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June 12, 2007

Chair Dianne Feinstein
Senate Interior Appropriations Subcommittee

Ranking Member Larry Craig
Senate Interior Appropriations Subcommittee

Dear Chair Feinstein and Ranking Member Craig:

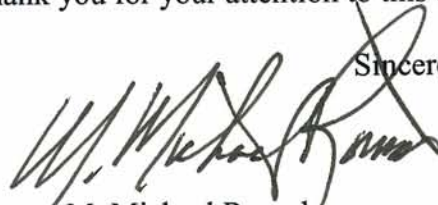
We understand that the House Interior Appropriations Bill includes language amending Section 35 of the Mineral Leasing Act to deduct two percent from the states' share of receipts from mineral leasing activities on public domain lands, beginning in FY 08. This proposal would result in an approximately \$40 million drop in the Western states' share of mineral revenues from the public domain. We strongly oppose this provision. We urge the Senate Appropriations Committee to refrain from including a similar provision in the Senate Bill and to oppose its inclusion in the conference report.

This practice was rejected by Congress just a few years ago in P.L. 106-293, the Mineral Revenue Payments Clarification Act of 2000, when it eliminated the 10-year "net receipt sharing" policy. Title V of that Act amended Section 35(b) of the Mineral Leasing Act to state that "In determining the amount of payments to the States under this section, the amount of such payments shall not be reduced by any administrative or other costs incurred by the United States."


It is important to prevent the revival of this policy, which was settled in the states' favor in 2000. The policy of allowing the agency to deduct a portion of its costs from the states' share of receipts under the Mineral Leasing Act and Geothermal Steam Act was eliminated in 2000 largely due to the difficulty encountered in administering the policy as well as the many disputes it engendered over the amount and types of deductible expenses. It would be a mistake to go back to this flawed system.

Thank you for your attention to this critical issue.

Sincerely,



M. Michael Rounds
Governor of South Dakota



Dave Freudenthal
Governor of Wyoming