

Summary: Company Failed to Pay Federal Royalties on Production

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The OIG investigated allegations received from the Bureau of Land Management (BLM) that a company failed to pay Federal royalties on production from four wells. These four wells were part of Federal interest-bearing communitization agreements (CAs)¹ in Colorado. These CAs contained a Federal interest percentage and therefore a Federal royalty obligation.

Our investigation substantiated part of the BLM's allegations related to two of the wells. Specifically, we found that from January 2016 to December 2017, the company failed to pay Federal royalties on those two wells. The company also did not properly attribute production to the CA in which those wells were located. After we contacted the company, it remitted a payment of \$16,339.47 to the Office of Natural Resources Revenue (ONRR) for unpaid royalties and properly attributed production to the associated CAs.

With respect to the remaining allegations, we found that the company was not responsible for the other two wells. Instead, another company was the record title owner of those wells. The other company correctly reported 2016 to 2022 production on those wells and properly paid Federal royalties into the wells' CAs.

We presented our findings to the U.S. Attorney's Office for the District of Colorado, which declined to prosecute the matter.

This is a summary of an investigative report we issued to the Directors of ONRR and BLM for any action deemed appropriate.

¹ CAs are legal agreements that allow multiple oil and gas leases or tracts—including Federal, Indian, State, and private (fee) lands—to be developed and operated as a single unit when individual development is impractical due to well-spacing regulations or geological considerations.