

**TESTIMONY OF JAYSON O'NEILL
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A PROJECT OF ACCOUNTABLE.US**

**U.S. HOUSE COMMITTEE ON NATURAL RESOURCES SUBCOMMITTEE ON
ENERGY AND MINERAL RESOURCES:
"INTERIOR'S ROYALTY CUTS: THOUGHTFUL POLICY OR INDUSTRY
GIVEAWAY?"**

OCTOBER 6, 2020

Testimony of Jayson O'Neill
House Natural Resources Subcommittee
On Energy And Mineral Resources
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Good afternoon Chairman Lowenthal and members of the subcommittee. I am Jayson O'Neill, I manage Accountable.US's public lands program, the Western Values Project.

Accountable.US is a non-partisan government watchdog committed to exposing corruption and educating the public about malfeasance across all levels of government.

In recent months, we have been tracking the Trump administration's response to the pandemic and ensuing economic crisis with a focus on how extractive resource corporations that were already in dire straits before the pandemic have been buoyed with taxpayer-backed funding from the federal government through various relief programs, including the Interior Department's decision to grant royalty rate cuts and lease suspensions for both onshore and offshore oil and gas production.

I appreciate the opportunity to discuss our findings with the subcommittee today.

In addition to reducing already low royalty rates and rent on public land leases, the bailouts awarded to the fossil fuel industry by this administration have been striking in their scope and scale.

- The Trump administration awarded nearly [\\$7 billion](#) through the Paycheck Protection Program to mining and extractive resource corporations operating in the U.S., including oil and gas and related activities. The program was originally billed as a lifeline for struggling small businesses. Instead, [over 60%](#) of the mining and extractive resource corporations operating in the country have received a bailout check.
- The oil and gas industry has also been aided by a tax credit and write-off provision in the CARES Act that will likely result in a windfall of over [\\$3.2 billion](#).
- An unprecedented [\\$100 billion](#) in new bonds have been issued though the Federal Reserve to debt-laden oil and gas corporations since March.
- As the oil glut bottomed out prices, the administration plowed forward with oil and gas lease sales despite limited interest from the industry as evidenced by the

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fact that [40%](#) of the leases sold for less than a cup of coffee and the industry is sitting on nearly [10,0000 unused permits](#).

- If this was not enough, the Trump Administration gave oil and gas another gift—the [suspension of inspections and pollution control enforcement](#), which will result in poor public health outcomes during the middle of a pandemic and sends the signal to corporations that they don't need to worry about paying for their bad behavior.

Through our due diligence, we have not found another sector of the U.S. economy that has received more in taxpayer-funded lifelines from this administration than the extractive and fossil fuel industry. The bailouts for this sector speak volumes about the priorities of this Administration. On its watch we've seen the doors of well over 100,000 small businesses shutter for good while hundreds of thousands more teeter on the brink with black, minority, and low-income communities being among the most impacted by the administration's poorly executed bailout scheme.

FINDINGS

We sifted through publicly available information using the BLM's LR2000 database but delays in reporting made it difficult to even know the full scope of this program. In all, we discovered more than 550 instances of royalty rate reductions, often to as low as 0.5%, and over 425 lease suspensions for oil and gas corporations across some 823,000 acres of federal public lands in eight states.

ROYALTY RELIEF

BLM has approved 557 instances of royalty relief since April 2020. The relief affects 483,128 acres of public land. Of all the royalty relief approved, 72 percent of the leases and 69 percent of the acreage are in Wyoming.

State	Instances of Royalty Relief	Affected Acres
Wyoming	406	336,914.210
Utah	87	104,066.45
North Dakota	55	35,283.380
Montana	4	2,486.960
Colorado	5	4,377.52
TOTAL	557	483,128.52

(downloaded 09/18/2020)

LEASE SUSPENSIONS

Aside from royalty rate reduction, and at the apparent urging of the Petroleum Association of Wyoming, BLM has approved 429 instances of lease suspension since April 2020. The relief affects 339,987 acres of public land. Of all the approved suspensions, 91 percent of the leases and 94 percent of the acreage are in Wyoming.

State	Number Of Suspensions	Affected Acres
California	2	729.06
Colorado	7	5,546.68
Montana	12	4,616.920
North Dakota	3	2,953.17
New Mexico	12	4,821.42
Texas	1	446.2
Wyoming	392	320,874.33
TOTAL	429	339,987.78

(downloaded 09/18/2020)

We found that many of the oil and gas corporations benefitting from royalty relief double- or even triple-dipped into taxpayer-funded bailouts by taking advantage of other pandemic relief programs as well.

