

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
COMMITTEE OF THE RUSSIAN FEDERATION
ON GEOLOGY AND
USE OF UNDERGROUND RESOURCES
AND THE
MINERALS MANAGEMENT SERVICE
OF THE
DEPARTMENT OF THE INTERIOR
OF THE UNITED STATES OF AMERICA**

The Committee of the Russian Federation on Geology and Use of Underground Resources and the Minerals Management Service of the Department of the Interior of the United States of America (hereinafter referred to as the "Parties") have reached the following understandings:

ARTICLE 1: SCOPE AND OBJECTIVES OF COOPERATION

1. *The objectives of this Memorandum are to establish closer and more regular contacts, promote cooperative activities related to the principles and methods of evaluation and development of offshore mineral resources, and to promote the sharing of scientific and technical information including information on management and administrative procedures and practices, leasing, royalty management, geology, resource assessment, environmental protection, economic and socioeconomic analysis, and risk perception. All objectives shall be pursued in accordance with the applicable laws, rules, and regulations of the Russian Federation and the United States.*

2. *This Memorandum is in implementation of and subject to the Agreement between the Government of the Russian Federation and the Government of the United States of America on Science and Technology*

Cooperation, signed December 16, 1993, hereinafter referred to as the "Science and Technology Agreement".

3. The Parties shall undertake to provide enhanced opportunities to exchange information, including ideas, skills, and techniques; consult regularly; make use of special facilities; and address problems of mutual interest related to offshore oil, gas, and mineral activities.

4. For cooperation requested by either Party that extends into subjects outside the scope of expertise of the Parties, either Party may, with the consent of the other, and subject to applicable laws, rules, regulations, and policies each country, endeavor to enlist the participation of other entities. Either Party may, with the consent of the other, include the participation of other organizations of the Russian Federation or the United States in the development of activities within in the scope of this Memorandum. Participation by other organizations shall be governed by the provisions of this Memorandum.

ARTICLE II: COOPERATIVE ACTIVITIES

Cooperative activities may include exchanges of scientific and technical information, mutually beneficial cooperative research, and exchange visits of individuals sponsored by either Party within the scope of programs of the Parties.

ARTICLE III: SOURCE OF FUNDING

Each Party will cover its own costs subject to the funds and manpower available to it. Nothing in this Memorandum shall constitute a commitment to allocate, now or in the future, unappropriated funds for cooperative activities under this Memorandum or annexes hereto.

ARTICLE IV: REPORTS, DOCUMENTS, AND RELEASE OF INFORMATION

1. Subject to the applicable laws, rules, and regulations of the respective countries, information, data and reports of cooperative activities carried out under this Memorandum may be released by either Party with the consent of the other Party or as otherwise may be required by conditions and circumstances in connection with any project executed pursuant to this Memorandum.

2. Any commitment of the Parties to preserve the confidentiality of information is subject to applicable laws, rules, and regulations of the respective countries.

ARTICLE V: REVIEW AND COORDINATION OF ACTIVITIES

The Parties shall designate representatives who, at times mutually decided upon, shall review and coordinate the activities under this Memorandum.

ARTICLE VI: INTELLECTUAL PROPERTY

Provisions for the protection and distribution of intellectual property created or furnished in the course of cooperative activities under this Memorandum and future projects shall be in accordance with Annex II of the Science and Technology Agreement.

ARTICLE VII: DISCLAIMER

Information transmitted by one Party to the other under this Memorandum shall be accurate, but the transmitting Party does not warrant the suitability of information transmitted for any particular use or application by the receiving Party or by any third party. Neither Party shall be held responsible for any consequences of the use of or reliance upon such information.

ARTICLE VIII: PROJECTS (ANNEXES)

Any activity carried out under this Memorandum shall be agreed upon by the Parties in writing before being undertaken. Whenever more than the exchange of scientific and technical information or exchange visits of individuals is planned to take place, such activity shall be described in a project proposal which shall set forth as appropriate to the activity, a work plan, staffing requirements, cost estimates, funding source, and other undertakings, obligations, or conditions not included in this Memorandum. Subject to a review and clearance process in accordance with the policies of each party such project proposals shall be confirmed as annexes to this Memorandum.

