

## INDUSTRY THEFT: ITS DETERRENCE THROUGH COST-EFFECTIVE PREVENTION POLICIES

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### ABSTRACT

Statistics demonstrate that there is big money in oilfield theft, approximately half a billion dollars yearly. Yet, most operators would be hard pressed to itemize their actual assets or verify ownership of stolen or lost equipment.

This paper discusses the lack of internal control prevalent throughout the petroleum industry and identifies, through initiation of company policy and procedures, methods to both minimize oilfield theft and maximize cost-effective loss prevention accountability.

### INTRODUCTION

An article in the September, 1981 issue of "Drilling" stated that despite rewards and hotlines, despite the best efforts of law enforcement and private security agencies who "watchdog" corporate and field assets, numerous articles and countless seminars, the orgy of stealing continues in U. S. oilfields. Estimates of the plunder ranged into the tens of millions yearly, but no one knew the real value. One researcher stated the figures stated are undoubtedly "large" but "unknown." And the "ripple effect" of equipment theft loss beginning with the major and independent operators and ending with the contractor support group remained an unbroken chain. Equipment was stolen and resold, stolen and resold, and in some cases to original owners.

At the time this article was published, the industry was in a "boom" period. But the facts have not altered during the present fiscally prudent, survivor "bust" times. The major problems in deterring and tracking oilfield theft remain the same: a lack of methods implemented within the industry itself to properly inventory, mark, and pursue aggressive conviction policies; and a lack of coordinated tracking information, i.e. law enforcement, pawn dealers, used equipment dealers was a related cause until recently. And it has become a costly way of doing business. As one law enforcement official stated: "Not only are there no means to identify the equipment, the sheriff in the next county doesn't even know it's been stolen. Most of the stolen equipment has come and gone by the time we know about it." As another private investigator stated, industry is "its own worst enemy. Every producing company and contractor has inventory and/or accountability weaknesses, some with total lack of internal controls." The bottom line implied here is: You cannot protect what you don't know you have. Therefore, the first step toward protecting assets is the establishment of workable policies and guidelines to maximize accountability of equipment and to implement an identification system to minimize oilfield theft -- at least, to make it "risky" for a thief to operate; to set up "in-house" controls and "after-the-fact" tracking methods.

Today, in 1991, such policies and procedures are available; they need merely to be initiated and utilized.

#### POLICY IMPLEMENTATION CLARIFICATION

No player in the industry is more cognizant of cost accountability, the effective implementation of a procedure, and designation of man-hours to expeditiously effect the work than a petroleum engineer or field foreman of an oil company. Therefore, specialized property needs must be met by those trained to produce the best results for the cash and manpower expense. Adopting an internal/external loss prevention policy must support that balance. It just becomes good business practice to participate in an established response to that criteria.

#### CRITERIA FOR SUCCESS

Locate an outside source whose experience in oilfield theft prevention and its chance recovery ratio has effectively provided a system which supports law enforcement and private industry in the reduction of such chance, whose base of operation and total commitment provides participants with a vital "tool" for equipment identification and recovery.

Look for a company whose technology utilizes methods of identification that create a molecular change in the metal of operational equipment. Once embedded, the markings should be affixed permanently. If damaged by filing or grinding, the brand can be restored with an application of acidic solution. For sensitive testing equipment and corporate office assets such as computers and documents, a method should be available using a silicone-based adhesive, microscopic, and invisible to the human eye, the size of the head of a pin, coded to hold five (5) lines of identification information, fifteen (15) characters per line. Where one method of arcs, compressor operated air scribes and steel hand stencils suits field equipment, the micro-dot interfaces with the needs of identifying stolen office corporate assets. Since trial lawyers and investigators agree convictions hang on proper identification, micro-dotting and stenciling removes that obstacle.

Support a company whose identification markings are registered and made readily accessible to law enforcement officers; whose policies include accurate theft reporting to coordinate and centralize information gathering for identification purposes.

Investigate a company that utilizes tamper-resistant decals for operational and in-house equipment to warn thieves that property has been inventoried, is valued for felony prosecution, and is marked and traceable.

In short, find a company whose primary long-range goals remain to provide methods to both protect industry assets internally from careless misuse or misplacement and externally to provide a secondary arm for law enforcement to track lost or stolen equipment as it moves from loss site to dubious buyer. Utilize the services of a company whose business practices reflect the

commitment to provide a reasonable, cost-effective method to both deter theft by inventorying and marking assets for positive identification, and networking the recovery process if theft occurs. Participation in such a process can not only provide a method of accountability and in-house quantity control but also stimulates law enforcement interaction if they know the search for contraband equipment does not remain a futile one. The equipment can be identified for the rightful owner. And as more players in the industry participate, both in service and production, the market will greatly diminish for illegal oilfield equipment. A thief won't steal what he can't sell.