

United States Senate

WASHINGTON, DC 20510

January 24, 2006

The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

The purpose of this letter is to request that the GAO undertake a review and report on the adequacy of the royalty accounting and collection process for oil and natural gas produced from Federal and Indian leases. As you know, the Minerals Management Service (MMS), an agency within the Department of the Interior, is responsible for the administration of the royalty management program. In this time of rising oil and gas prices, the program has been the subject of criticism for alleged under-collections resulting in the public not receiving fair value for its mineral resources. It is essential that the U.S. Treasury, the States and the Tribes receive the amounts owed to them for production from Federal and Tribal leases.

Specifically, we request that you respond to the following questions:

1. At a time when prices for natural gas are increasing, why are royalty collections on federally-owned natural gas not increasing at a commensurate rate?
2. Has MMS reduced the number of auditor positions? If so, how many positions have been cut? Why?
3. Has MMS reduced the number of audits that it undertakes? How many audits were initiated in 2005 as compared to each of the five preceding years?
4. Does MMS have adequate resources to ensure that the royalties are properly collected on Federal and Indian leases?
5. Have funding levels for State and Tribal cooperative agreements for auditing been reduced? If so, please provide information regarding the amount of the reductions. How has this affected the amount of production that can be audited by States and Tribes on an annual basis?
6. Are the deepwater royalty relief provisions being implemented in accordance with law? Is MMS collecting royalties in deepwater when the price reaches the threshold requiring royalty payment? If not, why not?

7. Has MMS implemented all recommendations in the Department of the Interior Inspector General's March 2003 Report that concluded that "MMS' audit process was ineffective because it lacked accountability, did not cover all audit work, and was incomplete?"
8. What is the basis for withholding information about royalty payments by individual payors? What reported information is proprietary?
9. What specific changes in the royalty collection process should MMS make to ensure that the U.S. Treasury, the States, and the Tribes get fair value for oil and gas resources produced from Federal and Indian leases?

We hope that you will give this request the highest priority and provide a response within thirty days. Thank you for your attention to this important matter.

Sincerely,



Byron L. Dwyer

Robert Menendez

Frank R. Lautenberg

Maria Cantwell



Robert A. Menendez

Dick Durbin

Ken Salazar

Patty Murray

John F. Kerry
Mack Dayton

James Johnson

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