STATE and TRIBAL ROYALTY AUDIT COMMITTEE

State of Alaska • Blackfeet Nation • State of California • State of Colorado • Fort Peck Tribes
Jicarilla Apache Tribe • State of Louisiana • State of Montana • Navajo Nation • State of New Mexico
State of North Dakota • State of Oklahoma • Shoshone & Arapaho Tribes • Southern Ute Indian Tribe • State of Texas
State of Utah • Ute Indian Tribe • Ute Mountain Ute Tribe • State of Wyoming

Lisa Dockter, Chair (970) 563-5559
Dennis R. Roller, 1st Vice Chair (701) 250-4682
Brenda Peterson, 2nd Vice Chair (303) 355-0400

Former Chair, Ex Officio:
Joe Vintze

Phil Sykora, Program Director
Compliance and Asset Management
Minerals Management Service
P.O. Box 25165, MS390B2
Denver, CO 80225-0165

Dear Mr. Sykora:

At the last State and Tribal Royalty Audit Committee (STRAC) meeting in Albuquerque, New Mexico, you posed several questions regarding the format and location of these meetings. The STRAC members present determined that each delegation would respond to your questions individually and I, as STRAC chair, would collect the responses and forward them on to you. You should find the correspondence enclosed with this letter.

Of the seventeen (17) active delegations, eleven (11) provided comments. Additionally, the Blackfeet and Ute Mountain Ute Tribes requested I inform you that both organizations are currently without audit managers and would abstain from responding at this time. The group of enclosed correspondence may also include duplicates of letters mailed directly to you or the Associate Director which you have already received. I have included those in order to provide you a complete package of all responses.

If you have any questions, you can contact me at (970) 563-5559.

Sincerely,

Lisa Dockter,
STRAC Chair
State and Tribal Royalty Audit Committee
May 9, 2006

Phil Sykora
Program Director, Onshore & Offshore Compliance
P.O. Box 25165, MS 390B
Denver, Colorado 80225-0165

Dear Mr. Sykora:

At the most recent STRAC meeting in Albuquerque, NM, you asked the STRAC delegations three questions. Here are answers to your questions.

1. **WHY IS THERE A STRAC ONLY SESSION AND CAN MMS ATTEND THESE SESSIONS?**

   In my opinion, the STRAC only session is for planning purposes of the joint meeting and for voicing concerns and issues and to hear other delegations perspectives on those concerns/issues. STRAC has concerns that affect ALL of the delegations and some that affect SOME delegations. STRAC uses the STRAC only session to share these concerns and prioritize prior to meeting with the MMS. This process allows smaller delegations that may not have much of a voice by themselves to present their concern(s) and STRAC as an organization can more effectively voice the concern(s).

   It also provides a chance for the less vocal delegations to speak up. The latest STRAC only meeting was very productive and informative because more delegations did speak up. Many times we discuss how the delegations may work more effectively with the MMS, which was one of the main topics discussed at the latest meeting.

2. **WHAT IS THE PURPOSE OF STRAC MEETINGS?**

   The main purpose of the STRAC meetings is for coordination and communication necessary to effectuate an effective royalty management program. It is my opinion, that since the disappearance of the State and Indian Compliance Division (SICD), STRAC has had a decreasing voice within the MMS. Since STRAC no longer has direct representation within the MMS, the STRAC meetings have become even more important. It is the only opportunity for STRAC to be able to voice concerns and issues.

   An implication was made at the last STRAC meeting that the MMS felt that the information sharing was a one way street from the MMS to STRAC. While I do not feel that is solely the case, I do believe that the majority of the information sharing needs to be from the MMS to STRAC as the MMS is already aware of (or should be aware of) the delegations information through contract monitoring, progress reporting, voucher reimbursement requests, draft demand letter requests, etc. In contrast, the MMS is currently re-engineering their compliance tools, developing a 5 year strategic business plan, looking at potentially modifying
the GPRA goals or potentially developing other performance measurement tools, etc. All of which STRAC has very little if any voice in, but all of which will significantly affect STRAC.

3. **WOULD A REGIONAL MEETING WITH FEWER ATTENDEES BE BETTER?**

Absolutely not. At the last STRAC meeting, several delegations expressed the same concern prior to this question. That concern was 'divide and conquer'. I don't believe that has been the conscious intention of the MMS over the past several years, but STRAC delegations do feel it has occurred. The main purpose of the STRAC meeting as stated earlier is for coordination and communication to effectuate an effective royalty management program. This is a concern for all STRAC delegations and many specific issues to achieve this purpose affect all or most of the delegations. In addition, a small Tribe or State that is affected by an issue when most other delegations aren't has very little power to influence a change within MMS, whereas if that delegation gets the support of STRAC as a whole a change is more likely to occur.

