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Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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May 14, 2010

The Honorable Ken Salazar
Secretary
U.S. Department of the Interior
1849 C Street, NW
Washington, DC 20240

Dear Secretary Salazar:

The Department of the Interior's Minerals Management Service (MMS) is responsible for the regulation and oversight of offshore oil drilling. The magnitude of the *Deepwater Horizon* oil spill, the inadequacy of British Petroleum's (BP) and Transocean's emergency response, and reports that BP may have failed to adopt adequate "blowout" measures, raise questions regarding the effectiveness of MMS oversight of offshore oil drilling.

The Committee on Oversight and Government Reform has long been concerned with mismanagement and corruption at MMS. Indeed, the Committee held five hearings in 2006 to examine these issues. At a September 13, 2006, hearing, Inspector General Earl Devaney bluntly described a "culture at the Department of the Interior that sustains managerial irresponsibility and a lack of accountability."¹ He added: "Simply stated, short of a crime, anything goes at the highest levels of the Department of the Interior. Ethics failures on the part of senior Department officials – taking the form of appearances of impropriety, favoritism, and bias – have been routinely dismissed with a promise 'not to do it again.'"²

Similarly, in 2008, the Interior Department's Inspector General found that MMS has given too much deference to oil companies, resulting in oil royalty payment contracts that disproportionately favored the companies.³ An additional investigation found that there was a

¹ Testimony of Earl Devaney, Department of the Interior Inspector General, before House Government Reform Subcommittee on Energy and Natural Resources hearing entitled, "Interior Department: A Culture of Managerial Irresponsibility and Lack of Accountability?" Sep. 13, 2006.

² Id.

³ "Minerals Management Service, Royalty-in-Kind Oil Sales Process," Department of the Interior Office of the Inspector General, No. C-EV-MMS-0001-2008 (May 30, 2008).

“culture of ethical failures” within MMS, citing numerous employees that flouted Government rules by inappropriately accepting gifts and having sexual relationships with oil industry executives.⁴ For example, the IG reported that between 2002 and 2006, *one-third* of the entire staff of the Royalty in Kind program improperly received gifts and gratuities from oil and gas companies.⁵

The *Deepwater Horizon* disaster has now exposed what appear to be continuing, major problems at MMS. Over the last decade, MMS has essentially permitted the oil industry to police itself under a system of “performance-based safety regulation.”⁶ For example, in 2000, MMS reportedly issued an alert requiring oil companies to have a backup system to activate “blowout preventers,” one of the components that may have failed, contributing to the *Deepwater Horizon* explosion and exacerbated the scope and scale of the oil spill. However, it appears that MMS did not ensure that this danger was addressed and issued no rule requiring back-up switches. Instead, MMS relied on the oil industry to fix the problem. The *Deepwater Horizon* disaster suggests this might not be the most effective approach to ensuring safe offshore drilling.

Regulatory failures at MMS may have been exacerbated by an institutionalized conflict of interest that has resulted in an emphasis on collecting oil drilling royalty payments, rather than ensuring safety. Nearly half of the agency’s annual budget comes from the oil industry in the form of fees and rentals, known as “offsetting collections.” In other words, while MMS has the power to shut down unsafe operations, it has an enormous incentive to keep the oil flowing. In addition, MMS’s apparent failure to require certain safety and environmental protections may indicate an unwillingness to impose tough, but necessary, standards on the offshore oil industry.

The Committee on Oversight and Government Reform is the principal oversight committee in the U.S. House of Representatives, with jurisdiction over “any matter.” Under Rules X and XI of the Rules of the House of Representatives, the Committee is investigating the management, operation, and effectiveness of MMS, including matters relating to the *Deepwater Horizon* explosion. To aid in the Committee’s investigation, please provide the following information and records:

1. Please provide a list of all current and former MMS employees compensated at or above the GS-15 pay grade or equivalent, since January 1, 2000, including their dates of employment and indicate whether any of these employees are or have ever been employed by oil companies or oil field services companies.
2. Please provide copies of all pre-employment and post-employment policies, rules, and restrictions applicable to MMS employees.
3. Please provide a list of all Gulf of Mexico drilling operations approved by MMS between January 1, 2000, and the date of this letter, including the name of the company, the name

⁴ “Investigative Report: MMS Oil Marketing Group,” Department of the Interior Office of the Inspector General. (Aug, 19, 2008).

⁵ *Id.*

⁶ “Oil Regulator Ceded Oversight to Drillers,” Wall Street Journal (May 7, 2010).

of the well, the date approved, and whether it was exempted from any environmental reviews or requirements.

