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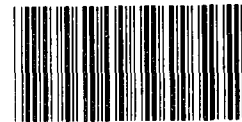
General Accounting Office

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Federal Leasing Policy-- Is The Split Responsibility Working?

The Department of Energy Organization Act transferred responsibilities related to the leasing of Federal lands from the Interior to Energy.

GAO's review detected problems in the split in leasing responsibilities. The Departments interpret their respective roles and authorities differently. Conflicts have resulted. This report summarizes the problems and makes recommendations to the Secretaries for improving the interplay between the Departments.



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UNITED STATES GENERAL ACCOUNTING OFFICE
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ENERGY AND MINERALS
DIVISION

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The Secretary of Energy
The Secretary of the Interior

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The General Accounting Office has examined the initial coordination efforts between the Departments of Energy and the Interior in leasing Federal energy resources--including the activities of the Leasing Liaison Committee--and the status of the leasing policy responsibilities transferred to the Department of Energy.

Our analysis indicates that the initial coordination efforts between the Departments are not working smoothly. The Departments differ on the (1) use of Energy's production goals, (2) framework and context of regulations, and (3) general responsibilities of each Department on leasing matters. The Leasing Liaison Committee has not been effective in resolving these conflicts. This letter summarizes the results of our review, conclusions, and recommendations.

BACKGROUND

Historically, the responsibility for leasing and developing Federal lands for energy resources rested solely with the Interior. The passage of the Department of Energy Organization Act (42 U.S.C. 7101) creating Energy and giving it the leadership role in making national energy policy, also transferred certain responsibilities for Federal leases to the new Department, including

- setting production rates;
- fostering competition;
- implementing alternative bidding systems;
- establishing diligence requirements for operations conducted on Federal lands; and

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--specifying the procedures, terms, and conditions for the acquisition and disposition of Federal royalty-in-kind.

All authorities not specifically transferred under section 302 of the act are retained by the Interior. The Interior is solely responsible for the issuance and supervision of Federal leases and the enforcement of all regulations applicable to the leasing of mineral resources--including, but not limited to, lease terms and conditions, and production rates.

The two Departments are required by the act to coordinate their activities, especially the following: (1) Energy must consult with the Interior on the preparation of regulations and give it 30 days to comment on proposed regulations, and (2) the Interior must give Energy 30 days for approval of lease terms and conditions relating to transferred responsibilities--no term or condition can be included in a lease if Energy disapproves.

To facilitate coordination between the two Departments, the act established a Leasing Liaison Committee. The Committee is composed of an equal number of representatives from each Department. In May 1978 a charter was signed by the Secretaries of the Interior and Energy which assigned the Committee responsibility to

- identify and solve problems between the Departments relating to Federal energy leasing;
- provide timely information exchange;
- expedite consideration and resolution of interdepartmental matters generally;
- insure cooperation and assistance in preparing annual reports, and reports to the Congress; and
- facilitate consultation of technical matters of concern to both Departments.

According to its charter, the Committee is not a policy-making body; however, it may address policy issues and make recommendations to the respective Secretaries.

SPLIT RESPONSIBILITY
NOT WORKING SMOOTHLY

The split leasing responsibility between the Departments is not working smoothly. Attempts to implement the act's requirements have resulted in coordination problems between the Departments. The Leasing Liaison Committee charter laid out broad goals for cooperation but gave no specific guidance on each Department's role in leasing or how to resolve jurisdictional problems.

The one area where the Departments attempted to clarify their respective roles and responsibilities was on the development and use of production goals. The Departments entered into a memorandum of understanding covering production goals. The memorandum's language, however, was vague and subject to different interpretations. As a result, conflicts continue between the Departments as to how production goals are to be used, as well as weakness in the goals themselves--including their validity, usefulness, and methodology.

To implement the transferred responsibility required by the act, Energy is developing regulations dealing with production rates, competition, alternative bidding systems, diligence and royalty-in-kind for each energy resource. Energy has proposed a series of regulations dealing with coal and the OCS--none of which have been finalized. We found that since both Departments are interpreting their responsibilities differently, delays have been experienced in implementing these regulations.

Conflicts need to be
resolved on production goals

One of the basic concepts of the act was that Energy would provide the focus for energy planning and policy-making. The Interior would be responsible for leasing Federal resources given environmental, technological, land use and administrative constraints. As part of its planning responsibility, Energy is to consider and establish energy production, utilization and conservation objectives for periods of 5 and 10 years. These objectives are to consider, among other things, the efficient utilization of public and private resources.