Thank you for the opportunity to briefly explain the importance of the STRAC meetings and for the opportunity to present a couple areas in which improvements need to be made.

Sincerely,

Dennis Roller, Audit Manager
May 16, 2006

Phillip Sykora
Minerals Management Service
Minerals Revenue Management
Po Box 25615
Denver CO 80225-0165

Dear Phil:

At the recent STRAC/MMS meeting in Albuquerque MMS requested to attend the day long session that for over twenty years has traditionally been reserved for only STRAC members. The Alaska delegation would strenuously object to any MMS personnel attending the STRAC only session for the various reasons outlined below.

**Purpose of STRAC only meeting.**
The valuable purposes of the STRAC only session are many and at the same time difficult to adequately describe in words. The STRAC only session allows the delegations’ managers and other attending individuals time together to brainstorm, discuss, share ideas, come to a consensus, etc. Most of which are to better serve the overall purpose of maximizing the benefits due to the States and Tribes through and with MMS.

One of the main benefits that MMS is unable to observe is the level of participation by all delegations during the STRAC only session. During the STRAC only session more delegations participate in discussions with the exchange of ideas and points of interest than would occur during the STRAC/MMS session. Stating the obvious, the more delegations that voice their opinions, views, or experiences the better and the more expansive/comprehensive the discussions are with MMS the next day. The main point from STRAC’s point of view is to produce an agenda that is to the point and effectively produces a concise meeting with MMS to accomplish goals for both. A very important benefit of the STRAC only session that MMS most likely is not aware of is that the STRAC only session routinely diffuses issues so they may be discussed more rationally and lead to a more productive joint session during the following day. Much of the time is spent discussing events or decisions, either made by MMS or other entities, and what any effect might be on any one or many delegations.

**Value to the Delegations.**
As the newest delegation, Alaska has seen the importance of the STRAC/MMS meeting as a whole and especially the STRAC only session. The Alaska delegation has learned a tremendous amount from the opportunity to sit back and listen to discussions that take place during both sessions. As any professional would attest, most people go to their peers first for advice and discuss ideas for feedback. The STRAC only session is actually a way for questions or issues to be first ‘settled

“Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.”
internally' without having to seek out a response from MMS. Although, it may be perceived by MMS, the STRAC only session is not a time set aside to write letters in hopes of making it more difficult for MMS to do business. As previous meetings have been discussed in subsequent meetings it is clear that misunderstandings have occurred between STRAC and MMS. The STRAC only meeting explores why these might have occurred and the best way to present and correct these to MMS the next day. Again with the sole purpose of making our joint effort more effective.

Alaska attended its first STRAC/MMS meeting in Bismarck in May 2004, since then STRAC has been asking for cost-benefit statistics of the compliance reviews conducted by MMS. Only once STRAC's request was in writing did MMS supplying the information. The appearance does not lend itself to a coincidence but shows that appearances are interpreted individually by both STRAC and MMS on several different issues.

As I am sure you are aware of the efficiencies that prevail during the meetings, but the most obvious is the economies of scale for MMS to present a topic to the 17 delegations at one instance. The alternative would be instead getting the same question from 17 different entities and MMS responding 17 different times. How would the results of regional meetings or various discussions be communicated to other regions and then to all? This just seems counter intuitive. Ideas that might discussed at regional meetings are better served in the STRAC only meeting with all members present. Many of the common issues that STRAC and MMS encounter are not regional but rather national and relate to more than one payor.

Other benefits of the meetings.

As the newest delegation, Alaska would likely have the most objective opinion and we would like the meetings to remain unchanged from their current structure of having a STRAC only session. Thank you for your time and if you have any reasons to contact me you may do so at 907-269-8793 or rls@dnr.state.ak.us.

Sincerely,

[Signature]

Robert Snyder
Principal Investigator for Alaska's Delegation
Oil and Gas Revenue Specialist, Division of Oil & Gas

[Signature]

Shaun Werle
Oil and Gas Revenue Auditor
May 29, 2006

Phillip Sykora
Minerals Management Service
Minerals Revenue Management
P.O. Box 25165
Denver, Colorado 80225-0165

Dear Phil,

At the May STRAC meeting in New Mexico, you discussed three areas concerning STRAC meetings that I would like to address.

First, you asked the purpose of the STRAC only sessions. The STRAC only sessions have existed since the beginning of the STRAC organization. Over 20 years ago the Linowes Commission recommended that STRAC have quarterly meetings (we now have 3 meetings a year). While there is a partnership between the MMS and the States and Tribes, there is also a need for independence. The MMS, States and Tribes have common goals that filter down to the local level for States and Tribes. For example, the State's and Tribe's perform audits for the benefit their own state or tribe while the MMS looks at the larger federal picture. I believe that STRAC needs to meet alone in order to discuss issues relevant at the local level. The STRAC only session also gives STRAC members an opportunity to streamline and edit the issues and questions that they will discuss with MMS the following day. This actually reduces the time MMS needs to spend at the meetings.

