

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF AMERICA
AS REPRESENTED BY
THE DEFENSE ENERGY SUPPORT CENTER
AND
THE MINISTRY OF DEFENCE OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND
AS REPRESENTED BY
THE DEFENCE FUELS GROUP
ACTING ON BEHALF OF THE ROYAL NAVY
CONCERNING
THE EXCHANGE AND REPLACEMENT OR REIMBURSEMENT
OF
MARINE AVIATION AND PROPULSION FUELS
AT SEA AND AT
MILITARY INSTALLATIONS WORLDWIDE

Dated: October 4, 2004

This is a true and complete copy of the original version of the Memorandum of Understanding Between the Department of Defense, represented by the Defense Energy Support Center, and the Ministry of Defence of the United Kingdom of Great Britain and Northern Ireland, represented by the Defence Fuels Group, Concerning the Exchange and Replacement or Reimbursement of Marine Aviation and Propulsion Fuels at Sea and at Military Installations Worldwide.



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INTRODUCTION

The Department of Defense of the United States of America (U.S. DoD), as represented by the Defense Energy Support Center (DESC) and the Ministry of Defence of the United Kingdom of Great Britain and Northern Ireland (U.K. MOD), as represented by the Defence Fuels Group (DFG), acting on behalf of the Royal Navy (RN), hereinafter referred to as the "Participants";

Recognizing the Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Force (NATO SOFA), dated 19 June 1951;

Recognizing the Defense Cooperation Arrangements Agreement (Chapeau Agreement), Exchange of Notes Between the United Kingdom of Great Britain and Northern Ireland and the United States of America, dated May 27, 1993; and

Recognizing the Memorandum of Understanding Between the Government of the United States of America, as Represented by the Deputy Commander in Chief United States European Command, and the Government of the United Kingdom of Great Britain and Northern Ireland, as Represented by the Ministry of Defence, Concerning Mutual Logistic Support, Supplies and Services, dated 11 October 1984, as amended; and the Implementing Arrangement Between the United States Secretary of Defense and the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland Concerning Mutual Logistic Support, dated 28 July 1995;

Noting the existence of Amendment One, dated February 20, 2003 to the United States Navy and Defence Fuels Group Fuel Exchange Agreement (FEA), dated December 10, 1996;

Recognizing that the Participants desire to continue and expand the reciprocal provisioning of aviation and marine fuels worldwide;

Have reached the following understandings.

I. PURPOSE AND SCOPE

1.1. Purpose. The purpose of this Memorandum of Understanding (MOU) is to establish an understanding whereby the Participants intend to exchange Aviation Turbine Fuel (NATO Code F-44) and Naval Distillate Fuel (NATO Code F-76) and to delineate the processes for recording sales, and reconciliation and settlement of accounts.

1.2. Scope. The scope of this MOU includes the exchange of marine aviation and marine fuels issued to either Participant, into naval aircraft and ships at sea, or at military installations of the Participants worldwide, where prior access has been granted.

II. RELATIONSHIP

2.1. For the purpose of this MOU, DESC and DFG are designated the administrators of this MOU.

2.2. DESC and DFG are responsible for account reconciliation, billing, and settlement.

2.3. This MOU will be commonly known as and be referred to as the **Marine Fuel Exchange MOU**.

III. RESPONSIBILITIES

3.1. The Participants intend to:

3.1.1. Refuel aircraft and ships of the naval components of the other Participant.

3.1.2. Provide the other Participant with monthly electronic spreadsheet files recapping individual sales documents accumulated from the previous reporting period. DESC will provide a monthly invoice with the monthly sales report. The DESC invoice is a non-payable invoice.

3.1.3. Meet to reconcile accounts on a half-yearly basis.

3.1.4. Offset fuel balances owed to either Participant to the extent possible, leaving a net balance payable to one of the Participants.

3.1.5. Pay off balances in product within ninety (90) days, arrange cash settlement within 30 days of account reconciliation, or the account will be settled as mutually agreed between the Participants.

3.1.6. Comply with the detailed instructions contained in the annexes to this MOU.

3.2. Meet annually to review MOU operations for potential improvement. This meeting will take place at the same time as the account reconciliation, referred to in paragraph 3.1.3.

