



Highlights of [GAO-09-556T](#), a testimony before The Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

In fiscal 2008, the Department of the Interior (Interior) collected over \$22 billion in royalties and other fees related to oil and gas. Interior's Bureau of Land Management (BLM) and Minerals Management Service (MMS) manage federal onshore and offshore oil and gas leases, respectively. Acquiring a federal lease gives the lessee the rights to explore for and develop the oil and gas resources under the lease, including drilling wells and building pipelines that may lead to oil and gas production.

This statement focuses on findings from a number of recent GAO reports on federal oil and gas management. GAO has made numerous recommendations to Interior, which the agency generally agreed with and is taking steps to address. However, two important issues remain unresolved. Specifically, GAO made one recommendation and one matter for Congressional consideration that together call for a comprehensive re-evaluation of how Interior manages federal oil and gas resources. Interior has not undertaken such a comprehensive review and until this is done, the public cannot have reasonable assurance that federal oil and gas resources are being appropriately managed for the public good.

[View GAO-09-556T](#) or [key components](#).

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## OIL AND GAS MANAGEMENT

### Federal Oil and Gas Resource Management and Revenue Collection In Need of Stronger Oversight and Comprehensive Reassessment

#### What GAO Found

In recent years, GAO has conducted numerous evaluations of federal oil and gas management and found many material weaknesses. Specifically:

In September 2008, we reported that

- Neither BLM nor MMS were meeting statutory obligations or agency targets for conducting inspections of certain leases and metering equipment used to measure oil and gas production.
- MMS's royalty IT system and processes lacked several important capabilities, including monitoring adjustments made by companies to their self-reported production and royalty data and identifying missing royalty reports in a timely manner.
- MMS's use of compliance reviews, which are more limited in scope than audits, led to an inconsistent use of third-party documents to verify that self-reported industry data are correct.
- MMS's annual reports to the Congress did not fully describe the performance of the royalty-in-kind program and, in some instances, may have overstated the benefits of the program.
- The federal government receives one of the lowest shares of revenue for oil and gas resources compared with other countries and Interior has not systematically re-examined how the federal government is compensated for extraction of oil and gas for over 25 years.

In October 2008, we reported that

- Some states do more than Interior to structure leases to reflect the likelihood of oil and gas production, which may encourage faster development.

In June 2005, we reported that

- BLM has encountered persistent problems in hiring and retaining sufficient and adequately trained staff to keep up with workload as a result of rapid increases in oil and gas operations on federal lands and poor workforce planning.

In recent reports, GAO has made a number of recommendations to improve the accuracy of royalty measurement and collections and the overall management of federal oil and gas resources. Interior generally agreed with our recommendations and is trying to implement them but implementation is ongoing and it is too early to assess the effectiveness these efforts.