Second, you talked about regional meetings instead of the current format of meetings. I don't believe that this would be helpful since STRAC has issues that transcend regional boundaries. The larger meetings are very educational to the managers. It is very important that all the individual managers are free to discuss issues among themselves in an open manner. Regional break out sessions could be added to the current meeting structure. It appears that the MMS objective in moving to regional meetings is to divide, conquer and punish STRAC. If the cost of the meetings is an issue, the MMS and STRAC need to discuss the possibility of having a limit on the number of people who attend.

You suggested having MMS representation at the "STRAC Only" sessions. I believe that this idea would stifle the free flow of ideas in the meeting. Some STRAC members are not comfortable speaking in front of the MMS.

I had been a way from STRAC for six years when I returned last September as
Manager of the Colorado delegation. I was surprised at the negative change between STRAC and MMS. Although there has always been tension between MMS and STRAC, it was never at this level.

At the New Mexico STRAC meeting, everyone seemed to blame the other for the bad relationships. We used to have a partnership that Colorado appreciated. I have noticed a much more dogmatic approach by MMS when dealing with STRAC, the States and Tribes. For example, we are being told how we will "audit", and no budget negotiations exist. The negotiation and co-operation aspect of a partnership seems to have been lost. The MMS wants to control every aspect of STRAC. It also appears that the STRAC meeting issue has been raised in retaliation for the letter written by STRAC to the Pombo Committee. The MMS believes STRAC is hatching troublesome schemes in their STRAC only meetings. This is not true. The MMS needs to regain the trust of STRAC through co-operation and goodwill.

I believe that funding for STRAC and MMS is causing some of these problems. MMS views the funding process as the States and Tribes taking money from their budget. The States and Tribes look at the MMS as a conduit for the Federal money meant for the States and Tribes. The States feel MMS is interfering with their State and Tribal goals and objectives while the MMS feels STRAC isn't doing enough to help with MMS internal goals. STRAC and the MMS must reconcile these differences and work toward a common goal of making sure all royalties are paid.

Colorado desires a better atmosphere between MMS and STRAC. Colorado employees have served on many committees and pilot projects with the MMS in the past. This showed depth of Colorado's partnership. I have always enjoyed dealing with the MMS employees and recognize the quality of your people. The MMS has obviously valued Colorado's program that can be seen by the number of former employees now working for MMS. I hope we can get back to trust and civility and hope we can go back to having a true partnership with you.

Sincerely,

Mineral Audit Section

James R. Meyers
Manager

James R. Meyers
June 5, 2006

Phil Sykora
Minerals Management Service
P.O. Box 25165
Denver, CO 80225-0165

Dear Mr. Sykora,

This letter is in response to certain matters that you raised at the recent STRAC meeting in Albuquerque.

STRAC Only Meeting

During the STRAC meeting, you suggested that attendance at the “STRAC only” meeting be opened to the MMS. When various states and tribes raised objections, you requested that we provide you with written justification for continuing this over two decades-old tradition. The following response to your request represents my views.

After the passage of FOGRMA in 1982, certain state and tribal employees, realizing the significant benefits for their jurisdictions, began discussions regarding the delegation of audit authority from the MMS to their employers. This group met periodically to share common issues and to broaden their individual understanding of how a government-to-government relationship such as this would best work. When I attended my first meeting with this group in Sacramento, I recognized that, while sharing common interests in most areas, the individuals represented separate, sovereign governments. At that time, the MMS recognized this important fact, too.

The ability to meet among ourselves, without MMS attendance, has provided state and tribal representatives the valuable opportunity to speak freely regarding matters both of common and individual concern to our sovereign employers. Some members, while reticent during the joint meeting the following day, do participate in the STRAC discussions and often contribute useful information and insightful opinions.

Frequently, an issue of concern, once discussed freely during the STRAC discussions, is better understood by all the members in preparation for the joint meeting. For example, when MMS leadership proposed the initial draft coalbed methane forgiveness letter, I was alarmed that MMS had not considered the harm such a letter would have on the Southern Ute Indian Tribe and other delegations. During the next STRAC only session, we were able to garner our STRAC colleagues’ understanding and support. During those discussions, it became clear to the STRAC
membership that such a policy would have negative impacts on most, if not all, our separate jurisdictions, not only on those who produce coalbed methane.

Contrary to your implication, we do not conspire to confound the MMS leadership during the STRAC only meeting. We do promote the best interests of our separate employers and, sometimes, that may lead to a STRAC action that may prove uncomfortable for the MMS leadership. In the case of the forgiveness letter, I believe that STRAC, in fact, saved the MMS from potential public discomfort that would have resulted from allowing oil and gas companies to keep money that belongs to the Southern Ute Indian Tribe and its STRAC colleagues.

