



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program

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JAN 31 2001

IN REPLY REFER TO:

MRM/DAD
Mail Stop 300B3

Memorandum

To: Deputy Commissioner, Bureau of Indian Affairs
Director, Bureau of Land Management
Director, Minerals Management Service

From: Donald T. Sant *Donald T. Sant*
Interim Chairman, Indian Minerals Steering Committee

Subject: New Memorandum of Understanding for the Farmington Indian Minerals Office

Attached is the revised Memorandum of Understanding (MOU) for the Farmington Indian Minerals Office. This MOU has been circulated among the respective agencies for review, and their comments have been incorporated.

Please sign the document and send to the next agency listed above. After all agencies have signed the MOU, please return the document to my attention.

If you have any questions, please do not hesitate to contact me at (303) 231-3899.

Attachment

MEMORANDUM OF UNDERSTANDING
Partnership
BIA - BLM - MMS - IMSC

PILOT PROJECT
MANAGEMENT OF FARMINGTON INDIAN MINERALS OFFICE
FARMINGTON, NEW MEXICO

INTRODUCTION

This Memorandum of Understanding (MOU) provides the procedures for administration, coordination, and cooperation in the partnership between Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Minerals Management Service (MMS), and the Indian Minerals Steering Committee (IMSC). The partnership is for the management of the Four Corners Indian Trust Services Laboratory Pilot (Pilot). The Pilot is a re-invention laboratory to improve Indian Trust Services under the National Performance Review initiative. The three bureaus agree to operate the Pilot Project as the Farmington Indian Minerals Office (FIMO), Farmington, New Mexico. FIMO is established to test the consolidation and integration of the Indian allotted oil and gas management functions with one line of authority.

This MOU replaces the Memorandum of Agreement (MOA), effective September 10, 1996, between BIA, BLM, MMS, and IMSC for the Four Corners Indian Trust Services Laboratory Pilot.

This MOU is established to implement the major recommendations in the Pilot evaluation report, dated July 30, 1999, (as modified by the IMSC) which included extension of the Pilot for two years, through October 2001. The Pilot extension was approved by the Assistant Secretary-Indian Affairs, and the Assistant Secretary-Land and Minerals Management as of September 20, 1999.

This MOU provides a framework and procedures for the DOI to carryout 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 Pilot, defines the relationship of the partners, describes responsibilities of the partners, and defines the core functions.

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

Allotted Lands: Lands allocated to an individual Indian owner under the General Allotment Act of 1887 and held in Trust for him/her and his/her heirs by the Secretary of the Interior.

Regional Director: Regional Director of Navajo Area Office under the BIA, in Gallup, New Mexico.

Associate Director: Associate Director for Royalty Management under MMS, Washington, D.C.

BIA: Bureau of Indian Affairs.

BLM: Bureau of Land Management.

EMG: Executive Management Group in the IMSC to administer FIMO functions and includes Regional Director of the Navajo Nation (BIA), State Director of the New Mexico State Office (BLM), and Associate Director for Royalty Management Program (MMS), and Director.

FIMO: Farmington Indian Minerals Office, Farmington, NM.

IIM: Individual Indian Money accounts.

IMSC: Indian Minerals Steering Committee. DOI executive management committee that includes senior managers from OST, BIA, BLM, MMS, OSM, and the Office of the Solicitor.

MMS: Minerals Management Service.

Pilot Director: The individual in charge of the FIMO office.

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

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

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

PARTNERSHIP OBJECTIVES, RESPONSIBILITIES AND CORE FUNCTIONS

1. **OBJECTIVES:** The overall objective of the Pilot under FIMO operations is to 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 operation will test, consolidate, and integrate the three bureaus' Indian allotted oil and gas management functions under one line of authority.
2. **RESPONSIBILITIES:** The IMSC established a three-bureau partnership, called the Executive Management Group (EMG), to manage and assist the FIMO operation. Specifically, the responsibilities of the IMSC, EMG and FIMO are:

A. IMSC will:

- Review the status of FIMO operations at IMSC meetings.
- Resolve any disputes among the EMG partners on FIMO activities.
- Review the EMG evaluation report at the end of the FIMO Pilot Project.
- Submit a report to the Department upon completion of the Pilot.

