

Article published Aug 15, 2008

Energy Hotline Created To Fight Theft, Fraud

By MALENA OGLES
Staff Writer

Thursday morning, Energy Security Council representatives, along with area law enforcement agencies, announced the formation of a statewide Energy Crime Stoppers Hotline to combat theft and fraud in the energy sector.

Law enforcement agencies across Texas have seen a dramatic increase in the number of oil field-related crimes in the past year.

With crude oil prices reaching record highs this summer, thieves are finding the profit of the crime outweighs the punishment."

It happens every time there is a boom. It's good old supply and demand," said Joe Howard, director of security for Hunt Petroleum Corp.

With prices at less than \$40 a barrel, thieves found the money was not worth the risk of possibly being charged with theft, conspiracy to commit theft or fraud. But now, at nearly \$120 a barrel, the allure of a bigger score is more tempting.

OIL THEFT

Stealing and then reselling crude oil is a little more complicated than trying to fence a stolen lawn mower, said Texas Ranger Sgt. Kenny Ray, who spoke Thursday about the new program.

"If they have 130 barrels of crude oil, they can't just sit in the Wal-Mart parking lot and sell crude oil," Ray said. "There has to be a way to get the stolen product, equipment, items back into the main flow sector of the energy system.



ENERGY HOTLINE: From left, Jennifer Roberts, of Smith County Crime Stoppers, Phil Ryan, Devon Energy regional security supervisor, and Joe Howard, director of security for Hunt Petroleum, speak during a news conference.

"Crude oil theft generally involves a large number of people with inside knowledge of how the oil industry operates."

It's a whole lot more involved than cutting a deadbolt on a fence in the middle of the night and stealing some oil," Ray said.

According to information from the ESC, because the industry is regulated, oil thieves cultivate relationships with a person who works in the oil industry and who has the capability and proper licensing to unload a truckload of oil for refining.

Ray described the process as "oil laundering."

"He will come in the dead of night or weekend, meet with this dirty employee at this legitimate business, and they will simply unload that stolen oil into a tank that holds thousands of barrels," Ray said. "Some unscrupulous person that has legitimate authority to sell oil to refineries is buying this stolen oil and knows it's stolen because he's paying \$30 to \$40 a barrel for oil that would sell for \$130 a barrel."

OTHER THEFTS

Energy theft is not siphoning crude out of the storage tanks. Thieves are ripping up pipeline, stealing tools and carting off copper.

"It ends up in product loss, which is costing the local taxpayer, the local community and the state," said Phil Ryan, regional security supervisor for Devon Energy. "The tax revenue off that loss of production is a loss all around.

"Howard, the director of security for Hunt, said he had noticed a connection between thieves caught stealing pipeline and equipment and those involved in residential burglaries and drug trafficking.

Howard said that, in a recent case he was working on, the suspect was found with stolen copper and lawnmowers and was in possession of methamphetamine.

"A crook is a crook is a crook, it's the same person narcotics are dealing with and patrol officers are dealing with in residential burglaries," he said.

Still, it's not just the local meth cooker or lawn mower thief who dabbles in oil theft that ESC is interested in.

Investigators like Ray want to find out who is purchasing the oil from thieves and putting it back into the legitimate oil field.

"It's costing everyone money," Howard said.

HOW TO CALL

The statewide program, which started July 1, rewards up to \$1,000 for tips that result in an arrest or charges being filed for crimes committed against energy companies.

The hotline, 888-645-TIPS (8477), will be manned 24 hours per day and all tipsters will remain anonymous.

- The Energy Security Council has more than 400 members representing companies from all segments of the energy and petrochemical manufacturing sector and more than 60 representatives from federal, state and local law enforcement agencies are active participants as ESC members. For more information on energy theft, visit www.energysecuritycouncil.org.