Texas v. New Mexico Settlement Agreement
Comprehensive Guide

What You Need to Know:
On May 26, 2026, the U.S. Supreme Court approved the settlement of Texas v. New Mexico No. 141, ending decades of costly litigation over the Lower Rio Grande. This settlement is the result of years of negotiation involving multiple parties, and it represents a turning point for our region.

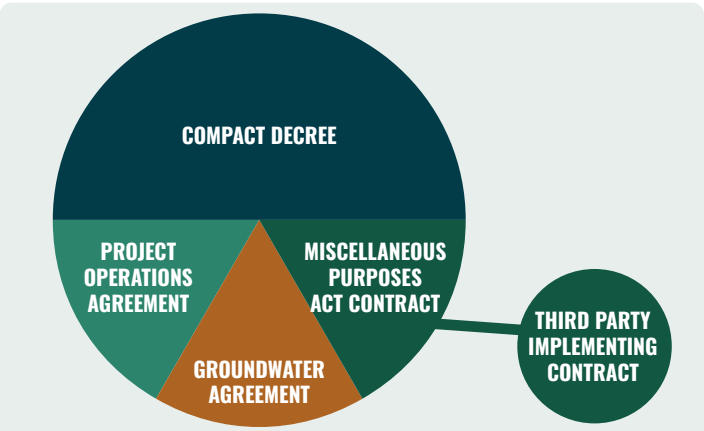
At its core, the settlement does three important things: it resolves how surface water is divided between New Mexico and Texas below Elephant Butte Reservoir, and it defines how much groundwater can be pumped in the Lower Rio Grande. It also commits the state to work together with water users to create a fair and sustainable long-term Lower Rio Grande Water Management Plan.

What makes this settlement significant:
The settlement supports New Mexico's ability to continue agricultural and groundwater-based economies while meeting interstate obligations to Texas under the Rio Grande Compact. Instead of shutting down groundwater pumping entirely (as Texas initially and ultimately the federal government demanded), the settlement allows for a reasonable level of continued use with a manageable reduction: 18,200 acre-feet, or about 6% of current use. This reduction will support aquifer recovery and gives our communities time to adapt and plan for the future.

The settlement also preserves New Mexico's control over our rights and provides new flexible tools to support communities and help us meet our commitments.

Why it matters for the Lower Rio Grande:
This settlement shifts resources away from litigation and toward solutions on the ground. New Mexico has spent over $40 million defending our interests in court. The settlement allows state and federal resources to be redirected to actual water management solutions. It brings clarity to issues the 1938 Rio Grande Compact left ambiguous, and importantly, it gives our communities a voice in shaping how water is managed long-term, rather than having solutions imposed by courts.

How it works:
The settlement is not a single agreement. It is a carefully integrated package of five inter-related agreements and contracts, each with a specific purpose. Together, they form a complete framework that addresses surface water, groundwater, Rio Grande Project operations, alternative water uses, and the tools we need to manage all of these fairly and sustainably.



Benefits to New Mexico:
- Settlement protects a significant amount of NM groundwater pumping and allows time to implement the necessary reductions through voluntary, compensated programs rather than forced cutoffs.
- NM retains discretion to administer water rights and obtains increased flexibility and tools to ensure Compact compliance, keeping decisions about Lower Rio Grande water use in New Mexican's hands.
- Settlement adjusts Rio Grande Project operations to provide more surface water to NM, consistent with the original 57/43 allocation split, keeping more water in our state.
- The new measurement index (the Effective El Paso Index or EEPI) provides certainty about how surface water is distributed below Elephant Butte, replacing decades of dispute with predictable rules New Mexico and Texas can plan around.
- Includes a transition period that allows the State to work with water users to develop and implement the Lower Rio Grande Water Management Plan, which will identify long-term water management strategies designed to improve the condition of the aquifer, support communities, and maintain Compact compliance.
- Related court cases will be dismissed and water rights adjudication issues will be addressed, eliminating ongoing litigation.
- Funding to implement the settlement requirements and related Lower Rio Grande activities are long-term investments in the region.

The pages that follow explain each agreement in detail: what it does, who it involves, and why it matters for you.

