

STATE OF NEW MEXICO
Office of the State Engineer

John R. D'Antonio, Jr., P.E.
State Engineer



NEA BUILDING, 2nd Floor
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March 7, 2003

Mr. Rick Gold, Regional Director
Upper Colorado Region
US Bureau of Reclamation
125 South State Street, Room 6107
Salt Lake City, Utah 84138-1103

Dear Mr. Gold:

I accept the recommendations made in the document entitled "Recommendations for San Juan River Operations and Administration for 2003," dated February 20, 2003; provided, that the United States Bureau of Reclamation (USBR) accepts the recommendations, especially those relating to Navajo Dam operations for 2003, and that the recommendations are endorsed by the endorsing parties identified in section 8 of the document. I also recognize all the caveats and limitations of the recommendations. Staff of the Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) are available to assist Reclamation and the endorsing parties in the implementation of the recommendations, including monitoring and administering of diversions in accordance with the recommendations.

The ability of the endorsing parties to cooperatively resolve short-term water use issues under the stress of continued drought will benefit the citizens of the San Juan Basin in New Mexico. I appreciate the assistance provided by USBR staff to help facilitate development of the recommendations.

Please let me know if you have any questions or need specific assistance relating to this matter. You may also contact Robert Genualdi of the OSE at 505-334-9481x260 or John Whipple of the ISC at 505-827-6172 with any questions, comments or requests that may arise during implementation of the recommendations.

Sincerely,

A handwritten signature in cursive script, appearing to read "John R. D'Antonio, Jr.", written in dark ink.

John R. D'Antonio, Jr., P.E.
State Engineer

IGRAP-74-03

**RESOLUTION OF THE
INTERGOVERNMENTAL RELATIONS COMMITTEE
OF THE NAVAJO NATION COUNCIL**

**Endorsing the Recommendations For the San Juan River Operations and
Administration For 2003**

WHEREAS:

1. Pursuant to 2 N.N.C §824 (b)(6), the Intergovernmental Relations Committee of the Navajo Nation Council is empowered to authorize, review, approve and accept agreements, including contracts and grants, between the Navajo Nation and any federal, state, or regional authority upon the recommendation of the standing committee which has oversight of the division, department or program which has applied for the agreement; and
2. Pursuant to 2 N.N.C. §695 (B)(14), the Resources Committee of the Navajo Nation Council is the legislative oversight authority for the Division of Natural Resources, including the Department of Water Resources, which has worked with the major water users in the San Juan River Basin to develop the proposed Recommendations for the San Juan River Operations and Administration for 2003, attached hereto as Exhibit "A"; and
3. The Navajo Nation Council has declared, pursuant to Section 101 of the Navajo Nation Water Code, 22 N.N.C. §1301 (7), that the water resources of the Navajo Nation are essential to provide a permanent homeland for the Navajo people; and protection of such water resources is essential in order to protect the health, the welfare and economic security of the citizens of the Navajo Nation; and
4. Congress approved the Navajo Indian Irrigation Project Act of June 13, 1962, Public Law 87-483, which authorized the construction of the Navajo Indian Irrigation Project; and
5. Pursuant to Section 11 of Public Law 87-483, contracts for water from Navajo Reservoir include provisions that require the sharing of shortages during water short years; and
6. On April 10, 1976, G.G. Stamm, Commissioner, Bureau of Reclamation and Peter MacDonald, Chairman, Navajo Tribal Council entered into the Agreement Between the United States and the Navajo Tribe of Indians for Delivery of Water from Navajo Reservoir, Contract Number 14-06-W-269 for the delivery of water for the Navajo Indian Irrigation Project; and

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7. Article III of that Contract requires that whenever the Secretary of the Interior anticipates a shortage of the available water in storage at Navajo Reservoir, the contractors must share in the available water in proportion to the other contractors based on the "normal division requirement" of each contractor; and

