

THEFT IN THE OIL PATCH

Edward L. Richards, Executive Director
Petroleum Industry Security Council

ABSTRACT

As a joint effort by several petroleum industry associations in Texas, the Petroleum Industry Security Council (PISC) was formed in early 1982 to combat the ever mounting oilfield theft problem. Chartered as a non-profit organization, PISC is charged with developing programs designed to reduce and control thefts in the oil patch. The primary thrust of PISC is to support and compliment law enforcement officials and industry security personnel.

THE PROBLEM

Recently much attention has been focused on what many people believe to be a new type of crime, that of oilfield theft. Theft in the oilfield, though, has been around for as long as people have drilled for oil and has been fairly widespread. However, there are two changes that have finally brought this crime to the attention of the industry and the public.

Prior to 1973 crude oil was priced at less than four dollars a barrel and at that price was hardly worth the time and expense for the average thief. With the changes brought about by the 1970's oil embargo and subsequent shortages, and the worldwide influence of OPEC on crude oil prices, the theft of crude oil has suddenly become a very profitable enterprise for almost anyone with a dishonest bent and a tank to carry oil in. As a result there has been a dramatic increase in what had been a relatively obscure element of theft in the oil patch.

Then came the recent drilling boom. Prior to 1980 it was already pretty well established in the oilfield that equipment not closely watched tended to disappear. But the boom brought about acute equipment shortages and high prices. The theft of a piece of equipment resulted in not only the loss of an expensive item, but could also result in a costly shutdown as replacement items were often non-existent through legitimate suppliers. It definitely became a seller's market, and often the thieves controlled that market.

Thieves are no different than any other group of people who have similar interests. Just as word can quickly spread in the oil industry as to where money can be made, the same type of information is quickly spread among people who steal to make money. These two changes brought many criminal types into the oilfield theft arena who had previously concentrated their interests elsewhere. In many ways the term "oilfield thief" is a misnomer. Criminals who target the oil patch do so today because of the potential for large profits and minimal risks. Law enforcement officials have found that many of the known oilfield thieves have backgrounds in other areas of criminal activities such as burglary, auto theft, and drug trafficking.

It is impossible to make a reliable estimate of the losses resulting from thefts within the petroleum industry. Law enforcement records do not distinguish oilfield thefts from their general theft statistics. The Texas Department of Public Safety (DPS), one of the few state agencies which has staff tracking oilfield thefts specifically, estimates that only about 10% of the crimes committed in Texas are reported to their agency. Similar reporting patterns are probably found nationwide.

In the calendar years 1981 and 1982, of the cases reported that indicated the theft loss by dollar amount, the DPS recorded oilfield theft losses from \$200,000 to \$400,000 per month. If these figures do represent 10% of the reported cases, it is reasonable to assume that losses were from \$24 million to \$48 million per year. Add to these figures the oilfield thefts never reported to law enforcement and the suspected high percentage of crude oil thefts never discovered by the victim. These estimates do not take into account the monetary losses suffered due to shut-in wells and drilling rig down-time caused by stolen components.

THE INDUSTRY FIGHTS BACK

It was because of these staggering losses that the various petroleum industry associations in Texas formed a task force in January of 1981 with its goal to identify solutions to the oilfield theft problem. The task force study extended through almost all of 1981 and consisted of meetings with law enforcement officials, industry representatives and law makers. The task force found that while law enforcement officials were generally sympathetic to the problem, oilfield theft investigations were often secondary to those of violent crimes, burglaries, and most other major crimes. Budget and manpower limitations, as well as enforcement priorities set by local constituencies, caused many law enforcement agencies to set a low priority for oilfield theft investigations. The task force also recognized weaknesses within the industry that tended to promote the theft problem through lack of knowledge about security measures and resulting inadequate protection against theft.

As a result of the task force study, the group recommended that a new statewide organization be established, designed to help reduce oilfield theft. The organization was to be a non-profit, independent and self-sustaining group funded by the petroleum industry through membership contributions and grants. The task force recommended that the new organization have four basic objectives to achieve its goal of reducing oilfield theft; prevention, investigation, apprehension, and prosecution. These objectives were to cover a broad range of activities designed to educate and support the industry, inform the public of the extent of the problem, and to assist and support law enforcement officials in their efforts to reduce oilfield theft. The task force also recognized that much of the theft activity was interstate in nature and that a constant effort should be made to seek greater cooperation between the various state and federal agencies charged with oilfield theft investigations.