Although not specifically required by the act, the Departments have agreed to establish production goals for

each Federal energy resource. We found that these goals have become a basic area of conflict between the Departments with each interpreting differently how these goals are to be used. Energy is charged with establishing national energy policy, while the Interior is responsible for various land management activities including environmental protection. We believe that production goals should be a logical first step toward leasing Federal resources yet still allow for consideration of the Interior's mandates. Therefore, the goals should become the starting point for negotiations between the Departments so that each can fulfill its respective responsibilities. Where conflicts do occur, a formal procedure to resolve them should be developed.

Energy has developed production goals for the Interior's use in its coal and OCS leasing programs. In the future, production goals will be developed for each leasable energy resource. We found that although considerable time and effort went into developing coal and OCS production goals, they were either used for limited purposes or not at all.

At the request of the Interior, Energy in June 1978 provided production goals 1/ for use in the draft coal environmental impact statements (EIS). The coal production goals were presented in the EIS; one of the six alternatives discussed in the EIS was leasing to meet Energy's goals. This alternative was rejected by the Interior at that time because it believed these goals could not be adjusted to meet the various land use mandates imposed on it.

According to agency officials, during development of the coal goals the respective staffs were having difficulty resolving jurisdictional problems related to production goals. The problems were referred to the Offices of the Solicitor in the Interior and the General Counsel in Energy for their resolution. To clarify the relationship between Energy's planning role and Interior's leasing and land use management role, the Departments prepared a memorandum of understanding dealing with production goals, which was signed in September 1978.

1/The Interior and Energy officials stated that these are not formal goals but projections or forecasts developed for inclusion in the EIS. The distinction between projections/forecasts and goals is unclear to us since the same process is used whether it is called a projection or a goal, and both deal with estimates of future production.

Although it was intended to resolve the jurisdictional conflicts between the Departments and define each Department's roles and responsibilities, the memorandum elicited divergent views on the purpose and use of production goals. The memorandum states "***the Secretary (of the Interior) shall be guided by the final production goals***" but each Department interprets "guided" differently. The principal disagreement between the Interior and Energy centers on the importance assigned to production goals. Are production goals firm targets that the Department of the Interior must attempt to meet through leasing? Or are the goals one of many factors that the Interior must consider in lease schedule development?

Interior officials view production goals from an informational perspective. The relationship between production goals and leasing is indirect. Leasing does not occur to meet production goals; rather, the goals represent one among many factors the Interior considers when it develops a lease program. Citing the multiple land use mandate of the Interior, officials do not consider the production goals as firm and binding targets. The Secretary's many statutory responsibilities, such as environmental considerations, may not permit the Department to attain production goals designed by Energy.

Energy officials view production goals as the core of Federal leasing policy and the first among equal factors used to develop a leasing program and schedule. The goals are essential components of national energy policy, and therefore, must be attained. The guidance the goals provide to the Secretary of the Interior reflects administration policy which must be implemented.

At the March 1979 meeting of the Leasing Liaison Committee, the Deputy Secretary of Energy stated the Department's position on production goals and their relation to lease schedules: "Goals drive the schedule. Lease schedules should be constructed with the intent of attaining production goals."

The Interior is required by the 1978 Amendments to the OCS Lands Act to develop a new 5-year leasing schedule and submit it to the Congress by June 1979. Energy developed OCS production goals and provided them to the Interior. These goals were not used in developing the schedule announced by the Interior in March 1979. As a result, no relationship exists between the draft lease schedule and production goals.

The Interior officials stated that the OCS goals were not used because (1) they only confirm the Interior's policy of leasing the OCS as soon as possible given administrative, environmental, and technological constraints; (2) the goals were not available, except in preliminary draft form, at the time materials were assembled for the Secretary's consideration of the schedule; and (3) the proposed goals had not received the 60-day review allowed by the memorandum of understanding nor any subsequent Energy revisions. Energy officials stated that although the goals were not formally transmitted to the Interior until March 2, 1979, a number of meetings were held with the Interior staff between October and December 1978 to discuss the goals as they were developed.

The Interior officials, in commenting on our report, indicate that the draft schedule is not final; there is adequate opportunity for consideration of Energy's final goals in subsequent decisions on the leasing program. We recognize that the Interior was working under tight time constraints to meet the deadlines required by the amendments to the OCS Lands Act for issuing a lease schedule. However, we believe that the production goals should be the starting point in developing a lease schedule. It appears to us that once the schedule is drafted it will be very difficult to adjust it to reflect consideration of production goals.