- Thirteen corporations that were lessees on leases that received royalty relief or lease suspensions also took forgivable loans through the Paycheck Protection Program totaling as much as \$25.4 million.
- Four publicly traded corporations that were leaseholders for leases receiving royalty relief or lease suspensions got a tax benefit through the CARES Act with a combined value of \$324 million.
- Samson Resources, a former client of Interior Secretary David Bernhardt, benefited from all three programs – royalty relief, [PPP](#), and a CARES Act tax benefit.

IMPACTS TO STATES

State and local governments share royalty revenue to offset the impacts of development and fund essential public services like local firefighters and schools, but the latest data available from the Interior Department shows a dramatic drop of some \$720 million in onshore revenues and a decline of \$1.7 billion in offshore revenues. In total, oil and gas revenues are down nearly \$2.5 billion compared to this time last year.

The unilateral decision to slash publicly owned natural resources rates is undoubtedly impacting state and local budgets already reeling from the mismanaged response to the ongoing pandemic and economic crisis. To our knowledge, despite the Western Governors Association [request](#), the bureau did not consult governors and no promises have been made to backfill state revenue losses.

As our research shows, the vast majority of onshore relief has been concentrated in the state of Wyoming which is in the midst of a budget crisis. State officials have already been forced to make, in the governor's words, “[“devastating cuts”](#)” to the budget due to over-reliance on natural resource production revenues now amplified by this giveaway. We found no accounting whatsoever from BLM or anybody else that even considers what the royalty relief program will cost states like Wyoming.

Administration's Oil and Gas Ties

Administration officials' close ties oil and gas interests are undeniable. Former lobbyist Interior Secretary David Bernhardt previously represented the Independent Petroleum Association of America (IPAA), a vocal proponent of bailouts for its members. Another former client, Samson Resources, was [awarded](#) at least 54 lease suspensions according to bureau records – about one-eighth of the total granted.

Troublingly, BLM's royalty relief plan was enacted while William Pendley, a decades-long advocate of selling off our public lands, was running the agency. Late last month, a federal judge ruled Pendley's tenure as director of the BLM was illegal and blocked him from exercising any more authority. This ruling casts a shadow over everything the agency has done in the more than 400 days Pendley ran the nation's largest land management agency, including the implementation of these royalty rate cuts and lease suspensions.

Just as troublingly, Pendley has a [past relationship](#) to some of the entities that are benefitting from this program. The Petroleum Association of Wyoming is included on his extensive [17-page recusal list](#). Astonishingly, the oil and gas association has even bragged about its influence, claiming on [audio](#) to have worked directly with the bureau to develop a template to make granting bailouts easier and to assist in processing difficult applications. BLM then went on to approve dozens of royalty relief and lease suspension applications for association members.

The Independent Petroleum Association of New Mexico's meeting minutes described the program as a '[rubber stamp](#)' for applicants, and we couldn't agree more.

Transparency Problems

Our research encountered several transparency problems. BLM has not publicly explained why the program was administered so differently from state to state. There is no rationale given for why Wyoming would receive so much royalty relief, but states like New Mexico would get almost none.

Additionally, BLM's LR2000 database, where all the publicly available royalty relief and lease suspension data is kept, is cumbersome and plagued with irregularities. It's been [reported](#) that case Recordations (CRs), the public files for each lease, where the lease records do not match the producer applications. While one company may be identified as the lessee on the CR, a separate company has operating rights. In some cases, the CR gives no way to determine which company is actually drilling on our public lands.

But we encountered no publicly available records when we tried to track Interior's offshore royalty relief. The Interior Department [admitted](#) in press reports that at least five offshore oil corporations were deemed eligible for relief and 12 rate cut applications for offshore oil and gas production were approved as of June 10th. There is no publicly available information on these decisions and, as of this hearing, a Freedom of Information Act [request](#) filed by our organization on April 10th has not been fulfilled. [[statutory guidelines](#)]

CONCLUSION

Influential oil and gas corporations secured a raft full of favors from the administration during the pandemic, often behind closed doors. President Trump's Interior has rubber-stamped handouts to extractive industries, allowing them to exploit natural resources, public lands, and waters that belong to the public. Many of the same overleveraged oil and gas corporations awarded bailouts through this program have millions in [unpaid tax liabilities](#), faced billions in [environmental fines](#), and even double- and triple-dipped into taxpayer-funded relief programs.

The decisions made by the administration's revolving door political appointees and special interest lobbyists will cost taxpayers, states, local communities, and our public lands and waters for generations to come, and the decisions to implement this program appear to be no different. Whether that is a legal, wise, and a responsible use of tax dollars in the midst of this ongoing crisis is up to Congress to decide.

Our [full analysis](#) has been made available to subcommittee members and the public. Thank you for your time.