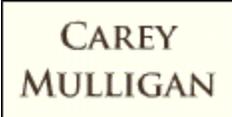


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September 20, 2010

## Oil Company Fined in Royalty Case

By **ERIC LICHTBLAU**

WASHINGTON — Nearly seven years after a government auditor charged that an oil company had cheated the government out of millions of dollars in royalties, a federal judge has ordered the company to pay nearly \$23 million in penalties — including \$5.7 million to the auditor who uncovered the problem.

The company, Kerr-McGee Oil and Gas, was ordered to pay treble damages, or triple the \$7.5 million that a jury said in 2007 the company was liable for, because of the false royalty claims it submitted to the federal government.

The judge in the case found that the auditor who first reported the royalty fraud, Bobby Maxwell, was entitled to 25 percent of the judgment, or about \$5.7 million, under the federal whistle-blower program for uncovering fraud and abuse.

“I’ve been working on this case for seven years, and I’m just very happy to finally have a judgment,” Mr. Maxwell, 57, said in a telephone interview from his home in Tennessee, where he is now retired.

Mr. Maxwell was an auditor for the federal [Minerals Management Service](#) — the same agency implicated in the recent problems leading to the [BP](#) oil rig explosion in the Gulf of Mexico — when he said he discovered that Kerr-McGee was vastly underpaying royalties on the 57 oil leases it held with the government.

A jury found that Kerr-McGee was selling its oil to the Texon Corporation for below-market prices from 1999 to 2002 as part of an arrangement with Texon to provide marketing services and other incentives.

But Mr. Maxwell’s bosses at the minerals service were not persuaded by his claims, and he was let go by the agency after bringing the accusations — a move that he charged was a clear case of retaliation.

“This whole thing has been much more difficult than I ever imagined,” Mr. Maxwell said. “I was fired, I was ostracized, I was threatened. I think I was on the right side of history, but I also paid a tremendous price for it.”

A lawyer for Kerr-McGee, which is owned by [Anadarko Petroleum](#), declined to comment on the judgment, which was signed last Thursday by Marcia S. Krieger, a federal judge in Colorado. Officials at the minerals service, which has been renamed the Bureau of Ocean Energy Management, Regulation and Enforcement, had no comment.

Kerr-McGee could still appeal the ruling, and Mr. Maxwell said that even if he collected his portion of the award, “the majority of it is going to the attorneys, not to me.”

Michael Porter, the lead lawyer for Mr. Maxwell in Wheat Ridge, Colo., said that the fraud charges brought by his client served as a precursor to the types of problems seen in the BP disaster, where minerals agency officials were found to be too close to the oil companies they were supposed to be overseeing.

Indeed, a 2007 report from the [Interior Department](#) inspector general’s office found that the Maxwell case was part of a troubling culture of management problems at the service, in which officials had overlooked evidence of abuses or fraud by oil companies.

There are about 100 so-called qui tam or whistle-blower lawsuits brought each year from people claiming to have uncovered fraud against the government. But Mr. Maxwell’s case was highly unusual because the whistle-blower was a government auditor and because officials at his own agency largely rebuffed his charges, said Patrick Burns, an official with Taxpayers Against Fraud, a nonprofit group in Washington that tracks whistle-blower suits.

“This case is very, very unusual in the way it played out,” Mr. Burns said. “Bobby Maxwell, in my book, is a true hero.”