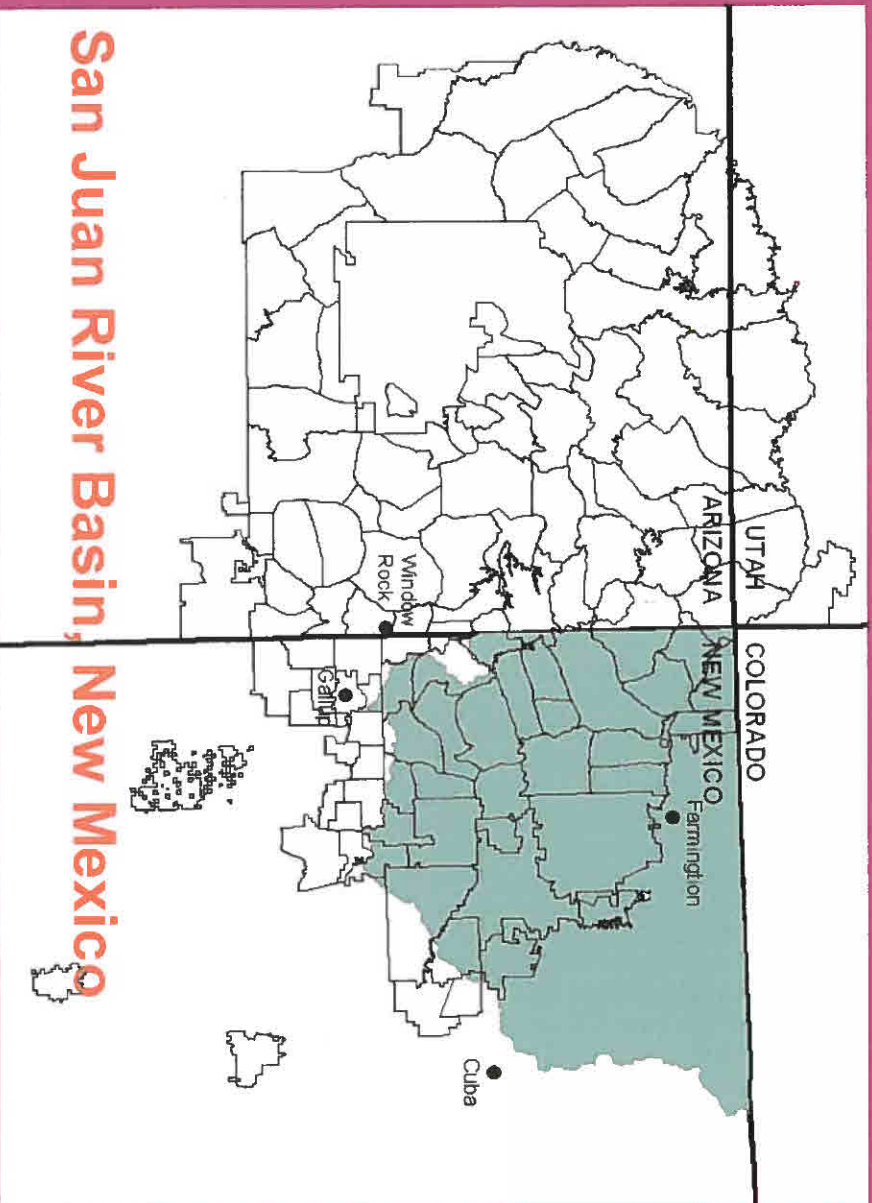


July 9, 2004 Draft - Navajo Nation Water Rights Settlement



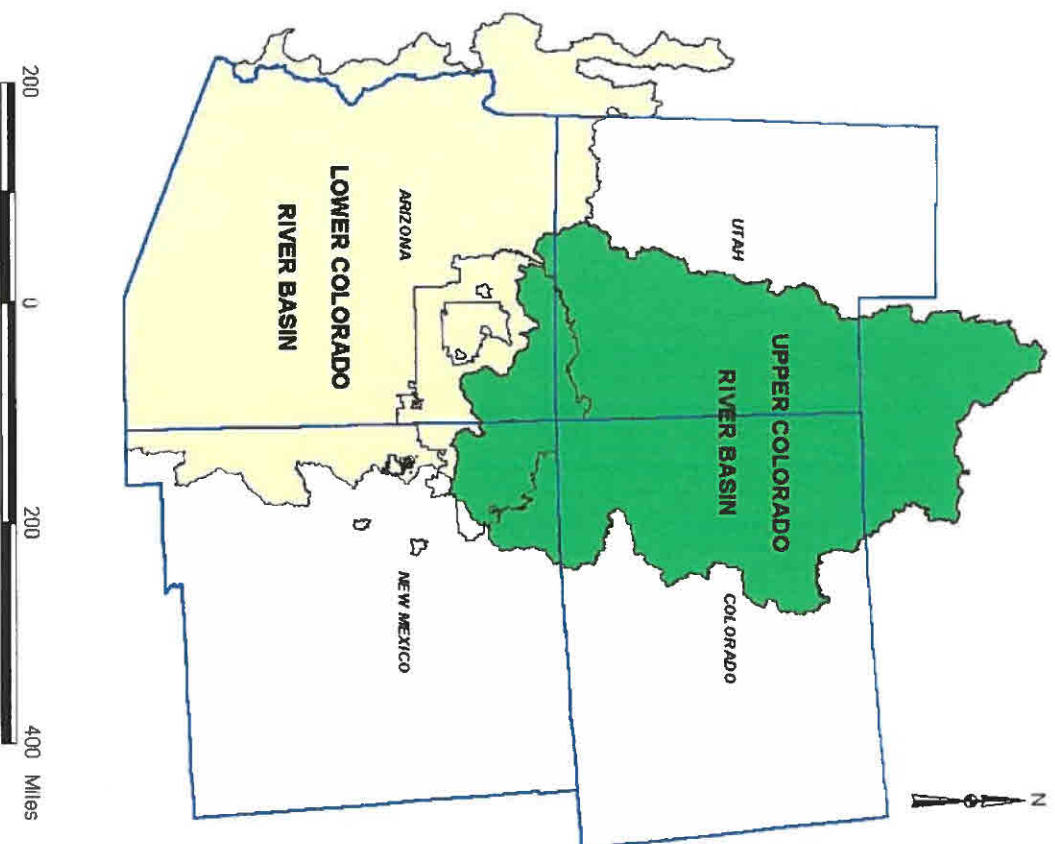
San Juan River Basin, New Mexico

THIS PRESENTATION IS A SUMMATION AND DOES NOT REPRESENT A SETTLEMENT DOCUMENT

It is expressly understood that the governing bodies or authorities of the State of New Mexico, the Navajo Nation and the United States have not approved a settlement or settlement documents.