Adequacy of goals
appears questionable

The first production goals developed--coal and OCS--have raised questions as to their reliability and usefulness. We found the Interior officials questioning the OCS production goal's methodology, validity, and format.

The coal goals were provided to the Interior in June 1978 and subsequently incorporated in the draft coal EIS. Both Departments acknowledge problems associated with these goals. For example, in some instances, low, medium, and high production goals were identical, and therefore, of questionable use in the analysis of a future Federal coal leasing program.

A GAO report--to be issued in the near future--on issues facing Federal coal leasing provides extensive analysis of the coal program and potential coordination problems between the Departments. The report addresses concerns by GAO about future coal leasing as well as some uncertainties about the goals, including

- reliability and usefulness of the goals,
- Interior's use of the goals in setting the rate and timing of new leasing, and
- overall effects the goals will have on competition in coal markets.

Many of the problems with the coal production goals can be attributed to the short time constraints imposed on Energy and insufficient feedback from the Interior. On March 19, 1979, the Interior proposed coal management rules which come primarily from the memorandum of understanding and describe the relationship between the Departments in developing production goals and lease schedules.

The language of the proposed rules still leaves the inter-departmental relationship vague and indirect--"In establishing or revising regional lease schedules, the Secretary of the Interior shall be guided by these final production goals of the Department of Energy." The proposed rules also state that the Interior can either adopt the goals as presented to them or make "necessary adjustments."

Problems were also noted by the Interior officials with the OCS goals presented to them. Energy based the production goals on the assumption that seven lease sales a year would be held, and used a complex computer modeling technique to develop optimized lease schedules and estimates of future production from the schedules. The Interior officials question Energy's methodology of using a theoretical lease schedule to develop production goals. This is apparently a contradiction to Energy's stated policy that the production goals should determine lease schedules.

The Interior officials expressed other concerns about the OCS goals, including

- lack of consideration of industry's interest and capability;
- adequacy of resource potential data used;
- tendency to rely on the assumptions that market forces or advanced technology will resolve most potential constraints to OCS development;
- failure to consider statutory constraints to leasing programs; and

- presentation of production goals in an aggregate total which cannot be used by the Interior to determine when and where to lease.

Energy officials do not agree with the Interior's comments. The Interior, they believe, is more concerned with retaining jurisdiction over leasing than the attainment of national energy policy. Energy's modeling and subsequent report 1/ on OCS production goals, according to the Department, provides the most extensive analysis of production potential undertaken in the Federal Government.

Energy officials replied to the Interior's concerns by stating:

- Numerous contacts were made with industry officials to determine the industry's leasing areas of interest and the capability to develop these areas.
- Energy acknowledges problems with U.S. Geological Survey resource potential estimates 2/ but indicates that this is the only source which provides a comprehensive analysis of hydrocarbon potential.
- Market forces will operate provided there is a consistent schedule and sufficient leadtime; technological constraints were built into the model after industry and Survey consultation.
- Statutory constraints were built into the estimated times needed to issue OCS leases.
- Goals on an OCS province basis, as well as the economic values of each sale, were provided to the Interior in addition to national (aggregate) goals.

Although the Departments held meetings and informal exchanges of information during development of the OCS production goals, these problems were not resolved. Because each resource is administered under different legislation requiring

1/"Federal Leasing and Outer Continental Shelf Production Goals," Leasing Policy Development Office, Department of Energy, Feb. 1979.

2/"Geological Estimates of Undiscovered Recoverable Oil and Gas Resources in the United States," U.S. Geological Survey, Circular 725, 1975.

different timing for decisionmaking, the Departments should clearly define their respective roles and responsibilities, and the Nation's needs for each resource. Unless this is done, similar problems will occur in the future.

The memorandum of understanding requires that production goals be developed for each energy resource and updated every other year. The current status of the goals is as follows:

- OCS (30-day final review by Energy),
- coal (updated April 1979),
- onshore oil and gas (analysis scheduled to begin in September 1979),
- geothermal (tentatively scheduled to begin in early 1980),
- oil shale (no starting date),
- uranium (no starting date), and
- tar sands (no starting date).

