

# Carolyn Maloney Fights for a Fair Share of Oil Royalties for Taxpayers

Congresswoman Carolyn B. Maloney, a long-time critic of waste, fraud, and abuse in government programs, has battled Big Oil for nearly 15 years to ensure that taxpayers are paid their fair share of royalties from oil companies that drill on federal lands.

Maloney has been a leader in efforts to revise the Interior Department's oil-valuation rules. At her urging in 1997, the House Subcommittee on Government Management, Information and Technology held two hearings looking into the Minerals Management Service's (MMS) royalty-collection efforts which were instrumental in getting MMS to re-write its oil-valuation rules. She also worked with the General Accounting Office and the House Resources Committee to bring about stronger oversight of MMS. Representative Maloney led the successful effort in 2000 to force oil companies to pay the federal government fair market value instead of lower "posted prices" set by the industry. Because of her advocacy and the efforts of other good government proponents, in the spring of 2000, the Interior Department's Minerals Management Service released its final oil valuation rule, which resulted in the federal government collecting millions more annually in oil and gas revenues.

Maloney has also been an outspoken critic of the deeply flawed Royalty-in-Kind program, which was established by the Bush Administration as a pilot program in 2001. The program would allow companies that extract oil and gas on federal lands to pay the government "in kind," with barrels of oil and natural gas, instead of in traditional cash payments, which would now cost the companies more under the 2000 oil valuation rule. As a member of the Oversight and Government Reform Committee, Maloney helped to provide stringent oversight of the program from its first days until it was ultimately phased out by the Obama Administration in 2009.

Maloney continues to work for increased accuracy of royalties collected. She is the author of a bill to help ensure that the federal government uses the most accurate methods to collect royalties.

## Timeline of Maloney's Work on Oil Royalties

**3/18/96** - Rep. Maloney urges Secretary Bruce Babbitt to take action regarding the undervaluation of oil royalties in California

3/28/96 - Rep. Maloney and the Project on Government Oversight hold a press conference that blasts the oil companies for undervaluing oil royalties in California and urges the Department of Interior to take immediate action to release their Interagency report and begin collecting unpaid royalties.

**6/17/96** - Rep. Maloney holds a Congressional hearing on unpaid royalties. At the hearing, Rep. Maloney focused on the \$856 million that oil companies owed for their production of oil in California. Maloney urges the Department of Interior to immediately begin collecting these unpaid royalties and to look into potential unpaid royalties outside of California. Since oil companies use the same market practices throughout the United States, they probably neglected paying the proper royalties outside of California.

**8/5/96** - Rep. Maloney announces that many States are way ahead of the Federal government in collecting unpaid royalties. The Project on Government Oversight in conjunction with Rep. Maloney releases a report which shows that, outside of California, oil companies owe the American public between \$400 million and \$1.3 billion in unpaid oil royalties since 1985.

**9/24/96** - As the Ranking Member of the Subcommittee on Government Management, Information and Technology, Rep. Maloney releases a highly critical report with Chairman Horn on the Department of Interior relating to the collection of unpaid Federal oil royalties. The Subcommittee makes many strong recommendations.

**1/23/97** - Rep. Maloney announces that the Department of Interior's Minerals Management Service (MMS) may not have had proper authorization to negotiate royalty settlements with major oil companies containing more than a billion dollars in claims. Rep. Maloney writes a letter to DOI Secretary Babbitt questioning the legal authority of the Department of Interior to resolve oil royalty issues through global and issue settlements.

**3/13/97** - Rep. Maloney requests a legal opinion from the General Accounting Office regarding whether or not the Department of Interior's Minerals Management Service (MMS) had proper authorization to negotiate royalty settlements with major oil companies. She also sends a letter to Attorney General Janet Reno asking for the Justice Department's policy and role in these settlements. Rep. Maloney has focused attention on two Interior Department negotiated settlements with Exxon and Chevron. These settlements may have resolved more than \$1 billion in outstanding claims for only \$218 million.

**5/21/98** - Rep. Maloney introduces H.R.3932, the Federal Oil Royalty Protection Act of 1998, which would ensure that the federal government receives fair and appropriate royalties from oil taken from federal land, which could recoup up to \$100 million per year.

**11/16/99** - Relenting to the efforts of Congresswoman Maloney and others to force big oil companies to pay royalties based on the fair market value of the oil they produce, an agreement was reached under which the Interior Department's new oil-valuation rules will go into effect March 15th.

**10/11/00** - Maloney provision is signed into law (P.L. 106-291) which would strike language that would give the royalties-in-kind program the ability to finance the

gathering and marketing of oil and natural gas products, in order that the royalty-in-kind pilot program will operate more efficiently. The provision is added as H.Amdt.801 to H.R.4578 in the 106<sup>th</sup> Congress. It was originally a part of HR 3932 introduced by Maloney on 5/21/98.

**3/8/01** - Mrs. Maloney introduces a bill in the House "To amend the Mineral Leasing Act to make available for the low-income home energy assistance program 5 percent of monies received by the United States from onshore Federal oil and gas development.

**4/19/01** - Rep. Maloney urges President Bush not to appoint oil industry insiders to lead the Federal agency charged with the oversight of oil companies' conduct on Federal lands. Recent reports have indicated that President Bush is considering two industry insiders, Tom Sellers of Conoco Inc. and Ben Dillon of the Independent Petroleum Association of America to lead the Department of Interior's Minerals Management Service.

**5/17/01** - Congresswoman Maloney praises President Bush for including her recommendation in his energy package that the Department of Interior and the Department of Health and Human Services bolster LIHEAP funding by using a portion of oil and gas royalty payments.

