



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240



JUN 10 1999

Honorable Frank H. Murkowski
United States Senate
Washington, D.C. 20510

Dear Senator Murkowski:

Thank you for your letter of May 19, 1999, to Secretary Bruce Babbitt requesting that we suspend the oil valuation rulemaking until investigations into the conduct of two Federal employees are completed. As you know, only one of these employees works for the Department of the Interior (Interior). The other has never worked at Interior. The Secretary asked me to respond. Similar letters are being sent to Senator Nickles and Senator Domenici.

As you know, at the request of several members of the Senate Energy Committee, we recently reopened the comment period on the proposed rulemaking and completed several public workshops that were very productive in bringing the two sides closer on several of the key issues.

This comment period closed on April 27, 1999, and we have been carefully considering the comments received during the workshops and those received in writing. As I am sure you are also aware ~~we are under a moratorium~~ on publishing a final rule until October 1, 1999.

Based on information that is currently available to us, the two employees in question were not involved in drafting the first proposed oil valuation rule, which was published in January 1997, nor did they participate in developing subsequent versions of the proposed rule. We understand that Mr. Berman reviewed a draft of the first proposed rule for the Interior's Office of Policy Analysis, but no changes were made to the proposed rule resulting from that office's recommendations.

The non-Interior Federal employee, Mr. Speir, was a member of an interagency task force looking into underpayment of oil royalties in California. One of the recommendations of the task force was that the current rules be changed. The Minerals Management Service's (MMS) decision to revise its Federal oil valuation rule was, however, based principally on the change in market conditions, the advice of outside economic experts, and public comments. In fact, MMS began its revision process before the task force issued its report.

The proposed rule has been the subject of 7 rounds of public notice and comment and 17 public workshops and meetings. Comments received from interested parties have been and are being considered by MMS. Our final decisions will respond to all comments received. The



involvement of the two Federal employees in the rulemaking has been inconsequential. Neither Mr. Berman nor Mr. Speir was or will be involved in evaluating comments or in making the final decisions. MMS' final decision on this rule will stand on its own merits. For all these reasons, we believe it is in the best interest of the public and all parties that we not suspend this rulemaking process.

Again, thank you for interest in this important issue. Please let me know if you have further concerns.

Sincerely,



Sylvia Baca

Acting Assistant Secretary, Land and
Minerals Management