Delays in developing regulations

Energy is authorized to promulgate regulations implementing the authorities transferred from the Interior. As of April 1979 Energy has not issued final regulations in any of the five areas. 1/

Energy is required to give the Interior 30 days for formal comments on proposed regulations. Currently, coal regulations on diligence, and OCS regulations on alternative bidding systems, sequential bidding and royalty oil disposition are at the Interior for formal review. However, the Departments often rely on an informal comment period to resolve problems before proposed rulemaking. Regulations on coal bidding systems, and profit sharing for the OCS are at the Interior for informal review. Energy is conducting preliminary analysis in the area of coal profit sharing bidding systems, OCS diligence, and OCS production rates.

1/Production rates, competition, alternative bidding systems, diligence requirement, and in-kind royalty.

Although there are no deadlines required by the Energy Organization Act for developing these regulations, Energy's attempts to issue regulations have been delayed because of a lack of agreement between the Departments. The Departments differ on what the regulations should include, and which Department will have responsibility to implement the regulations.

In an August 1978 report to the Congress on leasing operations (required by the Energy Organization Act), the Interior summarized the problem this way: " The general pattern has been one of a broad interpretation by Energy of its authorities and a narrower construction by Interior."

In the summer of 1978, the Interior rejected drafts of regulations on four OCS alternative bidding procedures. According to Interior officials, the regulations would have given Energy the responsibility for implementing the regulations which is, according to them, the Interior's responsibility.

The Departments define their responsibilities differently and conflicts have resulted. For example, Energy officials indicate that the Organization Act allows for considerable input from their department on the tract-by-tract selection of alternative bidding systems. 1/ Prior to a sale, Energy advises the Interior on which bidding system to use and on which tract. Energy officials state that if the Interior ignores this advice, it will exercise its authority to disapprove conditions of a lease sale (Section 303 (c)).

The Interior believes that by setting the conditions of a lease prior to sale, Energy is, in effect, making the decision on which bidding system to use. This, they believe, is not an authority of Energy but a land management responsibility of the Interior; a responsibility reaffirmed by the Congress in the 1978 amendments to the OCS Lands Act. 2/ Energy has the

1/In Section 302 b(2), Energy is given the authority to promulgate regulations related to the implementation of alternative bidding systems authorized for the award of Federal leases.

2/Section 205, 1978 OCS Lands Act Amendments: The bidding shall be sealed bid and, at the discretion of the Secretary, on the basis of cash bonus with fixed royalty, sliding scale royalty or fixed share of net profits, or various combinations of cash bonus and royalty.

authority to write regulations but the Interior administers their contents.

The Departments are presently relying on informal coordination to resolve the problems on the regulations. However, this has not worked successfully and changes are needed. Energy wants a formal coordination procedure incorporated in the regulations it issues which spells out each Departments' role, while the Interior wants less formal memoranda of understanding similar to the one developed for production goals.

Energy officials insist that a formal mechanism for coordination is necessary. The merit in formalizing the split responsibility is two-fold because it (1) provides a mechanism to resolve differences between the Departments should informal coordination fail and (2) lets the public know who is doing what in leasing policy.

The Interior officials reject any efforts by Energy to establish a procedural framework in the regulations, defining each Department's responsibilities and/or assigning management responsibilities to Energy. Additional memoranda of understanding, they believe, should be developed if a procedural mechanism is necessary. The Interior prefers a flexible and informal working relationship with Energy.

The results of the disagreement between the Departments are delays in the development and implementation of regulations which are viewed as integral components of Federal leasing programs. For example, some officials in the Interior regard diligence requirements as having more impact on coal production than goals. There are similar beliefs that the development and implementation of alternative bidding systems could have an impact on OCS oil and gas production by bringing in more companies and thereby increasing competition.

In addition, industry officials have expressed concern about the uncertainty arising from lack of regulations. They stated "Many crucial management decisions regarding OCS development cannot be made until the requirements and constraints of new regulations are known." Therefore, it is important that coordination problems be resolved and regulations promulgated expeditiously.

Need for improvements in
Leasing Liaison Committee

The Organization Act established a Leasing Liaison

Committee for interdepartmental coordination--a unique mechanism for coordination between two Federal Departments. Although it did not specify the duties of the Committee, the Congress did envision it as an integral component to facilitate the split in leasing responsibility. We found that the Committee has not been effective in resolving problems between the two Departments. Most problems, such as the use of production goals and disagreements on regulations, have been left to the staffs for resolution and as discussed earlier this has not worked very well.