4. MMS has granted BP and other oil companies blanket exemptions (referred to as “categorical exclusions”) that, in effect, allow offshore oil drilling to proceed without environmental assessments, environmental impact statements, or other environmental reviews. Please provide copies of all MMS categorical exclusions granted for offshore oil drilling.
5. Please provide a table showing the number of safety inspections performed by MMS on all offshore oil rigs for each year since January 1, 2000. For each year, the table should identify the number of rigs inspected by location (i.e., Pacific Coast or Gulf of Mexico); the number of inspections that were announced and unannounced; and whether the inspection was performed by an MMS employee or a contractor.
6. Please provide copies of all records relating to safety inspections of the *Deepwater Horizon* oil rig, including, for each inspection, the date of inspection, the names of MMS staff and/or contractors performing the inspection, the titles of the inspectors, and all associated reports, orders, directives, and other actions resulting from the inspection.
7. Please provide copies of all records, including reports, audits, evaluations, and certifications, relating to BP, Transocean, and/or the *Deepwater Horizon* oil rig since February 2001. Please include a list of Department personnel responsible for the audit, evaluation, or certification.
8. Please list the number of people injured or killed as a result of incidents associated with offshore oil rigs within MMS jurisdiction for each year since January 1, 2000.
9. Please provide copies of all records relating to any safety awards or certifications impending or bestowed upon BP, Transocean, or the *Deepwater Horizon*.
10. Does MMS currently use, or has it ever used, outside contractors to perform oil rig inspections? If so, please identify all outside contractors used by MMS for offshore oil rig inspections since January 1, 2000, including dates of service.
11. Please provide copies of all MMS policy manuals and training materials governing the enforcement of rules and regulations related to offshore drilling.
12. Please provide copies of all proposed rules and regulations involving secondary fail-safe mechanisms, including comments filed in response thereto, governing the safety and operations requirements for vessels that extract mineral resources from the Gulf of Mexico and the Outer Continental Shelf. This includes those that address remote-controlled acoustic shut-off devices.
13. Please provide copies of all proposed rules and regulations involving the auditing of safety and environmental management systems, including comments filed in response

thereto, governing the safety and operations requirements for vessels that extract mineral resources from the Gulf of Mexico and the Outer Continental Shelf.

14. Please provide copies of all studies, memoranda, and communications between private sector entities and the Department of the Interior, as well as internal Department communications, referring or relating to Items 12 and 13.
15. Please provide the results of any preliminary investigation into the causes of the *Deepwater Horizon* incident.
16. Does MMS require companies to produce copies of emergency response plans and/or risk assessments? If so, please provide copies of all records related to emergency response plans and risk assessments for the *Deepwater Horizon* oil rig and the Macondo well.
17. During the leasing and licensing process which led to MMS approving BP's plans to drill the Macondo well, did MMS conduct an Environmental Impact Analysis (EIA) or an Environmental Assessment (EA) prior to granting BP a "categorical exclusion" on April 6, 2009? Please provide copies of all records related to the decision to grant BP a "categorical exclusion" on April 6, 2009.
18. Please provide a table showing MMS's annual budget for each fiscal year beginning FY 2000, and for each year indicate the amount of the budget derived from "offsetting collections" and other revenue obtained from the oil industry.
19. Please provide a detailed description of the Interior Department's plan to reorganize MMS to eliminate any conflict of interest between MMS's collection of oil royalties on the one hand, and its safety oversight responsibilities on the other. Please explain how the Department intends to ensure that this plan will effectively eliminate any conflict of interest.
20. Please list the number of MMS employees compensated at or above the GS-12 level who simultaneously worked for both the Offshore Energy and Minerals Management program and the Minerals Revenue Management program, for each year since January 1, 2000.
21. Please provide a list all oil spills associated with offshore drilling on the Pacific Coast and in the Gulf of Mexico that have occurred since January 1, 2000, including copies of all MMS and IG investigations relating to such incidents.
22. Please provide a description of how the recommendations made by the IG in its August 19, 2008 report, entitled *Investigative Report: MMS Oil Marketing Group*, have been implemented. If MMS has not implemented a recommendation, please explain.

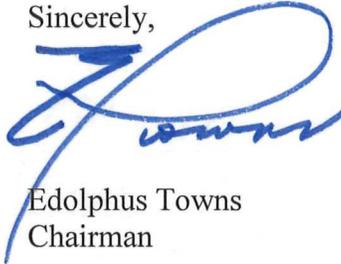
Please deliver the requested information and records to the Committee on Oversight and Government Reform, room 2157 Rayburn House Office Building, no later than 4:00 p.m. on Friday, May 21, 2010. To facilitate delivery and review, we prefer that the records be delivered

The Honorable Ken Salazar
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in digital form. Please note that the terms “records” and “relating to” are defined in the attachment to this letter.

Should you have any questions about this request, please contact Craig Fischer, Neema Guliani, or Lisa Cody of the Committee staff at (202) 225-5051.

Sincerely,

A handwritten signature in blue ink, appearing to read "Edolphus Towns", is written over the word "Sincerely,". The signature is fluid and cursive, with a large loop at the end.

Edolphus Towns
Chairman

Attachment

cc: The Honorable Darrell Issa
Ranking Member
Committee on Oversight and Government Reform

ATTACHMENT

1. The term "records" is to be construed in the broadest sense and shall mean any written or graphic material, however produced or reproduced, of any kind or description, consisting of the original and any non-identical copy (whether different from the original because of notes made on or attached to such copy or otherwise) and drafts and both sides thereof, whether printed or recorded electronically or magnetically or stored in any type of data bank, including, but not limited to, the following: correspondence, memoranda, records, summaries of personal conversations or interviews, minutes or records of meetings or conferences, opinions or reports of consultants, projections, statistical statements, drafts, contracts, agreements, purchase orders, invoices, confirmations, telegraphs, telexes, agendas, books, notes, pamphlets, periodicals, reports, studies, evaluations, opinions, logs, diaries, desk calendars, appointment books, tape recordings, video recordings, e-mails, voice mails, computer tapes, or other computer stored matter, magnetic tapes, microfilm, microfiche, punch cards, all other records kept by electronic, photographic, or mechanical means, charts, photographs, notebooks, drawings, plans, inter-office communications, intra-office and intra-departmental communications, transcripts, checks and canceled checks, bank statements, ledgers, books, records or statements of accounts, and papers and things similar to any of the foregoing, however denominated.
2. The terms "relating," "relate," or "regarding" as to any given subject means anything that constitutes, contains, embodies, identifies, deals with, or is in any manner whatsoever pertinent to that subject, including but not limited to records concerning the preparation of other records.