OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT'S OIL AND GAS INSPECTION AND ENFORCEMENT PROGRAM

Report No.: CR-EV-BLM-0001-2009 December 2010

OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

DEC 02 2010

To: Robert V. Abbey
Director, Bureau of Land Management

From: Mary L. Kendall
Acting Inspector General

Subject: Evaluation Report of the Bureau of Land Management's Oil and Gas Inspection and Enforcement Program (Report No. CR-EV-BLM-0001-2009)

This memorandum transmits the Office of Inspector General's evaluation report of the Bureau of Land Management's (BLM) Oil and Gas Inspection and Enforcement Program (I&E Program). The objective of this review was to evaluate the effectiveness of the I&E Program and to assess whether the program complies with laws and regulations.

Our review was initiated because of allegations that some supervisors had discouraged inspectors from executing enforcement actions against operators of oil and gas wells. We found that most inspectors felt their enforcement actions were properly supported by supervisors. Although a minority (10 percent) expressed a desire for greater support from supervisors and managers, we could not find evidence that this diminished the overall effectiveness of the I&E Program.

We found many opportunities for improvement in the inspection strategy, the performance of inspections, enforcement actions, training and retention of inspectors, and the reliability of the program's electronic database. Also, BLM has a history of not completing its required number of production inspections. Although we believe the bureau can complete more inspections as well as improve the quality of those inspections at its current funding level, a workforce study might support a request for additional resources. Our report contains 12 recommendations that should improve the effectiveness of the I&E Program.

Please provide us with your written response to this report within 30 days. The response should provide information on actions taken or planned to address the recommendations, target dates, and titles of the officials responsible for implementation. Please address your response to:

Ms. Kimberly Elmore
Assistant Inspector General for Audits, Inspections, and Evaluations
U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW, MS 4428
Washington, DC 20240

We wish to thank the bureau for its cooperation during this evaluation. Through interviews and an online survey, employees confided how the program was performing and contributed their own ideas for program enhancement. If you have any questions about this report, please contact me at 202-208-5745.

cc: Assistant Secretary, Land and Minerals Management

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Results in Brief

For decades, the Bureau of Land Management (BLM) has overseen the exploration and development of oil and gas on public lands. Increased emphasis on locating and developing new oil and gas reserves, however, has placed growing pressure on the bureau to respond rapidly to demand. Such pressure creates potential for both operational and environmental inspection lapses as private companies apply for permits to tap Federal resources on public lands.

The mission of BLM's Oil and Gas Inspection and Enforcement Program (I&E Program) is to ensure full compliance with laws and regulations by oil and gas companies operating on Federal and Indian lands. This is accomplished by properly accounting for oil and gas production volumes, ensuring the safety of operations, and protecting the environment.

We initiated our evaluation of the effectiveness of the I&E Program as well as its compliance with Federal laws because of allegations that BLM supervisors discouraged Petroleum Engineering Technicians (PET) from issuing Incidents of Noncompliance (INC) against oil and gas well operators.

We found that most PETs felt supervisors supported their issuance of INCs and other enforcement actions. BLM provides an INC as formal written notification of an operator's noncompliance with a specific regulation, with lease or permit terms, or with the requirements of any notice or order. A minority of PETs (10 percent), however, requested more supervisory support. Nevertheless, we found no evidence of inadequate supervisory or management support that diminished the overall effectiveness of the I&E Program. We did find that INCs were inconsistently applied, followed up, and resolved.

Our evaluation recognized the overall dedication and commitment of I&E Program personnel to their mission and to their program's compliance with statutory and regulatory requirements. We found, however, many opportunities for improvement. For example, BLM does not achieve the production and drilling inspection goals established in its inspection strategy, nor does the strategy sufficiently consider low-producing and nonproducing wells.

Additional issues include minimal oversight for inspections, lack of a policy that establishes and maintains industry self-inspection, and inspectors spending too much time on administrative duties rather than on performing inspections.

We also found that monetary assessments and civil penalties based on rates set in the 1980s, fail to deter operator noncompliance. In addition, enforcement is hampered because immediate assessments are limited to just four types of infractions rather than authorized for potential use with each infraction. Additional situations such as cases involving chronic offenders are not immediately evaluated and pursued.

Although BLM has increased its environmental inspections in the oil and gas fields, it still does not fully meet its environmental responsibilities. In particular, we found that field offices having significant increases in drilling permit applications do not complete all critical environmental inspections, thus jeopardizing compliance with environmental laws, regulations, and policies.

In addition, the official electronic database for the I&E Program needs enhancement due to problems with inaccurate data, the absence of a user-friendly system, insufficient user training on the system, and inadequate data entry controls.

We found the program could be strengthened and employee professionalism could be enhanced by improving on-the-job training and mentoring, sharing promising practices, developing fraud awareness and refresher training for inspectors, and improving the training for environmental inspectors and Production Accountability Technicians (PAT).

As part of our evaluation, we conducted a comprehensive online survey that queried personnel on the I&E Program's perceived effectiveness. Out of approximately 600 employees, we received 421 responses, which included more than 70 percent of the PETs and PATs. We believe the high response rate lends credibility to our analysis throughout this report (survey data is presented in Appendix 2: Employee Survey Results). In addition, employees provided hundreds of narrative comments and suggestions for program improvement that we considered in forming our conclusions and recommendations.

