

Memorandum of Understanding

Bureau of Land Management and Office of Valuation Services

I. Project Title

Valuation Processes under the BLM Coal Management Program

II. Background

The Bureau of Land Management (BLM) in the U.S. Department of the Interior (Department) oversees coal mining activities on Federal (public) and Indian lands. The Department collects more than \$1 billion in bonus and royalty revenues from coal mining companies each year, a figure that has been steadily rising. In fiscal year 2012, bonuses and royalties exceeded \$2.4 billion, the highest amount recorded in the last decade. The program also helps satisfy the Nation's energy needs, as about 40 percent of the Nation's coal comes from public lands, and coal-burning power plants generate over a third of the Nation's electrical power.

The Office of the Inspector General (OIG) reviewed the program's goal of obtaining a fair return for coal on public lands, and found weaknesses in the current lease sale process that could put the Government at risk of not receiving the full, fair market value for the leases.

Three of the 13 recommendations from OIG call for BLM to work with the Office of Valuation Services (OVS), as follows:

1. BLM should work with OVS when establishing fair market value (FMV) policies and methods, and when identifying FMV for coal leases.
2. BLM and OVS should take action to fully account for export potential in developing coal FMVs.
9. BLM should work with OVS in preparing the FMV appraisals for lease modifications. This should include establishing recordkeeping standards.

This MOU outlines the process that BLM and OVS will follow in addressing these recommendations. It is an expectation of this MOU that the process, as ultimately developed, will address the working relationship between OVS and BLM for both coal and mineral materials, which is the subject of a separate on-going OIG evaluation. The BLM and OVS agree to update this MOU once BLM receives a final report for the mineral materials evaluation.

III. Purpose and Objectives

BLM and OVS will establish a program for the effective completion and review of FMV estimates for coal through the following steps:

- BLM and OVS will establish a joint working group to:
 - Establish a consistent protocol for how a minimum acceptable FMV will be calculated, taking into account industry and external standards, for coal leasing;
 - Develop a standardized protocol for external review by OVS of BLM's determination of the minimum acceptable FMV for coal leasing;
 - Update guides and training materials for determining the minimum acceptable FMV;
 - Establish the procedures for valuations to support coal leasing activities, clearly specifying the roles of BLM Field, State and Washington Office staff and OVS staff; and
- Undertake an evaluation of the impact of export potential on coal leasing FMV determinations.
 - Note: The team shall be authorized to involve other BLM and/or OVS staff in this evaluation of export potential as necessary and appropriate.

IV. Duration/Performance Period

The work of the Joint project team shall commence no later than June 21, 2013, and the team shall report progress to the Directors of the BLM and the OVS by September 1, 2013.

V. Roles and Responsibilities

OVS will name four staff to the project team, as follows:

Robert Davidoff, Chief, OVS Office of Minerals Evaluation.
Joe Cornellison, Mining Engineer
Wade Schroeder, Review Appraiser
Christine Sadler, Realty Specialist

BLM will name five staff to the project team, as follows:

Mitchell Leverette, Chief, Solid Minerals Division (WO)
Bill Lesage, Mining Engineer (WO)
Brenda Neuman, Mining Engineer (WY)
Jeff McKenzie, Mining Engineer (UT)
Kyle Free, Mining Engineer, (CO)

VI. Schedule

The schedule of activities for this project team includes:

1. Naming of team members – prior to June 21, 2013
2. Kick-off telephone conference – week of June 24, 2013
3. Project scoping and initial assignments – on-going, July-August
 - a. Overall protocol for establishing FMV estimates
 - b. Statement of Work Template
 - c. FMV review template
 - d. Guidebook and training materials
 - e. Estimate of needs to support evaluation of export potential
4. Interim progress report – August 21, 2013

VII. Additional Terms

1. Funding information

Through this initial program development stage, BLM and OVS shall be responsible for expenses incurred by project team members for the respective offices. Once the program is ready for implementation, a policy decision will be required regarding funding of the on-going program.

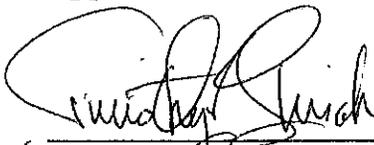
2. To evaluate the program prior to finalization, the team may recommend specific pilot initiatives to validate coal leasing process improvements.
3. Amendments/Modifications. This MOU shall be effective on the date of the final signature. It shall remain in effect until a final program is approved by the Directors of the BLM and the OVS.

This MOU may be modified by formal written notice from either party if there is joint agreement between the signatories to this MOU. Any amendments to this MOU are effective as of the date of the final signature.

VIII. Points of Contact

| Bureau / Office | Name | Title | Email | Phone Number |
|------------------------------|--------------------|--|-----------------------------|----------------|
| Office of Valuation Services | Robert Davidoff | Chief, OVS-Office of Minerals Evaluation | Robert_Davidoff@ios.doi.gov | (303) 969-5937 |
| Bureau of Land Management | Mitchell Leverette | Chief, Solid Minerals Division- BLM | Mleveret@blm.gov | (202) 912-7113 |

IX. Approvals


Michael Nedd 6-20-13
 Date
 Assistant Director
 Minerals & Realty Management
 Bureau of Land Management


John W. Ross 6/20/13
 Date
 Director
 Office of Valuation Services
 Department of the Interior