

The NewsRoom

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MMS Issues \$32 Million Royalty Bill to Major Oil Company

Determined Efforts Generate Additional Funds for American Citizens

DENVER – The Department of the Interior’s Minerals Management Service (MMS) announced today that a bill for more than \$32 million for additional royalties and interest has been issued to a major oil company.

The bill for \$32,264,570 was issued to BP America Production Company for additional royalties and interest due from BP’s coalbed methane production that occurred in the state of New Mexico, according to Johnnie Burton, Director of the MMS. The invoice covers the period from June 1991 through May 2006.

The bill includes a charge of \$18.9 million for additional royalties, combined with \$13.3 million in interest payments. The invoice is expected to be paid in full by BP before the end of the month. This \$32 million bill follows a \$21.7 million collection received from another major company in 2005 involving the same issue. MMS is pursuing this issue with other companies as well and anticipates generating additional tens of millions of dollars of receipts in the near future.

“This action demonstrates that MMS is vigilant in collecting the royalties due to the Federal Government from energy production that occurs on Federal lands,” Burton said. “And if the payments are not timely, we charge interest on top of the original debt. We take our job seriously.”

MMS issued orders to pay to several companies. The issue involved whether companies could deduct from their required royalty payments the cost of removing carbon dioxide (CO₂) from the methane gas. MMS maintained that removing carbon dioxide was a production cost to be paid by the company. The companies filed administrative appeals, and BP appealed the order to the District Courts. On June 10, 2005, MMS’s position was upheld by the United States District Court of Appeals for the District of Columbia in *Amoco Prod. Co. v. Watson*. BP had appealed that ruling to the Supreme Court, but the Supreme Court declined to hear the appeal, letting stand the Appeals Court ruling.

The \$32 million will be split equally with the State of New Mexico since the coalbed methane production occurred on Federal lands located within that state’s borders. Burton praised the State of New Mexico and its auditors for their participation as part of its delegated audit agreement with the MMS.

Burton noted that MMS pursues a vigorous audit and compliance review program that generated an annual average of more than \$125 million during the last 24 years. “That’s a total of more than \$3 billion that flowed to the American public as a result of MMS’s audit and compliance efforts,” she said. “Without MMS’s efforts, that money would have been lost.”

In Fiscal Year 2006, Burton added, MMS reviewed or audited 72.5 percent of all Federal and Indian royalty payments within three years from the date of receipt of the payment, using a system that targets the largest properties and payors.

During the 2002-2005 timeframe, MMS and State and Tribal auditors completed 1,572 audits on companies. That compares to 784 audits completed for the prior four-year period.

Burton noted that audits conducted by Federal agencies such as MMS are governed by standards developed and published by the Government Accountability Office (GAO). These standards ensure that auditors have the competence, integrity, objectivity, and independence in planning, conducting and reporting on their work.

Relevant Web Site:
[MMS Main Website](#)

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[MMS: Securing Ocean Energy & Economic Value for America](#)
U.S. Department of the Interior