Regional Meetings

I do not believe that separating STRAC jurisdictions into regional meetings would benefit any of us, including the MMS. I have never attended a STRAC meeting when purely regional issues consumed more than a few minutes of the agenda. The overwhelming majority of our agenda items are of interest to us all. The accuracy of CIM data is a good example of such an issue. At our last STRAC meeting, we all understood that the then existing CIM data was incorrect, incomplete and should not be used for any reporting purposes. That is not a regional concern. The proposal that STRAC be divided into regional meetings is ill-conceived and of questionable intent.

Other Matters

I have spent a career working in cooperation with the Minerals Management Service. My employer has reaped significant benefits from our professional relationship. I respect the dedicated MMS employees who have worked hard to maintain that relationship over the years and who never lose sight of their responsibility to protect the Tribe’s trust resources. Sadly, in recent years, I sense that your leadership’s perception of what constitutes our relationship has changed and now undermines our mutually beneficial government-to-government relationship. What used to feel like a partnership of equals has now devolved into something else. The MMS is increasingly issuing directives, requirements and mandates to STRAC members on almost every aspect of our delegations of authority and cooperative agreements with no negotiation, no consultation. At times, I think that your leadership perceives me as an MMS employee (a second-class employee at that), rather than a partner.

I believe that a broken partnership can be salvaged and I look forward to better times.

Regards,

Karen H. Anderson, Manager
Energy Accounting Division
STATE OF NEW MEXICO
Taxation and Revenue Department
An Equal Opportunity Employer

Oil and Gas Bureau
P.O. Box 5374
Santa Fe, New Mexico 87502

June 5, 2006

Mr. Pat Milano
Audit Supervisor, CAM
P.O. Box 25165, Mail Stop 390B2
Denver Federal Center
Denver, Colorado 80225-0165

Re: MMS Participation

Dear Mr. Milano:

At the May 3, 2006 STRAC meeting with the Minerals Management Service (MMS) in Albuquerque, New Mexico, the MMS communicated a request that they be allowed to attend the STRAC only sessions within the 2 ½ days set aside for the meeting. This request, while presented to STRAC, was not fully explained as to why it was being made. While little discussion occurred on this request it was decided by the STRAC organization that each organizational unit would provide thoughts to the MMS on this request. On behalf of New Mexico’s audit program, we offer the following comments based upon the limited understanding we have of the request:

History:

1. The first day that has been historically allocated to STRAC has been utilized as a mechanism for the “group as a whole” to discuss matters that pertain to all participants. This environment allows everyone to hear and openly discuss matters related to audit issues, budgets, trainings, subcommittee updates, internal reviews (peer and DOI), and congressional actions, etc.
2. The first day allows the STRAC board to update the members as a whole on matters for which they have had discussions with the MMS or other interested parties.
3. The first day allows the group as a whole to meet as an organizational unit to discuss the next days agenda and to prepare for the joint agenda discussions.
4. The final ½ day (maximum) has historically been used to go over the previous days joint discussions and to discuss organizational or specific state and tribal assignments.
Opportunity:

1. If MMS wishes to further participate in the discussions or to support further opportunities for coordination, New Mexico has no problems with meeting with the MMS as a whole on the last day. Opportunities for meeting structure could entail the following:
   a. Meeting jointly on topics that were briefly discussed the previous day and require further presentation or discussion.
   b. Meeting separately on issues impacting STRAC organization(s). For example: audits, orders, appeals, settlements, budgets.
   c. Developing coordination/issue sessions where Onshore Cam meets with state organizations and Indian Cam meets with Indian organizations, including shared discussions with MMS regional offices that do audits and investigations on STRAC related federal and Indian land and where the audit issues are comparable.
   d. Developing sessions where audit issues and policies are further discussed with impacted organizational units or develop training opportunities on audit issues or other required contract items.
   e. Meeting with CO or COTR on issues impacting organizational programs.

Based upon the above history and opportunities identified, New Mexico does feel that the overall structure of the meeting can change, not by fully changing what has been recognized in the past, but by allocating additional time to matters that need further discussion on the last day of the meeting. If you wish to further discuss this matter, please feel free to give me a call.

Sincerely,

Valdean Severson
Oil and Gas Bureau Chief
June 6, 2006

TO: Phil Sykora, Program Director, Compliance and Asset Management
FROM: Carlisle Cuch, Acting RMA Director

SUBJECT: MMS Request to Attend STRAC Only Session

I don’t know the whole history of the STRAC Committee, but since I have been attending these meetings there has always been the STRAC only session.