During the last 5 years, the Government Accountability Office (GAO) and the U.S. Department of the Interior's Subcommittee on Royalty Management have also reviewed the I&E Program. Specifically, GAO concluded that BLM did not accurately report its staffing needs for environmental inspectors and that it inconsistently recorded the results of environmental inspections.[1] In another report,[2] GAO found that BLM did not complete all required production inspections and that data from completed inspections often appeared inaccurate and incomplete. The Subcommittee on Royalty Management identified weaknesses in I&E Program staffing levels, use and training of program staff, communications problems, and outdated regulations.[3] Our findings are consistent with each of these reviews.

[1] Government Accountability Office, No. GAO-05-418, Oil and Gas Development: Increased Permitting Activity Has Lessened BLM's Ability to Meet its Environmental Protection Responsibilities, (June 17, 2005).
[2] Government Accountability Office, No. GAO-08-893R, Mineral Revenues: Data Management Problems and Reliance on Self-Reported Data for Compliance Efforts Put MMS Royalty Collections at Risk, (September 12, 2008).
[3] Subcommittee on Royalty Management Report to the Royalty Policy Committee: Mineral Revenue Collection from Federal and Indian Lands and the Outer Continental Shelf, (December, 17 2007).

Introduction

The Bureau of Land Management's (BLM) Oil and Gas Inspection and Enforcement Program (I&E Program) is responsible for ensuring the compliance of oil and gas companies operating on Federal and Indian lands. The program ensures the proper accounting of oil and gas production volumes, the safety of operations, and the protection of the environment.

Objective

We evaluated the effectiveness of the I&E Program and assessed whether or not it carries out its responsibilities as required by law, regulation, and policy. Specifically, we asked the following questions:

- Is the annual I&E Program inspection strategy adequate?
- Are inspections being completed as required in both quantity and quality?
- Are inspections resulting in appropriate, consistent enforcement actions with timely resolutions?

Background

The Federal Oil and Gas Royalty Management Act (FOGRMA) of 1982 (30 U.S.C. § 1701) directed the Secretary of the Interior to at least annually inspect oil and gas leases on Federal and Indian lands having significant oil and gas production, as well as leases where operators historically have not complied with laws or regulations. To meet the requirements of FOGRMA, BLM established a strategy to inspect annually those cases (a single lease with one or more wells; or many leases, usually contiguous, with multiple wells) with significant production or compliance issues. As part of that strategy, all other cases are inspected every 3 years.

FOGRMA also established enforcement penalties for operators' noncompliance and required the Secretary of the Interior to provide trained inspectors to enforce requirements. These duties are part of the I&E Program.

With an annual budget of $40 million, the I&E Program oversees approximately 112,000 oil and gas wells located on more than 23,000 producing leases on Federal and Indian lands. The program employs approximately 330 inspection personnel including Petroleum Engineering Technicians (PET), Production Accountability Technicians (PAT), and various surface compliance specialists (environmental specialists). Inspectors operate out of 32 BLM field offices, primarily in California, Colorado, Montana, New Mexico, Oklahoma, Utah, and Wyoming.

BLM's Washington Office headquarters, state offices, and field offices design and implement an annual inspection strategy that lays the foundation for the annual work plan. The Washington Office prescribes the guidelines, policies, and procedures for inspections conducted during the year. To ensure qualified

inspectors, the program also operates a yearlong training course resulting in formal certification for graduates. Employees perform seven primary types of inspections conducted, in order of priority. For example, drilling and plugging inspections have the highest priority because they protect the environment and underground resources. Inspection types consist of:

- Drilling inspections that involve all activities related to drilling a well.
- Plugging inspections completed for dry holes or wells at the end of their useful life.
- Production inspections occur during the productive life of the well, verifying for example, oil and gas volumes and site security.
- Environmental inspections ensure operators conform to all environmental regulations.
- Workover inspections focus on operators' efforts to enhance well productivity through maintenance and well augmentation.
- Undesirable events inspections occur when sites have an accident involving a serious injury or fatality, a fire, an oil spill or gas leak, or a well blowout.
- Records verification inspections review an operator's production and reporting records to ensure production is accurately accounted for.

Inspections play an important role in protecting public lands from environmental degradation. Environmental inspections may be completed in all phases of an oil or gas well's life cycle, consisting of the following activities:

- Prior to surface disturbance, to record baseline conditions.
- At the time of site construction, to ensure surface disturbance is within the limits established in the approved permit.
- When drilling begins, to ensure a safe and clean operation.
- During production, to ensure a safe and clean facility, monitor environmental impacts and the effectiveness of interim reclamation and mitigation measures, and discuss reclamation requirements.
- During abandonment and reclamation, to ensure the well is properly plugged and reclamation is completed as planned.
- During final reclamation, to ensure the site is properly re-contoured, topsoil is returned to the disturbed areas, and the area is seeded. The site is continually monitored to ensure it is stable and re-vegetates.

Figure 1. PETs read flow meters as part of an inspection. Source: Office of Inspector General (OIG).