IV. OPERATION

4.1. The annexes to this MOU provide the detailed instructions for each operation to which this MOU applies.

4.2. The Participants will exchange letters regarding minor technical and administrative changes to the annexes without formal amendment to the MOU. When a jointly decided number of such changes have accumulated, a written amendment to this MOU, or a new MOU, will be renegotiated as provided in Section V, paragraph 5.5.

4.3. For the purpose of this MOU, the following conversion factors will apply (all conversions are at the same temperature):

4.3.1. One (1) U.S. gallon equals 3.78541 litres.

4.3.2. One (1) litre equals 0.264172 U.S. gallons.

4.3.3. One (1) cubic metre equals 6.28981 barrels.

4.3.4. One (1) barrel equals 0.158987 cubic metres.

4.3.5. One (1) barrel equals 42 U.S. gallons.

V. GENERAL PROVISIONS

5.1. For all activities of the Participants under this MOU occurring within the territorial jurisdiction of the particular Participant under this MOU, the Participant will respect the laws of that Participant and will comply with the terms of the NATO SOFA of 1951. All activities of the Participants under this MOU will also be carried out in accordance with their national laws.

5.2. The Participants waive all claims against each other for personal injury to or death of their military or civilian personnel, for damage to, loss, or destruction of property owned by either Participant arising out of the activities covered by this MOU. The Participants do not waive contractual claims arising out of or related to this MOU. Third party claims arising from activities occurring within the territorial jurisdiction of the Participants and covered by this MOU will be dealt with in accordance with the laws of that Participant.

5.3. Customs and Taxation. DESC and the DFG will not be charged or assessed any taxes or duties under this MOU in accordance with: Article XI, paragraph 11 of the Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Forces, signed 4 April 1949; Section VI of the Memorandum of Understanding Between the United States and the United Kingdom Concerning Mutual Logistic Support, Supplies and Services, effective 11 October 1984; Exchange of Letters attaching Agreed Minute - Relief from taxation of Defense Expenditures, dated 17 and 18 March 1952; Memorandum of Understanding - Taxation: Defense Contractors July 1987; and any other applicable law or agreement.

5.4. Amendment. Amendments to this MOU may be proposed by either Participant at any time and will, upon acceptance by the Participants by means of a jointly signed amendment, become a permanent part of this MOU. The MOU may only be amended by a written understanding between the Participants, except as provided in Section IV, paragraph 4.2.

5.5. Termination. This MOU may be terminated at any time upon the written consent of the Participants. Either Participant may terminate the MOU by giving to the other Participant ninety (90) days written notice of intent to terminate. The Participants understand that there will be a final reconciliation meeting to be held within ninety (90) days of the receipt of the termination of

notice. The Participants at that meeting will arrive at a jointly determined reconciliation and account closure plan in terms of either product replacement, or cash transfer, in accordance with the MOU.

5.6. Financial Commitment. This MOU does not in itself obligate funds. However, the Participants agree to honour all financial commitments specified in this MOU through a separate funding certification subject to the availability of funds. The Participants will use their best efforts to budget for and seek to have such funds available to honour all commitments under this MOU.

5.7. Dispute. Any disputes regarding the interpretation or application of this MOU or transactions executed hereunder will be resolved by consultation between the Participants and will not be referred to any national courts or international tribunal or third party for settlement.

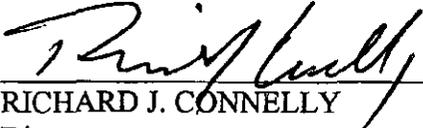
5.8. Supersession. This MOU supersedes the United States Navy and Royal Navy Fuel Exchange Agreement, dated December 10, 1996 and subsequent amendments.

5.9. Effective Date and Duration. This MOU will enter into effect upon signature of both Participants and will remain in effect for a period of five (5) years. This MOU will automatically renew at the end of the five (5) year period for additional five (5) year periods, unless objected to by either Participant in writing at least ninety (90) days before the end of the five (5) year period.

This MOU consists of five (5) Sections and seven (7) Annexes.

In witness thereof, the undersigned, being duly authorized by their governments, have signed this MOU.