U.S. SUPREME COURT COMPACT DECREE

The Foundation: Equitable Water Division and Accounting

PARTIES: New Mexico, Texas, Colorado

FORUM: U.S. Supreme Court (Case No. 141, original jurisdiction)

WHAT IT IS: The Compact Decree is the U.S. Supreme Court's final judgment that settles the Texas v. New Mexico litigation. It is the foundation of the entire settlement package. The Decree is an enforceable Court order specifying how surface water in the Lower Rio Grande will be divided between New Mexico and Texas, and it establishes the accounting and measurement framework that ensures both states can verify compliance.

CONNECTION TO THE OTHER AGREEMENTS: The Compact Decree is the cornerstone agreement for the Settlement. The other four agreements and contracts resolved associated disputes between distinct sets of parties and created a framework for compliance:

- The **Operations Settlement Agreement** ensures that Rio Grande Project operations align with the Decree's accounting requirements.
- The **Miscellaneous Purposes Act (MPA) Contract** and the associated **Third Party Implementing Contract** allow for Rio Grande Project water to be used for purposes other than irrigation and provide operational tools to support New Mexico in meeting the Decree's requirements.
- **The Groundwater Settlement Agreement** resolved the United States' claims by requiring groundwater depletion reductions in New Mexico which will reduce surface water interference that could affect Rio Grande Project operations.

PURPOSE:
The Compact Decree resolves three critical issues that the 1938 Rio Grande Compact left unanswered:

1. **Surface water allocation below Elephant Butte:** The Decree establishes that 57% of surface water below Elephant Butte Reservoir is apportioned to New Mexico and 43% to Texas. This brings more surface water back to New Mexico and clarifies the long-disputed division, providing greater certainty to water users in both states.
2. **Reasonable groundwater pumping:** Rather than shutting down groundwater use, the Decree allows for a reasonable level of continued groundwater pumping in both states. This protects significant agricultural and economic uses while requiring careful management.
3. **Water accounting framework:** The Decree establishes a detailed accounting system based on the Effective El Paso Index or EEPI, which determines how much surface water New Mexico owes to the Texas state line. The accounting framework allows for expected year-to-year variations (positive and negative departures from what's owed) based on variability in hydrologic conditions or other factors.

HOW IT WORKS IN PRACTICE:
The Decree clarifies the existing 1938 Rio Grande Compact including adding an additional delivery point for New Mexico. We must now deliver water to Elephant Butte Reservoir from the Middle Rio Grande – as required by the original 1938 Compact - and to the Texas state line from the Lower Rio Grande. The new state-line delivery obligation established by the Decree determines the amount of surface water that Texas is entitled to receive. Similarly, New Mexicans rely on Rio Grande Compact deliveries made to us from our upstream neighbors in Colorado. Nothing in the Decree changes New Mexico's existing obligation to deliver water to Elephant Butte Reservoir.

As an 'index' delivery obligation, what we owe each year at the state line is dependent on inflows to the system – the more water coming into the Lower Rio Grande from upstream, the more we need to deliver to the state line. The accounting system also accommodates normal, dry, and wet years without requiring perfect delivery every single year. Finally, the Compact Decree leaves unchanged the United States's treaty obligation to deliver water to Mexico.

WHAT THIS MEANS FOR YOU:
The Decree gives farmers, communities, and businesses clarity about how surface water will be divided between New Mexico and Texas going forward. It protects New Mexico's significant surface water rights previously recognized in the Rio Grande Compact. It also allows for continued groundwater use at a reasonable level instead of eliminating it. This stability will allow local communities to plan with more confidence.

Moving forward, meeting this obligation must be our collective top priority. Because the Compact is a federal law, Compact delivery obligations are legally binding and enforceable. In practice, this limits how much water each state can use because Compact delivery obligations take precedence over in-state uses.

Meeting this obligation will not always be easy, particularly as New Mexico faces increasing water scarcity. Significant effort will be required between the state and local water users to ensure compliance.

OPERATIONS SETTLEMENT AGREEMENT

Rio Grande Project Management and Compliance

PARTIES: New Mexico, United States, Elephant Butte Irrigation District (EBID), El Paso County Water Improvement District No. 1 (EPCWID)

FORUM: Federal District Court

WHAT IT IS: The Operations Settlement Agreement resolves decades of disputes about how the Rio Grande Project should be operated and how water should be accounted for. The Rio Grande Project is a large federal infrastructure network, managed by the Bureau of Reclamation, that distributes surface water from the Rio Grande in south-central New Mexico, west Texas and down to Mexico. The settlement aligns Project operations with the accounting requirements of the Compact Decree.