Inspectors also have authority to take enforcement actions if violations are uncovered. Enforcement tools consist of:

- Verbal warning, which is an oral warning of noncompliance.
- Notices of Incidents of Noncompliance (INC), which are issued for regulatory violations. INCs may include an immediate monetary assessment and are classified as either major or minor depending on impacts to health and safety, the environment, or production volumes.
- Written orders, which recognize problems that do not violate specific regulations.
- Civil penalties, which involve varying daily dollar fines calculated according to the severity of the violation.
- Authorization to correct instances of noncompliance using a private contractor, then billing the operator for incurred costs.
- Notice to Shut Down Operation, used to halt operations in the face of immediate threats to safety or the environment.
- Lease cancelations, which are used as a last resort if an operator fails to comply with previous enforcement actions.

Examples of Major and Minor INCs

Major INCs:

- Missing seal on sales valve of oil storage tank.
- Commingling oil and gas production from other sources without BLM's approval.

Minor INCs:

- Missing well identification sign.
- Inadequate fencing around the water disposal pit to prevent access by animals and unauthorized personnel.

Figure 2.

In fiscal year 2009, BLM reported completion of 16,680 inspections resulting in issuance of 6,403 enforcement actions (4,090 INCs; 1,902 written orders; 395 verbal warnings; and 16 shut down orders). BLM collected $129,000 in monetary assessments and $130,000 in civil penalties. Bureau-wide, 4 percent of INCs included assessments and 0.5 percent resulted in civil penalties.

Figure 3. Blowout Preventer. Source: OIG.

Findings and Recommendations

Production Inspection Strategy

BLM has not performed the required number of production inspections established in its inspection strategy. In accordance with FOGRMA, annual inspections are required on those oil and gas wells that produce significant quantities, have a history of noncompliance, or both. FOGRMA does not define "significant quantities" and, accordingly, BLM develops its own criteria. In doing so, BLM sets its inspection goals based on fixed production volumes that apply nationwide. For example, for many years the threshold for cases requiring an annual inspection was 12,000 barrels of oil per month or 120,000 cubic feet of natural gas.

We found no logical methodology for BLM's production inspection strategy thresholds. BLM decreased the monthly production thresholds in fiscal year 2009 to 6,000 barrels of oil and 80,000 cubic feet of gas, which increased the number of production inspections required. We do not know if this threshold change was appropriate as it was not supported by any methodology.

"National I&E strategy needs revision to reflect more emphasis on low production wells, if workforce capability is limited."

- Survey Comment

We also believe BLM's annual strategy places too much focus on high-production wells. Operators, however, may underreport or purposefully maintain low production levels to avoid the additional costs of plugging and abandoning wells. From interviews and through the online survey, PETs informed us that low-producing cases should be inspected more often. Although it is appropriate to inspect high producing cases, this should not be at the expense of excluding low-producing cases.

Recommendations

1. Develop and document a logical methodology for the production inspection thresholds.

2. Develop a production inspection scheduling strategy that appropriately balances high- and low-producing cases and an operator's compliance history.

Resource Assessment

BLM has a history of not completing its required number of production inspections. From fiscal year 2006 through fiscal year 2009, BLM reported it had inspected only 39 percent of its required annual inspections caseload and 55 percent of its 3-year inspections. For fiscal year 2009 alone, the bureau determined that it needed to conduct 9,394 production inspections but planned to perform only 7,104. The official database ultimately reported completion of only 3,703 inspections, 39 percent of those required. BLM officials explained that the discrepancy resulted from insufficient funding to staff the PET workforce. We found the current workforce is at less than full readiness with nearly 10 percent of PET positions unfilled and approximately one in five of these personnel uncertified.

Figure 4. Inspections are often conducted in remote locations. Source: OIG.

BLM officials told us that many critical environmental inspections are not being done because certain field offices, especially in Wyoming and New Mexico, have experienced significant increases in applications for permits to drill. Market conditions influence field office workloads that follow boom and bust cycles. As a result, during boom periods there is an increase in demand on field offices to process drilling permits. BLM suggests that spending time to inspect producing wells is difficult when the inspection staffing level has stagnated. Field offices also report a lack of necessary resources to effectively fulfill their environmental responsibilities. Further, they said they do not know how much it would cost to fulfill those responsibilities annually.

We noted that both environmental and production inspections would benefit from a complete workload and workforce analysis after taking into consideration a revised inspection strategy as suggested in Recommendation 1. BLM does not have a current workload analysis to help them determine their workforce needs. A workload analysis of permitting activities was completed in 2005 and updated in 2006. A more current analysis would allow managers to determine optimum size and composition of the workforce required to perform inspections effectively. We expect that a current workload and workforce analysis may indicate that shifting staff from one field office to another according to need, would more effectively meet workload requirements while alleviating the need for substantially more personnel.

Although we concur that additional inspectors could help meet the inspection strategy, we do not believe that increased funding is the primary solution as we found that improving inspection efficiencies would improve BLM's ability to keep pace with caseloads and extend its limited resources. Specifically, we noted that BLM lacks a comprehensive policy for industry self-inspections even though such a policy is recommended in BLM's "The Gold Book,"[4] and is required by Onshore Oil and Gas Order No. 3 for site security. As part of the development of such a policy, a responsible official acting for the operator would be required to sign a written certification to validate the self-inspection. This would hold the company accountable for the reliability of the self-inspection. Making the results of self-inspections available for review by PETs and other inspectors assigned to spot-check operators' work could free up time for additional onsite inspections.

