



U.S. Department of the Interior

# News Release

## Office of Natural Resources Revenue

[www.onrr.gov](http://www.onrr.gov)

### Office of Public Affairs

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## **ONRR Issues \$2.1 Million Civil Penalty to Chesapeake Energy *Company Cited for Maintaining Inaccurate Information in Royalty Reports***

**DENVER** – The Department of the Interior’s Office of Natural Resources Revenue (ONRR) announced today that it assessed a \$2,118,900 civil penalty against Chesapeake Energy Corporation. Chesapeake failed to comply with an October 2011 Order, which found repeated, systemic errors in Chesapeake’s monthly reporting of the amount of gas it produced and sold from Indian leases, directly affecting ONRR’s ability to fulfill its regulatory obligation to collect every dollar due.

The 2011 Order required Chesapeake to review the amounts it reported for more than 100 Indian leases and correct unreported and misreported volumes. While ONRR eventually obtained Chesapeake’s compliance with its Order to amend monthly reports to correct for its misreporting, Chesapeake continued to maintain inaccurate information on ONRR data systems for an extended period. ONRR issued the civil penalty for Chesapeake’s knowing or willful maintenance of this inaccurate information.

“Taxpayers and American Indian Tribes are best served when companies comply with their regulatory obligation to correct erroneous data regarding the volumes of commodity produced and sold,” said Paul A. Mussenden, Interior’s Deputy Assistant Secretary for Natural Resources Revenue Management. “In this instance, the company was ordered to correct under-reported volumes in its royalty reports beginning in 2011. While the company assured ONRR it had corrected all the reports, follow-up checks still found additional errors.”

Mussenden added, “Correct royalty reports, especially on American Indian leases, are essential for ONRR to ensure all royalties are paid, to provide reliable data used by ONRR’s audit and compliance teams, and to provide accurate data to the American public. Accordingly, the ONRR audit and enforcement teams will continue their vigilance in ensuring that companies timely comply with orders to correct erroneous data to avoid expending limited federal resources chasing correct information.”

In October 2011, ONRR issued Chesapeake the Order to Perform Restructured Accounting. In May 2012, Chesapeake said it had submitted all the corrections required by the Order. ONRR conducted follow-up testing and found additional under-reported volumes, which Chesapeake corrected in 2013. ONRR again conducted further sampling and still found uncorrected volume shortages. Those reports were corrected in May 2014.

Chesapeake has offices in Oklahoma City, Oklahoma.

The Office of Natural Resources Revenue, part of the Department’s Office of Policy, Management and Budget, is responsible for collecting and disbursing revenues from

energy production that occurs onshore on Federal and American Indian lands, and offshore in the Outer Continental Shelf. During Fiscal Year 2014, the agency disbursed more than \$13.4 billion to states, American Indian Tribes and individual Indian mineral owners, and to various Federal accounts, including the U.S. Treasury, the Land and Water Conservation Fund, and the Reclamation Fund.

## **ONRR**