Summary: Leaseholder Penalized for Failing To Make Timely Royalty Payments

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The OIG investigated allegations received from the Office of Natural Resources Revenue (ONRR) that the leaseholder of a gravel pit belonging to the Yakama Nation failed to make timely royalty payments for minerals (gravel) a subcontractor removed from the pit.

We confirmed that the individual in question was the gravel pit's legal leaseholder and failed to make numerous payments to the Bureau of Indian Affairs (BIA) between Fall 2011 and Spring 2019. The legal leaseholder was responsible for ensuring mineral royalties associated with the removal and sale of gravel from the Tribe's lease were properly calculated, reported, and paid. The leaseholder admitted to a failure to make monthly payments but stated that this was because a subcontractor operating the gravel pit failed to pay for gravel it removed. The subcontractor operated the pit, sold the gravel, and received the sales revenues. The leaseholder claimed an inability to pay BIA mineral royalties without receiving the subcontractor's payments. In early 2020, ONRR issued a civil penalty to the leaseholder for "knowing or willful failure to pay royalties." The leaseholder appealed ONRR's penalty, but that matter remained unresolved as of late 2021.

During our investigation, we discovered that the subcontractor directly engaged the Yakama Nation Land Enterprise (YNLE), a tribally owned business entity that manages the Tribe's mineral leases, in mediation discussions regarding their nonpayment of gravel royalties without involving the leaseholder. In January of 2021, the subcontractor signed a settlement agreement with YNLE worth $745,858.73 for "full, complete, and final settlement for all past due royalty payments due to YNLE." On January 19, 2021, YNLE notified ONRR that the subcontractor fulfilled its settlement obligation, resolving the matter under investigation.

This is a summary of a report we issued to the Directors of the BIA and ONRR.