8. Due to extreme drought conditions during the 2002 irrigation season, the President of the Navajo Nation sent a letter dated September 5, 2002 (attached within Exhibit "B") to the Regional Director, Upper Colorado Region, Bureau of Reclamation requesting that a shortage condition be declared at Navajo Reservoir and that Reclamation should implement four (4) steps to reduce the risk of shortage at Navajo Reservoir:

- a. Work with the San Juan River recovery Implementation Program and other parties to reduce the target flows at Bluff necessary to protect endangered fish to 350 cubic feet per second through the Winter of 2002 and to forego the Spring 2003 high flow releases,
- b. Modify the stipulation of October 29, 1996 in San Juan Fly Fishing Federation, et al. v. United States, et al., CIV 956-1476 JP U.S. Dist. Ct., New Mexico that requires Reclamation to make minimum releases of 500 cfs from Navajo Dam,
- c. Work with the New Mexico State engineer to ensure that releases from Navajo Reservoir storage made for the protection of the endangered fish are not utilized by water users that do not have a right to water stored behind the reservoir, and
- d. Establish shortage sharing criteria for the Navajo Reservoir contractors that provides protection for the Navajo Indian Irrigation Project; and

9. The Secretary of the Interior declined to declare a shortage; however, the Navajo Nation has taken the following action to ensure that the four (4) steps to reduce the risk of shortage for the Navajo Indian Irrigation Project are implemented:

- a. At the September 25, 2002 meeting of the Coordination Committee for the San Juan River Recovery Implementation Program, the Navajo Nation obtained the consent of the Program to reduce the Winter flow releases from a minimum of 500 to 350 cubic feet per second,

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- b. **At the urging of the Navajo Nation, in October 2002, the Bureau of Reclamation obtained the consent of the fly-fishing groups to reduce the minimum level of releases from Navajo reservoir required by the stipulation to 350 cubic feet per second thus reducing reservoir releases prior to the 2003 irrigation season by more than 50,000 acre-feet,**
 - c. **At the urging of the Navajo Nation, the State Engineer began to install flumes and other water metering devices on the major diversions from the San Juan River in New Mexico; however, the State engineer is currently ill-equipped to administer diversions from the San Juan River during periods of shortage because: (a) not all of the diversions from the river have measuring devices to precisely determine if appropriators are exceeding their water rights, and (b) the water rights of all of the parties in the San Juan River basin have not been fully and finally adjudicated,**
 - d. **The Navajo Nation took the lead in working with the major water users on the San Juan River, the New Mexico Interstate Stream Commission, and the Bureau of Reclamation to develop a shortage sharing criteria for the Navajo Reservoir contractors that provides protection for the Navajo Indian Irrigation project; and**
10. **The proposed Recommendations for San Juan River Operations and Administration for 2003 (Shortage Recommendations, attached as Exhibit "A") were developed with input from the Navajo Nation, the Jicarilla Apache Nation, the City of Farmington, Public Service Company of New Mexico, Arizona Public Service Company, BHP Billiton, Hammond Conservancy District, Bloomfield Irrigation district, Farmer's Mutual Ditch, Jewett Valley Ditch, the New Mexico Interstate Stream commission and the Bureau of Reclamation; and**
 11. **The proposed Shortage Recommendations establish a cooperative approach to the distribution of water supplies among the major users of water from the San Juan river in New Mexico, only for 2003, in order to avoid counterproductive litigation and chaos among the water users if shortages occur; and**
 12. **The Navajo Nation may be seeking the support of the major water users in the near future for a San Juan River water rights settlement; and**
 13. **The proposed Shortage Recommendations include a shortage criteria that are beneficial to NIIP because:**