An agenda is prepared with issues that the States and Tribal delegations would like to discuss. These issues are discussed amongst the STRAC group before being brought the attention of the MMS. I feel that these STRAC only sessions are necessary and beneficial, because some issues require a vote and there are times issues need to be acted on quickly, as a group we can take care of them.

Having regional meetings, as suggested by MMS, would only add confusion and the STRAC group would not be united. The STRAC/MMS Quarterly Meetings should remain as they have in the past.

I feel that we should not allow MMS to attend the STRAC only session, because the STRAC group needs to focus on the States and Tribal issues, before they are brought to the attention of the MMS.
Lisa Dockter  
STRAC Chair  
State and Tribal Royalty Audit Committee  
Southern Ute Tribe  
P.O. Box 737  
Ignacio, CO 81139

RE: Opposition to the Minerals Management Service’s (MMS) efforts to end or alter “STRAC-only” meetings

Dear Ms. Dockter:

Pursuant to the unanimous view of the State and Tribal Royalty Audit Committee (STRAC), the California State Controller’s Office (SCO), through this letter to you, submits its opposition to the MMS’s efforts to end or alter “STRAC-only” meetings. Our understanding is that you, as STRAC Chair, will forward this letter to the appropriate MMS official.

SCO opposes any changes, in whatever form, to STRAC-only meetings. Thus, the SCO will not separately address MMS’s various alternatives. Instead, our comments address the history of STRAC-only meetings, problems with the so-called “partnership” between STRAC and MMS, the apparent impetus for MMS’s efforts, and suggestions for improving STRAC’s joint meetings with MMS.

For well over 20 years and with the knowledge of MMS, states and tribes have met separately before meeting with the agency. As more states and tribes joined the State and Tribal audit program, the jurisdictions loosely organized themselves as STRAC for the purpose of discussing common concerns and promoting the orderly presentation of those concerns to MMS. MMS has never controlled STRAC and, indeed, until May 3, 2006, has never objected to STRAC-only meetings.

MMS’s proposals are based on the premise that sovereign state and tribal governments and the Interior Department share similar interests in the royalty collection program. Congress and the Linowes Commission recognized that the states’ and tribes’ interests in full and fair royalty collection are greater and more direct than those of a distant federal administrator. This recognition underlies the congressionally authorized participation of states and tribes in the collection program and is underscored by the directive that the Secretary give “priority” to audits of properties designated by these jurisdictions. Other provisions of the Federal Oil and Gas Royalty Management Act, as amended, reinforce the expectation of a divergence of interests.
Over the years, STRAC has often voiced its concerns about, or objections to, MMS policies and procedures. It has also supported MMS on many issues. STRAC’s activities in this regard have taken several forms – public comments, letters to agency officials, letters to oversight and appropriations committees, meetings with congressional staff, etc. More often, however, STRAC has expressed its views orally to MMS at the joint STRAC/MMS meetings. STRAC has corresponded with Interior Headquarters or Congress only when less informal contacts with the agency have proven futile, when the objectionable policies emanating from Interior Headquarters cannot be resolved by MMS/Lakewood, or when congressional staff or other oversight entities request information.

At the May 3 meeting, the reason given by MMS/Lakewood officials for objecting to STRAC-only meetings was that such meetings are adversely affecting the “partnership” between MMS and STRAC. Over the past four years, any “partnership” has been weakened by MMS itself. MMS has made decisions (e.g., guidelines waiving collection of pre-1996 royalties), apparently at the Headquarters level, without any prior discussion with STRAC or any of its member jurisdictions. Representatives from STRAC jurisdictions have attended MMS “team meetings” only to find that final decisions had been made on issues never raised with the jurisdictions. MMS has made unilateral contract modifications shortly before funding expiration without any offer to negotiate and has instituted funding formulas that ignored the input or concerns of STRAC jurisdictions. Inquiries for relevant information needed for jurisdictional evaluation have been ignored for years.

It is clear that MMS is making little effort to advance any “partnership” with the states and tribes or STRAC as a whole. Indeed, MMS seems to use “the partnership” rhetoric only when it is convenient to the agency; when it is inconvenient, representatives of sovereign governments are treated as little more than federal employees. State and tribal auditors work to protect the interests of their governments, not to promote the policies and programs of Interior Headquarters.

At the May 3 meeting, it appeared that MMS was less concerned about “partnership” and more concerned about: (1) the efforts of a few STRAC jurisdictions to seek additional funding for their audit programs, and (2) a letter endorsed by a majority of STRAC members to Congress concerning reductions in audits. These are, of course, related issues.

It was an MMS official, Deborah Gibbs Tschudy, who advised, if not encouraged, STRAC to approach Congress if its jurisdictions needed more funding. MMS has been aware for more than two years of many STRAC members’ past concerns regarding the impact on their audit programs of the reduction in funding. Given STRAC’s past activities to foster its jurisdictions’ interests, MMS should have expected the organization’s reaction.

