

Congress of the United States
Washington, DC 20515

May 6, 2015

The Honorable Sally Jewell
Secretary
U.S. Department of Interior
1849 C Street, NW
Washington, DC 20240

Dear Secretary Jewell,

The Department of Interior is charged with managing oil and gas development on both onshore and offshore Federal lands. At our request, the U.S. Government Accountability Office (GAO) recently completed a review of the Department's efforts to update its regulations for oil and gas leases,¹ and found that despite significant progress, additional work remains to protect the environment and ensure fair returns for taxpayers. We are particularly concerned with the lack of regulations to limit venting and flaring natural gas from Federal leases, which GAO first identified as a problem over ten years ago.

In 2004, GAO noted gaps in the Department's information about how much gas was vented and flared from Federal leases. While the international norm was approximately 3 percent of gas extracted from wells, the U.S. had been reporting roughly 1/8 that amount. At the time, GAO recommended that the Minerals Management Service and the Bureau of Land Management (BLM) develop regulations to control the practice.² Those regulations have yet to be completed.

Six years later, GAO found that 40 percent of the natural gas vented and flared from Federal leases could be captured economically and sold, and again recommended that the Department establish regulations for venting and flaring.³ The 2010 report cited additional analyses by U.S. Environmental Protection Agency (EPA) and the Western Regional Air Partnership that showed actual releases of natural gas in the U.S. were as much as 30 times the reported amounts for onshore wells, and an average of 6 times higher than reported amounts for offshore wells. The new report found that the Department has not fully implemented any of GAO's five recommendations regarding venting and flaring from the 2010 report.

¹ "Oil and Gas Resources: Interior's Production Verification Efforts and Royalty Data Have Improved, but Further Actions Needed," GAO-15-39, April 2015

² "Natural Gas Flaring and Venting: Opportunities to Improve Data and Reduce Emissions," GAO-04-809, July 2004

³ "Federal Oil and Gas Leases: Opportunities Exist to Capture Vented and Flared Natural Gas, Which Would Increase Royalty Payments and Reduce Greenhouse Gases," GAO-11-34, October 2010.

A majority of vented gas is methane, a greenhouse gas roughly 25 times more potent than carbon dioxide. Eliminating this waste not only would reduce greenhouse gas emissions equal to removing some 3.1 million cars from the road, but would generate \$23 million annually for the Treasury. While the BLM has been developing regulations to limit the loss of natural gas, those regulations have not yet been proposed, much less promulgated, despite the environmental and fiscal benefits; GAO recommendations dating back more than 10 years; and successful control technology demonstrations developed by Natural Gas STAR, a partnership of oil and gas operators with the EPA. We seek your assurance that such regulations will be issued as soon as possible, and ask that they include measures to restrict the practice of venting and flaring, not simply focus on reconciling conflicting data on gas losses.

Similarly, the Department must complete updates to Onshore Orders 3, 4, and 5. These important rules govern how the petroleum industry measures the amount of oil and gas extracted from Federal leases, and protect the integrity of those measurements to prevent tampering that could lead to underpayment of royalties. In 2007, the Subcommittee on Royalty Management issued a report that said outdated onshore orders were part of an accountability program that is “unconsolidated, outdated and sometimes insufficient,” resulting in “inconsistent and outmoded approaches to production accountability tasks, and potential reductions in royalty revenues.”⁴ A 2010 GAO report highlighted shortcomings with the existing Onshore Orders.⁵ It is critical that the Department update these orders in a timely manner.

Despite years of effort, Interior has not completed action on measures to reduce the negative economic and environmental impacts of venting and flaring. We would like your assurance that the Department will redouble its efforts to regulate these wasteful practices.


Sincerely,



Ron Wyden
United States Senator



Peter DeFazio
Ranking Member
House Committee on
Transportation & Infrastructure



Raúl M. Grijalva
Ranking Member
House Committee
on Natural Resources

⁴ Subcommittee on Royalty Management, Royalty Policy Committee, *Report to the Royalty Policy Committee: Mineral Revenue Collection from Federal and Indian Lands and the Outer Continental Shelf*, (Washington, DC: December, 2007), 30-33.

⁵ GAO, *Interior's Oil and Production Verification Efforts Do Not Provide Reasonable Assurance of Accurate Measurement of Production Volume*, GAO 10-313, (Washington, DC: March, 2010), 20-24.