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MMS audit uncovers underpayments to American Indians: Companies ordered to pay \$2 million more in royalties

The Minerals Management Service (MMS) has ordered several oil and gas companies to pay approximately \$2 million in additional oil and gas royalties to American Indian tribes and individual Indian mineral owners from production on their lands in 2001.

MMS uncovered the additional royalties as part of a routine government audit, called a compliance review, that examines royalty payments made by oil and gas companies drilling on Indian lands. When the amount paid by the companies differs with the MMS compliance review, the agency orders the companies to pay the difference. During last year's compliance review, MMS found \$1.6 million in additional royalties were due from oil and gas produced from Indian lands.

"We work very hard to assure that the oil and gas royalty payments we receive for Indian tribes and allottees are paid correctly," said Lucy Querques Denett, MMS Associate Director for Minerals Revenue Management. "We dedicate considerable resources and time in identifying royalty underpayments as quickly as possible."

The Minerals Management Service, a bureau of the Department of the Interior, collects and verifies mineral revenues from approximately 3,800 Indian leases and distributes those revenues and supporting data to the Bureau of Indian Affairs for distribution to American Indian lessors. Federal law requires that all monies collected from mineral production on American Indian lands go back to the Indian Tribes or individual Indians who own the land.

In addition to identifying additional potential royalties due to Tribes and individuals, Querques Denett said, MMS conducted 69 outreach sessions this past year with the Indian community throughout several Western states and successfully answered or resolved approximately 6,900 inquiries from individual Indian mineral owners. "This is the most extensive outreach we've ever done," Querques Denett said, "and the most inquiries ever serviced since we began keeping records."

The Minerals Management Service is the federal agency responsible for managing the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf in federal offshore waters. It also collects, accounts for, and disburses mineral revenues from federal and American Indian lands. Those revenues totaled more than \$6 billion in 2002 and nearly \$128 billion since the agency was created in 1982.

Revenues collected by MMS from federal onshore and offshore leases are distributed to the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands; to the National Historic Preservation Fund and the Reclamation Fund; to individual states where the leases are located; to the U.S. Treasury; and to Indian Tribes and individual allottees.

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