CONNECTION TO THE OTHER AGREEMENTS: The Operations Settlement implements the accounting framework established in the **Compact Decree**. It works closely with the **Groundwater Settlement** and the **MPA Contract** by providing the operational mechanisms those agreements require. For example, the MPA Contract relies on the Operations Settlement's tools for allocating and transferring water between the irrigation districts.

PURPOSE:

The Rio Grande Project is jointly operated by the Bureau of Reclamation, EBID (which manages the surface water irrigation system in New Mexico), and EPCWID (which manages the surface water irrigation system in Texas). These entities and New Mexico had disagreements about how water should be allocated and managed. The Operations Settlement resolves these disputes by:

1. **Aligning operations with Compact accounting:** The agreement ensures that the Project operates consistently with water accounting under the Compact Decree. This eliminates confusion and disputes.
2. **Providing flexible allocation tools:** The settlement allows transfers of water allocations between EBID and EPCWID under certain conditions, to address positive and negative departures from Compact delivery obligations.
3. **Resolving supplemental groundwater right priority date issues:** The agreement resolves outstanding questions about the priority date for supplemental groundwater rights within EBID. New Mexico agrees to recognize a 1903 administration date for groundwater used to supplement surface water within EBID.
4. **Creating a framework for future resolution:** The agreement establishes a process for negotiating resolution of other outstanding issues in the Lower Rio Grande Adjudication, which is a separate legal process to determine all water rights in the basin. This keeps water rights-related disputes from blocking the settlement's implementation.

HOW IT WORKS IN PRACTICE:

District Managers, the State of New Mexico, and the United States have resolved their differences over Project operations and accounting. When transfers of surface water are necessary, the agreement provides clear contractual conditions for how that can happen without violating Compact obligations. Project operators measure water at agreed-upon points, and all parties can audit those measurements.

WHAT THIS MEANS FOR YOU:

If you use Rio Grande Project surface water for irrigation, the Operations Settlement means more predictable allotments and clear rules about how your water is managed. If you are another water user (such as municipal or industrial), it provides greater certainty in how the overall system is managed.

GROUNDWATER SETTLEMENT AGREEMENT

Managing Groundwater Depletion and Seeking Long-Term Sustainability

PARTIES: New Mexico, United States

FORUM: Federal District Court

WHAT IT IS: The Groundwater Settlement is New Mexico's commitment to address one of the most difficult issues in the case: the depletion of groundwater in the Lower Rio Grande. For decades, groundwater pumping has supported the basin's needs in the absence of full supplies of surface water. This increased reliance on groundwater has exceeded the aquifer's ability to recharge, meaning the aquifer is being drained faster than it refills. The federal government argued that this pumping interferes with New Mexico's ability to deliver surface water to Rio Grande Project users in New Mexico and Texas. The Groundwater Settlement resolves this dispute by committing New Mexico to measurable groundwater depletion reductions while protecting a reasonable level of continued groundwater use.

CONNECTION TO THE OTHER AGREEMENTS: The Groundwater Settlement addresses Rio Grande Project operation interference caused by increased groundwater pumping in the Lower Rio Grande. Reducing groundwater depletions also protects communities and improves surface water delivery efficiency to the state-line, which helps us meet our Compact obligations under the **Compact Decree**.

The **Operations Settlement** and the **Third Party Implementing Contract** provide tools that can be used to manage water use and maintain Compact compliance. For example, the surface water component of the water rights acquired by the state as part of the depletion reduction obligation will be used to help meet New Mexico's Decree obligation through transfers of allocations between EBID and EPCWID.

The **MPA Contract** and future implementing contracts between Lower Rio Grande water users and EBID will provide additional flexible tools that can help meet regional water needs and maintain economic activity while supporting our Compact compliance.

