

Summary: Oil and Gas Production Company Underpaid Royalties Owed to the Government

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The OIG investigated allegations that Smith & Marris, Inc., an oil and gas production company, failed to report mineral production and sales from Federal leases located in New Mexico, which resulted in a loss of royalties owed to the U.S. Department of the Interior (DOI). We conducted the investigation jointly with the Bureau of Land Management's (BLM) Special Investigations Group.

We found that Smith & Marris, Inc., failed to properly report oil and gas production and sales from Federal leases, which resulted in an underpayment of royalties and late payment interest. We then coordinated with ONRR officials to determine the total loss of royalties and interest, and ONRR sent Smith & Marris payment requests for royalties due and late payment interest, which amounted to approximately \$158,000. ONRR subsequently confirmed they had received full payment from Smith & Marris.

We referred our investigative findings to the U.S. Attorney's Office for the District of Colorado, which declined prosecution.

This is a summary of an investigative report we issued to the ONRR and BLM Directors.

