River Indian Community Water Rights Settlement Agreement.

To ensure timely processing, Reclamation processed and transferred into the Fund the first of the 10 equal annual payments in the amount of \$6,600,000 on or about January 1, 2012. Currently, we are processing an additional transfer of \$2,440,000 for a total of \$9,040,000 as stated above.

Similar deposits, including the annual adjustment, will occur in 2013 and 2014 or until the Secretary of the Interior receives notice of New Mexico's intentions. Once New Mexico notifies the Secretary it intends to construct a New Mexico Unit, and the types of construction are known, the indexed adjustment will be recalculated and any prior adjustment payments made will be reconciled using actual cost indices based on the types of construction involved in the New Mexico Unit. If New Mexico chooses not to construct the New Mexico Unit, Reclamation will consult with the New Mexico Interstate Stream Commission in determining the appropriate annual adjustment for the remaining payments.

If you have any questions or require additional information, please contact Mr. Lawrence Marquez at 623-773-6213 or Ms. Mary Reece at 623-773-6279.

Sincerely,

Randy N. Chandler
Area Manager

cc: See next page.

cc: Mr. Craig S. Roepke
New Mexico Interstate Stream Commission
P.O. Box 25102
Santa Fe, New Mexico 87504-5102