In its charter, the purpose of the Leasing Liaison Committee reflects congressional intentions. The Committee is (1) to serve as an executive-level coordinating mechanism and focal point for interdepartmental cooperation on Federal leasing and (2) to assure timely and efficient coordination between the Department of Energy and the Department of the Interior on such matters.

The Committee held meetings in March, May, and September 1978, and March 1979. Our discussions with officials in both Departments elicited various comments on the achievements and functions of the Committee. It was described as

- ineffectual;
- a worthless organization;
- more ceremonial than substantive;
- an interdepartmental facilitator of information;
- a macro-level policy coordinator; and
- a safety valve, last resort mechanism for problem resolution.

To date, the Committee has assumed more of a ceremonial function than a problem-solving function. Important issues between the Departments have either not reached the Committee or were too slow in reaching the Committee. For example, the problems with the OCS production goals were brought to the Committee's attention in March 1979, after the proposed 5-year leasing schedule was announced by the Interior. The problems previously described in the area of regulations have not yet reached the Committee for discussion or resolution.

In addition, there is an inherent reluctance among staff members to bring problems to the Committee. They are reluctant to place members of the Committee in positions which could lead to major disagreements. This is coupled with a fear that an inability to resolve problems reflects poorly on their capabilities and competence.

The Committee has made some efforts at coordinating leasing policy at their quarterly meetings, where members discussed the status of production goals for coal and OCS, establishment of joint working groups in these areas, and alternative bidding systems. Nevertheless, officials of both Departments state that no significant coordination problems have been presented to the Committee for resolution; yet problems are apparent.

The Committee charter states that it is not a policy-making body, but clearly it was the intent of the Congress and the charter that the Committee become a problem-solving body. Yet it has not attained this role. If the Leasing Liaison Committee does not assume this function, there is no other practical mechanism to resolve interdepartmental problems. The Departments differ on the (1) use, validity and format of production goals; (2) framework and context of regulations, and (3) general responsibilities of each Department on leasing matters. A more effective Committee, focusing on problem solving, should make an effort to resolve these differences.

The existing mechanisms 1/ to bring unresolved problems to the Committee have not been used and may be inadequate to insure that problems are addressed. In addition, no formal mechanism beyond the Committee exists if it is unable to resolve problems. For example, if the Departments differ on coal production goals, the Committee may be unable to reach a compromise. It is important that these problems are then addressed to the Secretaries for resolution. Therefore, formal procedures are necessary to first bring unresolved problems to the Committee and then to the Secretaries if the Committee reaches an impasse.

1/ The Committee charter allows members to suggest agenda topics, and the co-chairman can call emergency or special meetings if deemed necessary.

CONCLUSIONS

The Department of Energy Organization Act clearly gives the Department the leadership role in developing national energy policy. With respect to Federal energy resources, however, the act establishes a unique working relationship between the Departments of Energy and the Interior and, in effect, splits various responsibilities for leasing.

Our analysis indicates that the initial coordination efforts between the Departments are not working smoothly because each interprets its roles and responsibilities differently. As the relationship between the Departments evolves, it is essential that these roles and responsibilities are clearly defined.

Even though they entered into a memorandum of understanding, conflicts between the two Departments have resulted in the development of production goals which have not been used to devise leasing schedules. We recognize that each Department has different objectives and priorities--the Interior's multiple use management of natural resources and other environmental considerations, and Energy's responsibility for developing national energy policy. Nevertheless, we believe that it is clear and reasonable that production goals should be a primary component of Federal leasing policy.

The goals should be the starting point for leasing energy resources. Energy should provide the Interior these goals in a timely manner for consideration in developing leasing schedules. If the Interior feels it cannot meet these goals and be consistent with its legal mandates, the goals should become the focal point for negotiation between the Departments. If the Departments are unable to resolve conflicts, they should bring the problems before the Leasing Liaison Committee for resolution.

In subsequent leasing decisions leading to final schedules, the Interior must provide for the public record an analysis of the decisions resulting in its schedule, including how the production goals were used and, if applicable, reasons for not meeting the production goals. If schedules can not meet Energy's goals, Energy must clearly identify for the public record (1) the impacts on meeting domestic energy needs and (2) alternatives to compensate for any shortfall derived from leasing.