B. EMG will:

- Provide leadership to the Pilot Director.
- Establish FIMO budget for the fiscal year, allocated from the three agencies based on staffing levels.
- Assist in setting FIMO priorities for the fiscal year.
- Review FIMO operations on a monthly basis.
- Provide technical assistance to support FIMO functions.
- Update IMSC at the quarterly meetings on FIMO operations.
- Provide IMSC an evaluation report upon completion of the Pilot Project.
- Provide 14 full time employees on temporary assignment to FIMO.
 - BIA - 5 employees
 - BLM - 2 employees
 - MMS - 7 employees
- Provide budget for travel, training, etc. based on the following cost sharing formula.
 - BIA - 35%
 - BLM - 15%
 - MMS - 50%

C. FIMO 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.
- Identify additional resources needed for temporary projects to improve trust services.
- Identify potential problems and breaches in trust responsibility on Navajo allotted lands pertaining to oil and gas leases and discuss with EMG.

- Be responsible for the budget and staffing under the Pilot Director's guidance.
- Provide central services to internal and external customers pertaining to oil and gas and IIM accounts.

3. CORE FUNCTIONS

Outreach	FIMO will provide outreach and customer service to (1) individual Navajo mineral owners, who are the trust beneficiaries and (2) companies who operate the Indian leases. FIMO will provide information to oil and gas owners and ask for their input concerning the management of their lands. The effort will come in the form of providing direct beneficiary services, such as looking up lease, and/or account information on a computer, to having regularly scheduled meetings on issues that directly affect royalties. In implementing direct beneficiary services, FIMO will provide one stop shopping, meaning that Navajo oil and gas owners will not be handed off to other DOI offices.
Inspection and Enforcement	FIMO will inspect all Navajo allotted oil and gas leased lands and enforce regulations pertaining to operational, surface, and environmental issues. These duties include: 1) the concurrence or approval of applications for permit to drill, gathering systems, alternate measurement methods, and lease right-of-ways; 2) physical inspections of oil and gas sale facilities; and 3) investigation of oil and gas discrepancies, and undesirable events.
Lease Administration	FIMO will manage all issues pertaining to the lease. Management of the lease involves assignments, obtaining proper bonding, collecting bonuses, bidding out leases, assessing values, monitoring rentals and canceling leases.
Royalty Compliance	FIMO will (1) review the volumes used to compute royalties on the leases; (2) ensure that values and methods used to compute royalties are in accordance with applicable Federal laws, regulations, and lease terms; (3) determine if rentals and royalties were correctly reported and paid; (4) review recoupments; and (5) assist in resolving cases or issues open for settlement.
Account Updating	FIMO will perform IIM account processes. These processes include interfacing systems for lease distribution, printing payment register, reconciling payments, updating addresses, account information, and establishing new and wire transfer accounts.

GENERAL PROVISIONS

- (1) This MOU shall remain in effect until superseded or canceled by mutual agreement of the participants or Oct. 1, 2001.
- (2) This MOU will be supplemented and amended as circumstances may require by the partners.
- (3) A separate inter-agency agreement will be signed by the three Bureaus.

(4) This MOU is approved.

Sharon Blackwell
Sharon Blackwell
Deputy Commissioner, Bureau of Indian Affairs

February 9, 2001
Date

Niha Rose Hatfield
Niha Hatfield
Acting Director, Bureau of Land Management

February 20, 2001
Date

Thomas R Kitsos
Tom Kitsos
Acting Director, Minerals Management Service

February 23, 2001
Date

Donald T. Sant
Donald T. Sant
Chairman, Indian Minerals Steering Committee

January 31, 2001
Date