Upper Colorado River Basin Compact of 1948

COLORADO RIVER BASIN



- Allocates 50,000 acre-feet of consumptive use to Arizona in Upper Basin
- Apportions water to Upper Basin States:
 - Colorado 51.75%
 - **New Mexico 11.25%**
 - Utah 23.00%
 - Wyoming 14.00%

Note: The Hydrologic Determination in 1989 shows the Upper Basin as having a firm yield of 6.0 million acre-feet per year once downstream Compact delivery obligations are accounted for.

Why 11.25%?

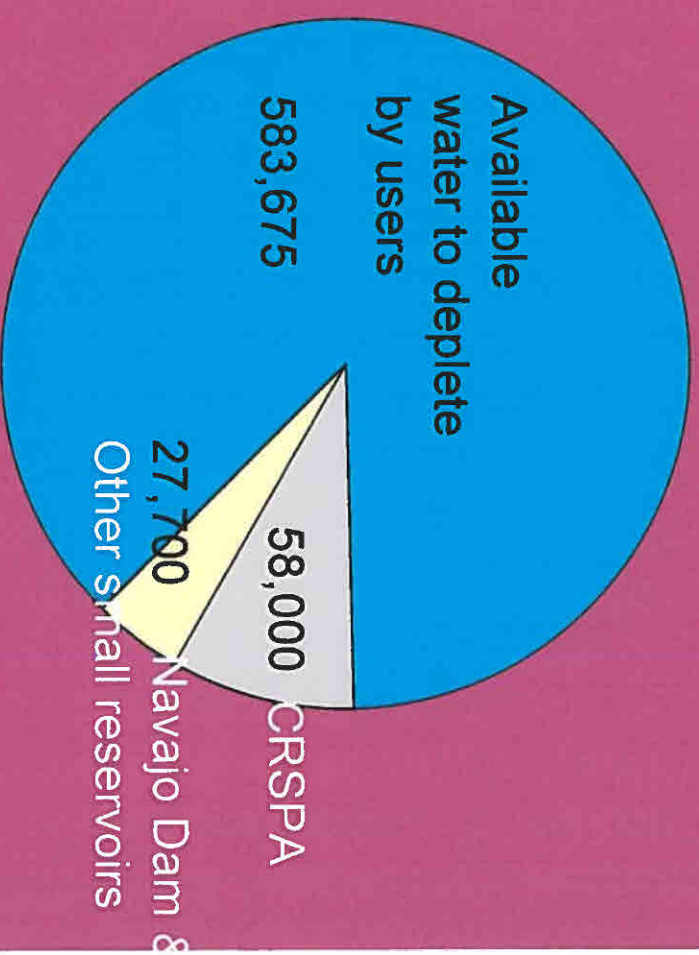
- New Mexico geographically contributes “3%” to the water yield of the Upper Colorado River Basin
- Recognition of the potential claims by the San Juan Basin Indian communities resulted in New Mexico being granted 11.25% of the Upper Basin Supply.

New Mexico's Upper Basin

Allocation is 669,375 acre-feet

Some of New Mexico's allocation goes toward reservoir evaporation.

Only 583,675 acre-feet is available for use by New Mexico.

