

Summary: Gas Production Company Allegedly Violated Regulations and Undervalued Federal Gas

Report Date: January 21, 2020

Report Number: 15-0577

The OIG investigated allegations that Somont Oil Company improperly reduced its Federal royalty obligations by deducting unallowable costs associated with its production and sale of natural gas extracted from Federal wells in Montana.

We alleged that Charles Jansky, the owner of Somont Oil Company, violated Federal regulations and improperly reduced the company's Federal mineral royalty obligations to the Office of Natural Resources Revenue (ONRR) by improperly designating sales with a related company as arm's-length and calculating and paying royalties to ONRR based on the correspondingly lower (non-arm's-length) prices and higher transportation and processing costs. We alleged he also deducted unsupported costs from royalty calculations, including costs incurred to place the gas into marketable condition, and failed to maintain records.

On September 27, 2019, the United States Attorney's Office, District of Montana, and ONRR settled the matter with Jansky for \$137,500, which resolved the violations.

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

