

November 27, 2001

**MEMORANDUM OF UNDERSTANDING
Partnership
BIA-BLM-MMS-OST-IMSC**

**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 between Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Minerals Management Service (MMS), the Office of the Special Trustee for American Indians (OST), and the Indian Minerals Steering Committee (IMSC). The partnership is for the management of the Federal Indian Minerals Office (FIMO) in Farmington, New Mexico. This office is created to improve Indian Trust Services. The bureaus agree to operate the office which integrates the Indian allotted oil and gas management functions under one line of authority.

The MOU is established to implement the major recommendations by the IMSC. The FIMO was approved as a permanent office by the Assistant Secretary-Indian Affairs, and the Assistant Secretary-Land and Minerals Management on September 28, 2001.

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, defines the relationship of the partners, describes responsibilities of the partners, and defines the core functions.

PARTNERSHIP OBJECTIVES, RESPONSIBILITIES AND CORE FUNCTIONS

- 1. OBJECTIVES:** The overall objective of the 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 consolidate, and integrate the bureaus' Indian allotted oil and gas management functions under one line of authority.
- 2. RESPONSIBILITIES:** The IMSC established a multi-bureau partnership, called the Executive Management Group (EMG), to manage and assist the FIMO operation. Specifically, the responsibilities of the IMSC, EMG and FIMO-Farmington 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 on the FIMO.
- Submit a report to the Department.

B. EMG will:

- Provide leadership to FIMO.
- Establish FIMO budget for the fiscal year, allocated from the 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.
- Provide 14 full time employees assigned 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 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.
- Provide central services to internal and external customers pertaining to oil and gas and Individual Indian Money (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 for Navajo oil and gas owners.

**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 permits 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 issues pertaining to the lease. Management of the lease involves assignments, obtaining proper bonding, collection bonuses, bidding out leases, 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 Office of Trust Funds Management (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.

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 Minerals Revenue 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 Minerals Revenue Management (MMS).

FIMO: Federal 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.

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.

GENERAL PROVISIONS

- (1) This MOU shall remain in effect until superseded or canceled by mutual agreement of the participants.
- (2) This MOU will be supplemented and amended as circumstances may require by the partners.
- (3) The Bureaus for budget purposes will sign a separate inter-agency agreement.
- (4) This MOU is approved.

Deputy Commissioner, Bureau of Indian Affairs Date _____

Director, Bureau of Land Management Date _____

Director, Minerals Mangement Service Date _____

Chairman, Indian Minerals Steering Committee Date _____

Office of Special Trustee for American Indians Date _____