**FOR THE
DEFENSE ENERGY SUPPORT CENTER**


RICHARD J. CONNELLY
Director
Defense Energy Support Center

**FOR THE
DEFENCE FUELS GROUP**


A. C. SPINKS, Air Commodore, RAF
Director
Defence Fuels Group

DATE SIGNED 29 SEP 2004

DATE SIGNED 29 September 2004

ANNEX A

ISSUE TO AIRCRAFT

A.1. The Participants intend to refuel aircraft that the military forces of either nation grant permission to land at, or operate from, their respective installations worldwide. For the purposes of this MOU, refuelling is authorised to include the following:

A.1.1. For the U.S. DoD. U.S. DoD military aircraft and civilian aircraft, under military contract, and any other aircraft designated by DESC.

A.1.2. For the U.K. MOD. Royal Navy aircraft and civilian aircraft, under military contract, and any other aircraft designated by the DFG.

A.1.3. A small number of U.S. Army locations do not store DESC owned fuel. Refuelling will be at the discretion of the local commander.

A.2. Aircrews will be requested to provide data listed in A.2.1. - A.2.12., below:

A.2.1. Receiving Participant's printed name.

A.2.2. Receiving Participant's signature.

A.2.3. Receiving Participant's rank.

A.2.4. Receiving Participant's serial number.

A.2.5. Receiving Participant's nationality.

A.2.6. Receiving Participant's organization and location (company name for contract aircraft).

A.2.7. Date of Issue.

A.2.8. Place of Issue.

A.2.9. Aircraft serial number.

A.2.10. Quantity Issued (U.S. - U.S. Gallons/U.K. - Litres).

A.2.11. UK - Unit Identification Number (UIN).

A.2.12. US - DODAAC. (Department of Defense Account Activity Code).

A.3. Aircraft. Aircraft given permission to land on ships may be refuelled. The request for fuel will normally occur at the time of refuelling. The aircrew will provide all data requested by the refuelling agent in order to adequately document the servicing.

ANNEX B

ISSUE TO NAVAL VESSEL

B.1. The visiting Participant will seek proper authorisation to visit the host Participant's facilities or request refuelling at sea. Authority to visit a port or refuel at sea is not part of this MOU.

B.2. The visiting Participant's naval vessels will be refuelled according to the standard procedures of the Participant providing the refuelling services.

B.3. Delivery services associated with issue to either Participant's aircraft or ships will be provided at no cost to the extent possible. The issuing Participant will advise the receiving Participant in advance when services associated with the fuelling cannot be conducted at no cost.

B.4. Issues of product to the visiting Participant will be documented in gallons/barrels/cubic metres/litres, issued by way of a calibrated dispensing meter or dispensing tank measurement. Determination of actual issues, for quantities over 3,500 U.S. gallons/13,249 litres, will be converted to sixty (60) degrees Fahrenheit/fifteen (15) degrees Centigrade according to Annex G.

B.5. One copy of the refuelling document or ship's message (at sea) will be provided to the Participant receiving the fuel.

B.6. Prior Notice. Whenever possible, at least ten (10) days notice of a requirement should be given.

B.7. Information Required. As a minimum, the following information will be provided when communicating a request:

B.7.1. Captain's Name.

B.7.2. Vessel Name.

B.7.3. Location.

B.7.4. Date.

B.7.5. Product Type.

B.7.6. Amount being requested.

B.8. How submitted. Requests will be submitted by the most expeditious means possible. This MOU does not attempt to dictate specific communications means, as there are various means of communication, which are best determined by the requesting authority.

B.9. Routing of refueling request.

B.9.1. U.S. DoD requests for service from the U.K. MOD.

B.9.1.1. Into-Vessels Ashore. U.S. Fleet Commanders will submit requirements by message to Defence Petroleum Centre, West Moors, Wimborne (DEFPETCEN West Moors).

B.9.2. DFG requests for service from the U.S. DoD. U.K. MOD requirements will be submitted to U.S. authorities by DFG to the addresses as follows:

B.9.2.1. At Sea. These requests are normally conducted from ship-to-ship or from ship to task force command.

B.9.2.2. Ashore (From Shore Depots).

B.9.2.2.1. For Fuel Stored in Europe (Spain, Italy and Greece). DESC-Europe, DESC-Mediterranean, DESC-RR; COMFAIRMED NAPLES IT//N413//; NOLSC DC FT BELVOIR VA//.