PURPOSE: The Groundwater Settlement includes three primary commitments:

1. **Measurable groundwater use reductions:** New Mexico committed to reduce annual groundwater depletions by 18,200 acre-feet. This will help stabilize the aquifer, but represents only approximately 6% of current use. Significant existing uses, and the regional economy, remain protected. These reductions will occur through voluntary acquisitions of valid, actively used, water rights by the state. The agreement allows for ten years to complete the acquisitions.
2. **Long-Term Planning:** The agreement requires New Mexico to adopt a comprehensive Lower Rio Grande Water Management Plan within two years that will guide groundwater management for the long term. This plan will include input from local stakeholders and will determine management tools to enable the additional reductions that are likely to be needed given increasing water scarcity. The state is committed to craft this plan together with regional stakeholders and ensure it reflects what local communities and water users think is sustainable and fair.
3. **Consultation and monitoring:** The agreement creates a process for consultation about Rio Grande Project efficiency and aquifer conditions if certain agreed upon triggers are exceeded. If the aquifer declines faster than expected, or if Project efficiency metrics are unfavorable, the parties consult on next steps. This is adaptive management, not a static rule, and binds the state only to consultation.

HOW IT WORKS IN PRACTICE: The 18,200 acre-foot reduction in annual groundwater use is implemented through permanent retirement of ground-water rights. Farmers and communities will be able to work with state water managers to determine the best approach for their specific area, including transition of associated lands to other uses. Water rights can also be acquired from any water use sector – not just agriculture - to meet our obligation.

Lower Rio Grande Water Management Plan development is a two-year process that has already begun. Local stakeholders from agriculture, municipal users, environmental interests, and other users will be consulted. The plan will include current groundwater science, projections for a range of future hydrologic conditions, and consideration of various management scenarios so that communities are most supported in the long-term. The plan will be reviewed and updated, if necessary, every five years.

Groundwater monitoring wells measure the water level in the aquifer. Consultation between the United States and New Mexico will occur if monitoring well data shows that the aquifer is declining under certain conditions. The consultation process allows the state to make informed water management decisions that may be necessary to protect communities and maintain compliance with the Settlement.

WHAT THIS MEANS FOR YOU: If you depend on groundwater for agriculture, municipal supply, or other uses, this agreement protects your ability to continue that use at a reasonable level rather than being shut down entirely. The reduction committed to by New Mexico is manageable.

The plan development process will give you a voice. Your local knowledge, economic concerns, and ideas about sustainability matter in shaping the plan. Long-term success of the plan will depend on local buy-in and participation.

MISCELLANEOUS PURPOSES ACT (MPA) CONTRACT

Broadening Water Use Beyond Irrigation

PARTIES: United States, Elephant Butte Irrigation District (EBID)

FORUM: Federal contract between Reclamation and EBID

WHAT IT IS: Historically, the Rio Grande Project was built and operated exclusively for agricultural irrigation. Project surface water could not legally be used for purposes in New Mexico. The MPA Contract changes this. It allows Rio Grande Project surface water to be used for municipal, industrial, environmental, or other purposes beyond irrigation, and it creates a financial and contractual framework for these alternative uses. This is a significant expansion of the Project's flexibility and usefulness to the region.

CONNECTION TO THE OTHER AGREEMENTS: The MPA Contract does not stand alone. It allowed New Mexico to negotiate a **Third Party Implementing Contract** (described below), which provides the necessary operational tools to support meeting Compact obligations. The MPA Contract creates the legal authority and financial framework; the Third Party Implementing Contract is the practical tool that New Mexico can use.

The MPA also supports the goals of the **Groundwater Settlement** by providing alternative water supplies that can reduce reliance on groundwater pumping.

PURPOSE:

The MPA Contract achieves three goals:

1. **Expands the purposes for which Rio Grande Project surface water can be used:** Project surface water can now be converted to municipal supply, environmental flows, industrial use, or other non-irrigation purposes pursuant to the establishment of third-party implementing contracts with EBID.
2. **Allows EBID to contract with other water users:** EBID can negotiate third-party implementing contracts with cities, industries, environmental organizations, or other entities to provide them with Project surface water in exchange for compensation. This gives EBID a revenue stream and gives other users access to Project surface water.
3. **Creates a fee structure and limits:** The Contract allows up to 100,000 acre-feet of Rio Grande Project water to be converted annually. Fees are assessed per acre-foot of converted water. Some of these fees go to the Bureau of Reclamation and are held to support the cost of future long-term operations and maintenance of Project facilities.

