



## Oil Field Theft in Texas

**At Issue.** There is a growing oil field fuel and equipment theft issue in Texas. It includes sophisticated hydrocarbon theft operations, pipe and scrap metal theft, solar panel and battery theft and vandalism. With the recent booms in the South Texas Eagle Ford Shale

and the Permian Basin in West Texas, the oil and natural gas industry has become even more of a target for criminal activity.

In 2013, over 700,000,000 barrels of crude oil and condensate were produced in Texas, according to the Texas Railroad Commission. The rapid increase of oil production created an opportunity for theft of an estimated 1-3 percent of the production. This equates to the loss of 7 to 21 million barrels of oil or \$700 million to \$2.1 billion dollars.

With the increase in petroleum production, it is important to note that Customs and Border Protection (CBP) has recognized a potential for the exploitation of oil and gas companies by transnational criminal organizations. The Department of Homeland Security's CBP is the primary component responsible with securing our nation's borders. Through an integrated effort, an environment in South Texas can be sustained that deprives transnational criminal organizations the ability to exploit US lands by utilizing the oil and gas industry infrastructures and its employees. Integration of intelligence and data can leverage the sharing of information thus enabling greater mitigation of emerging threats within the oil and gas industry operating in South Texas and elsewhere.

**Request.** There is a desire among law enforcement and oil and gas security to stem the tide of oil field criminal activity by accomplishing two objectives:

- 1) Amend the Penal Code to establish a second degree felony when the value of the stolen pipeline equipment or oil and gas equipment or oil, gas or condensate has a value of \$10,000 or more but less than \$200,000; and elevate the theft to the next degree when the actor involved has a contractual or employment relationship with the owner of the stolen pipeline equipment or oil and gas equipment or oil, gas or condensate.
- 2) Amend the Natural Resources Code to create a new second degree felony for the purchase or sale of oil, gas or condensate without the required Railroad Commission authorizations and permits.

**Raising Criminal Penalty.** By raising the penalty to a felony and including the necessity of possessing appropriate permit(s) by the RRC, it is the belief of law enforcement officials and energy security company advisors that oil laundering will be deterred and prosecution ability strengthened.

**Theft Mechanisms.** Oil field theft is sometimes facilitated by individuals who establish a company that buys and sells oil through some sort of service provided to the oil industry. Another method might be for an individual to purchase an oil well that has been sealed or capped due to the lack of production and allege that it is producing. The latter provides an effective cover as to the source of the oil being stolen.

It has been determined that oil is stolen primarily by using vacuum trucks. These trucks have a variety of uses but are primarily used to remove the water from oil storage tanks that collect on the bottom and remove production water from wells that are being drilled. There are two primary ways that the drivers of the vacuum trucks are stealing oil; the first is the taking of oil along with the water when vacuuming the bottom of a storage tank. The second is straight theft of oil from an oil storage tank.

Vacuum truck drivers/waste haulers are enticed by operators of salt water disposal wells (SWD) and the "oil launderers" to sell them the stolen oil for approximately \$10 per barrel. The oil is then collected and later sold to legitimate companies known as "gatherers," and the illegal proceeds are wired or transferred to designated bank accounts where it is dispersed to those who are profiting from the theft.

The individuals identified as buying and selling stolen crude oil or condensate have been labeled as "oil launderers," converting stolen oil into alleged legally obtained oil.

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***TXOGA, TIPRO, STEER, Texas Alliance of Energy Producers and the Association of Energy Service Companies support HB 3291***