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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, May 10, 2011

Shell Oil Companies to Pay \$2.2 Million to Resolve Allegations of Royalty Underpayments from Federal Lands

WASHINGTON – Shell Oil Company and other Shell affiliates have agreed to pay the United States \$2.2 million to resolve claims that the companies violated the False Claims Act by knowingly underpaying royalties owed on natural gas produced from federal leases, the Justice Department announced today. Shell Oil Company is the U.S.-based subsidiary of Royal Dutch Shell, a multinational oil company, and is a leading producer of oil and natural gas.

Congress has authorized federal and Indian lands to be leased for the production of natural gas in exchange for the payment of royalties on the value of the gas that is produced. Each month companies are required to report to the U.S. Department of the Interior (DOI) the amount of royalty that is due. This settlement resolves claims by the United States that the Shell defendants improperly deducted from royalty values the cost of boosting gas up to pipeline pressures, and improperly reported processed gas as unprocessed gas to reduce royalty payments.

In June 2003, Shell paid \$56 million to settle claims that it knowingly underpaid royalties related to natural gas and natural gas liquids produced from federal lands located in the Gulf of Mexico. Today's settlement resolves claims related to Shell's on-shore federal leases.

"Natural gas is a non-renewable resource. When the United States allows companies to remove gas from public lands that belong to all of us, we must require those companies to pay all of the royalties they owe, because those funds support important federal programs from which we all benefit," said Tony West, Assistant Attorney General for the Civil Division of the Department of Justice. "Through cases like this, we are keeping our commitment to protect public lands and the valuable resources they contain."

"We are required to ensure that energy companies accurately report production and pay the required royalties," said Chris Henderson, Acting Assistant Secretary for the DOI's Office of Policy, Management and Budget. "We will continue to pursue any case where companies do not follow the rules."

Today's settlement arises from a lawsuit filed by Harrold Wright under the False Claims Act. Under the *qui tam*, or whistleblower, provisions of the act, private citizens may file actions on behalf of the United States and share in any recovery. Because Mr. Wright is deceased, his heirs will receive \$572,000 as their share of the settlements. The United States intervened against Shell for the purpose

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of completing this settlement, and had previously intervened as to the claims settled in 2003, but had otherwise declined to intervene in the allegations against Shell. The Justice Department previously intervened against several other defendants in the *Wright* lawsuit. Total settlements in the case to date exceed \$233 million.

The investigation and settlement of this matter was jointly handled by the Justice Department's Civil Division and the U.S. Attorney for the Eastern District of Texas, with assistance from the Department of the Interior's Office of Natural Resources Revenue, Office of the Solicitor and Office of the Inspector General.

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

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