Mr. John D’Antonio Jr., PE  
State Engineer  
Office of the State Engineer  
State of New Mexico  
P.O. Box 25102  
Santa Fe, NM 87504  

Subject: Proposed Operating Plan for Navajo Reservoir, Navajo Unit, Colorado River Storage Project, Colorado and New Mexico

Dear Mr. D’Antonio:

Public Law 87-483, Section 11 (Section 11), directs the Bureau of Reclamation to apportion shortages to entitled users of Navajo Reservoir storage water, on a pro-rata basis, in the event shortages are anticipated. While current conditions (inflow forecast and reservoir content) indicate that a shortage is not likely this year, notwithstanding the direction provided in Section 11, a group of 10 water users have developed an agreement among themselves as to how they will allocate the water supply in a drought situation (Recommendations for San Juan River Operations and Administration for 2007-2008, December 15, 2006).

Because Reclamation has no ability to control or influence agreements among water users, and because this agreement among the users will not cause Reclamation to undertake any change in its operations from how we would operate under Section 11, the recommendations fall within our anticipated operating plan for 2007 and 2008. We also anticipate that operations under Section 11 will not cause releases to fall below the minimum allowable release rate from Navajo Dam.

We have received endorsement letters from the following Navajo Unit contractors, all endorsing this same plan:

- Hammond Conservancy District  
- Jicarilla Apache Nation  
- Navajo Nation  
- Public Service Company of New Mexico (PNM)

In addition, we have received similar letters of endorsement from the following entities:

- Arizona Public Service Company (APS)  
- BHP-Billiton  
- City of Farmington  
- Bloomfield Irrigation District  
- Farmers Mutual Ditch  
- Jewett Valley Ditch
Based on the most recent forecast, current reservoir storage content, and using the methodology included in the recommendations, no shortages are anticipated in 2007.

While Reclamation recognizes these recommendations as a temporary solution to providing some means of water rights administration, we encourage the State Engineer to continue proceeding towards promulgation of rules and regulations for administering water rights within the San Juan River Basin in New Mexico. Also, please be advised that Reclamation’s acknowledgement of these recommendations does not constitute endorsement of any disclaimers included in any parties’ endorsement letter.

I offer my thanks to you and staff members of the Office of the State Engineer; and the New Mexico Interstate Stream Commission who helped facilitate the development of these recommendations.

If you have any questions, please contact Pat Page at 970-385-6560.

Sincerely,

[Signature]

Rick L. Gold
Regional Director

cc: Honorble Joe Shirley, Jr.
    President, Navajo Nation
    P.O. Box 9000
    Window Rock, AZ 86515

    Honorble Levi Pesata
    President, Jicarilla Apache Nation
    P.O. Box 709
    Dulce, NM 87528

    Russell Smith
    President
    Hammond Conservancy District
    790 Road 4990
    Bloomfield, NM 87413

    Cindy Murray
    Public Service Company of New Mexico
    2401 Aztec NE
    Albuquerque, NM 87107

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cc: Continued from previous page.

James Rogers
Jewett Valley Water Users Association
P.O. Box 39
Waterflow, NM 87421

Lawrence Stock
Farmers Mutual Ditch
P.O. Box 467
Kirtland, NM 87417

Ken Nordlander
Arizona Public Service Company
P.O. Box 53999
Phoenix, AZ 85072-3999

Wayne Isaacs
President
BHP Billiton
300 West Arrington, Suite 200
Farmington, NM 87401

Honorable William E. Standley
Mayor, City of Farmington
800 Municipal Drive
Farmington, NM 87401

David Campbell
New Mexico Ecological Services Field Office
Fish & Wildlife Service
2105 Osuna Road NE
Albuquerque, NM 87113-1001

John Whipple
New Mexico Interstate Stream Commission
P.O. Box 25102
Santa Fe, NM 87504-5102

Robert Genuardi
New Mexico State Engineer’s Office
100 South Oliver Drive
Aztec, NM 87410

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John Leeper
Navajo Nation
Water Management Branch
P.O. Drawer 678
Fort Defiance, AZ  86504

Mike Hamman
Jicarilla Apache Nation
60 CR 119
Espanola, NM  87532

Steve Lynch
Bureau of Indian Affairs
Navajo Indian Irrigation Project
304 N. Auburn, Suite B
Farmington, NM  87401

Carroll Crawford
Bloomfield Irrigation District
P.O. Box 606
Bloomfield, NM  87413