



# Congress of the United States

## House of Representatives

December 8, 2009

The Honorable Ken Salazar  
Secretary of the Interior  
1849 C Street, NW  
Washington, DC 20240

Dear Secretary Salazar:

On October 2<sup>nd</sup>, I wrote asking a series of important questions regarding your decision to end to the Royalty in Kind (RIK) program for royalty collection at the Minerals Management Service (MMS). I have yet to receive a response to that letter. In light of the fact that the Department of the Interior recently published its annual report on the Fiscal Year 2008 RIK program, I would like to reiterate my questions and ask for a prompt response.

The MMS FY2008 report shows that the RIK program generated \$106 Million in benefits for the American taxpayer in 2008, raising the five year total benefits from the program to more than \$256 million. As our nation attempts to reduce a \$1.4 trillion dollar deficit, it is difficult to comprehend why the Department of the Interior would choose to end such a profitable program. Instead, we should work together to ensure that the RIK program runs effectively and ethically.

Since there was no public or Congressional review of the Department's decision to phase out RIK, I reiterate the questions about the impact of the Department's action that were asked my September letter with the hope that I may receive a prompt answer:

1. During Fiscal Year 2007, the RIK program generated an additional \$63 million in revenue for the Federal and State governments than if the RIK program did not exist. In making the decision to terminate the program, would the Department please provide the estimated uplift in revenue over the next five to ten years that the program would have generated than will no longer be gained by the federal government as a result of this decision?
2. In reaching this decision, did the Department estimate how much this decision will cost the federal government in additional audits and compliance reviews through the Department of Interior, and additional court actions through the Department of Justice, as a result of increased legal costs associated with Royalty in Value collection? If the Department did not prepare an estimate before reaching this decision, would you please provide the best information available?

The Honorable Ken Salazar

December 8, 2009

Page 2

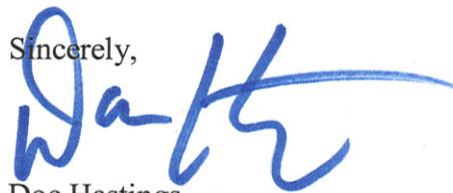
3. Does the Department believe that the Federal government will be liable to the states, who have received increased royalty payments from RIK, as a result of the action to close the program and thereby reduce royalty payments to states? Which states will feel this negative impact to their budget?
4. As a result of the elimination of this program, is the Department considering an increase to the amount taken from the States through Net Receipts sharing to accommodate the increased auditing and compliance costs?
5. Does the decision to terminate the program threaten any legal contracts between the federal government and companies with whom we have contracted to develop our resources?
6. In the past, the Federal Government has used RIK oil to fill the Strategic Petroleum Reserve (SPR). In reaching this decision, did the Department consult with the Department of Energy over the impact this decision may have on the future needs of the SPR? What was their response? Does this decision reflect a new policy from the Administration in managing the SPR? Will this decision make it more expensive for the government to fill the SPR?

In addition to those questions that were in my October 2<sup>nd</sup> letter, I want to ask:

7. At the time of your September announcement ending the program, were you aware of the \$106 million benefit to the federal government generated by the RIK program in 2008?
8. Why did the Department choose to delay the release of the FY2008 report until December instead of releasing it during the summer, when previous years' reports were issued?

I remain deeply concerned that the Department's decision to end a program that has generated more than one quarter of a billion dollars of additional benefits for the American people. Thank you for your time and attention to these concerns and questions. I hope that answers will be made available in a prompt reply.

Sincerely,



Doc Hastings  
Ranking Member  
Committee on Natural Resources

Cc: Ms. Liz Birnbaum, MMS Director