

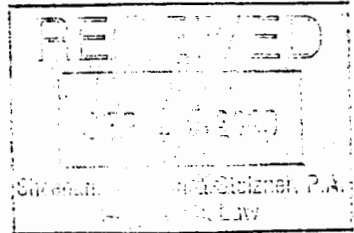
LEE WILSON & ASSOCIATES
HYDROLOGY • ENVIRONMENT • RESOURCES



ENTERED

September 13, 2000

Mr. Wayne Canon
State Engineer Office
121 Tijeras, N.E. Suite 2000
Albuquerque, NM 87102
RE: Sparton Technology Water Use



Dear Wayne:

The Village of Los Lunas has entered into a Lease Agreement with Sparton Technology, Inc. for San Juan-Chama Project (SJCP) water rights. Please credit 5 AF to the Sparton well. This will offset the effects on the Rio Grande which result from Sparton's pumping of its well during the year 2000. The credit should be from the Village's 2000 allocation of SJCP water.

Please inform the Interstate Stream Commission about this release, so that it can be properly credited to our 1999 allocation. If you have any additional questions about this request for release, please contact me.

Sincerely,

Carole R. Cristiano

cc: Phillip Jaramillo ✓
John Utton, Esq. ✓

LEASE AGREEMENT
BETWEEN THE VILLAGE OF LOS LUNAS, NEW MEXICO
AND
SPARTON TECHNOLOGY, INC.

THIS AGREEMENT, made and entered into this 31st day of August, 2000, by and between the Village of Los Lunas, New Mexico, a Municipal Corporation, whose Post Office address is Post Office Box 1209, Los Lunas, New Mexico 87031, hereinafter referred to as "Village" and Sparton Technology, Inc., 4901 Rockaway Blvd., Rio Rancho, New Mexico 87124, hereinafter referred to as "Sparton".

1. Whereas, by Act of Congress approved June 13, 1962 (76 Stat. 96), the Congress approved the initial stage of the San Juan-Chama Project as a participating project of the Colorado River Storage Project;

2. Whereas, the San Juan-Chama Project is approved for furnishing water for municipal, domestic and industrial uses and for beneficial purposes;

3. Whereas, by Contract No. 8-07-53-X0159, dated May 19, 1977, referred to as the Basic Contract, and amendment number 1 of the Basic Contract, dated February 8, 1979, the United States of America and the Village contracted for the Village to obtain, secure, and supplement its water supply, and wherein the Village is paying for such water during the term of the Basic Contract by paying an agreed share of the reimbursable costs of the construction, operation and maintenance of the initial stage of the San Juan-Chama Project allocated to municipal uses;

4. Whereas, the Village has the express and exclusive right under the Basic Contract as amended to use and dispose of its share of the project water supply available and allocated to municipal water supply purposes, subject to the terms and conditions of the Basic Contract:

"Contractors Water Rights - Contractor shall have the exclusive right to allocate, use and dispose of that share of the project water supply available and allocated to them under this contract. Water may be used or disposed of for any committed purpose desired by contractor. Such use or disposal may be by diverting and applying such water directly from the Rio Grande Stream System, by diverting and applying underground water

utilizing project water to offset the adverse effects of such underground water withdrawals heretofore or hereafter made from the Rio Grande Stream System or otherwise as the Contractor may desire." (Article 10 (C) of the Basic Contract);

5. Whereas, the Village's share of the Project Water available and allocated to municipal water supply purposes is presently in excess of its current needs, and the Village is willing to dispose of a portion of its share of the Project Water to Sparton for consideration upon the terms and conditions hereinafter set forth;

6. Whereas, Sparton is desirous of leasing from the Village a portion of the Village's share of the project water supply available and allocated to municipal water supply purposes to meet Sparton's needs;

NOW, THEREFORE, in consideration of the mutual independent covenants herein contained, it is hereby mutually agreed by the parties hereto as follows:

7. Sparton will be allowed to lease between five (5) and fifteen (15) acre feet (AF) of San Juan-Chama Project (SJCP) water per year.

8. The price for 2000 SJCP water shall be \$43.82 (forty three and 82/100 dollars) per acre foot and at the time that this lease is executed, Sparton will pay \$219.10 (two hundred nineteen and 10/100 dollars) for five (5) acre feet of water.

9. Sparton, as a recipient of the SJCP water, warrants that it has applied to the New Mexico Office of the State Engineer for a permit to appropriate ground water from one or more wells.

10. Pursuant to Article 3 of Amendment 1, this lease is only valid for one year. Any renewal of the lease shall be subject to the approval of the United States. Subject to the annual approval of the United States, the Village grants an option to Sparton to lease between five (5) and fifteen (15) acre feet of water in January of each year from 2001 through 2015. The price for the lease of water for each year will be 9% above the Village's cost of the purchase of the water from the San Juan-Chama Project.

11. The Village will request SJCP releases from the Bureau of Reclamation in accordance with instructions from the Office of the State Engineer.

12. The use of the water by Sparton is for ground water remediation purposes.

13. The use of this water shall comply fully with the National Environmental Policy Act of 1969 prior to its approval by the Regional Director.

14. The use of this water by Sparton is for municipal and industrial purposes. Therefore, the lessee agrees to abide by the Rules, Regulations, and Determinations promulgated by the Secretary and amendments thereto, pursuant to Article 7 of Amendment 1. The Secretary may from time to time promulgate rules and regulations to implement the Reclamation laws. The lessee agrees to abide by such final rules and regulations lawfully adopted. This Lease is subject to all such lawful rules and regulations now or hereafter in force when not inconsistent with any express and specific provisions herein. Such rules and regulations are made a part of this Lease.

15. It is also understood between the parties that although the Village is providing an option for Sparton to lease water for the years 2001 through 2015, all purchase of water from SJCP will be subject to the approval of the U.S. Bureau of Reclamation, and should the Village in any one option year need the use of the SJCP water for its citizens, the Village, at its option may refuse to extend the option to Sparton for the lease of water for that year.

VILLAGE OF LOS LUNAS

By: Phillip Jaramillo
Phillip Jaramillo, CMC
Clerk/Treasurer

SPARTON TECHNOLOGY, INC.

By: R. D. Mico
Richard D. Mico
Vice President/General Manager

Approved:
U.S. BUREAU OF RECLAMATION

By: Charles A. Calhoun
Charles A. Calhoun
Regional Director

APPROVED

Christopher Blain
Field Solicitor's Office