Moreover, based on sheer speculation, MMS complained that a member of STRAC circulated the letter to Congress to the *New York Times*. To the SCO’s knowledge, STRAC was wholly uninvolved in providing the letter to any member of the media. From the SCO’s perspective, MMS’s reaction to the *New York Times* articles raises a red flag and suggests that more problems may exist than have been revealed in the media.
Given this context for MMS’s efforts to end or monitor STRAC-only meetings, we conclude that MMS is engaging in retaliation against STRAC. For the MMS to raise objections about STRAC activities with industry at the Royalty Policy Committee only reinforces this conclusion.

The SCO believes that there is room for improvement in the STRAC/MMS meetings. Improvement, however, has been made difficult because of MMS’s insistence that the number of meetings be reduced. MMS spends too much time at the joint meetings rehashing already-well-known initiatives and giving PowerPoint presentations that have already been given in other forums or that are available on the MMS Web site. For example, at the May 3 meeting, there was little need for MMS to present to STRAC its rebuttal to the New York Times. Moreover, despite MMS’s representations in its new strategy, unmanaged conversation between STRAC members and MMS officials or employees is rare—again, a departure from the past.

In the SCO’s view, “partnership” would be enhanced by more cost-effective discussions of audit findings across companies; more discussion of documentation discovered by other audit programs to assist future audit document requests; more discussion of common valuation issues as raised in company appeals or elsewhere; more willingness by MMS to provide accurate data for evaluation of its initiatives; more effort to bring BLM and possibly BIA to the table; and more detailed, single-issue training exercises. The meetings would also benefit from regular attendance by the MMS Director or MRM Associate Director; in this way, Interior Headquarters could hear directly from STRAC members regarding its concerns.

In conclusion, the SCO notes that it believes that it has a good “day-to-day” working relationship with MMS staff. We respect all of their efforts to implement Interior Headquarters’ directives, programs, and goals. The SCO, however, has serious disagreements with those directives, programs, and goals, as well as with Interior Headquarters’ apparent unwillingness to respond to the input and concerns of STRAC jurisdictions.

Thank you for the opportunity to provide these separate comments.

Sincerely,

JEFFERY V. BROWNFIELD, Chief
Division of Audits

JVB:CHP:vb

5666
June 21, 2006

Patrick Milano
Mineral Management Services
P.O. Box 25165, MS 390B2
Denver, CO 80225-0165

RE: Need for STRAC Meetings & MMS Attendance to STRAC Only Sessions

Dear Pat:

We welcome the opportunity to provide comments and insights into several questions that have an impact on Wyoming’s mineral audit program. We understand the questions posed to be:
1) Is there a continuing need for States and Tribes to meet with the MMS, as a group or an entity? 2) If there is a need to continue meeting with the MMS as group, would such a need be better served by regional group meetings? And 3) Could MMS attend the STRAC only portion of the STRAC meetings?

1) Is there a continuing need for States and Tribes to meet with the MMS, as a group or an entity?

YES. States and Tribes periodically getting together to discuss common audit issues can be very beneficial. STRAC meetings provide a very efficient means to share audit developments, concerns, and issues among the various delegations. STRAC meetings also provide an efficient means for MMS and STRAC delegations to share concerns, issues, and new developments, as well as stay current and up to date on changes in federal policies, practices, and the development of federal polices and practices. STRAC meetings provide a very efficient means for the MMS to communicate with the states and tribes that the Secretary has delegated “authorities and responsibilities” to “conduct inspections, audits, and investigations” pursuant to FOGRMA, RSFA, CFR, and the federal contract.

2) If there is a need to continue meeting with the MMS as group, would such a need be better served by regional group meetings?

NO. In our judgment, breakout sessions at the STRAC meetings would be a more cost effective and efficient use of time, rather than regional meetings. During the STRAC meetings there could be break out sessions with tribes for Indians issues, states with common mineral issues, for example solid minerals, or particular states and tribes that have common issues limited...
to their region. With breakout sessions the costs of meeting to discuss regional issues or issues particular to a few delegations would not be in addition to the STRAC meeting costs, thus saving the costs that would otherwise be incurred, while preserving the benefits of traditional STRAC meetings.

3) Could MMS attend the STRAC only portion of the STRAC meetings?

Our experience with the STRAC only sessions is that a lot of issues get fully vetted (or vented) prior to meeting with the MMS the next day. Often issues that absorb a lot of the STRAC only time may be completely resolved during the STRAC only session, or the issues are sufficiently narrowed and refined so as not to occupy much of the combined MMS and STRAC meeting’s time, therefore allowing a lot more ground to be covered in a shorter period of time. There are plenty of times that a lot of discussion between the delegations may be reflected in a single request or comment the next day in the combined MMS & STRAC meeting. In the simplest terms the STRAC only meeting is often a weeding out, or narrowing and refining of the issues, concerns, or discussions that overall benefits the MMS by occupying less of their time, while still getting to the crux of the discussion, or sparing them the discussion altogether.

