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October 31, 2006

The Honorable Dirk Kempthorne  
Secretary of the Interior  
Department of Interior  
1849 C Street, NW  
Washington, DC 20240

Dear Secretary Kempthorne:

I am writing in response to a news report in today's *New York Times* that the Interior Department has reportedly decided to drop its enforcement procedures against Chevron Corporation's underpayment of millions of dollars of royalties to the federal government. According to the *Times*, Chevron undervalued the price of natural gas sold to Dynegy, a natural gas company that it partially owns, by as much as \$6 million dollars. The *Times* further reports that Interior decided to drop its order to Chevron to pay these additionally owed royalties as a result of a department of appeals board ruling against Interior on a different claim. This decision by Interior is particularly troubling and puzzling given the fact that an appeals board had not yet considered this particular case against Chevron.

As you know, oil and gas companies pay a fraction of the value of the oil and gas produced as a royalty to the federal government for the privilege of drilling on public land. Interior's decision to drop this case against Chevron sets a precedent that could have significant deleterious effects on Interior's ability to collect the full royalty payments owed to American taxpayers in other instances where oil and gas companies attempt to underpay. Interior's decision to give Chevron a free pass is just the latest example of the Department's failure to properly oversee oil and gas activities being carried out on federal lands.

I am therefore writing to urge the Interior Department and the Minerals Management Service to reconsider its decision to drop enforcement actions against Chevron in this matter and seek to recover the full royalty payments in this and all other similar cases. Furthermore, in order to better understand the facts and circumstances regarding the Department's decision-making in this matter, I request your assistance and cooperation in providing responses to the following questions:

- 1) What was the reason for Interior's decision to stop its enforcement action against Chevron for underpaying the royalties it owed the federal government on natural gas produced on public land by as much as \$6 million?

- 2) How many companies sell oil or natural gas directly to other companies in which they own a partial or total share? Which companies are currently engaged in this behavior?
- 3) How many enforcement actions similar to the one reported in the *Times* today against Chevron is Interior currently pursuing?
- 4) Has the Department dropped any of these other cases? If so, please report on the names of the companies involved, the amounts originally sought by the Department, and the reasons why the Department dropped these cases.
- 5) What is the total value of the underpaid royalties involved in those enforcement actions?

Thank you for your assistance and cooperation in this matter.

Sincerely,



Edward J. Markey  
Member of Congress