**6/12/01** – Rep. Maloney cautions against Republican plans to bolster the oil industry, through a new Royalty-in-Kind pilot program, which would allow companies that extract oil and gas on federal lands to pay the government "in kind," with barrels of oil and natural gas, instead of in traditional cash payments. Maloney testifies to the Energy and Mineral Resources Subcommittee that a draft review produced by MMS of the Wyoming royalty-in-kind pilot project showed that the program is "still developing a process to manage royalties taken in kind" and that "the estimated costs for the new RIK process cannot be made at this time because the process is not final."

**6/21/01** - Congresswoman Maloney offers, and is able to gain the inclusion of, an amendment to the House version of Fiscal Year 2002 Interior Appropriations bill (H.R. 2217) guaranteeing that any Royalty-in-Kind programs operated by the Department of Interior would earn at least as much money for taxpayers as similar royalty in value programs based on market prices. This amendment would have guaranteed that taxpayers would not be shortchanged by oil industry schemes to avoid paying their fair share of royalties.

**1/16/03** – A GAO report, requested by Rep. Maloney and then Ranking Member of the Resources Committee Rep. Nick Rahall, finds that "MMS (the Minerals Management Service) will be unable to determine whether RIK (Royalty-in-Kind) sales generate more or less revenue than traditional cash royalty payments; whether MMS obtains fair market value; and hence, whether it should convert the RIK pilots to an operational status." (GAO-03-296 Mineral Revenues, pg. 15). Rahall and Maloney calls for greater accountability in the Bush Administration's Royalty-in-Kind pilot program.

1/23/06 - *The New York Times* reports that oil and gas companies shortchanged the government and American taxpayers last year by as much as \$700 million in royalty payments due for extracting natural gas from public land. In response, Rep. Maloney and other high-ranking Members demand hearings on the matter.

2/16/06 – Reps. Markey, Maloney, and others introduce the "Royalty Relief for American Consumers Act of 2006" to ensure that the taxpayers will receive the billions of dollars in royalty payments they are owed by the big oil companies as payment to drill on public land. The legislation would prohibit royalty relief on any future oil and gas leases, call for a renegotiation of current leases, and prohibit the purchasing of new leases by those companies that refuse to renegotiate.

Historically, oil and gas companies had to pay royalties for the right to drill on federal lands. But beginning in 1995, Congress has exempted those companies from paying royalties, despite record high prices and earnings. *The New York Times* reported on 2/16/06 that the exemptions, or "royalty holiday," will cost taxpayers at least \$7 billion by the year 2012.

**4/3/06** – Rep. Maloney and Government Reform Ranking Member Henry Waxman raise concerns and demand answers about MMS's program compliance review program for collecting mineral royalties owed on Tribal and Indian lands, initiated in 2001, which focuses on compliance reviews of company royalty reports rather than full audits conducted under U.S. Government Auditing Standards. Compliance desk reviews were also being used for collecting royalties owed to federal taxpayers and State governments.

**5/18/06** - Reps. Maloney and George Miller successfully amend the Interior Appropriations bill (H.R. 5386) to increase by \$1 million the funds available for states and tribes to conduct auditing to ensure that royalties owed on resources taken from their lands are paid in full. Data has shown that for every \$1 dollar spent auditing the royalties program, \$5 in money that is owed to governments or tribes is returned to them.

**5/18/06** - During consideration of H.R. 5386, the FY07 Interior Appropriations bill, Rep. Maloney works with Rep. Hinchey to successfully attach an amendment that would limit the Department of the Interior from entering into new offshore drilling leases with companies who are benefiting from unlimited royalty relief due to leases signed in 1998 and 1999.

**12/6/06** - Rep. Maloney introduces a bill (H.R. 6368) to help ensure that the federal government uses the most accurate methods to collect royalties. The legislation would direct the National Academy of Engineering to conduct a study analyzing methods that could greatly improve the accuracy of royalty collection on the production of oil, condensate and natural gas under leases of Federal onshore and offshore lands and onshore Indian Tribal lands.

**2/7/07** – Rep. Maloney voices dismay over Minerals Management Service Director Johnnie Burton's promotion of Gulf regional director Chris Oynes, who signed 700 of the

1,100 1998-99 oil and gas leases with missing price thresholds that limit royalty relief to MMS' associate director of the Offshore Minerals Management Program.

**9/28/08** – Rep. Maloney introduces the Minerals Management Service Improvement Act (HR 7211), which is the House companion to S. 3543, Integrity in Offshore Energy Resources Act. The legislation would impose dramatically tougher ethics rules for the Minerals Management Service, which was at the center of a major corruption scandal stemming from its employees' relationships with oil company representatives.

**3/13/09** – Rep. Maloney reintroduces the “Study of Ways to Improve the Accuracy of the Collection of Federal Oil, Condensate, and Natural Gas Royalties Act of 2009,”( H.R. 1462) that would require the National Academy of Engineering to analyze methods which could improve the accuracy of royalties collected on Federal and Indian Tribal lands for the extraction of oil, condensate and natural gas.

**9/16/09** - A longtime critic of the program, Rep. Maloney applauds the Interior Department’s decision to phase out its “royalty-in-kind” program.

**4/14/10** - GAO releases report, requested by Rep. Maloney and others, that shows that Interior’s measurement regulations and policies do not provide reasonable assurance that oil and gas are accurately measured. These findings highlight the need to pass Maloney bill, H.R. 1462, which would study ways to improve accuracy of royalties.

*Prepared by the Office of Congresswoman Carolyn B. Maloney  
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