

Summary: Company Used Gas from Federal Lease for Cryptomining Without Authorization

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The OIG investigated allegations that an oil and gas company used natural gas produced from a Federal lease to power cryptocurrency mining operations without authorization.

We found that the identified oil and gas company and its associates sold natural gas from Federal leases to a third party to power cryptocurrency mining operations and reported those sales as used on lease in production reports to the State of Colorado. Additionally, for more than 18 months, the company failed to report production on those same leases to the Office of Natural Resources Revenue (ONRR) and later updated its production to ONRR and reported gas sold for cryptomining as beneficial use on those Federal leases. These actions may implicate the Federal Oil and Gas Royalty Management Act (FOGRMA) and could constitute violations, including for false reporting as beneficial use and pricing the gas sold for cryptomining operations below fair market value. In addition, we identified land use concerns and potential regulatory violations related to cryptomining operations, including inaccurate site security diagrams, a lack of approved rights-of-way for cryptomining equipment, and potential safety and environmental impacts. We presented our findings to the U.S. Department of Justice, which declined prosecution.

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