ARTICLE IX: EFFECTIVE DATE AND TERMINATION

This Memorandum shall enter into force upon signature of both Parties and shall remain in effect for five (5) years. It may be amended or extended by written agreement of the Parties. This Memorandum may be terminated at any time by either Party upon ninety (90) days written notice to the other Party. The termination of this Memorandum shall not affect the validity or duration of projects under this Memorandum which are initiated prior to such termination.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this Memorandum.

DONE at Washington, in duplicate, this twenty-third day of June, 1994, in the Russian and English languages, each text being equally authentic.

FOR THE COMMITTEE OF THE RUSSIAN FEDERATION ON GEOLOGY AND USE OF
UNDERGROUND RESOURCES:

FOR THE MINERALS MANAGEMENT SERVICE OF THE DEPARTMENT OF THE INTERIOR OF THE UNITED STATES OF AMERICA:

MEMORANDUM of Understanding between the Russian Federation Committee on Geology and Use of Mineral Resources and U.S. Department of the Interior Minerals Management Service

ANNEX I

**Preparations Necessary to Enhance
Future Cooperative Projects
Between the Minerals Management Service
and the
Committee of the Russian Federation
on Geology and Use of Mineral Resources**

The Memorandum is intended to enhance the nature and degree of information sharing and cooperation between the Parties with respect to the development of offshore mineral resources. With regard to future cooperative projects the Parties recognize the need for certain preparations.

The Parties agree that one aspect of cooperation involves preparing Russian scientists and engineers in certain concepts and procedures with which they are less familiar than their Minerals Management Service counterparts. This Annex outlines the general plans, including training, needed to ensure that the Parties gain the maximum benefit from future cooperative projects.

In accordance with Article VIII of this Memorandum:

1. This Annex provides for the exchange of information, personnel, and equipment needed for preparations and training programs in the Russian Far East. Equipment includes but is not limited to communications equipment, data processing equipment, and office equipment.
2. The Parties shall establish a Coordinating Committee to coordinate, facilitate, and review preparations, including training, necessary to prepare for future cooperative projects.
3. The Coordinating committee shall be co-chaired by the Parties and shall be composed of representatives designated by the Parties.
4. The Parties agree to coordinate Russian Far East activities associated with this Annex with the North East Petroleum operating Agency.

5. The Parties agree to establish a Training Center in Magadan, Russia, to serve the Russian Far East. The Center will be used by the Minerals Management Service and Russian scientists and engineers to plan, implement, and coordinate future cooperative projects in the Russian Far East and serve as a training facility.

6. The Parties agree that the scope of the training program necessary to prepare for future cooperative projects includes but is not limited to:

Conveying Exploration and Development Rights

- Mapping the resource areas
- Long-range planning
- Conveying mineral rights
- Eligibility of developers
- Law of the Sea
- Bidding Systems
- Staffing

Assessing Environmental Information

- Environmental Baseline information Supplemental baseline information General environmental risks of operations, oil-spill risk analysis
- Environmental effects of the proposed project Mitigation and decision options ongoing monitoring program
- Public participation
- Environmental risk assessment

Evaluating Mineral Resources

- Information and data collection
- Geological and geophysical evaluation
- Engineering and economic evaluation
- Resource assessment

Managing Operations

- Regulatory framework
- Management of operations
- Inspection and enforcement
- Managing Revenue
- Revenue collections and disbursements
- Verification processes

Managing Information

- Information as a resource
- Automated information systems
- Life cycle management
- Training of personnel to manage information systems most efficiently

7. Training activities associated with this Annex can be held in either country.

8. The Parties acknowledge that third party funding will be needed to implement all activities associated with this annex in addition to the funds currently available to the Parties.

9. The Coordinating Committee will pursue other sources of funding necessary to implement the activities associated with this Annex:

MEMORANDUM of Understanding between
the Russian Federation Committee on Geology
and Use of Mineral Resources and U.S.
Department of the Interior Minerals
Management Service

ANNEX 2

**Cooperative Venture on a Simultaneous Natural
Gas and Oil Lease Sale in the Chukchi Sea**

In accordance with Article VIII of this Memorandum:

1. The Parties agree to work together and consider holding in 1997 a simultaneous natural gas and oil lease sale/tender in the Chukchi Sea.

2. The concept of a simultaneous lease sale/tender is that the Parties will cooperate to develop their respective sale/tender proposals, sharing environmental, cultural, technological, and economic analyses, but would make the final decisions on the terms and conditions of the offering on an individual country basis.

