



Department of Justice

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WEDNESDAY, FEBRUARY 15, 2012
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AT
(202) 514-2007
TTY (866) 544-5309

**JUSTICE DEPARTMENT SETTLEMENT REQUIRES GUNNISON ENERGY AND
SG INTERESTS TO PAY THE UNITED STATES A TOTAL OF \$550,000 FOR
ANTITRUST AND FALSE CLAIMS ACT VIOLATIONS**

***Action is First Justice Department Challenge to an Anticompetitive Bidding Agreement for
Bureau of Land Management Mineral Rights Leases***

WASHINGTON – The Department of Justice today announced that it has reached a settlement with Gunnison Energy Corporation (GEC), SG Interests I Ltd. and SG Interests VII Ltd. (SGI) that requires the companies to pay a total of \$550,000 to the United States for antitrust and False Claims Act violations related to an agreement not to compete in bidding for four natural gas leases sold at auction by the U.S. Department of Interior’s Bureau of Land Management (BLM). Today’s action marks the first time the Department of Justice has challenged an anticompetitive bidding agreement for mineral rights leases.

The department’s Antitrust Division today filed a civil antitrust complaint in U.S. District Court for the District of Colorado, and at the same time filed a proposed settlement that, if approved by the court, would resolve the lawsuit. The complaint alleges that the agreement between GEC and SGI restrained trade in violation of Section 1 of the Sherman Act.

“Today’s unprecedented antitrust enforcement action involving illegal bidding at Bureau of Land Management auctions, demonstrates the U.S. government’s resolve to ensure there is vigorous competition for federal oil and gas rights,” said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice’s Antitrust Division. “At a time of budgetary constraint, it is crucial that the federal government receive the most competitive prices for these important leases, which ultimately benefits American taxpayers.”

According to the complaint, GEC and SGI were separately developing natural gas resources in Western Colorado. In 2005, GEC and SGI entered into a written agreement under which they agreed that only SGI would bid at the auctions and then assign an interest in the acquired leases to GEC. The department determined that the agreement was not part of any procompetitive or efficiency-enhancing collaboration.

As a result of the agreement between GEC and SGI, the United States received less revenue from the sale of the four leases than it would have had SGI and GEC competed at the auctions. The United States has the legal ability to obtain monetary damages when it has been

injured by an antitrust violation. The proposed settlement provides that GEC and SGI each pay \$275,000 to the United States to resolve the antitrust violations.

The payments will also resolve civil claims that the United States has under the False Claims Act against GEC and SGI for making false statements to the government in connection with the agreement not to compete. The U.S. Attorney's Office for the District of Colorado has entered into separate settlement agreements with the companies to resolve these claims.

BLM is responsible for issuing leases for oil and gas exploration and development on lands owned or controlled by the federal government. BLM provides notice of parcels to be leased and then auctions a lease for each parcel. The winning bidder is required to certify that its bid was not the product of collusion with another bidder.

"BLM relies on competition among bidders at onshore oil and gas auctions to ensure that the United States receives a fair and competitive price for its leases," said BLM Director Bob Abbey. "We are hopeful that the outcome of this case will deter anticompetitive and fraudulent conduct at BLM auctions."

The United States' investigation resulted from a whistleblower lawsuit filed under the *qui tam* provisions of the False Claims Act. Those provisions allow for private parties to sue on behalf of the United States. They also give the United States time to investigate to decide whether to take over prosecution of the allegations or allow the whistleblower to proceed. The whistleblower is entitled to receive a portion of any recovery.

GEC, an affiliate of Oxbow Corporation, is a Delaware corporation with its principal place of business in Denver. SGI is Texas limited partnerships with their headquarters in Houston. The managing partner of both limited partnerships is Gordy Oil Company, a Texas corporation.

The proposed settlement, along with the department's competitive impact statement, will be published in The Federal Register, as required by the Antitrust Procedures and Penalties Act. Any person may submit written comments concerning the proposed settlement within 60 days of its publication to William H. Stallings, chief, Transportation, Energy and Agriculture Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street, N.W., Suite 8000, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the court may enter the settlement upon a finding that it serves the public interest.

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