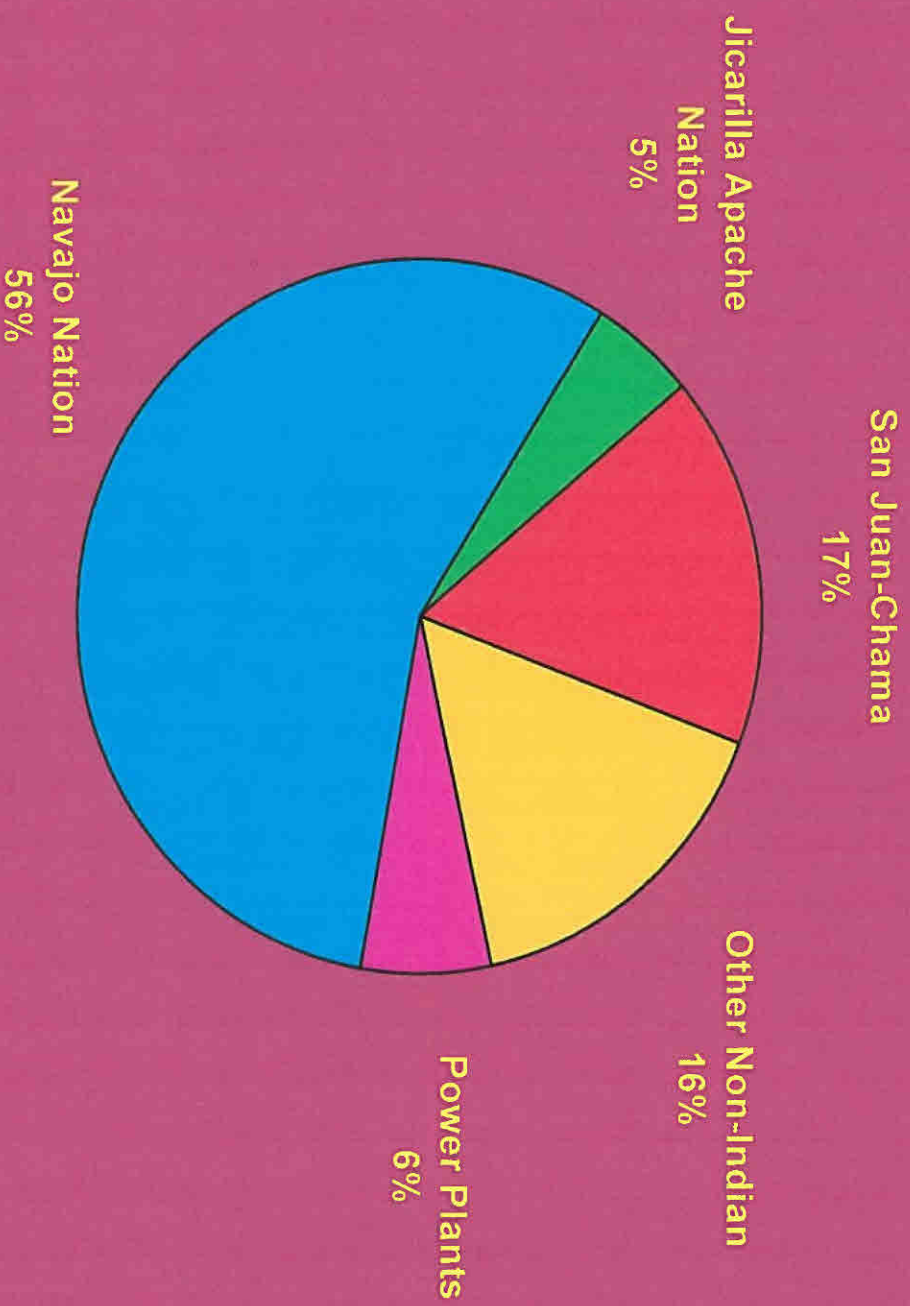


1 acre-foot = 325,851 gallons

PROPOSED NAVAJO NATION WATER RIGHT

- San Juan River Basin in New Mexico
- Diversion: 606,060+ acre-feet per year
- Depletion: 325,370 acre-feet per year
- 50% of any additional apportionment

San Juan River Depletions



NIIP



110,630 Acres

Diversion Right: 508,000 afy

Depletion Right: 270,000 afy

1868 Priority satisfied out of Navajo Reservoir storage.

Right to reuse tail water, so long as the depletion is not increased.

Water right transferable to other uses by Navajo Nation.

**Navajo Indian
Irrigation Project**

1868 Reserved Right and Navajo Dam Storage Right

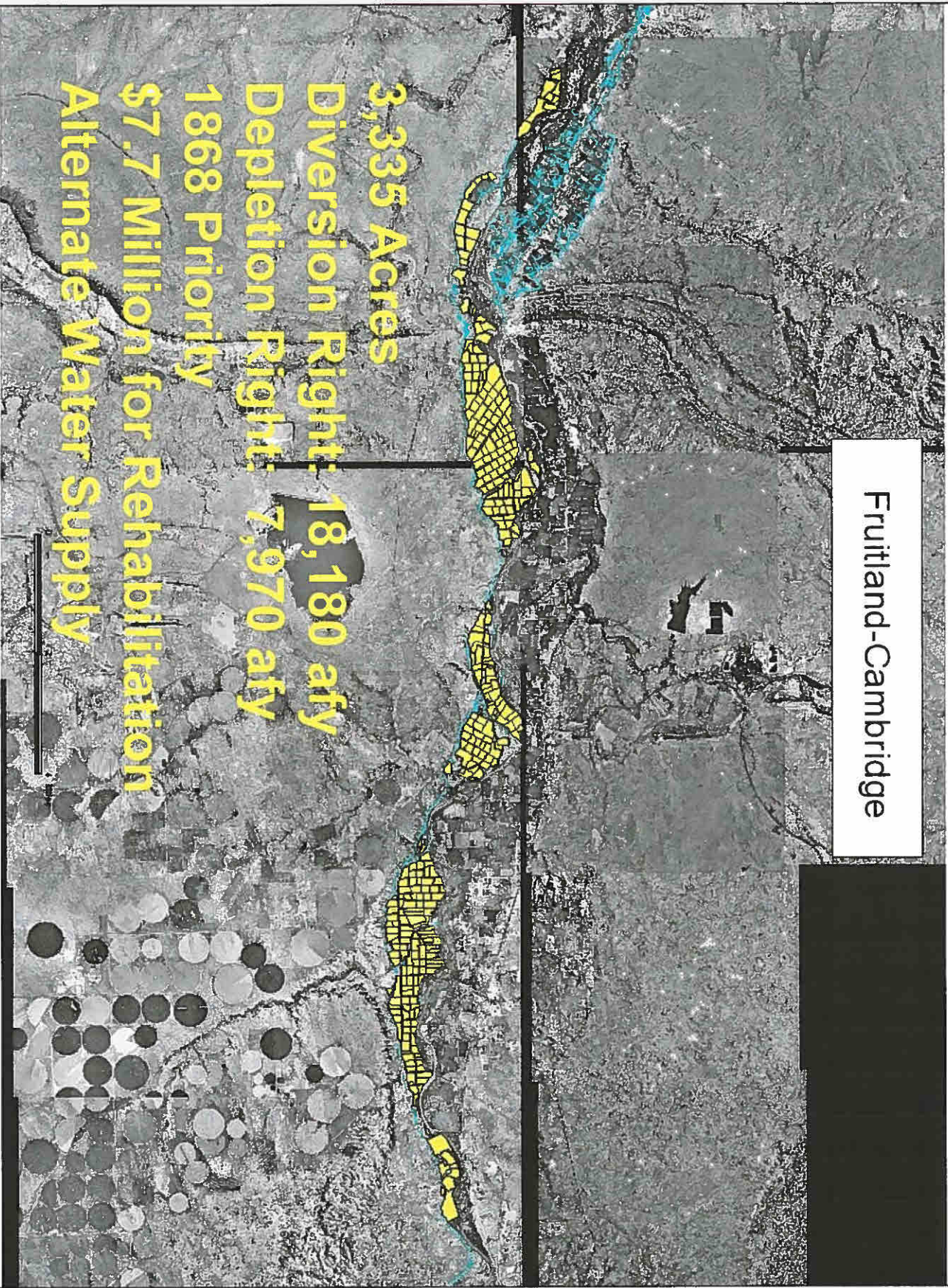
All Navajo Reserved Water Rights have a priority of June 1, 1868, based on the Treaty of 1868.



