



Highlights of GAO-10-852T, a testimony before the Subcommittee on Energy and Mineral Resources, Committee on Natural Resources, House of Representatives

## Why GAO Did This Study

The catastrophic oil spill in the Gulf of Mexico has drawn national attention to the exploration and production of oil and gas from leases on federal lands and waters. The Department of the Interior's Bureau of Land Management (BLM) oversees onshore oil and gas activities, the Minerals Management Service's (MMS) Offshore Energy and Minerals Management oversees offshore oil and gas activities, and MMS's Minerals Revenue Management collects revenues from oil and gas produced. Interior's oil and gas oversight has long been the subject of audits and investigations by GAO, Interior's Office of Inspector General (OIG), and others. In response to the recent oil spill, the Secretary of the Interior has proposed reorganizing MMS.

Over the past 5 years, GAO has issued numerous recommendations to the Secretary of the Interior to improve the agency's management of oil and gas resources—most recently resulting in two reports in March 2010 (see app. II for a list of GAO reports). Overall, GAO's work in this area can be useful in evaluating key aspects of the Secretary's plans to reorganize MMS. In particular, GAO's findings and recommendations can provide guidance on how to achieve effective oversight of federal oil and gas management by improving (1) technical expertise in the agency, (2) performance of analyses and reviews, (3) enforcement of laws and regulations, (4) public access to information, and (5) the degree of independence in the agency.

View GAO-10-852T or key components. For more information, contact Frank Rusco, 202-512-3841, Ruscof@gao.gov.

## OIL AND GAS MANAGEMENT

### Key Elements to Consider for Providing Assurance of Effective Independent Oversight

#### What GAO Found

**Technical Expertise.** Oil and gas production methods on federal lands and waters have become increasingly sophisticated over the past decade. GAO found in a March 2010 report that Interior had challenges in hiring, training, and retaining key staff, leading to questions about the technical capacity of Interior staff overseeing oil and gas activities. Interior's challenges partly stem from competition with the oil and gas industry, which can pay staff higher salaries. Moreover, key technical positions responsible for oversight of oil and gas activities have experienced high turnover rates, which, according to Interior officials, impede their capacity to oversee oil and gas activities.

**Ability to perform reviews and require that findings be addressed.** In several recent reports, GAO found that Interior was unable to complete necessary reviews, including environmental and oil and gas production verification inspections, and had an ill-defined process for conducting certain offshore environmental analyses. For example, GAO reported in March 2010 that MMS faced challenges in Alaska conducting required environmental reviews, because although Interior policy directed MMS to prepare a handbook providing guidance on how to conduct these reviews, MMS lacked such a handbook. This lack of guidance also left unclear MMS's policy on what constitutes a significant environmental impact.

**Enforcement Authority.** In a March 2010 review, GAO determined that in some instances, Interior was uncertain about its legal authority for undertaking potential necessary enforcement actions, and that Interior may be inconsistently using its enforcement authority. For example, staff from one BLM office told us that they were not issuing enforcement actions for unauthorized devices intended to modify gas flow upstream of the measurement meter—which may result in inaccurate measurement of gas production volumes. These staff explained that this was due to measurement regulations that were out of date.

**Public Access.** In its preliminary results from ongoing work on public challenges to BLM's federal onshore oil and gas lease sale decisions in the four Mountain West states responsible for most federal oil and gas development, GAO found state-by-state variation in what protest-related information was made publicly available across BLM state offices. GAO also found that stakeholders, including industry groups and nongovernmental organizations representing environmental, recreational, and hunting interests, expressed frustration with the transparency and timeliness of the information.

**Independence.** During GAO's work in 2009 and in Interior OIG reports in 2008 and 2010, several instances were identified where Interior staff had inappropriate relationships with oil and gas industry personnel, raising questions about whether Interior's oversight efforts were sufficient. The OIG found numerous instances of inappropriate contact between industry and Interior staff, including staff receipt of gifts.