

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

October 19, 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:

More than three decades ago, the U.S. Department of the Interior (Interior) significantly revised its process to lease federal lands on the outer Continental Shelf (OCS) for oil and natural gas exploration and development. Previously, oil and gas companies nominated individual lease blocks and Interior offered some portion of those blocks for lease. Under the revised process introduced in 1983—known as area-wide leasing—Interior began offering all available lands in an OCS planning areas for lease in each sale. Interior believed that removing the limitations on the location and number of lease parcels would allow industry greater flexibility to make leasing and exploration decisions. While industry was indeed given more flexibility, it soon became clear that area-wide leasing was also allowing industry to lease OCS lands far more cheaply than before. In 1985, GAO reported that the shift to area-wide leasing was responsible for an average reduction in bids of about \$540 per acre leased. More than two decades later, in 2008, an American University study found that switching from nominations to area-wide leasing reduced government revenues on a per-acre basis as much as \$1,300.

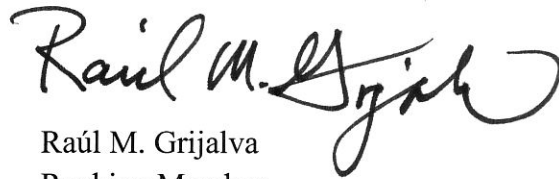
Interior's 2017-2022 oil and gas leasing program increases the number of lease sales in the Gulf of Mexico (GOM) to two per year, and makes lease parcels available across the entire region. Interior decided to implement a Gulf-wide approach, rather than continue sales by individual area, to provide even greater flexibility to industry and more opportunities for bidding on rejected, relinquished, or expired lease blocks.

In view of Interior's plan to offer two lease sales per year for the entire Gulf of Mexico, the committee requests that GAO examine the following: (1) Since 1983, what has been the effect on government revenues by switching from a lease-nomination system to area-wide leasing? (2) What are the anticipated effects on government revenues from moving from area-wide to Gulf-wide leasing? (3) What are the potential effects of the 2017-2022 oil and gas leasing program in terms of the amount of land to be leased, the economy and the environment, receipt of fair

market value for leased lands, small company participation, and competition in lease sales? (4)
What are the potential benefits and challenges if Interior returned to the lease nomination sales
format in place prior to 1983?

Please contact Steve Feldgus of my office at (202) 225-6065 if you have any questions about this
request.

Sincerely,

A handwritten signature in black ink that reads "Raúl M. Grijalva". The signature is written in a cursive, flowing style with a large, sweeping flourish at the end.

Raúl M. Grijalva
Ranking Member

House Committee on Natural Resources