

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

February 14, 2017

Mr. Gene Dodaro
The Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

The Department of the Interior oversees oil and gas activities on leased federal lands and waters, and the revenues generated from those activities are among the largest nontax sources of federal funds. Interior's Bureau of Land Management (BLM) manages onshore federal leases and, under the Mineral Leasing Act, holds federal lease sales in each state where eligible lands are available.

In the 2015 National Defense Authorization Act, Congress provided BLM authority to conduct lease sales online, with the hope that such sales could increase revenues, improve transparency, and reduce BLM's administrative costs compared to in-person auctions. Based on the results of a pilot online lease sale by BLM in Colorado in 2009, BLM estimated that online auctions could increase aggregate lease sale revenues by about \$2 million per year.

Online sales have the potential to generate greater competition and higher bonus bids by making participation easier; e.g., bidders do not have to travel to a central location. Online sales also provide an opportunity to reduce administrative costs associated with lease sale activities and provide greater transparency to the public because observers may watch the progress of a sale online. The first online auction under this new authority was BLM's Eastern States Office sale in September 2016. The Eastern States Office offered leases for 14 parcels, totaling about 4,200 acres in Mississippi and Kentucky. There were multiple bidders on each parcel, generating about \$80,000 in receipts that will be split between the federal government and the state in which the lease is located. Online auctions covering parcels in Colorado, Montana, and Utah followed in 2016.

However, based on recent revelations that individuals from Russia hacked the computer system of the Democratic National Committee in order to obtain information about Democratic presidential candidate Hillary Clinton and influence the outcome of the 2016 Presidential Election, I am concerned that foreign or domestic actors could manipulate online lease sales to their own benefit and to the detriment of the American people.

In view of BLM's initial efforts to hold online lease auctions of federal lands for oil and gas production, the committee requests that GAO examine the following: (1) What has been BLM's experience using online auctions, and what are its plans for using online auctions in the future? (2) What is known about the effects of using online auctions compared with in-person auctions of leases for oil and gas production on federal lands; specifically, what have been the effects on federal revenues and costs? (3) What challenges, if any, has BLM faced in ensuring that the benefits of online auctions are realized in terms of increased competition for leases and reduced administrative costs? (4) To what extent does BLM collect information from its use of online auctions to monitor competition and consider other potential reforms in how it conducts lease auctions? (5) What safeguards are in place to ensure that online lease sales are protected from hacking, and are there lessons learned or best practices from other online auctions that could be used to increase lease sale security?

Thank you for your consideration of this request.

Sincerely,



Raúl M. Grijalva
Ranking Member
House Committee on Natural Resources