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Interior Issues \$5.2 M Civil Penalty to BP America for False Reporting on Tribal Lands

DENVER – The Department of the Interior’s Bureau of Ocean Energy Management, Regulation and Enforcement (BOEM) announced today that BP America Inc. has been assessed a civil penalty of \$5.2 million for submitting “false, inaccurate, or misleading” reports for energy production that occurred on Southern Ute Indian Tribal lands in southwestern Colorado. The civil penalty announced today is not related to the BP oil spill in the Gulf of Mexico.

“It is simply unacceptable for companies to repeatedly misreport production, particularly when it interferes with the auditing process,” said BOEM Director Michael R. Bromwich. “We are committed to collecting every dollar due from energy production that occurs on Federal and American Indian lands, and accurate reporting is crucial to that effort.”

Bromwich praised the work of Southern Ute Tribal auditors who initially discovered the errors during an audit and which the Tribe first brought to BP’s attention August 2, 2007. The Tribe’s audit was conducted as part of a cooperative agreement with BOEM’s Minerals Revenue Management program (MRM). The Tribe was instrumental in documenting the ongoing errors.

Bromwich’s sentiments were shared by Southern Ute Tribal Chairman Matthew J. Box. “The Southern Ute Indian Tribe and the MRM have had a highly successful 25-year-long audit relationship,” Box said. “Over the years, this relationship has yielded significant benefits for the Tribal membership. One of the more important aspects of the audit program is to encourage oil and gas companies to accurately report the Tribe’s royalties to the MRM.” Box added, “I appreciate the MRM’s recognition of its trust responsibility to the Tribe by assessing civil penalties when other means have failed to attain correct and accurate reporting.”

The Southern Ute Tribal auditors and MRM found that BP reported incorrect royalty rates and prices for royalty purposes, and reported well production on leases other than those to which the production is attributable.

After receiving audit issue letters and an order, the company agreed with the auditors' concerns and repeatedly promised to correct the problems, which they attributed to errors in their automated files.

As part of its investigation, MRM and Tribal auditors examined later production reports to determine if BP had resolved the issues, as it had agreed. Bromwich said the same reporting errors were found in the later reviews, "leading us to conclude that BP's continued submission of erroneous reports was knowing or willful."

Bromwich said the total civil penalty is \$5,189,800 through May 15, 2010. The company may challenge the civil penalty assessment through a Department of Interior hearing procedure.

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