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News Release

Office of Natural Resources Revenue

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Anadarko, Kerr-McGee settlement garners \$17 million payment to U.S.

WASHINGTON — Anadarko Petroleum Corporation, Kerr-McGee Corporation and their affiliates have agreed to pay the United States \$16.375 million plus interest to resolve claims that the companies violated the False Claims Act by knowingly underpaying royalties owed on natural gas produced from federal and American Indian leases, and numerous additional administrative claims, the Justice Department and the Department of the Interior's Office of Natural Resources Revenue (ONRR) announced today."

Anadarko Petroleum and Kerr-McGee were independent companies and were named separately when the False Claims Act case was originally filed in 1996. In June 2006, the Kerr-McGee Corporation became a wholly-owned subsidiary of Anadarko.

"We remain committed to ensuring that energy companies accurately report production and report and pay all of the required royalties, with no exceptions," said Rhea Suh, Assistant Secretary for the Department of the Interior's Office of Policy, Management and Budget. "We will continue to pursue every dollar due to taxpayers and the federal government from extracting these precious natural resources from federal and American Indian lands."

Her sentiments were shared by Tony West, Assistant Attorney General for the Civil Division of the Department of Justice. "This case is one in a series of significant oil and gas settlements that demonstrate our commitment to ensuring that companies pay all of the royalties they owe," said West. "When companies pay natural gas royalties for the privilege to extract non-renewable resources from public lands, that income supports vital federal programs from which we all benefit."

The settlement resolves claims by the United States under the False Claims Act that the 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 their royalty payments.

The settlement agreement arises from a lawsuit filed by Harrold Wright under the Federal False Claims Act. Under the *qui tam*, or whistleblower, provisions of the Act, private citizens may file actions on behalf of the United States Government and share in any

recovery. Because Mr. Wright is deceased, his heirs will receive \$1.95 million as part of their share of the settlement.

The settlement agreement was reached among the Anadarko and Kerr-McGee defendants, the Department of the Interior through its Office of Natural Resources Revenue (ONRR), and the Justice Department's Civil Division and the U.S. Attorney for the Eastern District of Texas, with assistance from the DOI's Office of Inspector General and the Office of the Solicitor. The total payment, including interest, is more than \$17 million.

Settlements from this case and preceding settlements since 2007 with other companies who were named in the original suit total approximately \$250 million.

The Office of Natural Resources Revenue, part of the DOI's Office of Policy, Management and Budget (PMB), 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 2010, the agency disbursed more than \$9.1 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.

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