The Leasing Liaison Committee and the existing memorandum of understanding have failed to resolve conflicts between the Departments; therefore, additional steps are needed. Each Department should publish, by January 1, 1980, compatible regulations on production goals which recognize (1) Energy's lead role in developing energy policy and (2) the relationship between production goals and leasing schedules--goals should be the starting point for negotiations between the Departments.

The Interior officials believe formal promulgation of companion regulations is extraordinary and unwarranted and that memoranda of understanding are better approaches. We do not feel that the memorandum of understanding approach will resolve existing and future problems since it does not have the same binding authority as regulations, nor has the memorandum been exposed to the public review process. Although companion regulations are unusual, the split program responsibilities of the two Departments is a unique situation which calls for unique methods of resolving coordination problems.

Under its Organization Act, Energy was given responsibility for promulgating regulations for each energy resource dealing with production rates, competition, alternative bidding systems, diligence, and in-kind royalty. Although various regulations are in draft, none have been finalized and there is still controversy over their contents--certain draft OCS regulations were rejected by the Interior almost 1 year ago.

The Departments have relied on informal comments to resolve problems with the regulations. Informal approaches, however, have not solved the problems and delays in issuing regulations have resulted. We support a reasonable period of time for the agencies to informally resolve conflicts. However, this process should not delay the issuance of draft regulations. Within a certain period of time, Energy should issue its draft regulations and then resolve any remaining conflicts that may exist with the Interior during the formal review process.

RECOMMENDATIONS TO THE SECRETARIES

★ We recommend that the Secretary of Energy, by January 1, 1980, issue final regulations defining Energy's role, responsibilities, and interrelationship with the Interior on the development and use of production goals. These regulations should

- define Energy's central role in Federal energy policymaking;
- define production goals as a primary component of Federal leasing policy and leasing schedules;
- require that Energy provide production goals for each resource in a timely manner to the Interior, and that Energy publish a schedule of when these goals will be issued;
- provide for 60-day review by the Interior of production goals before publication of them;
- require Energy to respond to any inquiries by the Interior on production goal methodology;
- allow for public access to the documents supporting the production goals;
- direct disagreements between the Departments on production goals to the Leasing Liaison Committee;
- provide for review by the Secretaries, and if deemed necessary by either, or both provide for Presidential review if the Leasing Liaison Committee is unable to resolve departmental differences;
- require Energy to publish an analysis of each lease schedule announced by the Interior identifying (1) the schedules potential impact on domestic energy needs and (2) the alternative energy resources that will be needed, if Energy's production goals cannot be met by the schedule.

△ The Secretary of the Interior should by January 1, 1980, develop final regulations which are consistent with Energy's final regulations related to the use of production goals. These regulations should

- specify the Interior's primary role and responsibility in Federal land use management, and define production goals as a primary component of Federal leasing policy;
- provide for 60-day review of Energy's production goals before publication of them;

- require the Interior to indicate in writing to Energy, whether or not it can meet production goals, and their rationale if these goals are not attainable;
- allow for public access to the documents supporting the Interior's response on Energy production goals;
- direct disagreements between the Departments on production goals to the Leasing Liaison Committee for resolution;
- provide for review by the Secretaries, and if deemed necessary by either or both, provide for Presidential review if the Leasing Liaison Committee is unable to resolve departmental differences;
- require the Interior to issue leasing schedules which best reflect its legal mandates, and Energy's production goals.

Energy must also take positive steps to begin issuing regulations mandated by the Organization Act. We recommend that the Secretary of Energy

- by a time certain but no later than January 1, 1981, issue final regulations covering production rates, competition, alternative bidding systems, diligence and in-kind royalty for each energy resource;
- publish a schedule of when each regulation is expected to be issued;
- allow for 30-day review of the draft regulations by the Interior; and
- provide for public hearings on the draft regulations during the public review process.

The Secretary of the Interior should

- use the 30-day formal comment period to resolve conflicts on implementation of regulations, and utilize the Leasing Liaison Committee to assist in resolving problems;
- use the interdepartmental appeal process through the Office of Management and Budget if the Departments

cannot resolve conflicts on the regulations through the Leasing Liaison Committee;

--once Energy's regulations are finalized on January 1, 1981, issue by March 1, 1981, Interior's own regulations which are consistent with Energy's.

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We received formal comments from the Interior and informal comments from Energy on our report. These comments were considered and incorporated in our report where appropriate.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We would like to be informed of any actions taken on our recommendations.

Sincerely yours,

Douglas McCullough

for 
J. Dexter Peach
Director

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