Wyoming’s delegation believes that the STRAC & MMS working relationship is better served by MMS not subjecting itself to the above discussed vetting process. However, the Wyoming delegation cannot imagine that the way we conduct our selves would be changed by MMS attending the STRAC only meeting the day before, and since it would not affect anything as far as we are concerned we could support MMS’s attendance, if the MMS wished to have a representative at the STRAC only meeting. We propose one qualification, there may be times when the MMS representative would be asked to momentarily leave the room for a STRAC only discussion.

Sincerely,

Steve Dilley
Administrator
Mineral Audit Division

Cc: Lisa Dockter
June 21, 2006

Patrick Milano
Minerals Management Service
P.O. Box 25165, MS 390B2
Denver, CO  80225-0165

RE:  Attendance at STRAC Meetings

Dear Mr. Milano,

During the last STRAC meeting in Albuquerque, Phil Sykora requested STRAC delegations to address the following three questions. I am addressing this letter to you with a Cc to Lisa Dockter, as Phil Sykora will be retiring soon. I'm sure you will share this with all parties involved. The Tribes appreciate the opportunity to address their views on STRAC ATTENDANCE.

1) Is there a continuing need for States and Tribes to meet with the MMS, as a group or an entity?

YES. The purpose of these meetings is for partners of the cooperative agreements, i.e.: States, Tribes and the MRM, MMS, to coordinate efforts in order to achieve the common goal of "conducting inspections, audits, and investigations" pursuant to FOGRMA, RSFA, and CFR. The Tribes believe that all entities benefit from the MRM, MMS, States and Tribes convening to discuss common audit issues. It is a meeting of the minds, where peers learn from one another's experiences, as well as share their questions and concerns. In this way, we are all able to stay up to date on changes in Federal/Indian policies and practices.

2) If there is a need to continue meeting with the MMS as a group, would such a need be better served by regional group meetings?

NO. Regionalizing STRAC meetings would defeat the purpose of STRAC, as outlined in number 1. If there are regional issues (or say, Indian issues...), these can be addressed by way of teleconferences or breakout sessions at the STRAC meetings. This would be a more efficient use of time, rather than regional meetings. But for the most part, the issues that are addressed during STRAC
involve all 202 and 205 contracts, and it is important that we have the opportunity to communicate as an entire, non-fractionalized group.

Peer reviews are a good example of something that needs to be addressed by the entire STRAC group. And in regard to 'peers,' delegations benefit far more by having the opportunity to share their professional experiences with a broad collection of states and tribes, rather than a small, regional group.

3) Could MMS attend the STRAC only portion of the STRAC meetings?

YES. I don't know why any MMS person would want to subject themselves to such torture! But seriously, much of the STRAC only day is spent ironing out details and prioritizing issues to be brought to the attention of the MMS. Issues are refined so as to not occupy much of the combined MMS and STRAC meeting's time. There are plenty of times that a lot of discussion between the delegations may be reflected in a single request or comment the next day in the combined MMS & STRAC meeting.

Now, without contradicting the preceding comments, the Tribes believe that having an MMS representative present during the STRAC only session would not affect the quality or productivity of the meeting; and as far as the Tribes are concerned, we could support an individual representative from the MMS attending the STRAC only session.

Thank you for this opportunity to voice our thoughts on STRAC ATTENDANCE.

Sincerely,

[Signature]
Heidi M. Badaracco
Audit Manager

Cc: Lisa Dockter
Phil Sykora, Program Director
Compliance & Asset Management
Minerals Management Service
P. O. Box 25163, MS 390B2
Denver CO 80225-0165

Dear Phil:

This letter is in response to your request at the last STRAC/MMS meeting in Albuquerque on May 3, 2006. You requested (1) justification for having STRAC meetings; (2) having regional meetings in place of STRAC meetings; and (3) having an MMS representative attend the STRAC only session. Each item will be discussed below.

