

INTERIOR BOARD OF LAND APPEALS

Woods Research and Development Corp.

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WOODS RESEARCH AND DEVELOPMENT CORP.

IBLA 98-430

Decided March 31, 1999

Appeal from a Decision of the Associate Director, Policy and Management Improvement, Minerals Management Service, affirming a Minerals Management Service order assessing late payment interest for underpayment of royalties due on Federal oil and gas leases. MMS-93-0159-O&G.

Set aside and remanded in part; affirmed in part.

1. Federal Oil and Gas Royalty Management Act of 1982: Generally--Federal Oil and Gas Royalty Management Act of 1982: Royalties--Oil and Gas Leases: Assignments and Transfers--Oil and Gas Leases: Royalties: Payments--Rules of Practice: Evidence

In the absence of a regulation and a Payor Information Form explicitly stating that filing the form constitutes the assumption of the lessee's obligation to pay royalty by the person filing it, a document evidencing the person's agreement to accept this responsibility is necessary.

2. Federal Oil and Gas Royalty Management Act of 1982: Royalties--Oil and Gas Leases: Royalties: Generally--Statute of Limitations

The 6-year statute of limitations at 28 U.S.C. § 2415(a) (1994), for commencement by the United States of civil actions for damages, does not apply to limit administrative actions by the Department; such actions include assessment of interest for underpayment of royalties on Federal oil and gas leases.

APPEARANCES: Thomas B. Humphrey, Esq., Boise, Idaho, for Appellant; Peter J. Schaumberg, Esq., Howard W. Chalker, Esq., Geoffrey Heath, Esq., Sarah Inderbetzen, Esq., and Christopher Salotti, Esq., Office of the Solicitor, U.S. Department of the Interior, Washington, D.C., for the Minerals Management Service.

## OPINION BY ADMINISTRATIVE JUDGE KELLY

Woods Research and Development Corporation (Woods Research/Appellant) has appealed from a June 26, 1996, <sup>1/</sup> Decision of the Associate Director for Policy and Management Improvement, Minerals Management Service (MMS), upholding an assessment of interest for late payment of royalties due on oil and gas leases.

Before discussing the appeal filed by Woods Research, it is important to trace the legal relationship between Appellant, Woods Petroleum Corporation (Woods Petroleum), and Argent Energy, Inc. Case abstracts in the record show that Woods Petroleum was a leaseholder for WYW 15573 and WYW 0315446. On April 10, 1991, the case abstract for WYW 15573 shows that MMS recognized an ownership name change from Woods Petroleum to Argent Energy, Inc. and on April 16, 1992, the case abstract for WYW 15573 shows that MMS recognized the merger of Argent Energy, Inc. and Appellant Woods Research and Development Company. The case abstract for WYW 0315446 shows that on March 11, 1991, MMS recognized a name change from Woods Petroleum to Argent Energy, Inc. Appellant's Statement of Reasons (SOR) states that Woods Research "is a successor in interest [to Argent Energy, Inc.] after Argent lawfully changed its name to Woods Research and Development Corp." (SOR at 1, n.1.)

Batch Royalty Documents and Royalty Payment Worksheets in the record, dated November 6, 1984, and November 7, 1984, show Woods Petroleum as the designated royalty payor with an identification number of 77930. Also in the record are three bills for collection, identified as GBIL 11100636, GBIL 11100637, and GBIL 11100638, dated July 10, 1992, and showing Argent Energy, Inc. as the designated payor, with identification number 77930. Altogether, the three bills of collection identify 234 leases for which late royalty payment interest is assessed. GBIL 1110036 comprises 88 pages and identifies 145 leases. GBIL 11100637 comprises 24 pages and identifies 88 leases. GBIL 11100638 comprises two pages and identifies one lease.

The record also indicates that by undated demand letter MMS presented Argent Energy, Inc., Appellant's predecessor-in-interest, with the three bills for collection identified above and directed Argent to pay late payment interest amounting to \$10,892.85 for the period November 30, 1983, through May 31, 1988. By letter dated August 27, 1992, Appellant submitted \$1,671.13 in payment of charges billed within the last 6 years, and appealed the interest invoices, arguing that it no longer owned the subject properties, that it was being billed for ownership interest other than its own, and that some interest charges were for periods in excess of 6 years. In response to the appeal, MMS prepared an April 30, 1993, Field Report (Report) wherein MMS concludes that Woods Petroleum was "lessee of record

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<sup>1/</sup> While the MMS Decision in this appeal was issued in 1996, the administrative record was not filed with the Board until Aug. 24, 1998.

at the time of the infractions on many of the leases," but does not specifically identify the leases. (Report at 1.) MMS also cancelled Bill No. GBIL 11100638, and the entire balance of that bill, 59 cents, was credited in full to Appellant, leaving a balance under appeal of \$10,892.26. Following the recommendation of the Report, MMS denied Appellant's appeal in its June 26, 1996, Decision, and Appellant appealed therefrom.

