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Interior Agencies to Conduct Royalty Review Study to Ensure Federal Leasing Policies Provide Fair Return on Public Oil and Gas Resources

WASHINGTON, DC – As part of Secretary of the Interior Ken Salazar's efforts to ensure that American taxpayers receive a fair return from energy resources developed on public lands and on the Outer Continental Shelf, the Interior Department's energy agencies will review oil and natural gas fiscal systems in other countries and compare them with those used by the U.S. Government for federally-owned offshore and onshore lands.

Interior's Minerals Management Service (MMS) and Bureau of Land Management (BLM) will jointly contract for the competitive "Comparative Assessment of the Federal Oil and Gas Fiscal System" study in a cooperative interagency agreement. The results of this study will enable the Department to ensure that its leasing policies are providing the public a fair return on federally-owned oil and gas resources, while balancing other objectives, including production and environmental stewardship.

"MMS and BLM are undertaking this study in response to a 2008 Government Accountability Office report that suggested the return from federal oil and gas leases is lower than what other resource owners worldwide are receiving," said MMS Director Liz Birnbaum. "We are assessing the federal oil and gas fiscal systems because the Department does not routinely monitor fiscal systems in other countries. We need to consider international comparisons in selecting fiscal parameters for our leases."

"The Administration is committed to ensuring that taxpayers receive a fair return from mineral production on their lands," said BLM Director Bob Abbey. "This study will provide some common-sense grounds for comparison as we evaluate our royalty rates and our oil and gas fiscal policies in the context of global markets."

The purpose of the study is to inform decisions about federal lease terms, such as a royalty, by consistently comparing the federal oil and gas fiscal systems with those of other countries. The study will explain the methods and appropriate uses of international comparisons, collect data

and construct consistent comparisons, and apply that information to current issues about federal lease terms. Comparison of the U.S. government return with that of other countries may reveal the potential for greater revenues to the federal government.

The study's final report is expected to be completed nine months after the contract is awarded.

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