1. Justification for STRAC meetings

In 1983 Secretary Watt had the Advisory Committee on Minerals Accountability hold hearing concerning royalty issues. That committee recommended that the Federal Government employees working in minerals accountability should meet with the States and Tribes performing royalty audits of Federal leases on a quarterly basis to discuss common issues. The first quarterly meeting was held in 1984. In 1986 the State and Tribal Royalty Audit Committee (STRAC) was established. Common issues and areas of concern have been discussed at STRAC meetings. This has become a valuable tool in administering the various delegations. It gives MMS an opportunity to provide all delegations with the same information at the same time. Everyone has an opportunity to ask questions and get clarification at the same time; thus, eliminating MMS having to repeat the information 17 times. STRAC provides MMS with a list of items that they would like MMS to address. MMS provides the names of all the presenters and often adds additional items to the agenda. This also provides an opportunity to receive information from other agencies; i.e., BLM. STRAC meetings provide delegations with the opportunity to keep abreast of all the current applicable legislation, proposed regulation changes, guidelines, contract concerns, new computer tools, system changes, MMS' administrative changes, MMS' strategic plan, current training opportunities, and numerous other items that help us fulfill our cooperative agreements and fiduciary responsibility to our various jurisdictions.

2. Regional meetings in place of STRAC meetings

If the majority of the items discussed at STRAC meetings were only applicable to a small number of the delegations, then regional meetings would be appropriate. However, the
majority of the items discussed at STRAC meetings are applicable to every delegation. Instead of one STRAC meeting, this would require numerous regional meetings. This would not be cost effective. Also, information given at the first regional meeting could have the potential of being disseminated to other delegations inaccurately.

3. MMS attending the STRAC only session.

The STRAC only session allows the various delegations an opportunity to discuss areas of common concern in an open environment with their peers. During this session more delegations voice their opinions about common issues and concerns. Based on other delegations experience and knowledge, some of these issues and concerns are resolved in the STRAC only session. Other items can be condensed and consolidated for the STRAC/MMS session and presented by STRAC officers. This allows the meeting with MMS to be more productive. Having an MMS representative present at the STRAC only session would inhibit some delegations from expressing their opinions. Keeping open communications between all delegations is an essential ingredient for a successful organization.

In summary, Utah would like the current meeting format to be maintained with a STRAC only session, STRAC/MMS session and then a STRAC wrap-up session. These meetings provide us all with a platform to foster camaraderie, enhance our working relationship, and to fulfill MMS’ and STRAC’s fiduciary responsibilities. Thank you for providing us with an opportunity to address these issues.

Respectfully,

Inge-Lise Goss, CPA
Federal 205 Program Manager

cc: Patrick Milano
June 28, 2006

Ms. Lucy Querques Denett
Associate Director
Minerals Revenue Management
Minerals Management Service
1849 C Street, Room 4228
Washington, D.C. 20240

Re: STRAC Meetings

Dear Ms. Denett:

During the State and Tribal Royalty Audit Committee (STRAC) and Minerals Management Service (MMS) meeting held in Albuquerque, New Mexico, on May 3-4, 2006, the state and tribal delegations were asked to provide their thoughts on whether the format of the STRAC/MMS meetings should continue to provide for a “STRAC only” session. The following comments represent the viewpoint of the Navajo Nation Minerals Department (Nation).

It is important to first acknowledge that the states, tribes and MMS share a common fiduciary responsibility with regard to quality minerals royalty management. We must also acknowledge that there will be certain policy and regulatory issues that are distinct to our respective governments and moreover, that the respective positions taken on such issues are in the interest of the respective governments we represent.

The purpose and intent of the “STRAC only” portion of the STRAC meeting agenda is simply to allow some discussion time for state and tribal delegations to share thoughts and ideas with regard to royalty management and compliance efforts in preparation for further discussion of the matters with MMS. States and tribes are often requested by MMS to provide input and/or feedback on issues and it is productive and efficient to do so under this meeting format. While it may be perceived that the “STRAC only” sessions serve as being counter-productive in terms of building trust, cooperation, and understanding among the states, tribes, and MMS, we want to assure you that this is neither the intent nor the purpose.

The Nation believes that establishing a positive government-to-government working relationship is accomplished through trust, cooperation and understanding of all parties involved. However, in the case of relationships with Indian tribes, the U.S. government must also acknowledge its responsibilities as trustee of the mineral assets of Indian tribes.
We view trust responsibility and our capacity to meet directly with our trustee with far greater importance than continuing debate on whether "STRAC only" sessions are worthwhile.

As such, the Nation does not hold a position with regard to eliminating the "STRAC only" portions of the STRAC/MMS meetings in the future. However, we feel that the MMS should be considerate of the occasional need for states and/or tribes to discuss their respective governmental views on controversial and/or proprietary subject matter in confidence. Finally, the Nation also requests that the MMS share the same position with regard to the Nation's access to MMS meetings wherein pertinent policy, regulatory, and administrative issues that have impact on the Nation are discussed.

If you have any questions, please call me at (928) 871-6587.

Sincerely,

Akhtar Zaman, Director
Minerals Department

C: Phil Sykoru, Program Director, Compliance and Asset Management, MMS/MRM
   Perry Shirley, Assistant Director, Minerals Department, Navajo Nation
   Rovena Cheromiah, Audit Manager, Minerals Audit Program, Minerals Department