In its SOR Appellant expands on the same arguments it made in appealing the demand letter. Appellant argues that MMS is claiming that Appellant "must pay royalty payments for interests other than its own." (SOR at 1.) Relying on Mesa Operating Limited Partnership, 125 IBLA 28, 99 I.D. 274 (1992), Appellant asserts that "[u]nless a unit operator has agreed to accept a working interest owner's liability to the MMS, only the working interest operator is liable for the payments." (SOR at 1.) Also, Appellant asserts that as the unit operator on the leases, it is not liable for a working interest owner's liability to MMS, absent the unit operator's consent. Finally, Appellant claims that, contrary to MMS, the statute of limitations as defined by 28 U.S.C. § 2415 (1994) does apply, and therefore interest charges over 6 years old at the time of the demand letter cannot be recovered by the Department.

[1] Section 111(a) of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), 30 U.S.C. § 1721 (1994), provides, in pertinent part, that "[i]n the case of oil and gas leases where royalty payments are not received by the Secretary on the date such payments are due, or are less than the amount due, the Secretary shall charge interest on such late payments or underpayments." Additionally, 30 C.F.R. § 218.54, which implements FOGRMA, further provides that "an interest charge shall be assessed on unpaid and underpaid amounts from the date the amounts are due." At issue in this case is whether Appellant has a duty to pay other lessees' royalties and fees for late payment of royalties.

MMS dismisses as irrelevant Woods Research's arguments that it no longer owns the subject leases and should not be billed for others' ownership interests. MMS asserts that it billed Woods Petroleum and its successors-in-interest Argent Energy, Inc. and Woods Research because they are the established royalty payors under the MMS Auditing and Financial System (AFS). Thus, "[b]ecause MMS was not billing [Woods Research] as the record title holder of the lease[s], it was irrelevant to MMS what lease ownership percentage existed." (Report at 3.)

Additionally, MMS states that Woods Petroleum had completed and filed a Payor Information Form (PIF) for the leases and was the AFS royalty payor when the late payments occurred. In undertaking the duties of royalty payor, MMS argues, Woods Petroleum and its successors-in-interest Argent Energy, Inc. and Woods Research "assumed the responsibility to make royalty payments for the leases, represented to MMS that such royalty payments would be proper and in accordance with all regulations, and that [Woods Petroleum and its successors-in-interest] would be responsible \* \* \* if the payments were in error." (Report at 3.)

In Mesa Operating Limited Partnership (On Reconsideration), 128 IBLA 174, 182-83 (1994), we questioned whether, absent a regulation or a written agreement between the parties, MMS had the authority to hold an entity which is not a lessee accountable for paying the lessee's royalties:

Our concern remains that neither the language of the regulations nor the PIF itself makes clear that a person who has no interest in the lease but makes royalty payments has been assigned or has agreed to assume the lessee's legal obligation to pay. We are unwilling to hold a person who has no interest in the lease responsible for such an important obligation on the basis of an oral agreement or the filing of a PIF, as MMS suggests. In the absence of a regulation and a PIF explicitly stating that filing a PIF constitutes the assumption of the lessee's obligation to pay royalty by the person filing it, a document evidencing the person's agreement to accept this responsibility is necessary. Phillips Petroleum Co., 121 IBLA 278, 284-85 (1991); Forest Oil Co., 113 IBLA 30, 39, 97 I.D. 11, 17 (1990), rev'd in part on other grounds, 9 OHA 68, 98 I.D. 248 (1991).

Because of an inadequate record in Mesa, we set aside the MMS decision and remanded the case for readjudication of any documents that were not available to the Board. Mesa, 128 IBLA at 186, 187.

Generally, it is appropriate to set aside an administrative decision and remand the case if the decision is not supported by a case record providing the Board with the information for an objective, independent review of the basis for the decision. Shell Offshore, Inc., 113 IBLA 226, 233, 97 I.D. 73, 77-78 (1990). As was the case in Mesa, the record in the case before us contains no PIF or any other written designation making Appellant legally responsible for paying late payment interest charges for other lessees. Accordingly, we set aside MMS' June 26, 1996, Decision in part and remand the case for readjudication of any documents not submitted to the Board evidencing Appellant's agreement to accept responsibility for royalty payments and interest on leases not owned by Appellant.

[2] Woods Research also contends that collection of additional royalty in the form of late interest payments that became due prior to July 10, 1986, or more that 6 years before the July 1992, demand letter requiring payment, is barred by the statute of limitations at 28 U.S.C. § 2415(a) (1994). That statute provides, in relevant part, that "every action for money damages brought by the United States \* \* \* which is founded upon any contract \* \* \* shall be barred unless the complaint is filed within six years after the right of action accrues." Id.

It is well-settled that statutes establishing time limitations for the commencement of judicial actions for damages on behalf of the United States do not limit administrative proceedings within the Department

of the Interior. See Amoco Production Co., 144 IBLA 135, 139 (1998), and cases cited. We find, therefore, that MMS properly concluded that 28 U.S.C. § 2415(a) (1994) did not bar MMS in July 1992 from requiring Woods Research to pay additional royalties that became due more than 6 years before payment was claimed. Thus, that part of MMS' Decision of June 26, 1996, is affirmed.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 C.F.R. § 4.1, the Decision appealed from is set aside and remanded in part, and affirmed in part.

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John H. Kelly  
Administrative Judge

I concur.

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James L. Bymes  
Chief Administrative Judge