WASHINGTON -- The House Committee on Resources approved a proposal to lift moratoriums on drilling for oil and gas along much of the U.S. coastline.

The Deep Ocean Energy Resources Act, which passed 29-9, also contains measures allowing states to keep drilling activities well beyond the view from shore and to share in what could be billions of dollars of royalties from production on the federally owned outer continental shelf off their coasts.

Some Democrats denounced the bill as a "raid on the Treasury," because the U.S. now collects 100% of the royalties from oil and gas produced on federal property in parts of the Gulf of Mexico that aren't covered by the moratoriums. But House Democrats appeared split. While environmental groups oppose the bill, some unions support a coalition of business groups that see the drilling as a way to create more domestic jobs by increasing domestic supplies of natural gas. The measure may reach the House floor for a vote next week, where a close vote is expected. Senate prospects for the measure are more doubtful.
"Many of America's well-intentioned conservation laws have resulted in dire consequences for our economy and the American work force," said Rep. Richard Pombo (R., Calif.), chairman of the committee. He said the chemical industry, which uses natural gas to make a wide variety of products from paints to plastics, has lost more than $60 billion of business to foreign competitors because soaring U.S. gas prices have made their products too costly.

Existing moratoriums, one imposed annually by Congress and another an executive order approved by President Clinton, bar oil-and-gas exploration out to 200 nautical miles, or 230 statute miles, which is the extent of the zone of economic interest controlled by the U.S. The House legislation, which is expressed in statute miles, would remove the ban beyond 100 miles from the coastline.

The bill would reduce the area where drilling is prohibited to 50 miles from the coastline, but gives coastal states the right to allow drilling closer to their shoreline. State legislatures could also move to bar drilling for natural gas within 100 miles of their coasts if they vote to oppose it within a year after the federal law is passed. They could also prevent oil drilling in that area, by opposing it within three years.
States that allow drilling, however, could collect between 50% and 75% of royalty payments that would otherwise go to the federal government, a feature that has drawn opposition from the Bush administration. Last week R.M. "Johnnie" Burton, director of the Interior Department's Minerals Management Service, said the loss of federal revenue "would have a significant, long-term impact on the budget deficit."

She said, however, that the administration is prepared to negotiate how the revenue-sharing might be changed. Currently, the legislation would put some of the money in three funds that would improve wildlife habitat, support mining and petroleum-engineering schools and help fund more alternative domestic energy resources, such as production of oil from shale, coal and tar-sands deposits.

The measure attempts to resolve an existing dispute involving some 50 exploration companies that hold leases in the Gulf of Mexico that were issued by the Clinton administration in 1998 and 1999. The companies were exempted from royalty payments for drilling in deep water, unless oil prices rose. However, the limitation on the exemption failed to appear in their leases because of a government error, which could cost the U.S. between $8 billion and $10 billion in royalty payments over the next 25 years.

The Bush administration has suggested the companies renegotiate these
leases. The bill would subject companies that refuse to a "conservation of resources fee" that would reimburse the government for lost royalties after Oct. 1, 2005.