Recommendations

3. Perform a workload and workforce analysis of all inspectors to determine the most effective use of personnel and to assess whether a request for additional resources is warranted. This analysis should include determining whether inspectors are located in appropriate areas and whether they could assist in high volume areas on an as-needed basis.

4. Establish criteria and eligibility requirements for more industry self-inspections, including specific criteria and verification that self-inspections are adequately completed. Operators with a history of significant and chronic violations should not be permitted to perform self-inspections.

[4] Bureau of Land Management, Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development: The Gold Book, 4th ed. (2007)

Quality of Inspections

"Some inspectors even just pencil whip an inspection to make it appear they are working and even possibly file false reports."

- Survey Respondent

Inspections are frequently performed in remote areas by individual inspectors who have only infrequent, direct supervision. In fiscal years 2008 and 2009, for example, oversight inspections where a supervisor accompanied a PET were conducted for only about 10 percent of the technical inspections (e.g., drilling, plugging, production, and workover inspections). Moreover, PETs were not required to include in the official files, photographic or other evidence that inspections had been performed. At one field office, a PET disclosed that the data concerning multiple inspections had been erroneously recorded. In addition, survey respondents indicate that incomplete inspections, or aspects of inspections, still may be recorded as complete, a process informally known as "pencil whipping."

BLM does not have standardized and written oversight inspection and file documentation protocols across the I&E Program that would ensure quality inspections are completed and potential infractions identified. Also, BLM does not conduct peer reviews of the state or field offices.

Recommendations

5. Develop and implement standardized and written oversight inspection and file documentation protocols to improve the quality of inspections. These protocols should include increasing the number of oversight inspections conducted by supervisors and requiring evidence in the inspection report files to demonstrate inspections were actually performed.

6. Conduct periodic peer reviews that evaluate the overall performance of the I&E Program at state and field offices.

Oil and Gas Regulations

Online survey respondents and interviewees frequently indicated that inspection efforts are hampered because of provisions in the bureau's regulations that have

not kept up with modern technology. Most notably, six of the seven Onshore Oil and Gas Orders, which address activities such as drilling operations, the measurement of oil and gas, and site security, are outdated as they were enacted in the late 1980s and early 1990s. Also, BLM has not officially enacted two additional onshore orders that are needed to guide operators.

Another area of concern is environmental inspections. The increased emphasis on finding and developing new oil and gas resources on public lands makes environmental protection imperative. Environmental inspections may be deferred in favor of the high-production leases. Environmental compliance inspectors average just 15 percent of their time on inspection and enforcement activities, with most of their time spent on processing drilling permits.

BLM issues best practices on the conditions under which environmental inspections should be performed. These policies, however, are not published formally. Without formal publication, the I&E Program lacks a source of long-term guidance for completing environmental inspections.

Recommendation

7. Ensure that oil and gas regulations are current by updating and issuing onshore orders, and formally publishing environmental inspection policies.

Effectiveness of Enforcement Actions

Our survey showed that 48 percent of all respondents and 51 percent of PETs reported current enforcement tools are insufficient to ensure operator compliance. One technician said, “The monetary amounts of assessments and penalties have not kept up with inflation.” Another commented, “Fines are too small and not permitted soon enough when necessary.” “The process should be streamlined,” said a third, “so that it is not such a long process to issue monetary assessments and penalties. Industry might pay more attention to us and what is going on in the field.” About INCs, another technician said, “Current enforcement tools do not really deal with repeat offenders who are continually written up (or given verbal INCs) for the same violation each year.”

Seventy-eight percent of PETs said supervisors supported their INCs and other enforcement actions, but 10 percent expressed a desire for greater support. We found no evidence that inadequate supervisory or management support impairs the effectiveness of the I&E Program. We did find, however, that INCs and other enforcement actions at the field office level are inconsistently applied or enforced. We also found that they are not resolved or followed up in a timely manner. For instance, some field offices use verbal warnings while others do not. Some issue verbal warnings for a major INC even though BLM policy only allows verbal warnings for minor INCs.

Followup actions to verify that violations have been corrected are inconsistent. Followup mostly occurs in conjunction with major INCs, less often for minor INCs, if completed at all. Despite the lesser classification, minor INCs may address significant deficiencies, and the corrections of the violations need to be verified. Without performing this important step, violations may not be resolved until the next inspection, which may take years.

Another enforcement challenge is the failure of current monetary assessments and civil penalties to serve as a deterrent for operator noncompliance. The fines structure for assessments and civil penalties is outdated. Set in the early 1980s, assessments are fixed at $250 for a minor INC and $500 per day for a major INC. Civil penalties range from $500 to $10,000 per day depending upon how long the infraction or infractions have not been corrected. Nearly 30 years later, these low monetary penalties can be far below a company's daily operating costs and, accordingly, inconsequential to many operators.

Had these rates kept pace with inflation, they should have doubled since 1983. A minor INC, for instance, should cost operators $543 and a major INC $1,085 per day. Based upon the inflation rate, civil penalties would also have substantially increased, growing from $500 to $1,085 and from $10,000 to $21,700 per day. Since these amounts are fixed by statute, however, they would require congressional action to change.

