



United States Department of the Interior

BUREAU OF RECLAMATION
Upper Colorado Regional Office
125 South State Street, Room 6107
Salt Lake City, UT 84138-1102

IN REPLY REFER TO:

WCD-BGriffin
WTR-4.03

APR 10 2012

Mr. L. Randy Kirkpatrick
Executive Director
San Juan Water Commission
7450 East Main Street, Suite B
Farmington, NM 87402

Subject: Approval of Third-Party Agreement (Agreement) Among the La Plata Conservancy District (LPCD), San Juan Water Commission (SJWC), and Hidden Valley Country Club, LLC (HVCC), Under Contract No. 09-WC-40-355 (Contract), Animas-La Plata Project (Project), Colorado

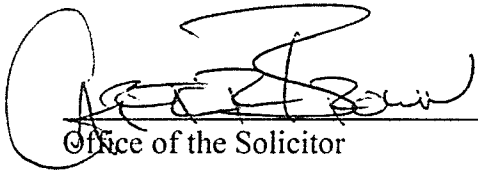
Dear Mr. Kirkpatrick:

We have reviewed the Agreement and your letter of March 9, 2012. The Agreement is a third-party agreement for HVCC's use of up to 200 acre-feet per year (AFY) of diversionary water from LPCD's Project water supply for municipal, industrial, and other miscellaneous beneficial uses. The contracted water is a portion of the Project allocated 780 AFY of depletions (1580 AFY diversions) to be delivered in New Mexico from natural flows from the San Juan River System and water released from Project storage. The Agreement is approved subject to the parties being bound to the provisions of the Contract including, but not limited to, terms of measurement, operations, environmental compliance, and the impact of defaults on Project Works, as noted in Article 15 (a) of the Contract.

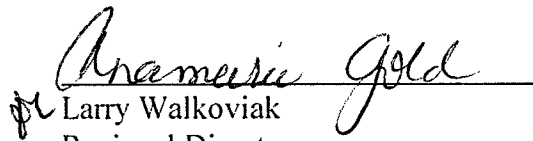
The Bureau of Reclamation anticipates and welcomes future third-party agreements among LPCD and SJWC. This Agreement is being approved by letter due to impending need for this water. Approval of this Agreement by letter is not a precedent for approval of future third party agreements. Future third party agreements will require appropriate terms including compliance with the contract allowing for the third party agreement, NEPA compliance, and approval lines by Reclamation. Reclamation will draft and distribute templates to SJWC and LPCD. Reclamation has the responsibility to verify that a proposed contractual commitment concerning a Federally owned and operated project is within the constraints of Federal Law and operational capability. That verification includes compliance with contracts under which third party agreements are allowed and with the National Environmental Policy Act of 1968 (NEPA). Compliance with the NEPA process cannot be omitted from third party agreements. NEPA compliance for the subject Agreement has been completed as documented in Categorical Exclusion Checklist No. DUR-RES-CE-005-2012.

We hope this clarifies our need to review and approve future third-party agreements, and we look forward to working with your office in developing an approval process.

If you have any questions or need further information, please contact Mr. Brett Griffin of the Western Colorado Area Office at 970-385-6531.



Office of the Solicitor



Larry Walkoviak
Regional Director

cc: Mr. Steve Dunn
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