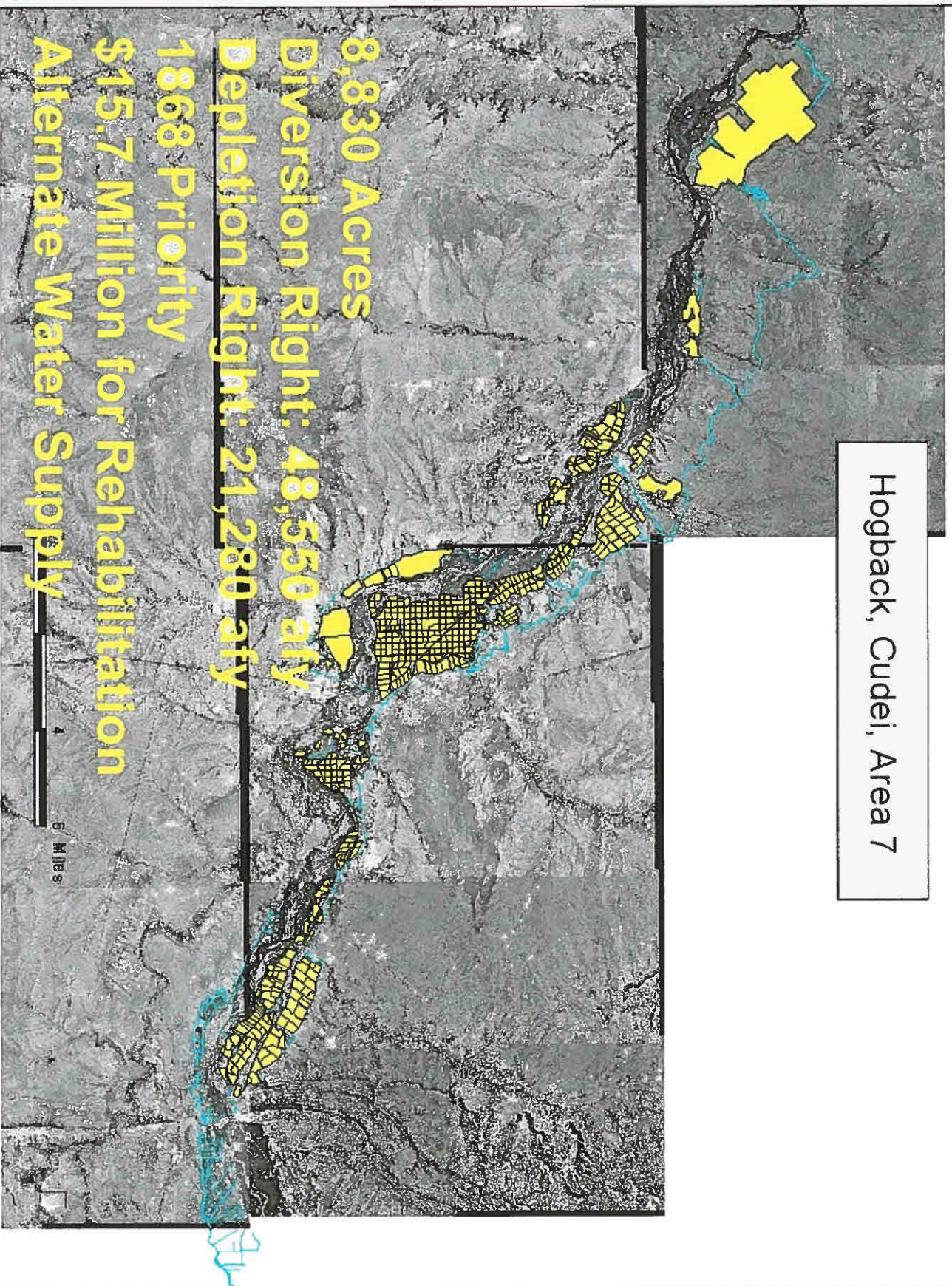
The 1868 priority is subordinated for NIIP and Navajo-Gallup unless water from Navajo Dam is “irretrievably lost.”

Fruitland-Cambridge

3,335 Acres
Diversion Right: 18,180 afy
Depletion Right: 7,970 afy
1868 Priority
\$7.7 Million for Rehabilitation
Alternate Water Supply

