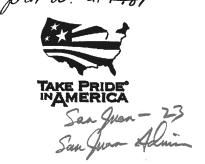


United States Department of the Interior

BUREAU OF RECLAMATION

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



WTR-4.13 WCD-PPage

MAY 22 2006

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 2006 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, directs 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 ten 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 2006, December 19, 2005").

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 operating plan for the remainder of 2006. 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

As stated above, based on the most recent forecast and current reservoir storage content, and using the methodology included in the Recommendations, no shortages are anticipated in 2006. The forecasted inflow will be updated biweekly, and if changes to the available supply are realized, the anticipated shortage calculation will be revised accordingly.

The plan recommends that Reclamation approve temporary water service subcontracts between the Jicarilla Apache Nation and the following entities: BHP-Billiton, APS, and PNM. These contracts are currently being drafted and we hope to get them approved in the near future.

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,

Warry Berkmann ACTING FOR Rick L. Gold

Regional Director

cc: See next page.

Subject: Proposed 2006 Operating Plan for Navajo Reservoir, Navajo Unit, Colorado River Storage Project, Colorado and New Mexico

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

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

Ms. Cindy Murray Public Service Company of New Mexico 2401 Aztec N.E. Albuquerque, NM 87107

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

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

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

Mr. Wayne Isaacs President BHP Billiton 300 West Arrington, Suite 200 Farmington, NM 87401 Subject: Proposed 2006 Operating Plan for Navajo Reservoir, Navajo Unit, Colorado River Storage Project, Colorado and New Mexico

cc: Honorable William E. Standley

Mayor City of Farmington 800 Municipal Drive Farmington, NM 87401

Mr. Mike Buntjer New Mexico Ecological Services Field Office Fish & Wildlife Service 2105 Osuna Road NE Albuquerque, NM 87113-1001

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

Mr. Robert Genualdi New Mexico State Engineer's Office 100 South Oliver Drive Aztec, NM 87410

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

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

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

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