Thirty-eight percent of employees surveyed responded that every INC should include a monetary assessment. There are only four circumstances under which inspectors have the authority to assess an immediate monetary fine. These include drilling wells without approval, drilling wells without blowout prevention equipment, plugging and abandoning wells without approval, and improperly removing Federal seals. Security seals that have been broken or otherwise tampered with on tanks, meters, and other production equipment indicate a possible theft of oil or gas.

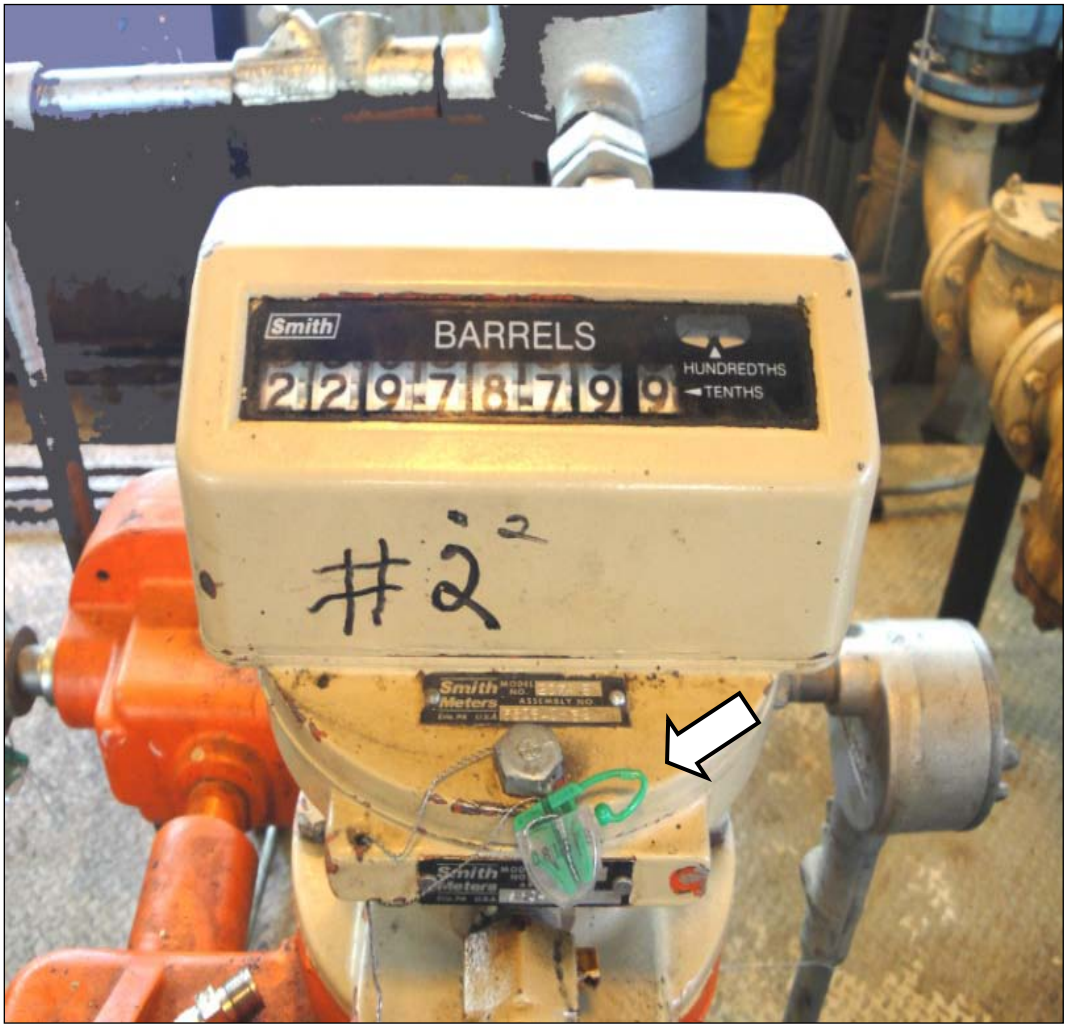


Figure 5. Green security seal attached to a closed meter. Source: OIG.

Current BLM policies do not allow for immediate assessments for chronic offenders. As a result, at times there is little incentive for companies to meet their regulatory responsibilities. For example, some operators accumulate more than 100 violations in a single year. This presents a challenge to PETs in their efforts to achieve the I&E Program's main objective, to ensure regulatory compliance.

Recommendations

8. Improve the consistency and timely resolution of enforcement actions by issuing enforcement actions and following up on those findings according to established policy.

9. Enhance the deterrent for operator noncompliance by increasing the dollar amount of monetary assessments, seeking congressional action for increasing civil penalties, and expanding the infractions for which immediate assessments may be issued.

Database Integrity

I&E Program information in the Automated Fluid Minerals Support System (AFMSS), the official electronic database, is not fully functional either for managers or for employees. For example, PETs remarked that they spend too much time recording data into AFMSS in the office rather than conducting inspections in the field. Field office personnel also claimed they could do 30 to 40 percent more environmental inspections if inspectors had access to wireless technology.

Only 42 percent of survey respondents claimed that data in AFMSS was accurate, complete, and useful. Most considered the system difficult to work with and noted they had not received sufficient training on how to use it.

