

BOEMRE Fast Facts

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BOEMRE Royalty Enforcement Program

The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), a bureau in the U.S. Department of the Interior (Department), is the Federal agency that manages the Nation's renewable energy, natural gas, oil and mineral resources on the Outer Continental Shelf (OCS). The BOEMRE manages the collection, verification, and disbursements of revenue generated from bonuses, rents and royalties from the OCS and Federal and Indian lands onshore. The BOEMRE has disbursed an average of more than \$13 billion annually over the past five years.

In support of the responsibilities of collecting and disbursing revenues, BOEMRE has a robust royalty enforcement program. This royalty enforcement program ensures that energy companies comply with applicable laws, regulations, and lease terms; pay their fair share of royalties; and accurately report production from leases on Federal onshore and offshore and American Indian lands. Through numerous enforcement actions, BOEMRE recovered more than \$157 million in Calendar Year 2009 that otherwise would not have been collected.

BOEMRE's royalty enforcement program includes an aggressive audit and compliance program, sophisticated computing systems that automatically detect when royalties are not paid properly and/or timely, interest on late payments, and follow-up enforcement actions including civil penalties, negotiated settlements, and other methods to detect and collect any additional royalties that may be due to the Federal Government, States, and American Indians.

The Audit and Compliance Program

BOEMRE's audit and compliance program includes more than 250 audit and compliance staff located in Denver, Colorado; Houston and Dallas, Texas; Oklahoma City and Tulsa, Oklahoma; and Farmington, New Mexico. The BOEMRE audit program is augmented by partnerships with more than 100 State and Tribal auditors who are authorized by law to carry out certain inspection, auditing, investigation, or enforcement activities for Federal and American Indian leases in their jurisdiction.

The BOEMRE, States and Tribes perform audits in accordance with the Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards. Audits are performed on specifically targeted and randomly selected companies and properties. The audits and other compliance activities performed by the BOEMRE can

range from limited-scope reviews that examine one or more specific areas to full-scale audits that review all aspects of a company's reports and payments over several years.

During Fiscal Years 2008-2009, BOEMRE reviewed or audited more than 900 companies and more than 6,300 minerals producing properties. During Calendar Year 2009, BOEMRE collected an additional \$65 million through auditing and compliance reviews. Since 1982, the BOEMRE has collected \$3.7 billion in additional royalties due to BOEMRE audit and compliance efforts.

Sophisticated Computing Systems

BOEMRE uses a comprehensive, consolidated computer system for the collection, accounting, and disbursement of mineral revenues from Federal and Indian leases. Each month, the BOEMRE computer system runs automated processes to ensure that companies follow Federal laws, regulations, and lease terms in their financial reporting to BOEMRE. The automated processes detect unmet financial obligations established in the lease, such as annual rental payments, royalty due on reported production, interest due on late payments, and violations of Indian recoupment limitations. Any delinquent invoices are referred to the Department of Treasury within 180 days for collection under the Debt Collection Act.

During Calendar Year 2009, BOEMRE collected more than \$34 million through these efforts, including collection of interest due on late payments.

Enforcement Actions

BOEMRE issues civil penalties when companies fail to comply with or knowingly violate mineral revenue regulations or laws. Such penalties are authorized by the Federal Oil and Gas Royalty Management Act of 1982. As much as \$5,000 per violation per day may be assessed on failures to submit reports or provide requested data and as much as \$10,000 to \$25,000 per violation per day for certain knowing violations including failure to pay royalties, failure to permit an audit, and submission of false information. Some violations are also crimes under other Federal statutes. BOEMRE works in partnership with the Department's Office of Inspector General and the U.S. Attorney's Office in pursuing these violations. BOEMRE has collected more than \$35 million in civil penalties since its inception in 1982.

The BOEMRE royalty enforcement program also has an alternative dispute resolution process in place to negotiate settlements with companies to avoid the costs and uncertainty associated with litigation, since there are no guarantees on the outcome of any particular court case. Settlements save taxpayers the cost of pursuing lengthy litigation, while recovering underpaid royalties and interest and ensuring future compliance by companies. During Calendar Year 2009, BOEMRE collected more than \$58 million through follow-up enforcement actions including negotiated settlements, civil penalties, and other methods to collect additional royalties due.

Royalty Reporting and Payment Assistance

Comprehensive information on royalty reporting and payment assistance is available on the BOEMRE website at <http://www.mrm.boemre.gov/FM/ReptInfo.htm>. This web page provides public access to documents that explain every step in the process of reporting and paying royalties. BOEMRE also issues guidance to companies, sponsors training sessions at many locations throughout the country, and participates in meetings sponsored by external organizations to answer questions and provide guidance.

To find out more information on the Minerals Revenue Management Program, visit the BOEMRE website at <http://www.mrm.boemre.gov/>; visit <http://www.boemre.gov/offshore/> for information on the Offshore Energy and Minerals Management Program; or call the Office of the BOEMRE Office of Congressional Affairs at (202) 208-3502.

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