

GAO Highlights

Highlights of [GAO-13-647T](#), a testimony before the Subcommittee on Energy Policy, Health Care, and Entitlements, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

Interior issues permits for the development of new oil and gas wells on federal lands and waters; inspects wells to ensure compliance with environmental, safety, and other regulations; and collects royalties from companies that sell the oil and gas produced from those wells. In recent years, onshore and offshore federal leases produced a substantial portion of the oil and gas produced in the United States. In fiscal year 2012, Interior collected almost \$12 billion in mineral revenues including those from oil and gas development, making it one of the largest nontax sources of federal government funds. Previous GAO work has raised concerns about Interior's management and oversight of federal oil and gas resources.

This testimony focuses on (1) Interior's oversight of offshore oil and gas resources, (2) Interior's collection of oil and gas revenues, and (3) Interior's progress to address concerns that resulted in its inclusion on GAO's High Risk List in 2011. This statement is based on prior GAO reports issued from September 2008 through February 2013.

GAO is making no new recommendations. Interior continues to act on the recommendations that GAO has made to improve the management of oil and gas resources. GAO continues to monitor Interior's implementation of these recommendations.

View [GAO-13-647T](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

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OIL AND GAS MANAGEMENT

Continued Attention to Interior's Revenue Collection and Human Capital Challenges Is Needed

What GAO Found

Interior's oversight of offshore resources. In July 2012, GAO reported on changes to the Department of the Interior's oversight of offshore oil and gas activities in the Gulf of Mexico following the *Deepwater Horizon* incident. Specifically, GAO reported that Interior had established two new bureaus, separating resource management oversight activities from safety and environmental oversight activities. GAO also reported that new requirements and policy changes designed to mitigate risk of a well blowout or spill had initially required additional resources and increased permit approval times, but that approval times decreased as Interior staff and oil and gas companies became more familiar with the new requirements. GAO also found that Interior's inspections of offshore Gulf of Mexico drilling rigs and production platforms routinely identified violations, but that Interior's database was missing data on when violations were identified and corrected. GAO made 11 recommendations aimed at improving Interior's oversight activities. Interior generally agreed with the recommendations and plans to implement them.

Interior's collection of oil and gas revenues. In September 2008, GAO reported that Interior collected lower levels of revenues for oil and gas production in the deep water of the U.S. Gulf of Mexico than all but 11 of 104 oil and gas resource owners in other countries and some states. In July 2009, GAO reported on problems with Interior's efforts to collect data on oil and gas produced on federal lands, including missing and erroneous data. In March 2010, GAO reported that Interior was not taking needed steps to ensure that oil and gas produced from federal lands was accurately measured and was not consistently meeting its goals for oil and gas production verification inspections. GAO made numerous recommendations aimed at improving Interior's revenue collection policies, including oversight of production verification activities and controls on the accuracy and reliability of royalty data. Interior generally agreed with these recommendations and has implemented many of them.

Interior's oil and gas management on GAO's high risk list. In February 2011, GAO added Interior's management of federal oil and gas resources to its list of federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or needing broad-based transformation. GAO added this high risk area because Interior (1) did not have reasonable assurance that it was collecting its share of revenues; (2) continued to experience problems hiring, training, and retaining sufficient staff to provide oversight and management of oil and gas operations; and (3) was engaged in a broad agency reorganization that could adversely impact its ability to effectively manage oil and gas during the crisis following the *Deepwater Horizon* incident. In February 2013, after Interior completed its reorganization, GAO narrowed the oil and gas high-risk area to focus on revenue collection and human capital challenges and is currently examining these issues. While Interior has begun to implement many of GAO's recommendations, it has yet to fully implement a number of others, including recommendations intended to (1) provide reasonable assurance that oil and gas is accurately measured, and that the public is getting an appropriate share of revenues, and (2) address its long-standing human capital issues.