

Congress of the United States
Washington, DC 20515

August 7, 2014

The Honorable Janice Schneider
Assistant Secretary for Lands and Minerals Management
U.S. Department of the Interior
1849 C Street NW
Washington, DC 20240

Dear Assistant Secretary Schneider:

We would like to congratulate you on your recent confirmation as Assistant Secretary, and we look forward to working with you to ensure the appropriate balance between responsible energy development and the many other important uses of our public lands.

Among the many critical issues that fall under your purview, we hope that you will make modernizing the outdated and inadequate onshore oil and gas fiscal system a top priority. Appropriate rental and royalty rates for onshore oil and gas leases help ensure that states, the U.S. Treasury, and all American taxpayers receive their fair share from the nation's oil and gas boom.

As you know, the rents and royalties that oil and gas companies currently pay to operate on federal public lands are exceedingly low and long overdue for updating. The Government Accountability Office (GAO) pointed out in 2007 that in the Gulf of Mexico, the U.S. "receives one of the lowest government takes in the world," and in response the Department of the Interior (DOI) raised offshore oil and gas royalty rates.¹ The next year, GAO recommended that DOI conduct a comprehensive study of the onshore oil and gas fiscal system.² Although the previous administration balked at that suggestion, we were pleased that under the leadership of President Obama and Secretary Salazar, such a study was announced in DOI's FY2010 budget, issued in May 2009.

Unfortunately, it appears that the process of modernizing onshore royalty rates has stalled, as documented by another recent GAO report.³ Although DOI has conducted numerous studies on the potential impact of changing onshore royalty rates, no regulatory steps have been taken, nor has an Advance Notice of Proposed Rulemaking (ANPR)—an initial step purely designed to gather information—been published.

¹ GAO-07-676R

² GAO-08-691

³ GAO-14-50

It has been more than five years since DOI began the process of analyzing potential changes to onshore oil and gas royalty rates, and it is highly disappointing that with only two and a half years remaining in President Obama's term, no steps have been taken. Even non-binding actions such as the issuance of an ANPR, or simple yet meaningful actions such as providing administrative flexibility for onshore royalties to be set higher than 12.5 percent, would help advance the cause of ensuring that the American people are receiving a fair return on their resources.

We understand that there are a large number of regulatory priorities for the Department right now, and we appreciate the resource constraints that you are operating under. However, receiving appropriate value for the extraction of federal oil and gas resources would actually increase federal and state revenues, and as such, it deserves to be given more attention than it has been receiving. It is surprising, for instance, that the Department has been prioritizing seemingly minor rulemaking efforts over raising royalty rates, such as an ANPR for communication site rental fees that recently appeared in the Unified Rulemaking Agenda.

We believe that you have a tremendous opportunity to make sure that reforming the onshore oil and gas fiscal system gets the attention that it deserves, and we urge you to sign the Onshore Oil and Gas Royalty ANPR before the end of this August. If you cannot commit to doing so, please let us know where the ANPR is in the Departmental review process, how many more review steps—and by whom—are necessary, and the expected time frame for completion of the review process and publication in the Federal Register.

Modernizing the oil and gas fiscal system has the potential to be a defining issue for your tenure, and could result in a legacy of billions of additional dollars for American taxpayers. We ask that you not let the opportunity to make meaningful changes in our royalty system go to waste.

Sincerely,



Alan Lowenthal
Member of Congress



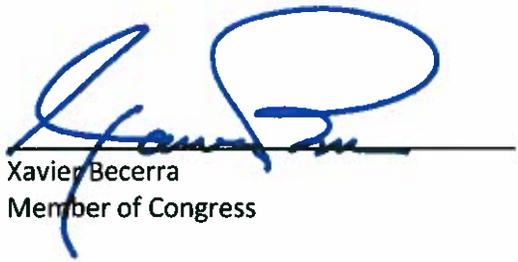
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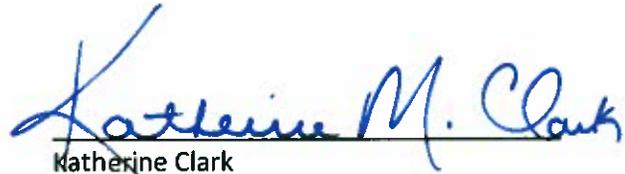
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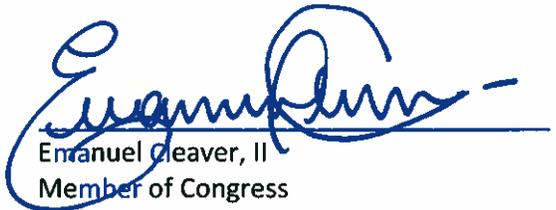
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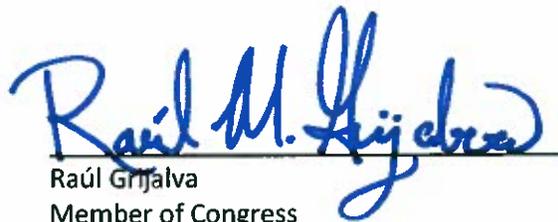
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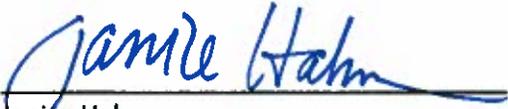
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