HOW IT WORKS IN PRACTICE:

Third-party implementing contracts are negotiated at EBID's discretion. The 100,000 acre-feet annual cap ensures that EBID retains enough water for its primary irrigation mission and that the Project's core irrigation purpose is not displaced.

WHAT THIS MEANS FOR YOU:

If you represent a growing municipality or industrial user, the MPA Contract creates a new avenue to obtain water from the Rio Grande Project. This may be important as we face increasing water scarcity overall.

If you are an agricultural user in EBID, the MPA Contract and associated third-party implementing contracts create a potential revenue stream through water sales or leases while protecting your core irrigation supply through the annual cap.

For environmental interests, the MPA Contract creates a mechanism by which water could be dedicated to ecosystem restoration and maintenance purposes.

For New Mexico, the MPA Contract expands the tools available to meet Compact obligations and manage the water flexibly within the Lower Rio Grande.

THIRD PARTY IMPLEMENTING CONTRACT UNDER THE MPA CONTRACT

New Mexico's Flexible Toolkit for Water Management and Compact Compliance

PARTIES: Elephant Butte Irrigation District (EBID), New Mexico (through ISC)

FORUM: State-EBID contract

WHAT IT IS: The Third Party Implementing Contract is a significant operational tool for managing water to meet Compact obligations to Texas. It is a comprehensive contract between EBID and the State of New Mexico that gives the New Mexico Interstate Stream Commission (ISC) flexible options to acquire Rio Grande Project water when New Mexico needs it to meet Compact Decree delivery requirements.

This agreement in conjunction with water rights administration led by the New Mexico Office of the State Engineer will provide the multiple strategic tools necessary to support our Compact compliance.

CONNECTION TO THE OTHER AGREEMENTS: The Third Party Implementing Contract works in conjunction with other settlement agreements to assist New Mexico meet its Compact delivery obligations. The **Compact Decree** sets the delivery obligation and allows for Compact delivery credits based on surface water allocation transfers. The **Operations Settlement** aligns Project operations with the Decree and ensures that the districts will accept surface water allocation transfers. . The **MPA Contract** creates the legal authority for Project water to be converted to non-irrigation uses, allowing surface water transfers to occur. The Third Party Implementing Contract allows the ISC to acquire surface water for those transfers.

PURPOSE:

The Third Party Implementing Contract provides New Mexico with options, all structured fairly and with built-in protections:

1. **Acquisition tools:** New Mexico can negotiate with EBID and its members to acquire Rio Grande Project water through voluntary purchases, leases, water transfers, compensated conservation, or other arrangements. EBID and its members are compensated for foregone allocations.
2. **Proactive and voluntary:** The contract is designed to be collaborative. It does not require EBID or its members to surrender water without compensation. It includes provisions for EBID and its members to participate in exchanges or transfers in exchange for payment or other benefits.
3. **Guard rails and protections:** The contract includes annual volume limits and restrictions on when transfers can occur so that EBID's own irrigation operations are protected. EBID cannot be forced to reduce its core irrigation water allocation below agreed upon levels.
4. **Flexibility:** The contract allows various arrangements: temporary leases, permanent water rights retirement, efficiency improvements, transfers, or other creative solutions. As conditions change and new technologies emerge, the tools can adapt.

HOW IT WORKS IN PRACTICE:

In a dry year when New Mexico's surface water availability is low, ISC can work with EBID and its members to negotiate the use of additional Project water to meet Compact obligations. Perhaps local farmers agree to fallow some land temporarily in exchange for compensation, freeing that water to meet the Compact obligation. ISC pays EBID for the converted surface water, and the cost is transparent.

The contract allows these arrangements to occur throughout the water year as needed, but with limits: annual volume cannot exceed certain thresholds, and transfers are restricted to prioritize irrigation needs.

Over the long term, the contract provides a framework for New Mexico to plan with water users a Compact compliance strategy. Rather than facing annual crises about whether water can be delivered, ISC knows what tools are available and can work proactively with EBID.

WHAT THIS MEANS FOR YOU:

If you are a farmer in EBID, this contract provides certainty about how EBID surface water can be utilized by the Interstate Stream Commission for Compact compliance. You benefit from knowing that guard rails protect irrigation operations.

For other water users, this contract, in concert with the other settlements, gives New Mexico a powerful set of tools to help meet Compact delivery obligations through surface water allocation transfers, rather than priority administration.