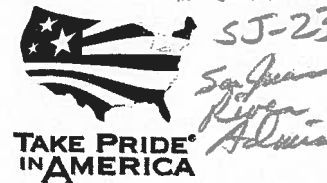




United States Department of the Interior

BUREAU OF RECLAMATION

Upper Colorado Regional Office
125 South State Street, Room 6107
Salt Lake City, Utah 84138-1147



IN REPLY REFER TO:

WCD-PPage
WTR-4.13

JUN 13 2007

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,

Acting
for



Rick L. Gold
Regional Director

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

Honorable 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.

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Jewett Valley Water Users Association
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Farmers Mutual Ditch
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Kirtland, NM 87417

Ken Nordlander
Arizona Public Service Company
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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
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Albuquerque, NM 87113-1001

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New Mexico State Engineer's Office
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cc: Continued from previous page.

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