

August 2005

MEMORANDUM OF UNDERSTANDING
Partnership
BIA-BLM-MMS-IEMSC

MANAGEMENT OF FEDERAL INDIAN MINERALS OFFICE
FARMINGTON, NEW MEXICO

INTRODUCTION

This Memorandum of Understanding (MOU) provides the procedures for administration, coordination, and cooperation in the partnership among The Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Minerals Management Service (MMS), and the Indian Energy and Minerals Steering Committee (IEMSC) for the management of the Federal Indian Minerals Office in Farmington, New Mexico (FIMO-Farmington). This office was created to provide and improve Indian Trust services to individual Indian beneficiaries for the management of their oil and gas mineral resources only on Navajo-allotted lands. The bureaus agree to operate the office that integrates the Indian allotted oil and gas management functions under one line of authority. The Director of FIMO-Farmington will report administratively to the bureau that provides the full-time employee position. The bureau that provides the full-time employee position will also provide direct-line supervision of the Director of FIMO-Farmington (hereafter referred to as the "reporting agency"), and will provide the administrative support required for the full operation of the FIMO office. Such support shall include, but not be limited to budgeting, procurement, charge cards, property, IT support, security, human resource support and vehicular support, as herein defined.

By memorandum dated March 3, 2005, James Cason, Associate Deputy Secretary, expanded the scope and responsibility of the Indian Energy and Minerals Steering Committee to include Indian Trust energy and mineral policies and issues. To reflect the expanded scope of the committee, it has been renamed, the Indian Energy and Minerals Steering Committee (IEMSC). All further references to the IEMSC are inclusive of work performed by its predecessor, the IMSC. Unlike the FIMO, the IEMSC covers all trust minerals issues.

The Assistant Secretary - Indian Affairs, and the Assistant Secretary - Land and Minerals Management approved, FIMO-Farmington as a permanent office on September 28, 2001, to implement one stop shopping for individual Navajo oil and gas owners at the local level.

This MOU provides a framework for the Department of the Interior (DOI) to carry out its trust responsibilities that must be coordinated to provide efficient and accountable service for the Navajo individual mineral owners in the Four Corners Region pertaining to the management of oil and gas.

This MOU identifies the objectives of the partnership, defines the relationship of the partners, describes responsibilities of the partners, and defines the core functions of the office.

PARTNERSHIP OBJECTIVES, RESPONSIBILITIES AND CORE FUNCTIONS

1. **OBJECTIVES:** The overall objective of the FIMO-Farmington operations is to provide and improve Indian Trust services to the Navajo individual mineral owners pertaining to oil and gas in the Four Corners Region. To meet this objective, the FIMO-Farmington operation has consolidated and integrated the bureaus' Indian allotted oil and gas management functions under one line of authority.
2. **RESPONSIBILITIES:** The IEMSC established a multi-bureau partnership, called the Executive Management Group (EMG), to monitor and oversee the management of the FIMO-Farmington operation. Specifically, the responsibilities of the IEMSC, EMG and FIMO-Farmington are:

A. IEMSC will:

- Review the status of FIMO-Farmington operations at IEMSC meetings.
- Review the periodic operation reports on the FIMO-Farmington.

B. EMG will:

- Provide leadership to FIMO-Farmington.
- Establish budget for the fiscal year, allocated from the agencies based on staffing levels.
- Conduct meetings or teleconferences as needed with the Director of FIMO-Farmington.
- Establish FIMO-Farmington priorities for the fiscal year.
- Review FIMO-Farmington operations as necessary.
- Provide technical assistance to support FIMO-Farmington functions.
- Provide budget for travel, training, etc. based on the cost sharing formula contained in the Interagency Agreement.

The partners will review and update, if necessary, the Interagency Agreement on a yearly basis and reflect any changes in full-time FTE's assigned to the FIMO-Farmington.

C. FIMO-Farmington will:

- Develop and implement work plans for core functions;
- Implement communication plans with partner offices;
- Update EMG on (a) outreach, (b) inspection and enforcement, (c) lease administration, (d) royalty compliance, and (e) account processes;
- Update IEMSC at meetings on FIMO-Farmington operations and allottee issues;
- Identify additional resources needed for projects to improve trust services;

- Identify potential problems on Navajo allotted lands pertaining to oil and gas leases and discuss with EMG;
- Operate within the approved budget and staffing levels;
- Within the limits of its delegated authority, provide central services to internal and external customers pertaining to oil and gas on Navajo-allotted lands.

