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THURSDAY, SEPTEMBER 28, 2000

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**SHELL OIL TO PAY UNITED STATES \$56 MILLION
FOR UNDERPAYMENT OF GAS ROYALTIES**

WASHINGTON, D.C. - Shell Oil has agreed to pay the United States \$56 million to resolve claims that it underpaid royalties owed on natural gas produced from federal leases, the Justice Department announced today. Today's settlement resolves allegations that Shell systematically under reported the value of natural gas that it produced on federal leases in the Gulf of Mexico from August 1, 1986 to December 31, 1999 and, consequently, paid less royalties than it owed to the government.

"The Department of Justice is committed to ensuring that the United States is fairly compensated for the sale of valuable assets from public lands," said David W. Ogden, Assistant Attorney General for the Civil Division.

The Minerals Management Service of the U.S. Department of the Interior is responsible for overseeing the collection of royalties on federal leases. Each month, oil companies are required to report to the Minerals Management Service the value of the natural gas produced from their federal leases and to pay a percentage of the reported value as royalties.

Last March, the Department of Justice partially intervened in several lawsuits filed under the False Claims Act by private parties on behalf of the United States alleging that a number of oil companies, including Shell, had systematically undervalued their natural gas production from federal leases.

"This settlement brings us one step closer to restoring to the taxpayers of the United States money due for production of natural gas from public lands," said Mike Bradford, U.S. Attorney for the Eastern District of Texas. "We commend Shell for settling this matter in a way that avoids further litigation, and we will continue to pursue claims against other companies that have underpaid royalties on their natural gas production."

Since 1998, the Department has recovered more than \$200 million in related lawsuits alleging underpayment of royalties on crude oil extracted from federal lands. Previously, settlement agreements were reached with several companies, including Mobil Oil, \$45 million; Oxy USA, Inc., \$7.3 million; Chevron, \$95 million; and Conoco, \$26 million.

The investigation and settlement were jointly handled by the U.S. Attorney for the Eastern District of Texas and the Civil Division of the Department of Justice, with the assistance of the Department of the Interior's Office of Inspector General and the Minerals Management Service.

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