

# GAO Highlights

Highlights of [GAO-24-103676](#), a report to the Ranking Member, Committee on Natural Resources, House of Representatives

## Why GAO Did This Study

The federal government receives significant revenues from royalties paid on the sale of oil and gas extracted from leased federal lands and waters. Interior has faced challenges verifying the accuracy of royalty payments. In 2011, GAO added Interior's management of federal oil and gas resources to its High Risk List. Interior has since taken steps to operate more effectively.

GAO was asked to examine ONRR's federal oil and gas royalty compliance efforts. This report (1) describes ONRR's royalties and compliance activities for 2012 through 2022, the most current data available at the time of our review; (2) examines how staffing resources affected its ability to analyze compliance data; and (3) examines ONRR's latest estimates of an oil and gas royalty gap, and what opportunities ONRR has to improve its royalty gap model. GAO reviewed relevant laws, regulations, agency guidance, and Interior's annual performance documentation and budget justifications for the period. GAO also analyzed ONRR compliance data and interviewed ONRR officials.

## What GAO Recommends

GAO is making 14 recommendations, including that ONRR improve the completeness of its compliance data, assess its human capital needs related to its data and data systems, and periodically estimate a royalty gap of adequate rigor. Interior concurred with GAO's recommendations.

View [GAO-24-103676](#). For more information, contact Frank Rusco at (202) 512-3841 or [ruscof@gao.gov](mailto:ruscof@gao.gov).

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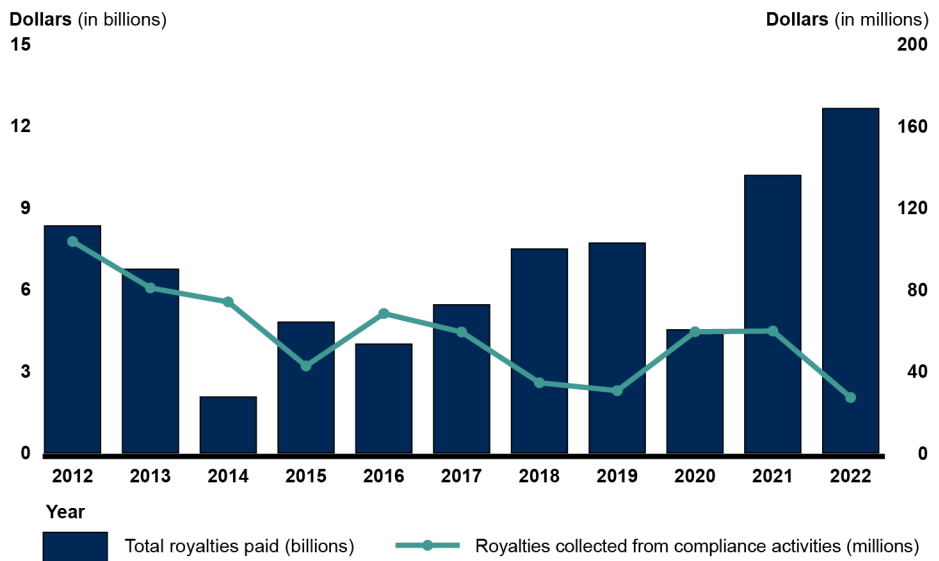
# FEDERAL OIL AND GAS ROYALTIES

## Opportunities Exist to Improve Interior's Compliance Program

### What GAO Found

The Department of the Interior's Office of Natural Resources Revenue (ONRR) collected \$74 billion in royalties on \$600 billion total sales of oil and gas produced by companies on federal leases from 2012–2022. Royalties collected depended in large part on the price of oil and gas, which increased from 2012 through 2022. ONRR generated \$600 million through compliance activities for 2012–2022.

Office of Natural Resources Revenue (ONRR) Royalty and Compliance Collections, 2012–2022



Source: GAO analysis of ONRR data. | GAO-24-103676

ONRR has made progress developing new risk models for selecting cases for compliance. However, incomplete data and resource challenges have impeded ONRR's ability to analyze its compliance data. ONRR is developing its own risk models for case selection, which should increase its capacity to analyze data, officials said. However, ONRR does not have certain data that could be used to inform the risk models, such as complete data on violations. By assessing the need for complete compliance data, ONRR could better inform its compliance strategy. Additionally, ONRR has not prioritized hiring staff with data analysis skills. By assessing human capital needs, ONRR could better determine what skills and staff it needs to strengthen compliance efforts.

ONRR last estimated a royalty gap of approximately \$100 million for both 2010 and 2011. The royalty gap is the difference between the payments ONRR collects from companies and what it should collect. ONRR staff recommended improving the model to continue estimating the royalty gap. However, ONRR management did not continue this effort after 2011. GAO attempted to estimate a royalty gap for more recent years using a different model but was unable to do so due to limitations with ONRR's data. Rigorous and improved estimates of its royalty gap could help ONRR enhance its decision-making and strategic planning of compliance efforts on an ongoing basis.