3. CORE FUNCTIONS

FIMO-Farmington will perform the following core functions: Lease administration, including permitting; inspection and enforcement; production accountability, consistent with the authorities delegated FIMO by the three bureaus; and royalty compliance consistent with the authorities delegated to FIMO-Farmington by BLM, BIA, and MMS.

Additionally FIMO-Farmington will be responsible for outreach, coordinating account updating and records management as described herein.

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| Outreach | FIMO-Farmington will provide outreach and customer service to (1) individual Navajo oil and gas mineral owners, who are the Trust beneficiaries; and (2) companies who operate the Indian leases. FIMO-Farmington will provide information to Navajo oil and gas mineral owners and ask for their input concerning the management of their lands for oil and gas development. The effort will come in the form of providing direct beneficiary services, such as looking up lease, and/or account information, or having regularly scheduled meetings on issues that directly affect royalties. In implementing direct beneficiary services, FIMO-Farmington will provide one-stop shopping for Navajo oil and gas mineral owners. |
| Account Updating | FIMO-Farmington will coordinate with The Office of Trust Funds Management (OTFM) in order for OTFM to obtain updated address information, establish new accounts and wire transfers, and to provide information with respect to Navajo Individual Indian Money (IIM) accounts. |
| Records Management | FIMO-Farmington will maintain separate records or file maintenance systems for MMS, BIA, and BLM. All records shall be created, filed, identified, preserved, stored, transferred, and accessioned in accordance with records management legislation, and policies and directives of the Department of the Interior and each agency. |

4. ADMINISTRATIVE FUNCTIONS

As mentioned in the introduction, the reporting agency for the FIMO Director shall provide the administrative support functions for the FIMO-Farmington office, as herein defined. These functions include budgeting, procurement, charge cards, property, IT support, security, human resource support, and vehicular support. Those functions are as follows:

Budgeting: The reporting agency will be responsible for developing, tracking, accounting for and reporting the budget for the FIMO-Farmington office. The budget will not exceed the amount agreed to by the EMG unless requested in advance. The budget will be executed in three parts, the operating budget (including travel, training, supplies and materials, phones, and support costs); the personnel budget (including salaries, benefits, and awards); and the facilities budget.

- **Operating Budget** – will be developed, tracked, accounted for and reported using the methods and procedures of the reporting agency. In August of the current fiscal year, the three participating agencies will reconcile the funding responsibilities consistent with the criteria established in the Interagency Agreement and will exchange funds as necessary to fulfill those responsibilities.
- **Personnel Budget** – will be developed, tracked, accounted for and reported using the methods and procedures of the agency which provides the employee (hereafter referred to as “providing agency”.) The providing agency will provide the FIMO Director, by January 1 of the current fiscal year, that year’s allocation of award funding for the FIMO employees of their agency.
- **Facilities Budget** – for the duration of the tenure of FIMO-Farmington, within a BLM-owned building, the facilities budget will be developed, tracked, accounted for and reported using the methods and procedures of the BLM. Thereafter, the facilities budget will be the responsibility of the FIMO Director’s reporting agency.

Procurement: The FIMO Director’s reporting agency shall assume exclusive procurement support for the FIMO-Farmington office, unless specifically agreed to otherwise. FIMO-Farmington employees shall comply with the reporting agency’s procurement guidance in all FIMO agreements and contracts.

Charge Cards: The reporting agency shall provide charge cards for all FIMO-Farmington staff to the extent permitted by the reporting agency’s regulations. As a result of being provided an agency’s charge card, all FIMO-Farmington employees will be subject to the charge card regulations and procedures of the reporting agency, including but not limited to the agency’s use, training, and audit requirements. Nothing in this agreement shall require an agency to issue any charge card authority to a FIMO-Farmington employee that would not be permitted that authority under the reporting agency’s guidance.

Property: Each providing agency will provide FIMO-Farmington with the necessary property for their employees to perform their assigned functions. The property will be

managed consistent with the property rules and regulations of the employee's agency. Each providing agency will designate a Certified Property Officer for all equipment issued to their employees assigned to FIMO-Farmington.

IT Support: The reporting agency will provide the user level IT support and desktop support for FIMO-Farmington. The providing agencies will provide system support for their systems to the authorized FIMO-Farmington employees.

Security: The agency responsible for facilities support will provide facilities, employee and user-level IT security. Records security will conform to each agency's requirements for their mission-related records, to include electronic as well as hard copy records. Each agency will develop a Continuity of Operation plan for their mission-related work.

Human Resources: FIMO-Farmington employees will obtain their Human Resource Support from their respective agency. The FIMO-Farmington Director will perform human resource requirements, such as employee performance evaluations, in accordance with the requirements of the employee's respective agency. FIMO-Farmington will conform to the rules and regulations of each of the providing agencies for the agencies' employees.