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- a. It utilizes the Minimum Probably Water Supply as a basis for shortage determination by the Secretary, a much more conservative standard for determining conditions that could trigger a shortage, than the Most Probably Water Supply which is ordinarily used by the Bureau of Reclamation,
 - b. It designates the 5,990 foot elevation at Navajo Reservoir as the threshold for calculating the active storage in Navajo Reservoir, and prohibits any depletions that would cause the level of the reservoir from falling below the 5,990 foot mark during the irrigation season, and
 - c. The major diverters would voluntarily reduce their diversions providing additional protection for NIIP's water supply without litigation; and
14. The Shortage Recommendations provide an appropriate mechanism for all water users with Secretarial contracts for Navajo Reservoir storage water, including NIIP, to share water as required by federal law; and
15. The Shortage Recommendations are beneficial to NIIP because it provides a mechanism to administer the flows in the San Juan River, which was a required component of NIIP's successful 1999 Endangered Species Act Section 7 consultation with the U.S. Fish and Wildlife Service; and
16. The Shortage Recommendations are beneficial to Navajo farmers at the Hogback, Cudeii and Fruitland Irrigation Projects because it provides for the limited use of Navajo Reservoir storage water for use by the direct flow diverters, and the Shortage Recommendations create limits on the non-Indian irrigation diversions upstream; and
17. On February 20, 2003, the permittees attending the annual meeting of the San Juan River Dine Water Users Association voted to support a resolution endorsing the Shortage Recommendations; and
18. On February 23, 2003, the Shiprock Chapter voted to support a resolution endorsing the Shortage Recommendations; and
19. On February 25, 2003, the San Juan River Farmboard voted to support a resolution endorsing the Shortage Recommendations; and

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20. By Resolution RCMA-32-03, attached here as Exhibit "B", the Resources Committee made a finding in that the execution of the proposed Shortage Recommendations by the Navajo Nation is consistent with "insuring the optimum utilization of all resources of the Navajo Nation and People" and recommended that the Intergovernmental Relations Committee endorse the Shortage Recommendations.

21. By Resolution BDMA-06-03, attached hereto as Exhibit "C", the NAPI Board stated NAPI's position on the proposed recommendations for operations and administration of the San Juan River for 2003; by Resolution BFMA-07-03, attached hereto as Exhibit "D", the NAPI Board requested the appropriate committees and officials of the Navajo Nation: to ensure the federal agencies begin to fulfill the government's trust, statutory, contractual and treaty-based duties to the Navajo Nation concerning Navajo water resources of the San Juan River; to administer and operate the Navajo Dam consistent with those duties and with the interests of NAPI; to restore federal funding for NIIP construction to at least \$26 million; and to issue a letter of intent for the Navajo Nation to contract additional federal functions related to the Navajo Indian Irrigation Project; and by Resolution EDCAP-31-03, attached hereto as Exhibit "E", the Economic Development Committee of the Navajo Nation Council recommended to the Intergovernmental Relations Committee of the Navajo Nation Council the endorsement of the recommendations for the San Juan River operation and administration for 2003; and

22. The Intergovernmental Relations Committee concerns with the findings of the Resources Committee and determines that execution of the Shortage Recommendations is in the best interests of the Navajo Nation.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Intergovernmental Relations Committee of the Navajo Nation Council hereby approves the February 20, 2003 Recommendations for San Juan River Operation and Administration for 2003, attached hereto as Exhibit "A", with the directive to delete the paragraph beginning on page five and continuing on page six (related to making additional water available to other entities "from within the Navajo Indian Irrigation Project's diversion amounts").

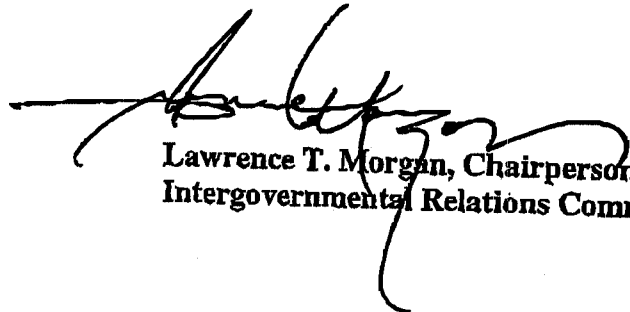
2. The Intergovernmental Relations Committee and the Resources Committee of the Navajo Nation Council hereby authorizes the President of the Navajo Nation to execute the proposed Recommendations for San Juan River Operation and Administration for 2003 and to take such other action necessary to implement this resolution.