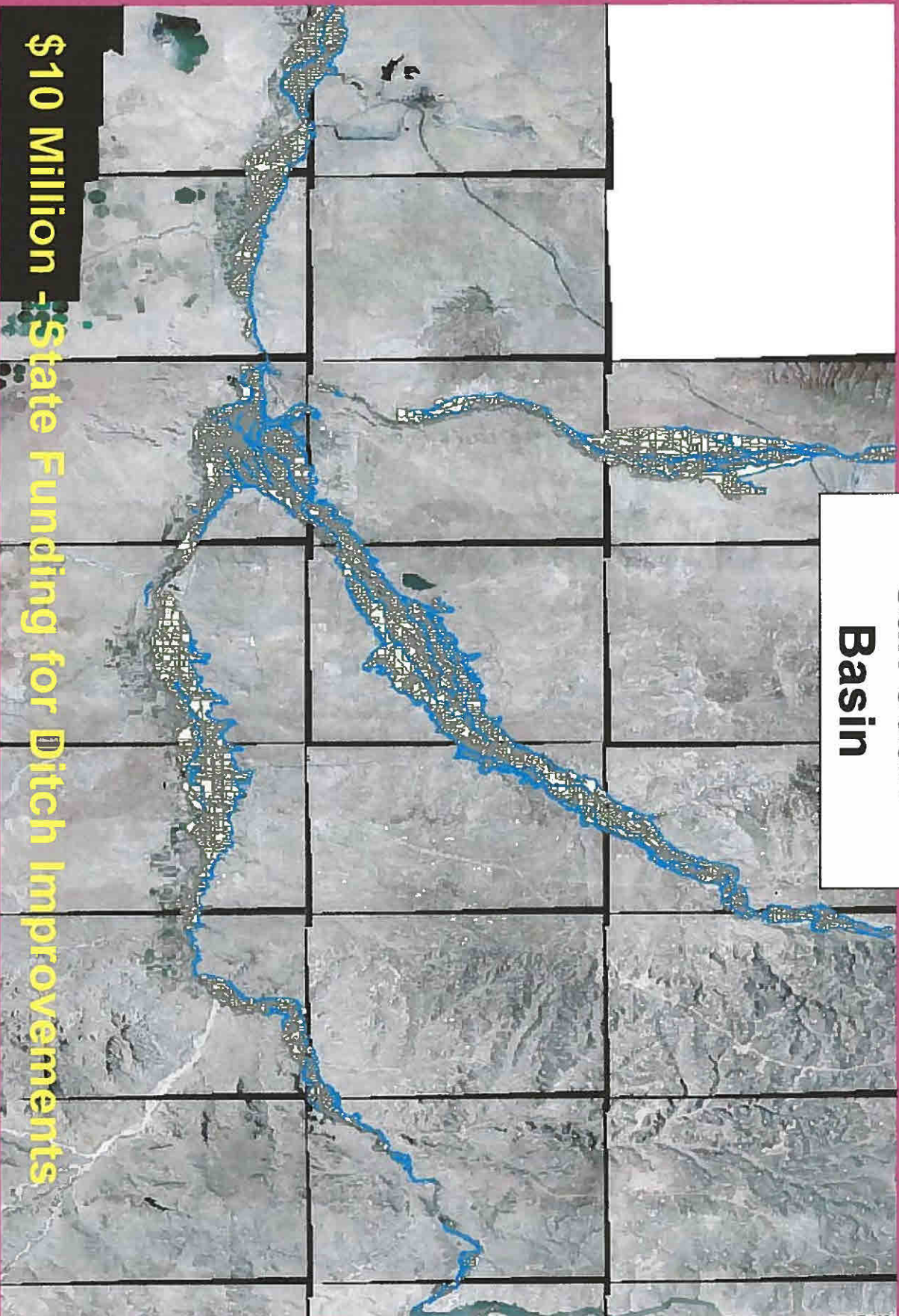


Hogback, Cudei, Area 7



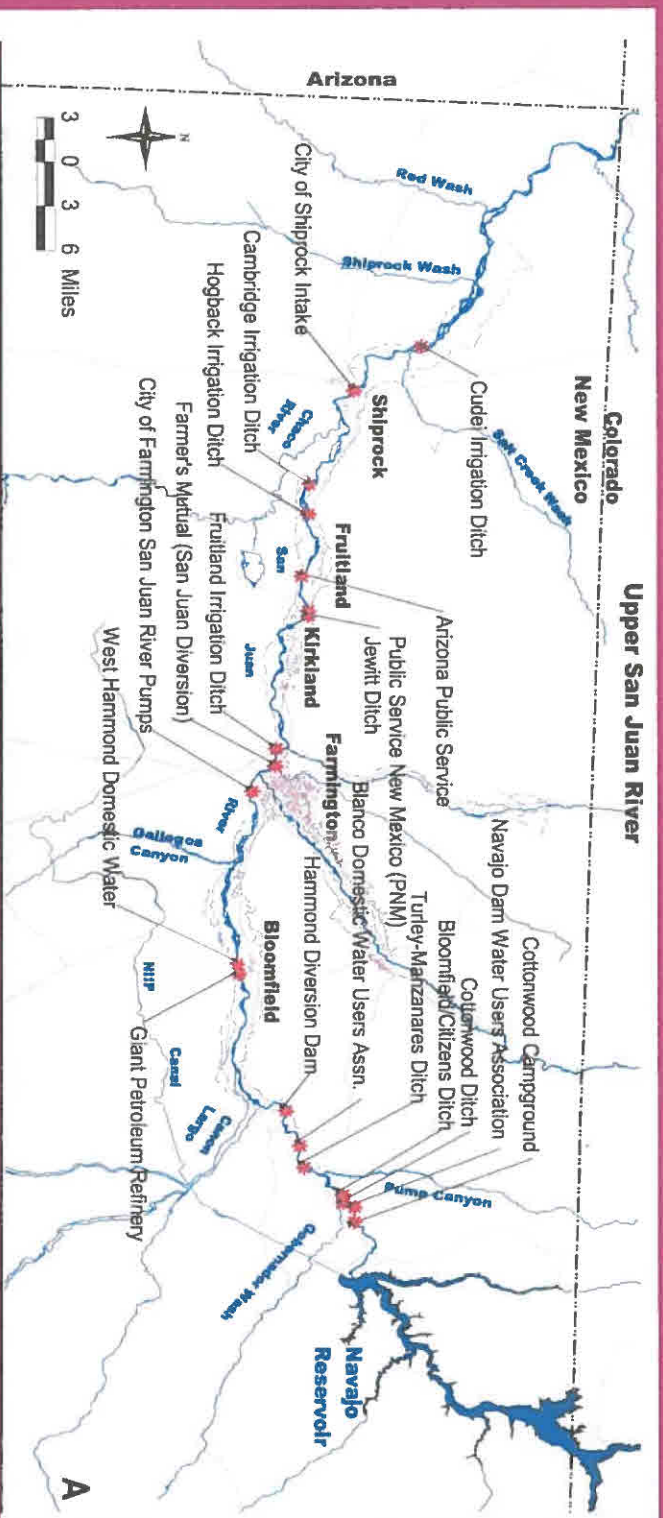
8,830 Acres
Diversions Right: 48,550 afy
Depletion Right: 21,280 afy
1868 Priority
\$15.7 Million for Rehabilitation
Alternate Water Supply

San Juan Basin



\$10 Million - State Funding for Ditch Improvements

Alternate Water Supply



- Pre-approved transfer of NIIP water right, within authorized depletion.
- Hogback & Fruitland to receive up to 15,000 AF/yr out of NIIP water supply, so long as no shortage occurs in NIIP water supply.
- Depletions are charged against NIIP; NIIP depletions increased to 270,000 AF/yr to allow protection of wet water supply for Hogback and Fruitland.
- Eliminates need to assert “call” against other water users in most years.
- Increases NIIP flexibility through ten (10) year average.

