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Lawmakers Assail Interior Over Scandal

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By IAN TALLEY

WASHINGTON -- Democratic lawmakers blasted the government agency responsible for collecting oil- and gas-lease revenue over a sex-and-drugs scandal, as Congress considers opening millions of new federal acres for lease.

Thursday, a House panel grilled top officials from the Interior Department over an inspector general's report that found a "culture of ethical failure" within its royalties program between 2002 and 2006.

Inspector General Earl Devaney reported last week that more than a dozen employees -- including Gregory Smith, the then-director of the royalty-in-kind, or RIK, program that accepts crude in lieu of cash for leasing federal land -- had improperly accepted gifts from the oil and gas industry. His report said some of the RIK employees also were engaged in drug use and sexual relationships with other staff at the Denver offices, as well as with industry representatives.

Interior Secretary Dirk Kempthorne told the panel he was "outraged" and "disgusted" over the "inexcusable" actions of a small group of long-term career employees. He said he was reviewing potential disciplinary action for these employees.

In addition, the inspector general has appointed someone from his office to oversee the royalty division's Denver agency.

The revelations give ammunition to lawmakers and outside critics who want to make the royalty-collection process more independent from industry influence. They also help Democrats in their efforts to promote alternative, renewable and clean energy. Soaring energy prices have become a priority for voters, as well as a potent election issue.

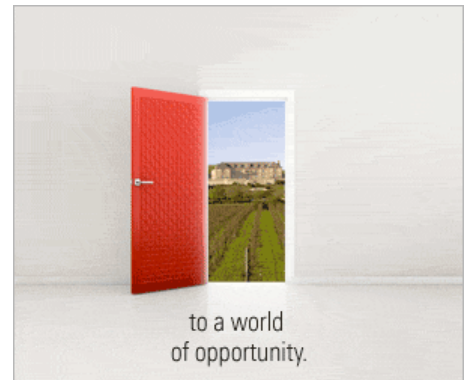
House Natural Resources Committee Chairman Nick Rahall (D., W.V.) said he called the hearing to explore the extent to which the culture pervaded the Interior Department and the potential cost to taxpayers.

Of the more than one dozen employees accused in the report, many have either left office or are under disciplinary review. "Since that time, we've observed a marked change in the royalty-in-kind program," Mr. Devaney told the panel.

He said that while the total dollar amounts of the gifts given by the companies over the four-year period were mostly in the hundreds of dollars, "these employees accepted gifts with prodigious frequency."

The Minerals Management Service has come under a barrage of criticism from lawmakers in recent years, with government auditors, the inspector general and watchdog groups excoriating it over its relationships with industry, poor accountability systems and lax ethical standards.

Rep. Henry Waxman, a California Democrat who is chairman of the House Committee on Oversight and Government Reform, said his panel is investigating the role of Chevron Corp.,



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Royal Dutch Shell PLC, Hess Corp. and Gary-Williams Energy Corp. "in giving improper gifts to one-third of MMS officials in the Denver office."

While Mr. Devaney said all of the companies handed over documents for the investigation, he said five Chevron employees refused to be interviewed. Company spokesman Don Campbell said the employees made the decisions individually.

The companies have said they took the allegations of ethical misconduct seriously, but denied any laws were violated.

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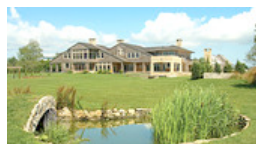
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