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3. The Intergovernmental Relations Committee of the Navajo Nation Council directs that the other parties reaffirm their commitment to the recommendations approved herein within five working days; that Reclamation provide assurance that traditional Navajo farmers have access to storage made available by the contractors; and that in the event compensation is made available, the traditional Navajo farmers are to be included.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Intergovernmental Relations Committee of the Navajo Nation Council at a duly called meeting at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that same was passed by a vote of 4 in favor, 3 opposed, and 0 abstained, this 17th day of April, 2003.



Lawrence T. Morgan, Chairperson
Intergovernmental Relations Committee

Motion: Larry Anderson
Second: Leonard Chee

San Juan-Chama Contractors Association



March 18, 2003

Representatives:

Bruce Kelly
bak@laplaza.org

Carol Christano
lwa@lwasf.com

John Stomp
jstomp@cabq.gov

Robert Kidd
rkidd@ci.santa-fe.nm.us

Mike Hamman
mikehamman@espanola.com

Tim Glasco
Glasco@lac.losalamos.nm.us

Subhas Shah
shah@mgcd.dat.nm.us

Nelson J. Cordova
ncordova@laplaza.org

Mustafa Chudnoff
chudnoff@gloriageo.com

Mr. Rick Gold, Regional Director
 Upper Colorado Region
 US Bureau of Reclamation
 125 South State Street
 P.O. Box 11568
 Salt Lake City, UT 84147

Mr. John D'Antonio, P.E.
 New Mexico State Engineer
 P.O. Box 25012
 Santa Fe, NM 87504-5102

RE: San Juan-Chama Contractors' Association - Support for "Recommendations for San Juan River Operations and Administration for 2003"

Dear Sirs:

This letter is to inform you that the San Juan-Chama Association is a formal group that represents the collective interests of the individual federal contractors of the San Juan-Chama Project. The group meets on a periodic basis to discuss issues of concern and to establish joint positions among the contractors. Without this consensus, no joint positions are formally taken leaving the individual members free to proceed accordingly.

The group has met on a number of occasions to discuss the potential of shortage within the San Juan basin that may result in impacts on the San Juan-Chama Project. The drought of 2002 led to the lowest diversion potential in the history of the project. Upon review of the historical hydrologic data, the approximate 6,600 acre-foot diversion could possibly lead to impacts regarding the long-term firm yield of the project. So it is obvious that the San Juan-Chama contractors are very concerned about how shortages will affect the collective supply. While we understand that water users in the San Juan river did not suffer shortages in 2002, the San Juan-Chama project received only 6% of the average amount diverted into the project because of the bypass flow requirements for operation of the three diversions.

Rick Gold and John D'Antonio
March 18, 2003

During these discussions, the process for dealing with a shortage in 2003 as suggested in the document entitled "Recommendations for San Juan River Operations and Administration for 2003" was discussed by a majority of our membership. The final version of this document dated February 20, 2003, addresses the San Juan-Chama Project diversions in a manner that recognizes that the Project takes shortages normally based on the available divertible flow less the minimum by-pass requirements as was illustrated dramatically in 2002. Section 3 on page 5 of the document refers to sharing shortages based on reducing diversions from the San Juan-Chama project from the average annual diversion amount of 107,500 acre-feet less the percentage shortage calculated by reclamation. The San Juan-Chama contractors stress that the 107,500 acre-feet is the amount diverted over and above the bypass flow requirements.

