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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

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Chevron to Pay U.S. More Than \$45 Million to Resolve Allegations of False Claims for Royalties Underpayment

WASHINGTON – Chevron Corporation, Texaco, Unocal Incorporated and their affiliates (the Chevron companies) have agreed to pay the United States \$45,569,584.74, to resolve claims that they violated the False Claims Act by knowingly underpaying royalties owed on natural gas produced from federal and Indian leases, the Justice Department announced today.

The Minerals Management Service (MMS) of the U.S. Department of the Interior is responsible for overseeing the collection of royalties on federal and Indian leases. Each month, companies are required to report to the MMS the value of the natural gas produced from their federal and Indian leases and to pay a percentage of the reported value as royalties. The settlement resolves claims by the United States that the Chevron, Texaco and Unocal companies improperly deducted from royalty values the cost of boosting gas up to pipeline pressures, used affiliate transactions to falsely reduce the reported value of gas taken from federal and Indian leases, and improperly reported processed gas as unprocessed gas to reduce royalty payments.

"This settlement successfully ends long-standing litigation and ensures that taxpayers receive their fair share of royalty revenues from energy production on federal and American Indian lands," said Interior Secretary Ken Salazar. "Most of the \$45 million settlement will be disbursed to appropriate federal, state and American Indian accounts that were affected by Chevron companies' underpayment of natural gas royalties and improper deductions. This administration is changing the way Interior does business and settlements, such as this one, demonstrate our determination to assure the American public receives fair market value for the resources we manage in their name."

"Mineral royalties provide an important source of income for Native Americans, the United States, and various States. The Department of Justice is committed to protecting public and Indian lands and to ensuring that companies with leases to take natural gas from those lands pay their fair share of royalties," said Tony West, Assistant Attorney General for the Civil Division of the Department of Justice. Assistant Attorney General West noted that this settlement resulted from the collaborative efforts of the Justice Department's Civil Division, the U.S. Attorney's Office for the Eastern District of Texas, and the Department of the Interior's Office of Inspector General, Minerals Management Service and Office of the Solicitor.

Today's settlement resolves allegations under the False Claims Act that the Chevron companies systematically under reported the value of natural gas that they took from federal and Indian leases from March 1988 to November 2008 and, consequently, that they paid less royalties than they owed to the United States and various Indian tribes.

"Perhaps it is part of the human condition to take advantage of others and to not conduct business in a honorable fashion. But it will never be the right way to do business. Today's settlement affirms the basic truth that it is never a good idea to cheat. Both the Department of Justice and the U.S. Attorney's Office will always take the necessary steps to protect the royalty interests of the Indian tribes as well as the United States," said Malcolm Bales, the U.S. Attorney for the Eastern District of Texas.

The settlement with the Chevron companies arises from a lawsuit filed in federal court in Texas by Harrold Wright under the whistleblower provisions of the False Claims Act, which allow private citizens to file actions on behalf of the United States and share in any recovery. Because Mr. Wright is deceased, his heirs will receive \$12,303,787.88, plus interest, as part of this settlement. Mr. Wright's suit alleges that a number of companies systematically underpaid royalties due for their production of natural gas from federal and Indian lands. The Justice Department previously settled with Burlington Resources Inc. for \$105.3 million, Shell Oil Company for \$56 million and Dominion Exploration and Production Company for \$2 million.

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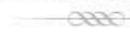
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The case is *U.S. ex rel. Wright v. Chevron USA, Inc. et al.*, 5:03-CV-264 (E.D. Tex.)

09-1379

Civil Division

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