3. The simultaneous lease sale/tender would benefit the United States and the Russian Federation by establishing sound environmental standards that would apply across the Chukchi Sea, and possibly make offshore mineral exploration and development more economically feasible by establishing a common infrastructure in this remote and environmentally sensitive region.

4. Further, the Committee on Geology and Use of Mineral Resources will benefit from the Minerals Management Service's extensive experience in preparing the necessary analyses and involving different constituent groups in the planning process, including assessing environmental information, evaluation of mineral resources, conveying exploration and development rights, managing operations, and managing revenues.

5. The Parties agree to establish a Coordinating Team to coordinate, facilitate, and review cooperative activities necessary for the planning leading to a successful simultaneous lease sale/tender.

6. The Coordinating Team shall be co-chaired by the Parties and shall be composed of representatives designated by the Parties. The Coordinating Team may designate the necessary experts to discuss, analyze and make recommendations on specific questions.

7. The major steps necessary to successfully hold the simultaneous lease sale/tender include:

Issue Joint Request for
Interest and Comments 3rd calendar quarter 1994

Issue Joint Supplemental
Call for Nominations 4th calendar quarter 1994

Identify Areas for Further
Analyses for Leasing/
Tendering 1st calendar quarter 1995

Issue a Draft Environmental
Impact Statement and Sale/
Tender Proposal to the Public
for Review and comments 4th calendar quarter 1995

Issue of a Final Notifications
of the Sale/Tender Proposal
to the Public 2nd calendar quarter 1997

8. Training components will be associated with each of the major simultaneous lease sale/tender actions listed under item 7, as well as, training associated with inspections and safety of offshore natural gas and oil operations and royalty management.

9. The Parties acknowledge that third party funding will be needed to implement the activities necessary to successfully hold a simultaneous lease sale/tender in addition to funds currently available to the Parties. The Coordinating Team will pursue other third party sources of funding as necessary to implement the activities associated with this Annex.

Acting Deputy Director,
Minerals Management Service
U.S. Department of the Interior

First Deputy Chairman,
Russian Federation Committee
on Geology and Use of Mineral Resources

ANNEX 3

Cooperative Project to Identify and Promote Common Approaches to Environmental, Technical, and Economic Problems Associated with Mineral Development

Taking into account the number of forthcoming joint projects involving U.S. companies in the exploration and development of new oil and gas fields in the Arctic areas of European Russia, Western Siberia, the Barents Sea, and the Russian Far East including offshore Sakhalin Island, this Annex outlines a cooperative project that identifies and promotes safe and environmentally sound approaches to forthcoming joint projects.

In accordance with Article VIII of this Memorandum:

1. The Parties agree to work closely together to identify, consider, and promote common approaches to environmental, technical (including safe operating practices), and economic problems associated with mineral resource development.
2. An important objective of this Project will be to assist in the development of environmental, technical, economic, and safe operating guidelines which correlate with Western regulations and international standards so that foreign companies can implement future joint projects in Russia with more efficiency. Specifically, this Project will promote the development of uniform scientific methodologies and approaches to environmental assessment and geological hazards at the leasing and planning phases, and the development of guidelines that promote safe operating practices during the exploration and development of mineral resources.
3. To assist in the implementation of this Project the Parties recognize the need to establish an organizational mechanism to enhance exchanges of information, specialists, and technical means needed to resolve specific geo-ecological problems associated with mineral resource development.
4. The Parties agree to establish a Board of Experts to coordinate and review proposed activities including necessary training. The Board of Experts shall be co-chaired by the Parties and shall be composed of representatives designated by the Parties and if appropriate include the participation of private industry.
5. The Parties agree that the facilities of the International Academy of Geocology and A/O VNIIZARUBEZHGEOLGIA, located in Moscow, Russian Federation, shall be available to Project participants. The MMS and ROSKOMNEDRA shall assist in the organization of this facility (hereinafter called the Center), ensuring that

the Center is properly equipped with necessary communication and data processing equipment.

6. The Center will be used by the MMS, ROSKOMNEDRA, and other U.S and Russian scientists and engineers to plan and implement this Project. The Center shall be used as a training facility when necessary.

7. The Parties acknowledge that third party funding will be needed to implement all activities associated with this Alinx in addition to the funds currently available to the Parties.

For The Minerals Management
Service Of The United States
Department of Interior

For The Russian Federation
Committee on Geology and Use
of Mineral Resources

Date 20 September 1995

Date 20.09.1995

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