Based on our limited review of AFMSS, it appeared that data entry controls are inadequate. Our analysis disclosed a significant amount of erroneous data. For example, about 10 percent of the correction dates for violations and 31 percent of followup dates recorded in fiscal years 2008 and 2009 for a four-state sample proved incorrect. In addition, substantial data from wells on Indian leases have not been entered into the system. We also found numerous inspection entries were left open in AFMSS for multiple years.

BLM has difficulty in obtaining accurate program performance data from AFMSS. For example, in its budget justification for fiscal year 2010, the bureau reported completing 5,386 production inspections for fiscal year 2008. Only 4,909 were recorded in AFMSS, a difference of 477. The database did not allow us to verify the accuracy of either figure.

BLM cannot completely verify which oil and gas wells have or have not been inspected. BLM also cannot always determine the type of inspection required and when the next one is due. For example, BLM cannot ensure that all wells had an environmental inspection. Some wells may not have been inspected for many years. This practice leaves lands managed by DOI, other Federal agencies, and private surface owners vulnerable to environmental damage. Further, BLM lacks

accurate workload data to allow managers to plan environmental inspections based on the number of oil and gas wells located on Federal and Indian lands. Due to this absent data, we could not determine the extent that environmental inspections should have been performed.

Recommendation

10. Develop and implement an AFMSS Data Integrity Plan to ensure the reliability of inspection data in AFMSS. The Plan should include data entry controls, expediting data entry, and enabling inspectors to enter data remotely.

Training Requirements

BLM policy requires certified PETs to receive updated training every 5 years, but this training has not been provided since 2002. The I&E Program's certification manual states that these technicians should not conduct inspections if they have not received the required refresher training. PETs, however, continue to conduct inspections even though the 5-year period has elapsed. This situation causes many inspectors to be classified as "uncertified" since the training has not been provided by the agency. BLM does not have a "test-out" option whereby PETs can demonstrate their proficiency through an examination thereby enabling them to retain certification.

"For surface management, there is little training and direction with regards to the I&E Program."

- Survey Respondent

Environmental inspectors and PATs receive only minimal training. The training lasts about a week and does not include a competency examination. Surface compliance specialists include environmental inspectors, including sub-disciplines such as natural resource specialists, environmental protection specialists, biologists, botanists, and hydrologists, all for which general training is available. However, such training is not specific to the needs of environmental inspectors and PATs. Insufficient training for these disciplines has led to inconsistent environmental inspections.

Currently, no formal on-the-job training or mentoring programs exist. As a result, both training and mentoring are highly unstructured and their effectiveness varies from office to office. One respondent remarked they have "no OJT other than read, read, read."

In addition, we observed in interviews that some PETs need training in how to recognize and report instances of fraud.

Recommendation

11. Improve I&E Program training by ensuring that refresher training is provided to PETs as required by BLM policy; improving the training for environmental inspectors and PATs, including the institution of a formal certification or competency examination; providing periodic fraud awareness training; and improving on-the-job training and mentoring.

Retention Plan

"The PET certification class is top notch," said one survey respondent, "and I would recommend that anyone involved with the I&E Program take it." Nevertheless, in spite of the considerable investment of both time and money for inspectors' training, the I&E Program risks losing its inspectors once they are trained. Interviewees told us that trained PETs are sought after by operators. Further, I&E Program officials confirmed that oil and gas operators commonly recruit PETs with inducements of high salary offers during successful business periods, most recently in 2008. Because of the cyclical nature of the oil and gas industry, future episodes of industry recruiting from BLM is likely.

We found that industry is not the only threat to BLM's retention of its inspection workforce. During our fieldwork, a PET who had completed the certification requirements paid for by the I&E Program was in the process of transferring to the Bureau of Ocean Energy Management, Regulation and Enforcement to conduct that bureau's inspections. BLM does not have a continued service agreement that requires newly certified PETs to stay with the agency for a specified period of time.

Recommendation

12. Develop and implement a PET Retention Plan and consider continued service agreements requiring PETs to remain under BLM employment for a specified number of years following certification.

Conclusion and Recommendations

Conclusion

Assessing the success of the I&E Program is more than just reviewing statistics on the number of inspections performed and enforcement actions initiated. Simply performing more inspections and issuing more INCs does not ensure industry compliance with laws and regulations. Since oil and gas operations take place continuously on thousands of public land leases, the I&E Program cannot provide absolute assurance that operators are in full compliance at all times. Our recommendations, however, may allow BLM to extend its limited resources, improve the quality of inspections, and enable inspectors to spend more time in the field providing greater regulatory oversight.

Summary of Recommendations

1. Develop and document a logical methodology for the production inspection thresholds.

2. Develop a production inspection scheduling strategy that appropriately balances high- and low-producing cases and an operator's compliance history.

3. Perform a workload and workforce analysis of all inspectors to determine the most effective use of personnel and to assess whether a request for additional resources is warranted. This analysis should include determining whether inspectors are located in appropriate areas and whether they could assist in high volume areas on an as-needed basis.

4. Establish criteria and eligibility requirements for more industry self-inspections, including specific criteria and verification that self-inspections are adequately completed. Operators with a history of significant and chronic violations should not be permitted to perform self-inspections.

