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ONRR Issues \$947,200 Civil Penalty to OXY USA *Company cited for 'knowing or willful' failure to permit an audit*

DENVER – The Department of the Interior’s Office of Natural Resources Revenue (ONRR) announced today that it has assessed OXY USA, Inc., a \$947,200 civil penalty for “knowing or willful failure” to permit an audit of the company’s oil and gas leases on federal lands in New Mexico.

“The goal of these audits is to ensure that we are collecting every dollar due to the American taxpayer,” said ONRR Director Greg Gould. “The failure of OXY to provide the necessary documents for an audit substantially delayed its completion, and that is simply unacceptable.”

The State of New Mexico contacted OXY on numerous occasions requesting that the company provide specific documents necessary to perform an audit of its oil and gas revenue reporting and payment. On Jan. 20, 2011, the State notified OXY that it would perform an audit of volumes, values and royalties for four federal leases and two agreements in New Mexico (combining multiple leases into one unit for reporting purposes). The audit covered the period from March 2008 through December 2009. The notification also included a request for OXY to complete three questionnaires essential to planning the audit.

On June 6, 2011, the state sent OXY two documents, an “Engagement Letter” and a notice entitled “Audit Scope and First Data Request.” The Audit Scope and First Data Request required OXY to provide – no later than June 28, 2011 – contracts with property/meter exhibits, its working interests, and production and royalty source documents to substantiate the 2008 and 2009 royalty and production reports OXY submitted to ONRR. The Engagement letter again requested OXY to complete and return the questionnaires by June 28, 2011.

When OXY failed to comply with the audit document requests, the State asked ONRR’s Office of Enforcement for assistance in obtaining the information needed. The Office of Enforcement conducted a teleconference with OXY and State auditors on Aug. 30, 2011, explaining that OXY’s continued failure to provide the requested documents would be met with a substantial civil penalty. OXY then agreed to provide the requested documents by Sept. 16, 2011. Although OXY did provide some of the promised documents before the deadline, it did not provide all necessary documents and they were insufficient to permit the state auditors to complete certain audit steps in a timely manner.

ONRR issued the civil penalty on April 15, 2013. The penalty covers the period from Sept. 16, 2011, through March 8, 2012. The company, with offices in Houston, Texas, may request a hearing on the civil penalty.

“Compliance with the law and various statutes is vital to our mission,” said Gilbert P. Martinez, Bureau Chief in the New Mexico Taxation and Revenue Department. “Delays and other obstacles only impede this mission, which is to deliver quality and timely services to the taxpayers of New Mexico.” Gould also praised the close working relationship ONRR has developed with New Mexico through its cooperative audit agreement, which allows the state to perform audits and other compliance checks on behalf of ONRR on federal lands within its borders.

The Office of Natural Resources Revenue, part of the Department’s Office of Policy, Management and Budget, is responsible for collecting and disbursing revenues from energy production that occurs onshore on federal and American Indian lands, and offshore in the Outer Continental Shelf. During Fiscal Year 2012, the agency disbursed more than \$12.15 billion to states, American Indian Tribes and individual Indian mineral owners, and to various Federal accounts, including the U.S. Treasury, the Land and Water Conservation Fund, and the Reclamation Fund.

ONRR