B.9.2.2.2. For Fuel Stored in Mid-East (Qatar, Aden and Bahrain). DESC-Mid-East; DESC-RR, NOLSC DC FT BELVOIR VA//.

B.9.2.2.3. For Fuel Stored in Pacific (Japan, Singapore and Hawaii). DESC-Pacific; DESC-RR, COMPACFLT PEARL HARBOR HI//N415, NOLSC DC FT BELVOIR VA//.

B.9.2.2.4. For Fuel Stored in CONUS. DESC-Americas; DESC-RR, NOLSC DC FT BELVOIR VA//, COMLANTFLT NORFOLK VA//N413F//.

ANNEX C

RECONCILIATION

C.1. Monthly Transactions.

C.1.1. The Participants intend to develop electronic spreadsheets detailing the information on the refuelling transaction documents (U.S. DoD - DD Form 1898, revised / U.K. MOD- U.K. Form S7467) on a monthly basis. The transaction documents will be those received during the previous month. The transaction documents may not, therefore, represent all the sales for a particular month but, rather, just those received at the Participant's processing centre during that particular month. Spreadsheets will contain the following information:

C.1.1.1. Transaction date.

C.1.1.2. UIN/DODAAC.

C.1.1.3. Ship Name or Aircraft Serial Number.

C.1.1.4. Grade of fuel.

C.1.1.5. Quantity and Unit of Issue.

C.1.2. The Participants further intend to exchange the spreadsheets or other documentation that provides a running balance of the account.

C.2. Half-Yearly Account Reconciliation.

C.2.1. The Participants intend to meet bi-annually to reconcile transactions and determine account balances. The Participants will also agree on how reimbursement of any balance will be processed. Reconciliation meetings will be held at a location agreed between the Participants.

C.2.2. Balances may be replaced in kind (Annex E) or reimbursed in cash (Annex D). The Participants further intend that if the balance is less than 265,000 gallons/1 million litres the balance may be brought forward for the next reconciliation period.

C.2.3. Reconciliation Process.

C.2.3.1. Participants will authenticate transactions for accuracy and completeness of data entries to the extent possible and acceptable.

C.2.3.2. The Participants will determine the total fuel issued by grade of product and the other Participant will validate that determination.

C.2.3.3. The totals determined in paragraph C.2.3.2. will be offset to determine quantities, by grade, owed to one of the Participants. This number is identified as the account balance and will be validated and agreed between the Participants.

C.2.3.4. Spreadsheets, ledgers, transaction documents and any other forms of transaction accounting will be exchanged, as necessary, to provide authentication to the other Participant.

C.2.3.5. The reconciliation will be fully documented and signed by a responsible official representing each Participant, along with the agreement to make a replacement, cash settlement or to carry the balance forward.

C.2.3.6. Either Participant has the right to reject transactions more than two (2) years old. Rejections will be discussed between the Participants to affect an amicable solution.

ANNEX D

PAYMENT IN CASH

D.1. Price Determination.

D.1.1. For U.S. DoD. The price charged for fuel will be calculated based on the DESC Standard Price per gallon, per grade of fuel.

D.1.2. For U.K. MOD. The price charged for fuel, will be based on a weighted average calculated annually in pounds sterling per litre, per grade of fuel.

D.2. The Participant supplying fuel will submit an invoice to the Participant receiving fuel. Invoicing and payment procedures are specified below.

D.3. Invoices. Invoices presented to either Participant will contain the information cited below.

D.3.1. A copy of the documentation signed by the Participants from the last reconciliation meeting showing the account balance.

D.3.2. Invoices will be submitted to the offices specified in Annex F of this MOU. Subsequent address changes may be amended in writing and signed by the Participants and attached to this MOU without a formal change to the MOU.

D.4. Payment.

D.4.1. Each Participant will make payment within thirty (30) days of receipt of a valid invoice at the payment office of either Participant.

D.4.2. Participants will pay invoices in the currency of the supplying Participant.

D.4.3. Participants will expedite payment in a manner determined via an exchange of letters. The optimum payment method is Electronic Funds Transfer (EFT). Exchanges of letters defining payment methods will be attached to this MOU and will not require a formal change to the MOU.

ANNEX E

PAYMENT IN KIND

E.1. The Participants intend that product replacements to either Participant will take place at a location mutually determined between the Participants. For the most part, product being replaced will be introduced into Senoko Oil Fuel Depot, Singapore.

