

Summary: Company Failed to Report Production and Pay Royalties for Oil and Gas in Colorado

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The OIG investigated allegations that a company failed to report production and pay royalties for oil and gas produced from Federal leases and agreements in Colorado.

We found that the owner of the company failed to pay royalties due to the mineral interest owners from whom the company leased the rights to extract and sell oil and gas. Additionally, the owner failed to pay contracted workers for services performed at the well sites, and failed to file State income tax for 3 years. Victims included private parties, the United States, and county taxpayers, all of whom were entitled to certain revenues and payments from the oil and gas operations.

On May 25, 2022, the Department of the Interior's Suspending and Debarring Official issued a Notice of Suspension of the company's owner.

On April 25, 2023, the owner pleaded guilty in the county's district court to felony theft as well as a misdemeanor for failure to file taxes related to involvement with oil and gas wells in the county between 2017 and 2021. The owner was sentenced to 4 years of supervised probation, during which time the owner must pay restitution, limit corporate activity and involvement in the oil and gas industry, and open financial and business records to probation officers upon request. The restitution requirement consists of payment of \$288,504 to mineral rights owners for unpaid royalties, \$89,564 to former service providers for unpaid wages, \$37,629 to the State of Colorado for back income taxes, and \$62,530 in taxes to the county.

This is a summary of an investigative report we issued to the Directors of the Office of Natural Resources Revenue and the Bureau of Land Management.

