

The Boston Globe

MONDAY, JANUARY 30, 2006

A10 Editorial

The Boston Globe

Founded 1872

RICHARD H. GILMAN *Publisher*

MARTIN BARON *Editor* RENÉE LOTH *Editor, Editorial Page*

HELEN W. DONOVAN *Executive Editor*

MARY JACOBUS
President & General Manager

RICHARD J. DANIELS
President, Boston Globe Media

ENERGY ROYALTIES RIPOFF

MUCH OF the oil and natural gas that companies extract in the United States comes from land or offshore sites that belong to the federal government. Drillers pay royalties based on the sale prices of the fuels. According to The New York Times, gas companies in fiscal 2005 got away with paying less than they did five years ago, even though prices for natural gas have almost doubled.

With the Bush administration discouraging aggressive enforcement of royalty collections, Congress should conduct its own hearings, as Representative Edward J. Markey of Malden and others have proposed. A Government Accountability Office investigation would also be useful. The chairman of the House Resources Committee, Richard Pombo of California, has called for the Department of the Interior to provide data, but has not scheduled hearings.

According to the Times, the government would have collected \$700 million more in 2005 than it did if payments had risen to reflect the increased market price of natural gas. Oil royalties were similarly shortchanged in the 1990s, but the Clinton administration cracked down on it. Companies paid \$438 million to settle accusations that they had understated the prices they had gotten for oil from 1998 to 2001.

The companies made the settlements with-

out acknowledging any misdeeds. Deductions for certain production costs allow them to calculate different sale prices for royalty payments and for shareholder information. ExxonMobil says its gas royalties fell because more was paid in kind and more gas came from areas where royalties are not required. Alarms go off with watchdog organizations such as the Project on Government Oversight when royalties decline or stay flat while market prices skyrocket.

To determine whether the companies are simply exploiting arcane rules to their benefit or actually cheating requires auditing, which the Interior Department under President Bush has cut back. Three years ago, the Interior Department's inspector general called the auditing program "ineffective" and lacking in accountability. Two of the tougher auditors were pushed out of their jobs.

The royalty fees range from one-eighth to one-sixth of the yield from drilling on federal property. Much of the money goes to the acquisition of lands for parks or habitat protection, with states and Indian tribes also benefiting. The fees are a recognition that these are both natural and national resources, and the nation as a whole should benefit, not just energy companies and their shareholders. These firms are making immense profits. Government officials should not be allowed to turn a blind eye while the public is cheated of its birthright.