Summary: Oil and Gas Company Settles False Claims Act Case for $6.15 Million

Report Date: December 7, 2021 **Report Number: 12-0414**

The OIG investigated allegations from the Office of Natural Resources Revenue (ONRR) that Devon Energy Corporation (Devon) claimed unallowable transportation costs when the company calculated its Federal mineral royalty obligation for natural gas produced from Federal wells. Specifically, ONRR alleged Devon failed to comply with ONRR's marketable condition rule, which has been interpreted that precludes companies from deducting certain costs when calculating their Federal mineral royalty obligation.

We substantiated the allegations and found Devon routinely submitted inaccurate royalty reports to ONRR and claimed excessive transportation allowances to reduce its mineral royalty obligations on natural gas produced from Federal wells in New Mexico and Wyoming. We also found Devon improperly deducted costs for placing natural gas production into marketable condition even though it was aware of ONRR's marketable condition rule and its guidance.

We presented our findings to the U.S. Department of Justice, and in September 2021, Devon agreed to pay ONRR $6.15 million to resolve the allegations that it violated the False Claims Act by underpaying and underreporting Federal mineral royalties.

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