Fleet Support: The BLM and BIA will provide the requisite vehicular support for their employees. MMS may provide a vehicle at its discretion. This support includes the vehicle, appropriate safety equipment for the vehicle, and the operation and maintenance requirements of the vehicle. The local BLM vehicle fleet will be used by FIMO-Farmington employees, as required and when available.

DEFINITIONS AND ACRONYMS (Specific to the purposes of this MOU)

Allotted Lands: Lands in which the mineral estate is owned by one or more individual Indian(s) in trust or restricted status.

BIA: Bureau of Indian Affairs

BLM: Bureau of Land Management

DOI: Department of the Interior

EMG: Executive Management Group established by the IEMSC to administer FIMO-Farmington functions and includes Regional Director of the Navajo Region (BIA), State Director of the New Mexico State Office (BLM), and the Manager, Indian Oil and Gas Compliance and Asset Management (MMS)

FIMO-Farmington: Federal Indian Minerals Office, Farmington, NM

IIM: Individual Indian Money accounts.

IEMSC: Indian Energy and Minerals Steering Committee. DOI executive management committee that includes senior managers and staff from the Office of the Special Trustee for American Indians, BIA, BLM, MMS, the Office of Surface Mining, the Office of the Solicitor, and U.S. Geological Survey.

MMS: Minerals Management Service

Director: The individual in charge of the FIMO-Farmington, NM office.

OST: Office of the Special Trustee for American Indians, Washington, D.C.

OTFM: Office of Trust Funds Management under OST, Albuquerque, NM

Regional Director: Regional Director of the Navajo Region, BIA, in Gallup, NM

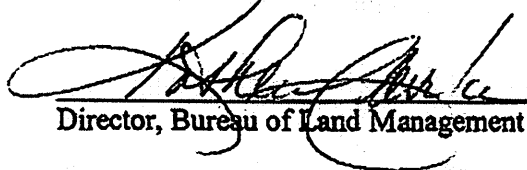
State Director: State Director of the New Mexico State Office under BLM, Santa Fe, NM

GENERAL PROVISIONS

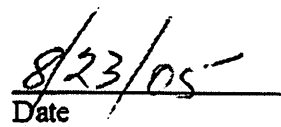
- (1) The agencies will waive any and all administrative overhead fees associated with this agreement.
- (2) This MOU shall remain in effect until superseded or canceled by mutual agreement of the participants.
- (3) This MOU will be supplemented and amended as circumstances may require by the partners.
- (4) The Bureaus for budget purposes will sign a separate interagency agreement.
- (5) This MOU is approved.

Director, Bureau of Indian Affairs

Date



Director, Bureau of Land Management



Date

Director, Minerals Management Service

Date

Chairman, Indian Energy and Minerals Steering Committee

Date

IEMSC: Indian Energy and Minerals Steering Committee. DOI executive management committee that includes senior managers and staff from the Office of the Special Trustee for American Indians, BIA, BLM, MMS, the Office of Surface Mining, the Office of the Solicitor, and U.S. Geological Survey.

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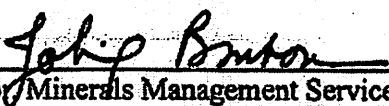
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Director, Bureau of Indian Affairs

Date

Director, Bureau of Land Management

Date



Director, Minerals Management Service

8-10-05

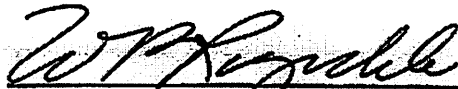
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Chairman, Indian Energy and Minerals Steering Committee

Date

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- (4) The EMG agrees to utilize Alternative Dispute Resolution methods as necessary. Should the dispute not be resolved by ADR then the dispute will elevate the issue to the full IEMSC for resolution.
- (5) The Bureaus for budget purposes will sign a separate inter-agency agreement/ reimbursable work agreement.

This MOU is approved.



Director, Bureau of Indian Affairs

5-20-05

Date

Director, Bureau of Land Management

Date

Director, Minerals Management Service

Date

Chairman, Indian Energy Minerals Steering
Committee

Date

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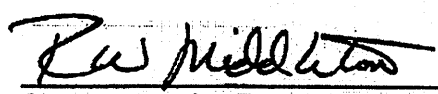
Date

Director, Bureau of Land Management

Date

Director, Minerals Management Service

Date



Chairman, Indian Energy Minerals Steering
Committee

5-17-05

Date