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,

[Signature]

Rick L. Gold
Regional Director

cc: See next page.
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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 Bunjet
New Mexico Ecological Service 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 Genuardi
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