

# **Summary: Gas Marketing Company Conspired to Defraud Oil and Gas Companies on Leased Land**

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The OIG investigated allegations that a gas marketing company, B. Charles Rogers Gas, Ltd. (BCR), underreported natural gas liquid volumes and overcharged companies producing gas from Federal wells in New Mexico, which resulted in a loss of Federal and tribal mineral royalties.

We found that Billy Charles Rogers, Jr., and Wynon Rogers, co-owners of the BCR, and Thomas R. Lutner, III conspired to defraud approximately 30 oil and gas companies. From 2003 through 2015, the BCR purchased gas from companies with Federal, Indian, State, and private leases in the San Juan Basin area of New Mexico and Colorado. Lutner, who worked as a gas supply originator, then purchased aggregate gas packages from the BCR. The Rogerses and Lutner then provided producers false transaction statements in connection with the BCR's gas purchases that underreported the volume and value of the natural gas liquids that the BCR purchased. Lutner and the Rogerses knew the true volumes and prices for the natural gas liquids, but the BCR provided producers with false monthly statements and paid them far less than what the BCR owed. The Rogerses then shared the fraudulent profits with Lutner.

As a result of the BCR's fraud scheme, the victim companies relied upon the false gas marketing statements issued to them by the BCR and unknowingly failed to properly calculate mineral royalties associated with Federal and tribal leases. The companies thus paid less in royalties than they should have.

The United States Attorney's Office for the Northern District of Texas criminally prosecuted this case, resulting in guilty pleas by all three co-conspirators for violating Title 18 U.S.C. § 371, conspiracy to commit wire fraud. Charles and Wynon Rogers were each sentenced to serve 6 months in prison and 2 years of probation and ordered to pay joint restitution totaling \$7,718,876.60. Lutner was sentenced to serve 10 months in prison and 1 year of probation and ordered to pay restitution totaling \$16,900,737.66. As a result, over \$24.6 million was returned to the oil and gas companies victimized by this criminal conspiracy.

Additionally, the three subjects paid approximately \$4.375 million to settle a civil false claims act case with the Department of Justice's Civil Division. The funds received recovered unpaid Federal mineral royalties the subjects owed to the Office of Natural Resources Revenue (ONRR).

This is a summary of an investigative report we issued to the Director of ONRR.