E.2. Replacement quantities are determined from the balance sheets certified by the Participants in the reconciliation meetings.

E.3. Replacement will be scheduled within ninety (90) days of the settlement date, unless unknown conditions preclude meeting this timetable, such as, conflict with DESC or DFG prior procurement commitments. In such cases, an agreeable replacement schedule will be fully coordinated between DESC and the DFG.

E.4. Either Participant will provide a fifteen (15) day advance repayment notice in writing to the other Participant.

ANNEX F

MAILING ADDRESSES FOR DOCUMENTATION AND PAYMENT

F.1. For the U.S. DoD. Invoices and transaction documents for all issues under this MOU to the U.S. DoD and requests for DD Forms 1896, will be forwarded to the address listed below. DESC-RR is designated the U.S. DoD/U.K. MOD RFA account reconciliation administrator.

Regular Mail:

**DESC-RR,
Bldg. 1621-K,
2261 Hughes Avenue, Suite 128,
Lackland AFB, TX 78236-9828.**

Express Mail:

**DESC - RR,
Bldg. 1621 - K,
1014 Billy Mitchell Blvd,
San Antonio, TX 78226.**

F.2. For the U.K. MOD. Invoices and transaction documents for all issues under this MOU to the U.K. MOD will be forwarded to:

**Marine Fuels Section,
Defence Fuels Group,
West Moors,
Wimborne,
Dorset,
BH21 6QS
United Kingdom**

F.3. Subsequent address changes may be documented via an exchange of letters and attached to this MOU without formal change to the MOU.

ANNEX G

PRODUCT QUALITY

G.1. Product supplied to either Participant will conform to the specifications of the supplying Participant. This is also referred to in NATO STANAG 1135 Interchangeability Chart of NATO Standardization Fuels Lubricants and Associated Products.

G.2. U.S. DoD supplied product will conform to the following specifications:

G.2.1. Naval Distillate Fuel, NATO F76, MIL-PRF-16884.

G.2.2. Aviation Turbine Fuel, JP-5, NATO F44, MIL-DTL-5624.

G.3. UK MOD supplied product will conform as a minimum to the following specifications:

G.3.1. Naval Distillate Fuel, DIESO, NATO F76, Def Stan 91- 4 issue 6.

G.3.2. Aviation Turbine Fuel, AVCAT, NATO F44, Def Stan 91-86.

G.4. Bulk repayment quantities over 3,500 gallons (13,249 L) will be corrected to 60 °F or 15 °C. The repayment quantity will be based on the quantity received by the Participant owed, as determined by gauging receipt tankage. A service designated quality surveillance representative may witness inventory procedures if desired.

G.5. The Participants will mutually arrange the time of transfer and representatives from DESC and DFG will be present to witness the transfer of product. Upon completion of product transfer, the witnessing authorities will prepare a joint report verifying the amount transferred. These reports will be provided to both Participants FEA account administrators listed in Annex A.

G.6. Fuel supplied by either Participant must be tested, as a minimum, to the B-2 test series as defined in STANAG 3149, "Minimum Quality Surveillance for Petroleum Products, Lubricants and Associated Products."

G.7. All measurement of quantity will be in accordance with the American Petroleum Institute Manual of Petroleum Measurement Standards (API MPMS) or technically equivalent national or international standards. Quantities over 3500 gallons (or 13,249 L) will be converted to a Net Standard Volume at 60 °F (or 15 °C) in accordance with ISO 91-1 (ASTM D 1250) Every attempt will be made to reach consensus on the quantity of fuel exchanged. In the event a discrepancy cannot be resolved, the quantity determined by the issuing authority will be considered conclusive.

G.8. Fuel supplied by the issuing Participant pursuant to the provisions of this MOU will meet the quality assurance provisions and specification requirements as identified for the issuing Party in North Atlantic Treaty Organization (NATO) Standardization Agreement (STANAG) 1135,

Interchangeability Chart of NATO Standardized Fuels, Lubricants and Associated Products. The receiving Participant will have the option of refusal if the fuels do not meet its quality assurance and specification requirements.

G.9. Quality assurance of product supplied under this MOU will be performed in accordance with NATO STANAG 3149 detailed at paragraph G.6.