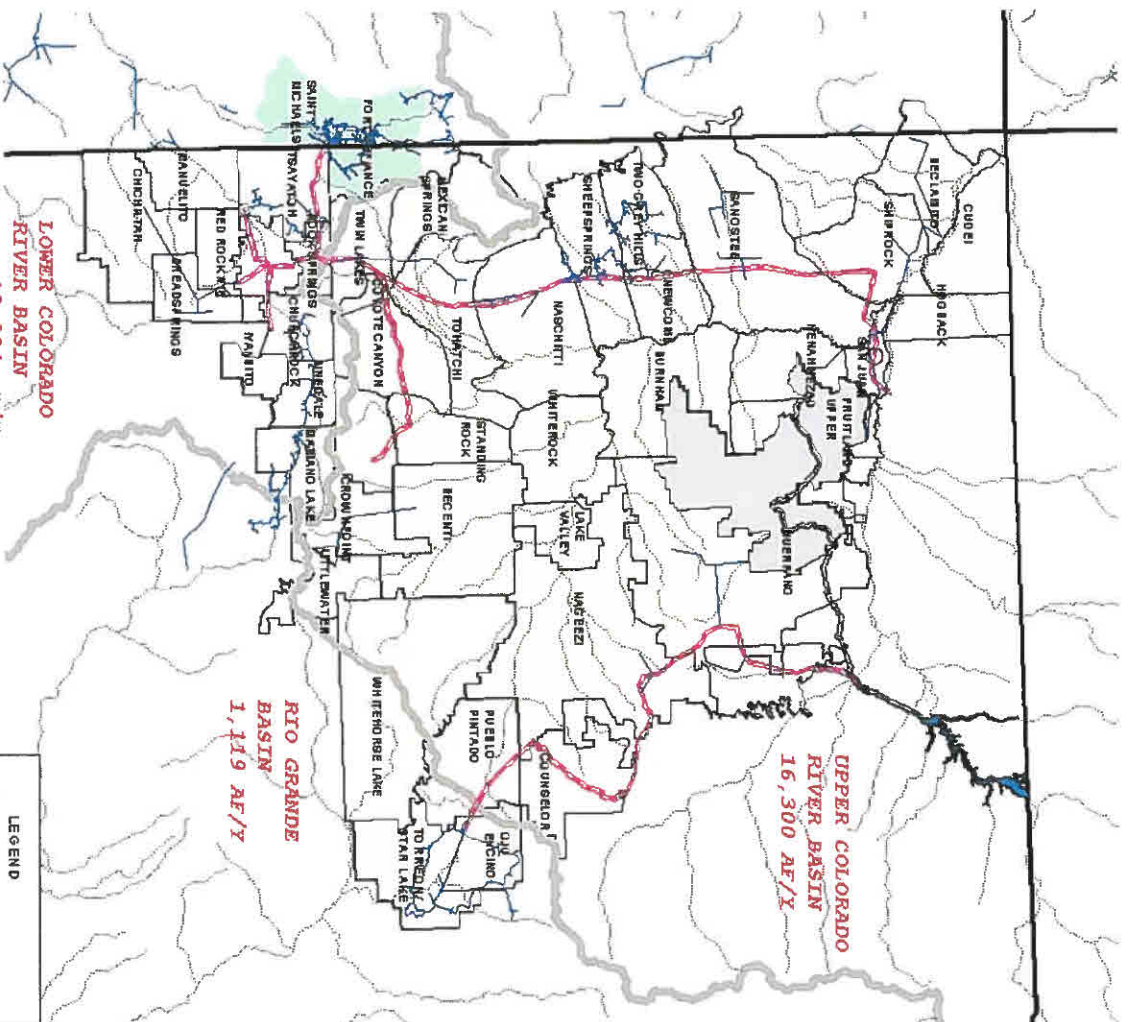
Navajo-Gallup Water Supply Project

Total Diversion: 37,760 acre-feet
 Total Depletion: 35,890 acre-feet
 Settlement Depletion: 20,780 acre-feet

Navajo in NM: 20,780 acre-feet
 Navajo In AZ: 6,410 acre-feet
 City of Gallup: 7,500 acre-feet
 Jicarilla Apache: 1,200 acre-feet
 Total: 35,890

Navajo uses in Arizona water to come from Arizona's allocation of water. City of Gallup needs to find its own supply of water. Jicarilla Apache will use its decreed water rights in New Mexico.

The Project is designed so that each chapter shown on the map would get enough water to meet the projected demands for the 2040 population. Some chapters would get conjunctive ground water development. Water for community development is included.



