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Reforms Slow to Arrive at Drilling Agency

By **JOHN M. BRODER** and **MICHAEL LUO**

WASHINGTON — As **President Obama** and his top aides were convening a series of meetings that led to the announcement in March of a major expansion of offshore **oil** drilling, the troubled history of the agency that regulates such drilling operations was well known.

Mr. Obama, shortly after taking office, had assigned Interior Secretary **Ken Salazar** to clean up the agency, the **Minerals Management Service**. The office's history of corruption and coziness with the industry it was supposed to regulate had been the subject of years of scathing reports by government auditors, lurid headlines and a score of Congressional hearings.

But the promised reforms of the agency were slow to arrive, and the subject of the minerals service never came up at the meetings leading to the new drilling policy, according to a senior administration official involved in the discussions.

"I don't recall a conversation on how the **offshore drilling** and M.M.S. issues overlapped," said the official, who spoke on the condition of anonymity to discuss confidential deliberations involving the president.

Defending the new policy on April 2, less than three weeks before the Deepwater Horizon oil rig blew up in the Gulf of Mexico, Mr. Obama emphasized the safety record of offshore operations.

"It turns out, by the way," he said, "that oil rigs today generally don't cause spills. They are technologically very advanced."

In the weeks since the Deepwater Horizon explosion, the Minerals Management Service has come under intense scrutiny, and Mr. Salazar moved this month to essentially disband the agency, splitting it into three parts.

On Thursday, he asked for the resignation of the head of the service, S. Elizabeth Birnbaum,

and named an interim successor on Friday.

But the question remains why Mr. Obama — and members of Congress charged with oversight of the agency — did not come to grips with its obvious problems before the accident occurred.

The answer may have as much to do with the workings of business as usual in Washington and the long-entrenched influence of the oil industry in Washington politics as it does with anything more sinister.

Political expediency may have played a role. In pushing offshore drilling, Mr. Obama was hoping to placate the oil industry and its supporters in Congress, who were demanding increased access to the outer continental shelf in exchange for their possible support for broader [climate change](#) and energy legislation that Mr. Obama wants.

That focus apparently eclipsed any concerns about the minerals agency, especially since at the time no oil rig had exploded and sent hundreds of thousands of barrels of oil into the gulf.

The breadth of the expansion stunned oil industry representatives, who were expecting a much more restrictive policy accompanied by tough new safety and environmental rules. They were prepared to attack the new policy; instead, the [American Petroleum Institute](#), the industry's main lobby, praised it.

“We saw the president’s announcement as a positive development,” said Jack Gerard, president of the institute, “a recognition that oil and natural gas play a critical role in our energy future.”

But there had been warnings for years from government auditors about the Minerals Management Service, including revelations just before Mr. Obama took office that agency personnel had accepted gifts, drugs and sexual favors from oil company representatives.

Shortly after he was appointed in 2009, Mr. Salazar visited the agency’s Denver office and declared at a news conference that he was the “new sheriff in town” who would bring significant changes. He issued new ethics guidelines and eliminated a controversial royalty program.

But it is now clear that he did little else, focusing his energies elsewhere, for example on offshore wind projects.

On Thursday, Mr. Obama acknowledged that he should have paid more attention to the problems at the service and moved more quickly to correct them.

“At M.M.S., Ken Salazar was in the process of making these reforms,” Mr. Obama said at a news conference. “But the point that I’m making is that, obviously, they weren’t happening fast

enough.”

For lawmakers on the Congressional committees that oversee the agency, there was also little to gain politically in taking it on. Many of those committee members come from states where the energy industry is important. And members also draw an outsize share of oil industry contributions.

Members of the Senate Energy and Natural Resources Committee, for instance, have taken in an average of about \$52,000 from individuals and groups associated with the oil and gas industry this election cycle, compared with \$24,000 for others in the Senate, according to data from the Center for Responsive Politics.

Senator Bill Nelson, Democrat of Florida, an ardent foe of offshore drilling who in 2008 introduced unsuccessful legislation to impose new ethics and disclosure guidelines on employees of the minerals service, said that the industry played a powerful role in shaping the agenda on energy legislation, and that overhauling the minerals service obviously was not on that agenda.

“They’ve got every interest in the world to have a cozy relationship with the regulators,” he said of the oil companies.

Still, Mr. Nelson added, the failure of his bill was more a function of poor timing. He proposed it toward the end of the legislative session, and in the rush to complete other business after the presidential election, it had no chance.

And, he said, the fact a Democratic administration was coming in reassured him that changes were coming.

The unusual structure of the agency has also helped thwart efforts to overhaul it, despite its problems. Established in 1982 by Interior Secretary James G. Watt, it was created by secretarial order, not legislation, a set-up that some lawmakers said made Congress pay less attention to it.

And because it is financed by the \$13 billion a year it collects in oil royalties, it largely escapes the kind of scrutiny that other regulatory bodies get in the appropriations process.

Serious concerns about the agency were raised as early as 2006, when Representative [Darrell E. Issa](#), Republican of California, led the House Committee on Oversight and Government Reform in a series of hearings on problems in deepwater oil leases during the Clinton administration that freed companies from paying billions of dollars in royalties.

[Earl E. Devaney](#), the [Interior Department](#)’s inspector general, testified at those hearings about a

culture of “managerial irresponsibility and a lack of accountability” at the agency.

But Mr. Issa recalled in an interview last week that he had trouble getting his fellow committee members, both Democrats and Republicans, to attend the hearings, because the agency operated in relative obscurity and its problems were not of intense interest on Capitol Hill.

“It was kind of lonely,” he said.

Two years later, the department’s inspector general released new reports of misconduct, this time accompanied by more attention from the news media and outrage in Congress. Both the House and Senate held hearings. Several lawmakers, including Mr. Issa, Mr. Nelson and Representative Nick Rahall, a West Virginia Democrat and chairman of the Natural Resources Committee, introduced bills to fix the minerals service.

But none of the measures went anywhere. Mr. Rahall drew parallels with the regulation of the [coal](#) mining industry, where changes often occur only after tragic accidents. “It’s unfortunate that it takes such before we enact safety legislation,” he said.

Griff Palmer contributed reporting from New York.