



**U.S. Department of the Interior
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NEWS RELEASE

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Shell to Pay \$49 Million in Settlement Agreement with Minerals Management Service

The Minerals Management Service has reached a \$49 million settlement agreement with Shell Oil Company on unauthorized flaring or venting of large volumes of natural gas at its Auger platform and other facilities in the Gulf of Mexico. The settlement agreement, which is the largest in MMS's history, was forged in cooperation with the Department of Interior's Office of the Inspector General, the United States Attorney's Office for the Western District of Louisiana, and the Department of Justice.

"A settlement of this size sends a clear message to industry that MMS is serious about compliance with its regulations," said MMS Director Johnnie Burton. "MMS continues to ensure the American people receive the royalties that are due from production of their natural gas, and works to conserve our nation's resources and to ensure safe and pollution-free offshore operations."

In August 1998, MMS discovered that Shell had continuously flared or vented between one and six million cubic feet of natural gas per day from the oil tanks at their Auger platform. The flaring and venting had occurred since the start of production in April 1994, without permission as required by MMS regulations. Shell also violated MMS regulations when it failed to maintain proper field records of the flaring or venting at the platform and did not report the continuously flared or vented volumes on Oil and Gas Operations Reports.

In a letter dated September 18, 1998, MMS cited Shell for flaring or venting, reporting and record keeping violations, and ordered the company to pay royalties on the flared or vented gas. On September 28, 1998, MMS issued Shell a Notice of Non-Compliance and Civil Penalty for Knowing or Willful submission

of false, inaccurate or misleading data for four years of reports related to Auger. Following an administrative investigation, Shell agreed to correct its reports on other platforms in the Gulf of Mexico and to install the necessary equipment on the Auger platform to recover the gas that would otherwise be flared or vented. Shell has corrected its reports on 19 leases or units, some dating back to 1975. Shell completed the equipment installation on Auger in July 1999, ending the continuous, high-volume flaring or venting from the oil tanks. Shell has also developed a comprehensive reporting process to eliminate reporting problems throughout the Gulf of Mexico.

MMS is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf in federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from federal and American Indian leases. These revenues totaled over \$6 billion in 2002 and nearly \$127 billion since the agency was created in 1982. Annually, nearly \$1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands.

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MMS Internet website address: <http://www.boem.gov>