5. Develop and implement standardized and written oversight inspection and file documentation protocols to improve the quality of inspections. These protocols should include increasing the number of oversight inspections conducted by supervisors and requiring evidence in the inspection report files to demonstrate inspections were actually performed.

6. Conduct periodic peer reviews that evaluate the overall performance of the I&E Program at state and field offices.

7. Ensure that oil and gas regulations are current by updating and issuing onshore orders, and formally publishing environmental inspection policies.

8. Improve the consistency and timely resolution of enforcement actions by issuing enforcement actions and following up on those findings according to established policy.

9. Enhance the deterrent for operator noncompliance by increasing the dollar amount of monetary assessments, seeking congressional action for increasing civil penalties, and expanding the infractions for which immediate assessments may be issued.

10. Develop and implement an AFMSS Data Integrity Plan to ensure the reliability of inspection data in AFMSS. The Plan should include data entry controls, expediting data entry, and enabling inspectors to enter data remotely.

11. Improve I&E Program training by ensuring that refresher training is provided to PETs as required by BLM policy; improving the training for environmental inspectors and PATs, including the institution of a formal certification or competency examination; providing periodic fraud awareness training; and improving on-the-job training and mentoring.

12. Develop and implement a PET Retention Plan and consider continued service agreements requiring PETs to remain under BLM employment for a specified number of years following certification.

Appendix 1: Scope and Methodology

Scope

The scope comprised all onshore oil and gas leases located on Federal and Native American lands (except lands owned by the Osage Nation).

Methodology

Our methodology comprised the following steps:

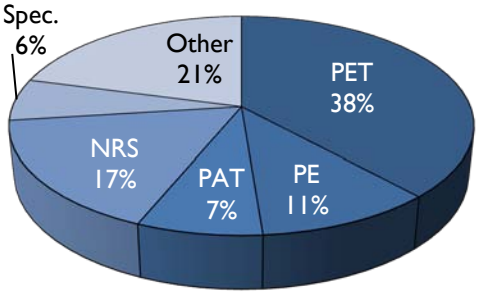
- Reviewed applicable laws, regulations, policies, and procedures.
- Analyzed funding, annual inspection strategy, inspection data, and other program documents.
- Conducted an online survey of Bureau of Land Management (BLM) employees, receiving 421 responses.
- Obtained industry's perception of the Inspection and Enforcement Program, conducting interviews with the Independent Petroleum Association of Mountain States (now the Western Energy Alliance); Williams Company; EnCana Oil and Gas (USA) Inc.; BOPCO, LP; and Black Hills Exploration and Production.

We visited 13 BLM offices where we interviewed about 100 bureau employees, reviewed lease files, and observed field inspections. The sites visited were Bakersfield, CA; Durango, Glenwood Springs, Grand Junction, Lakewood, and Meeker, CO; Moore, OK; Farmington, NM; Vernal, UT; Buffalo, Casper, and Pinedale, WY; and Washington DC.

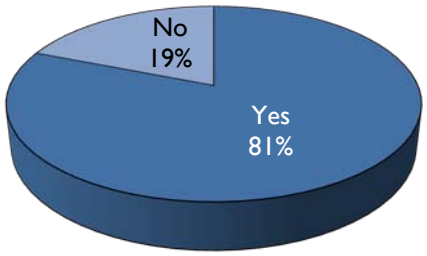
We performed the fieldwork from November 2008 to January 2010. We conducted this review in accordance with the Quality Standards for Inspections adopted by the Council of the Inspectors General on Integrity and Efficiency.

Appendix 2: Employee Survey Results

What is your job position?

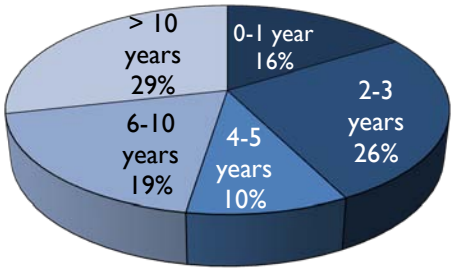


If you are a PET, are you certified?

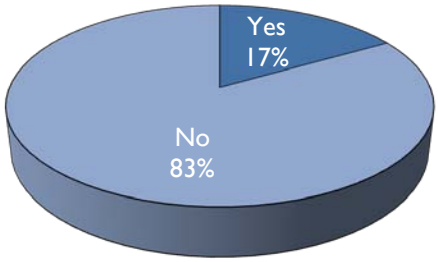


PE = Petroleum Engineer, PET = Petroleum Engineering Technician, PAT = Production Accountability Technician, NRS = Natural Resource Specialist, Env. Spec. = Environmental Specialist

How long have you worked in the I&E Program?

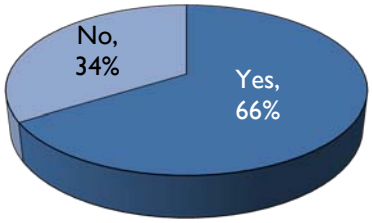


Are you a supervisor/manager?

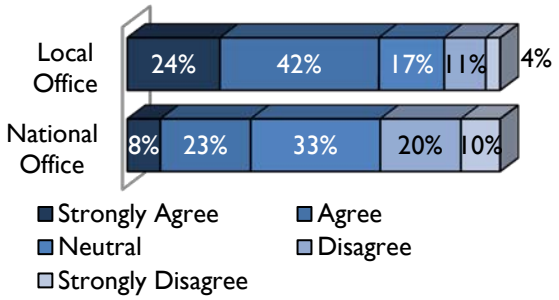


Note: In the following charts and graphs, the totals may not equal 100 percent because "Not Applicable" responses were excluded.