LOWER COLORADO
 RIVER BASIN
 NM: 13,934 AF/Y
 AZ: 6,411 AF/Y

RITO GRANDE
 BASIN
 1,119 AF/Y

UPPER COLORADO
 RIVER BASIN
 16,300 AF/Y

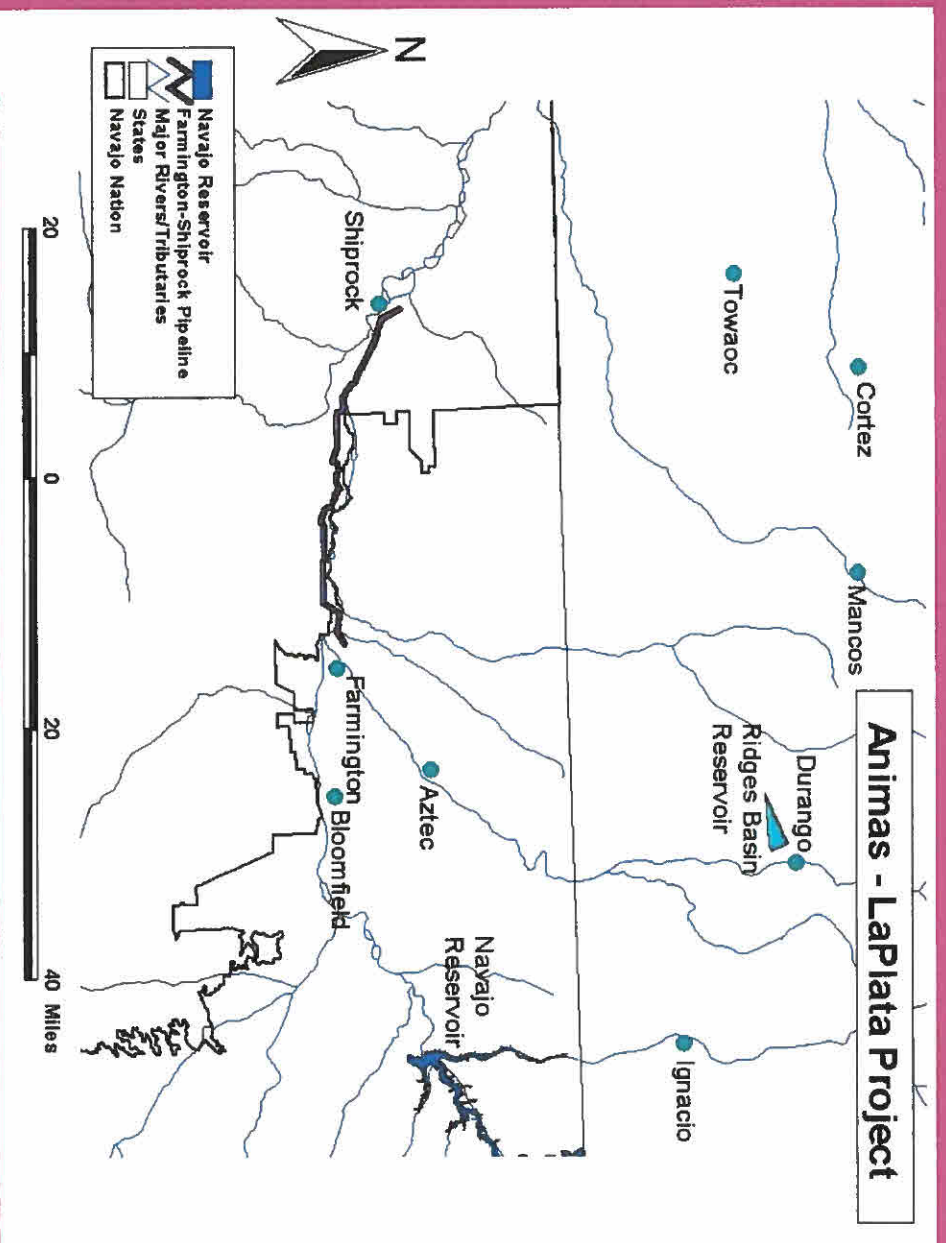
Navajo-Gallup Water Supply Project
 Navajo Department
 Water Resources
 Water Management
 November 8, 2002
 E:\navg\proj\lwt\lwg\lwgmap06.k.jpg



LEGEND

- Navajo Reservoir
- NIP canal
- States
- Navajo-Gallup Project
- Existing Waterlines
- Tributaries
- Basin Boundaries
- NGWSP AZ chapters
- NGWSP NM chapters

