

The NewsRoom

Release: #3628

Date: August 15, 2007

MMS Announces \$97.5 Million Settlement with Burlington Resources

Agreement Interest Costs Increase Payment to \$105 Million

DENVER – A settlement agreement resolving several natural gas royalty issues on Federal and American Indian lands provides for Burlington Resources Oil & Gas Company to pay \$97,550,362 to the Federal Government, the Department of the Interior's Minerals Management Service (MMS) announced today. The settlement agreement also provides for the government to receive interest on the settlement amount for the period Sept. 1, 2006, until the final payment is made, putting the total settlement amount at slightly more than \$105 million.

The \$97.5 million settlement resolves several long-standing issues related to natural gas produced from coal seams and conventional reservoirs, primarily in the state of New Mexico, and non-allowable deductions that the company had claimed when making royalty payments.

"This settlement should serve as a strong reminder that MMS will aggressively pursue all royalties due to the government from production that occurs on Federal and American Indian lands," MMS Director Randall Luthi said. Luthi praised the efforts of the state of New Mexico auditors who initially helped identify the non-allowable deductions; the Minerals Revenue Management Program of MMS; and the Department of Justice, which represented MMS in a District Court complaint filed against Burlington under the False Claims Act and led the settlement negotiations.

The agreement covers natural gas production that occurred from March 1, 1988, through March 31, 2005, for the improper valuation of the gas from coal seams, and from March 1, 1988, through Dec. 31, 1997, for under-reported value of conventional gas and natural gas liquids.

In addition to resolving the False Claims Act complaint, the settlement also resolves several "orders to pay" that MMS had previously issued to Burlington beginning in the 1990s. Those orders addressed non-allowable or excessive deductions for processing and transportation, including the cost of removing carbon dioxide (CO₂) from the gas. MMS has maintained, and recent court rulings have affirmed, that those costs must be paid by the company and cannot be deducted from royalty payments.

Approximately \$94.5 million of the settlement will be allocated to Federal leases in New Mexico, which will be split between the Federal Government and the state of New Mexico. In addition, MMS will disburse portions of the settlement to a Federal lease in Colorado and Federal leases in Oklahoma, to the Jicarilla Apache Nation, to the Ute Mountain Ute Tribe, to Indian mineral owners in the Concho and Anadarko areas in Oklahoma, and to individual Navajo mineral owners in New Mexico.

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