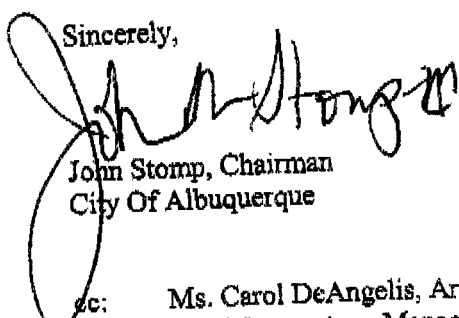
Recommendations for San Juan River Operations and Administration for 2003

The Association members collectively support the document in terms of the method calculated for shortages and how they will be applied to the San Juan-Chama project for 2003 only and specifically on the basis of the exceptions in the first paragraph on page 1 of the Recommendations. The Association, however, requests that we begin discussing and developing a permanent sharing of shortages agreement between the San Juan-Chama project and the Navajo Indian Irrigation Project as contemplated in Section 11 of the San Juan-Chama project authorizing legislation. The Association would like to discuss this matter and to proceed as soon as practicable.

The Association additionally wishes to collectively express our appreciation to both the agencies and your respective staff in how the process was conducted. Given that separate endorsement of this process is not required of the contractors, staff from Reclamation, Office of the State Engineer and the New Mexico Interstate Stream Commission took the appropriate steps in keeping the contractors informed and in listening to our concerns.

If any further discussion is necessary or questions regarding this matter arise, please contact me at (505) 768-3631 or Mr. Mike Hamman, Vice-Chairman, at (505) 753-0163.

Sincerely,



John Stomp, Chairman
City Of Albuquerque

cc:

Ms. Carol DeAngelis, Area Manager, Western Colorado Area Office
Ken Maxey, Area Manager, Albuquerque Area Office
Estevan Lopez, NMISC
All San Juan-Chama Contractors

ENDORSEMENT AND AGREEMENT

The undersigned party endorses the Recommendations for San Juan River Operations and Administration for 2003, dated February 20, 2003, and agrees to comply with its terms; provided that this Endorsement and Agreement, if accepted and implemented by Reclamation and the State Engineer, and any results from the implementation of these recommendations shall not be construed to: (1) be a determination or evidence of, or to establish, any party's water rights or consumptive use of water; (2) be a precedent for Navajo Dam operations or water administration in the San Juan River Basin in New Mexico in succeeding years; (3) be an agreement as to the validity or applicability of, or to imply an accepted modification to, the San Juan River Basin Recovery Implementation Program's flow recommendations for endangered fish habitat in the San Juan River or any interpretation thereof; (4) establish any cause and effect relationships between any water uses, including water uses described in section 1 of the recommendations below and water uses not included in section 1, and streamflow impacts, water supplies or shortages; (5) establish any priorities between a given use of water from the San Juan River and other uses of water from either the San Juan River or its tributaries; (6) establish any entitlements to water, including any entitlements of fish to specific instream flows; (7) alter or amend any pre-existing agreements between parties unless otherwise expressly agreed to by parties to said agreements; (8) waive the sovereign immunity of any Indian tribe; or (9) constitute a consent to tribal jurisdiction by any party.

The Recommendations are endorsed subject to executed agreements among BHP, APS and the Jicarilla Apache Nation; BHP, PNM and the Jicarilla Apache Nation; BHP, APS and the Navajo Nation; and BHP, PNM and the Navajo Nation as described and set forth in Paragraph 3 of the Recommendations.

Signed this 7th day of MARCH, 2003.



Name: J. W. Grubb
Title: President
On behalf of: BHP Billiton
New Mexico Coal Operations

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

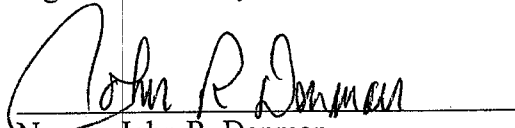
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RECOMMENDATION FOR ENDORSEMENT AND AGREEMENT			
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ENDORSEMENT AND AGREEMENT

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Signed this 7th day of March, 2003.


