

Summary: Investigation of Suspected False Gas Production

Report Date: July 25, 2016

OIG investigated allegations that an oil and gas company operating mineral leases in the Wayne National Forest, Ohio, paid royalties based on false gas production volumes. Officials with the Bureau of Land Management (BLM) reported that the gas and oil wells associated with the leases were incapable of production, and they suspected that the company submitted payments to the Office of Natural Resources Revenue solely to maintain the mineral leases. According to Federal regulations and lease provisions, lease terms are subject to a well's ability to produce minerals, and if the wells associated with a lease no longer produce minerals in paying quantities, the lease itself may be subject to termination.

Working with BLM's Special Investigations Group, we determined that the allegations were unsubstantiated. We found that the company operating the leases was actively working at one well site. Contrary to the initial information we received, we also identified additional wells that were producing gas.

This is a summary of an investigative report that we provided to the Bureau of Land Management for information.