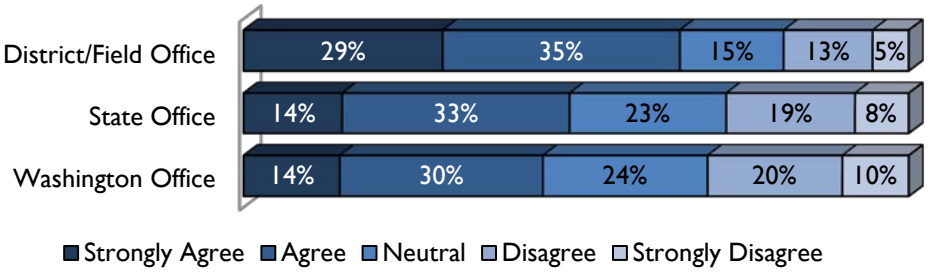
Do you agree with the annual strategy of the I&E Program?

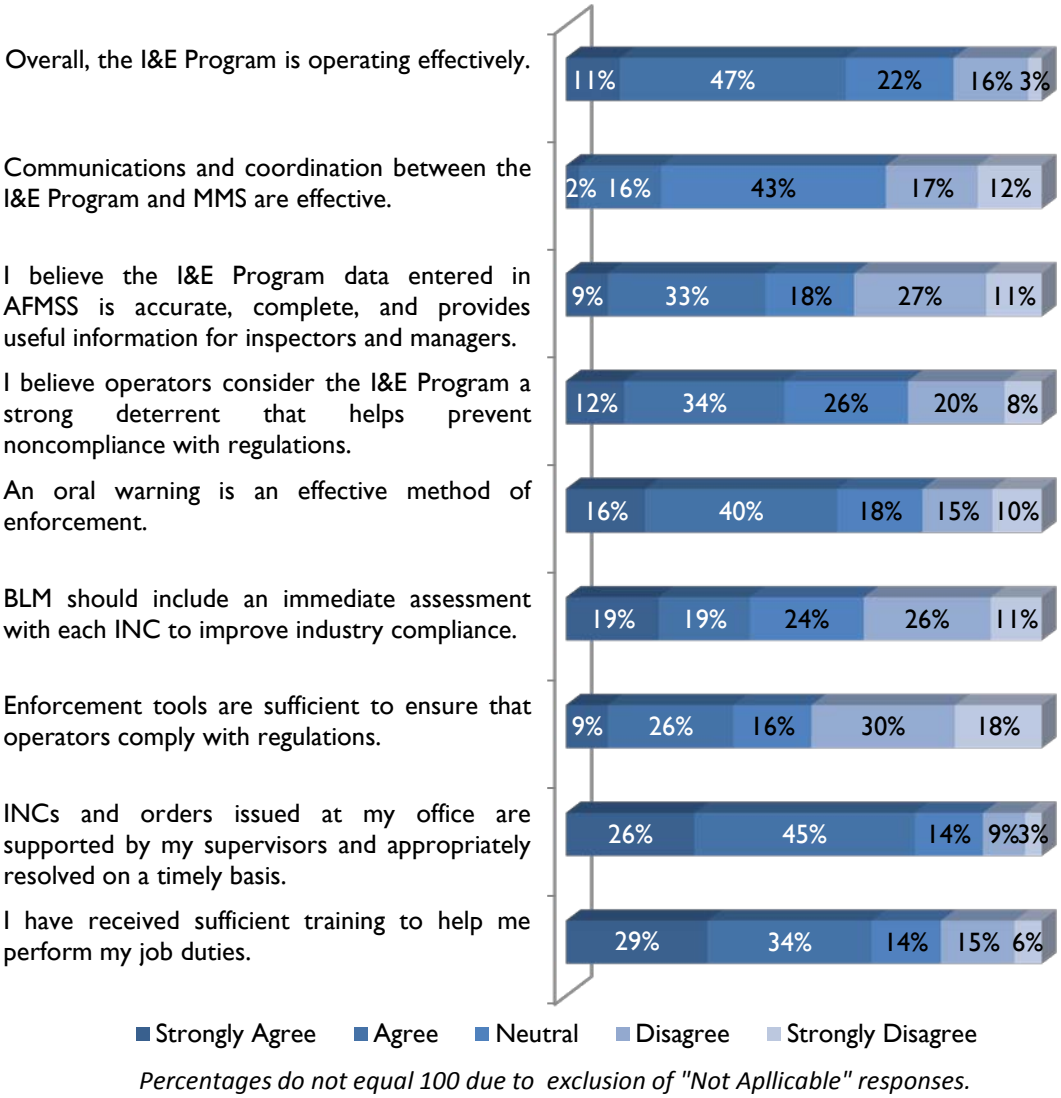


BLM appropriately prioritizes the inspection workload at the:



At the following organizational levels, management provides sufficient direction and support for the I&E Program.





Percentages do not equal 100 due to exclusion of "Not Apllicable" responses.

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