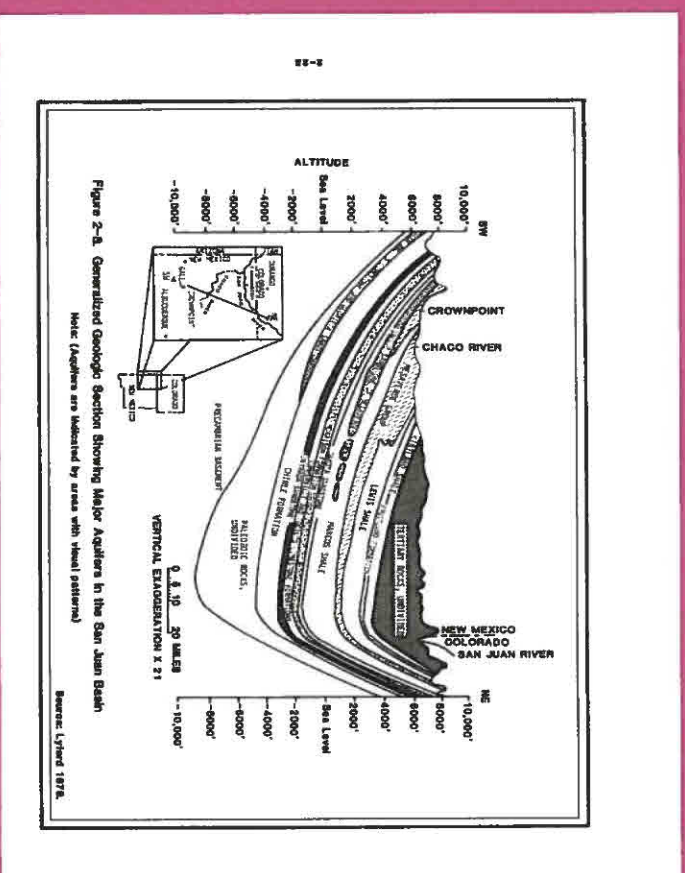
ALP



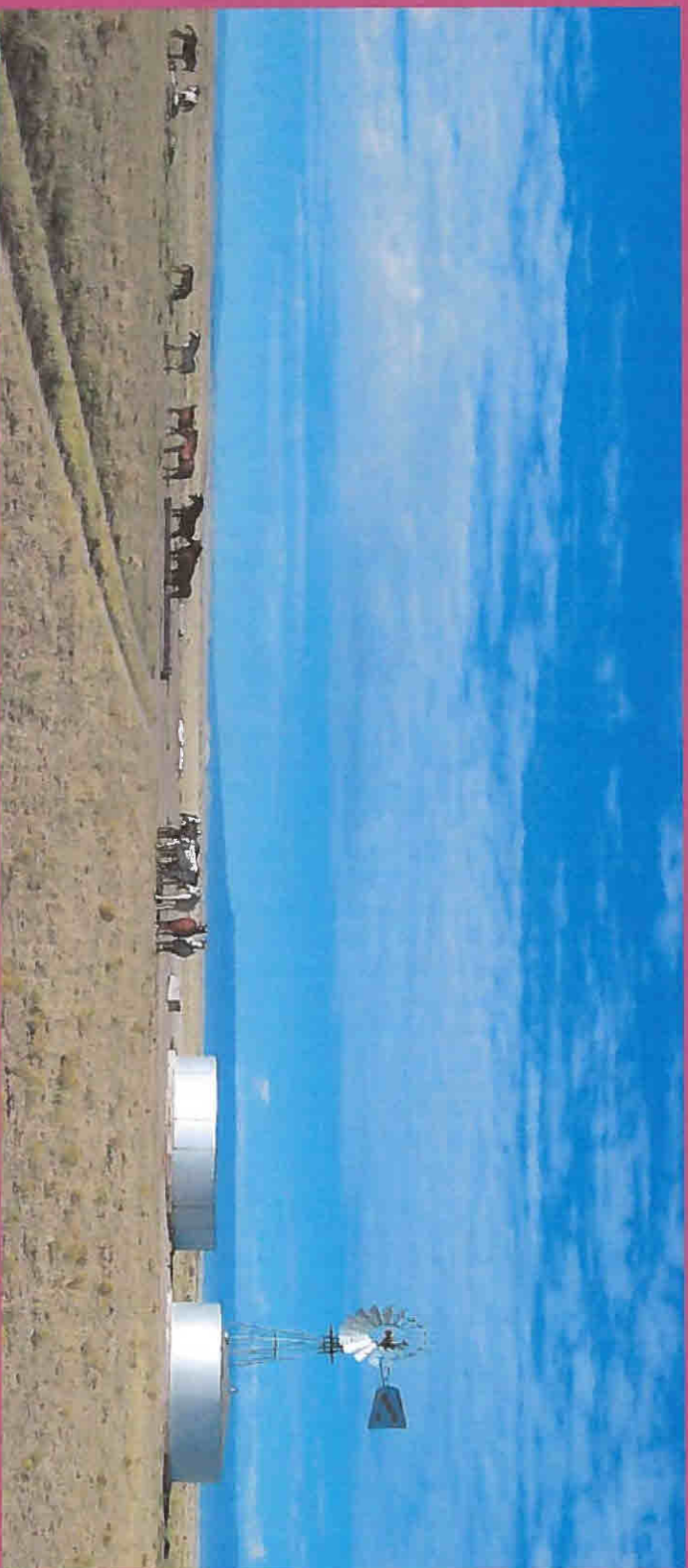
Municipal water for Upper Fruitland, Nenahnezad, San Juan, Hogback, and Shiprock.
4,680 Diversion/2,340 Depletion

Ground Water

- 2,000 AF/yr (1868 Priority)
- Navajo administration on trust lands
- OSE administration on fee lands
- NTUA AZ/NM Systems
- Right to additional ground water:
 - Subject to non-impairment of existing ground water users.
 - Depletions > 2,000 AF/yr from San Juan River subject to offset plan approved by OSE.



Miscellaneous Uses



Additional water, including small irrigation projects, stockponds, stockwells, and livestock uses to be added after hydrographic survey. 1868 Priority.

Proposed Navajo Nation Water Rights Settlement

| Components | Annual Diversion [acre-feet] | Annual Depletion [acre-feet] | Project Cost |
|---|------------------------------|------------------------------|----------------------|
| Navajo Indian Irrigation Project (farm 110,630 acres) | 508,000 | 270,000 | \$372,800,000 |
| Fruitland-Cambridge Irrigation Project (3,335 acres) | 18,180 | 7,970 | \$7,700,000 |
| Hogback-Cudel Irrigation Project (8,830 acres) | 48,550 | 21,280 | \$15,700,000 |
| Extra diversion for irrigation projects | No # limit | 0 | |
| Navajo's share of Navajo-Gallup Water Supply Project (City of Gallup (approx. \$110.1 million) and Jicarilla Apache Nation (approx. \$21.4 million) will pay their share separate from the Settlement) | 22,650 | 20,780 | \$458,100,000 |
| Navajo-Gallup Ground Water Component (use tributary and non-tributary ground water) | | | \$77,600,000 |
| Farmingtton to Shiprock Pipeline (ALP) | 4,680 | 2,340 | \$0 |
| San Juan River Municipal | 2000 | 1000 | |
| Extra diversion for M&I | No # limit | 0 | |
| Tributary Ground Water | 2000 | 2000 | |
| TOTAL PROPOSED NAVAJO WATER RIGHT: | 606,060 | 325,370 | |
| Additional Water via Hydrographic Survey for historic and existing stock, irrigation, recreation, and water for domestic use | | | \$5,000,000 |
| Navajo Nation Water Development Trust Fund | | | \$50,000,000 |
| TOTAL PROPOSED SETTLEMENT COST (excludes Gallup and Jicarilla share of Navajo-Gallup) | | | \$986,900,000 |

SCHEDULE

- Approve Settlement Agreement
2004
- Enact Settlement Act
2006
- Complete NGWSP EIS/ROD
2006
- Complete Hydrographic Survey
2011
- Entry of Partial Final Decree
2015
- Complete Trust Fund deposits
2016

Significant Changes from the December 5, 2003 Draft

- Alternative Water Supply
- Navajo Indian Irrigation Project
- Navajo-Gallup Water Supply Project
- Addition Allocations
- Ground Water Rights
- Water Administration
- Other Provisions