Indian Affairs - Office of Public Affairs

Media Contact: Ed Essertier (202) 343-3171
For Immediate Release: January 21, 1982
Print PDF

The Minerals Management Service, created today by Interior Secretary James Watt to ensure the proper and full collection of royalties from Federal and Indian leases, will place renewed emphasis upon efforts to stem royalty fraud and theft in a system producing $5 billion in annual collections.

The basis of the new Service is the Conservation Division of the U.S. Geological Survey, which is being reassigned to report directly to the Under Secretary and an executive group within the Office of the Secretary.

"This elevated status," Watt said, "indicates the high level of involvement" intended for the Service as it further tightens inspections, site security and auditing and accounting procedures governing more than 44,000 oil and gas wells on nearly 17,000 leases spread across 27 States.

Enforcement of the 60 recommendations of the Commission on Fiscal Accountability of the Nation's Energy Resources and approved by Watt will be a major responsibility of the new agency. The Commission, appointed by Watt in July 1981 and headed by David F. Linowes, suggested major changes in royalty accounting to cope with increasing demands for oil and an expanded domestic drilling program.

Current Interior Department projections indicate that royalty collections could rise from their present $5 billion a year level to $14 billion a year by 1990. A significant portion of that money is returned to the States of origin and to the Indian tribes where leases are located.

"Moving the Conservation Division out of the USGS will preserve and enhance the Survey's international reputation and scientific excellence as well as its role as the Federal Government's prime earth science agency," Secretary Watt said. "With the reassignment of the Survey's regulatory activities, it can focus on broad objectives including scientific research on geology, topography, land, water and power studies, and dissemination of scientific data," Watt said. Cooperative agreements with jurisdictions which benefit from the royalty money are high on the list of changes called for by Secretary Watt as he adopted the Linowes Commission recommendations. States now receive half of the royalties from Federal leases within their borders (except for the State of Alaska which receives nine-tenths of the Federal royalties), and Indian tribes receive all of the royalties on tribal leases.

Watt's creation of a legislative Task Force to develop an omnibus royalty management bill indicates his intention of expanding the sanctions available to the Minerals Management Service for cracking down on royalty offenders, as well as other legislative improvements': Watt will seek as well authority to create a self-sustaining fund from royalties for royalty management. Watt has asked that the legislative proposal includes a bounty system, or reward incentive plan, by which individuals could be paid for furnishing information about fraudulent or wasteful practices in the royalty collection system.

Watt's creation of a legislative Task Force to develop an omnibus royalty management bill indicates his intention of expanding the sanctions available to the Minerals Management Service for cracking down on royalty offenders, as well as other legislative improvements. Watt will seek as well authority to

create a self-sustaining fund from royalties for royalty management. Watt has asked that the legislative proposal include a bounty system, or reward incentive plan, by which individuals could be paid for furnishing information about fraudulent or wasteful practices in the royalty collection system.

Creation of the new agency culminated a series of actions which Watt began shortly after taking office a year ago. Last February the Secretary met with the governors of western oil-producing States and asked for their help in curbing potential losses of royalty. He noted that investigations by the General Accounting Office, the Congress, the States and Indian tribes back to 1959 had little effect on the problem, which has worsened during recent years as the prices for oil shot up.

When Watt appointed the Commission on Fiscal Accountability last July, he offered it all the resources of his own office, as well as opening the way for coordination with President Reagan's Council on Integrity and Efficiency and the Office of Management and Budget, to seek solutions for fraud and theft in the royalty system. He said the commission report would have first priority in seeking to avert a financial scandal among the onshore Federal and Indian leases.

"The American people deserve full payment for the sale of the public resources, and I intend to see that they get it," Watt said in appointing the Commission.

Reconstituting the Conservation Division into the Minerals Management Service will permit the remainder of the USGS to concentrate on other problems of national magnitude, Watt said. These include finding new resources of strategic minerals and energy, understanding acid rain, dealing with radioactive waste, and better preparing for geologic hazards, from mudslides to earthquakes.

"We also expect the Survey to accelerate the Department's National Mapping Program and to build the new National Digital Cartographic Data Base that will support the activities of nearly every governmental agency in the country," he said, adding:

"The Survey will be able to place more emphasis on developing better assessments of the mineral and energy resources potential on the public lands, both onshore and offshore. A good leasing program is still dependent on good earth science, and we will continue to expect the Survey to provide that base."

Secretary Watt noted that during the past century the Geological Survey has been known as the mother of bureaus spinning off numerous functions to form new bureaus within the Department of the Interior including the Bureau of Reclamation, the Bureau of Mines, and elements of the Bureau of Land Management.

"I am excited by today's action to create the Minerals Management Service because it will allow the Geological Survey to concentrate more fully on its scientific mission, and I and the Department will be able to rely more upon the organization and its director, Dr. Dallas Peck, as our principal advisor on scientific matters," Watt added.