 Name: John R. Denman

Title: Vice President, Fossil Generation

On behalf of: Arizona Public Service Company (On its own behalf in respect to Units 1, 2 and 3 of the Four Corners generating Station, and as Operating Agent on behalf of the Four Corners Participants in respect to Four Corners Units 4 and 5)

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

ENDORSEMENT AND AGREEMENT

The undersigned party endorses the Recommendations for San Juan River Operations and Administration for 2003, dated February 20, 2003, and agrees to comply with its terms; provided that this Endorsement and Agreement, if accepted and implemented by Reclamation and the State Engineer, and any results from the implementation of these recommendations shall not be construed to: (1) be a determination or evidence of, or to establish, any party's water rights or consumptive use of water; (2) be a precedent for Navajo Dam operations or water administration in the San Juan River Basin in New Mexico in succeeding years; (3) be an agreement as to the validity or applicability of, or to imply an accepted modification to, the San Juan River Basin Recovery Implementation Program's flow recommendations for endangered fish habitat in the San Juan River or any interpretation thereof; (4) establish any cause and effect relationships between any water uses, including water uses described in section 1 of the recommendations below and water uses not included in section 1, and streamflow impacts, water supplies or shortages; (5) establish any priorities between a given use of water from the San Juan River and other uses of water from either the San Juan River or its tributaries; (6) establish any entitlements to water, including any entitlements of fish to specific instream flows; (7) alter or amend any pre-existing agreements between parties unless otherwise expressly agreed to by parties to said agreements; (8) waive the sovereign immunity of any Indian tribe; or (9) constitute a consent to tribal jurisdiction by any party.

Signed this 26 day of FEB, 2003.

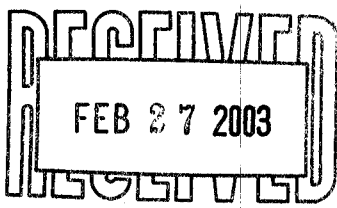
Laurence Stock
Name:

Title: PRESIDENT

On behalf of: FARMERS MUTUAL DITCH

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

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ENDORSEMENT AND AGREEMENT

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Signed this 26 day of Feb, 2003.

Name: James T. Rogers / James T. Rogers

Title: Chairman

On behalf of: Jewett Valley Water Users Assoc.

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

ENDORSEMENT AND AGREEMENT

The undersigned party endorses the Recommendations for San Juan River Operations and Administration for 2003, dated February 20, 2003, and agrees to comply with its terms; provided that this Endorsement and Agreement, if accepted and implemented by Reclamation and the State Engineer, and any results from the implementation of these recommendations shall not be construed to: (1) be a determination or evidence of, or to establish, any party's water rights or consumptive use of water; (2) be a precedent for Navajo Dam operations or water administration in the San Juan River Basin in New Mexico in succeeding years; (3) be an agreement as to the validity or applicability of, or to imply an accepted modification to, the San Juan River Basin Recovery Implementation Program's flow recommendations for endangered fish habitat in the San Juan River or any interpretation thereof; (4) establish any cause and effect relationships between any water uses, including water uses described in section 1 of the recommendations below and water uses not included in section 1, and streamflow impacts, water supplies or shortages; (5) establish any priorities between a given use of water from the San Juan River and other uses of water from either the San Juan River or its tributaries; (6) establish any entitlements to water, including any entitlements of fish to specific instream flows; (7) alter or amend any pre-existing agreements between parties unless otherwise expressly agreed to by parties to said agreements; (8) waive the sovereign immunity of any Indian tribe; or (9) constitute a consent to tribal jurisdiction by any party.

Signed this 7th day of March, 2003.

Claudia J. Vigil Serna,
Name:

Title: Jicarilla Apache Nation

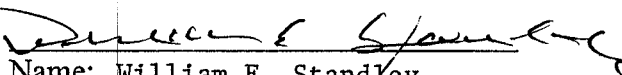
On behalf of: President

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

ENDORSEMENT AND AGREEMENT

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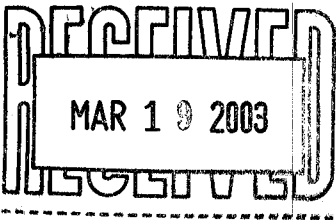
Signed this 5th day of March, 2003.


Name: William E. Standley

Title: Mayor

On behalf of: City of Farmington, New Mexico

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.



ORIGINAL

ENDORSEMENT AND AGREEMENT

The undersigned party endorses the Recommendations for San Juan River Operations and Administration for 2003, dated February 20, 2003, and agrees to comply with its terms; provided that this Endorsement and Agreement, if accepted and implemented by Reclamation and the State Engineer, and any results from the implementation of these recommendations shall not be construed to: (1) be a determination or evidence of, or to establish, any party's water rights or consumptive use of water; (2) be a precedent for Navajo Dam operations or water administration in the San Juan River Basin in New Mexico in succeeding years; (3) be an agreement as to the validity or applicability of, or to imply an accepted modification to, the San Juan River Basin Recovery Implementation Program's flow recommendations for endangered fish habitat in the San Juan River or any interpretation thereof; (4) establish any cause and effect relationships between any water uses, including water uses described in section 1 of the recommendations below and water uses not included in section 1, and streamflow impacts, water supplies or shortages; (5) establish any priorities between a given use of water from the San Juan River and other uses of water from either the San Juan River or its tributaries; (6) establish any entitlements to water, including any entitlements of fish to specific instream flows; (7) alter or amend any pre-existing agreements between parties unless otherwise expressly agreed to by parties to said agreements; (8) waive the sovereign immunity of any Indian tribe; or (9) constitute a consent to tribal jurisdiction by any party.

Signed this 6 day of March, 2003.

[Signature]
Name:

Title: President

On behalf of: Bloomfield Irrigation District

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

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BY J.M. / DATE 3/16/03

ENDORSEMENT AND AGREEMENT

The undersigned party endorses the Recommendations for San Juan River Operations and Administration for 2003, dated February 20, 2003, and agrees to comply with its terms; provided that this Endorsement and Agreement, if accepted and implemented by Reclamation and the State Engineer, and any results from the implementation of these recommendations shall not be construed to: (1) be a determination or evidence of, or to establish, any party's water rights or consumptive use of water; (2) be a precedent for Navajo Dam operations or water administration in the San Juan River Basin in New Mexico in succeeding years; (3) be an agreement as to the validity or applicability of, or to imply an accepted modification to, the San Juan River Basin Recovery Implementation Program's flow recommendations for endangered fish habitat in the San Juan River or any interpretation thereof; (4) establish any cause and effect relationships between any water uses, including water uses described in section 1 of the recommendations below and water uses not included in section 1, and streamflow impacts, water supplies or shortages; (5) establish any priorities between a given use of water from the San Juan River and other uses of water from either the San Juan River or its tributaries; (6) establish any entitlements to water, including any entitlements of fish to specific instream flows; (7) alter or amend any pre-existing agreements between parties unless otherwise expressly agreed to by parties to said agreements; (8) waive the sovereign immunity of any Indian tribe; or (9) constitute a consent to tribal jurisdiction by any party.

Signed this 6 day of March, 2003.



Name: Myron E. Crockett

Title: President Board of Directors

On behalf of: Hammond Conservancy District 790 CR 4990 Bloomfield, NM 87413

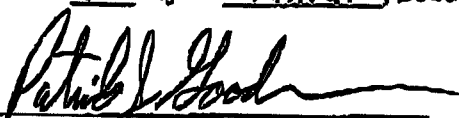
If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.

Copy
P. 2/2**ENDORSEMENT AND AGREEMENT**

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The Recommendations are endorsed subject to executed agreements among BHP, PNM and the Jicarilla Apache Nation and BHP, PNM and the Navajo Nation as described and set forth in Paragraph 3 of the Recommendations.

Signed this 7th day of MARCH, 2003.



Name: Patrick A. Goodman

Title: Vice President, Power Production

On behalf of: Public Service Company of New Mexico

If appropriate, a resolution evidencing authority to enter into this Endorsement and Agreement to be Bound is attached.