Following the task force recommendations, the Petroleum Industry Security Council (PISC) was chartered in Texas as a non-profit corporation in January 1982. The original board of directors included representatives of the Association of Oilwell Servicing Contractors, North Texas Oil and Gas Association, Panhandle Producers and Royalty Owners Association, Texas Independent Producers Legal Action Association, Texas Independent Producers and Royalty Owners Association, and the West Central Texas Oil and Gas Association. The chairman of the theft task force, Harrold E. "Gene" Wright, agreed to serve as Chairman of the Board for the new organization.

Operations began in April 1982 with the selection of an executive director for PISC and its first investigator. At the direction of its board, PISC sought and obtained Special Texas Ranger Commissions from the Texas DPS. These commissions gave PISC investigators law enforcement authority to investigate oilfield thefts without the usual burden other law enforcement officers have of other types of crimes.

These Special Texas Ranger Commissions marked the beginning of a quasi police force which was to deal with only one type of crime. PISC certainly was not the first such group in Texas. In fact, the founders of PISC had in mind building an organ-

ization similar to the very successful Texas and Southwestern Cattle Raisers Association (TSCRA). The TSCRA was established to combat the severe cattle theft problem prevalent in Texas and the Southwest. TSCRA inspectors also have law enforcement commissions to work exclusively to combat the theft of livestock.

The comparison of livestock theft and oilfield theft may at first seem to be an illogical one. But the problems faced by the two industries are almost identical. Property is being stolen in mostly rural, widely scattered areas. The thefts are relatively simple and low risk. Until the development of TSCRA, uniform registered marking of livestock was non-existent, as it is now with oilfield equipment. The investigation of each type of these thefts requires a somewhat specialized knowledge that is not routinely needed for normal law enforcement investigations. And finally, although both theft problems are very costly, they do not rate a very high priority for investigation in most law enforcement agencies for reasons previously discussed.

The PISC board was not so naive as to believe that such an organization could solve the oilfield theft problem. Although PISC investigators would have full authority to investigate oilfield crimes, their primary thrust would be to provide a support to public law enforcement efforts through a wide range of services available through the PISC operation. The board directed that the remainder of 1982 was to be a period of development of the various programs that would constitute the overall PISC operation.

The first program put into effect was the OIL-COPS hotline. The popularity and success of the local crime-stopper programs made it obvious that such a program would be beneficial in a specific area of crime also. In fact, the North Texas Oil and Gas Association had begun a similar hotline for oilfield theft in 1981 and had some good results. With their cooperation, PISC took over that hotline in May 1982. Searching for an acronym that would be easy to remember and spell, PISC was able to obtain the number 1-800-645-2677 which spells 1-800-OIL-COPS. The PISC board of directors approved a reward of up to \$5,000 to be paid to anyone giving information over the hotline which led to the arrest and indictment of persons responsible for the theft, vandalism, or destruction of oilfield equipment or crude oil; and/or information which led to the recovery of such property.

Since the inception of the OIL-COPS hotline many good tips and much criminal intelligence information has been passed on to law enforcement officers across the state and many areas of the nation. As of December 1982 information received by PISC has led directly or indirectly to the arrest of at least six known oilfield thieves, the dismissal of four employees suspected of theft, and the recovery or prevention of the theft of approximately \$500,000 in oilfield equipment and crude oil. Many other criminal investigations are still in progress based on information received over the hotline. The hotline has proven to be one good example of the support services that PISC provides to law enforcement.

The hotline offered PISC the opportunity to come in contact with a wide variety of officers across the state as information about oilfield thefts was passed on to the various law enforcement agencies. One of the complaints often heard through these contacts was that many officers had no training to familiarize them with the petroleum industry, its equipment, or the finer points of its operation. As a result PISC began to plan training seminars designed to give the experienced police officer the knowledge about the industry he needs to conduct successful oilfield theft investigations. In October 1982 the first of a series of seminars was presented to approximately 100 law enforcement officers and corporate security investigators

through the sponsorship of PISC and the Sheriff's Association of Texas. Such seminars will continue to be presented as long as there is a demand for them.

Contacts with officers and corporate security personnel also revealed another gap in the information available to oilfield theft investigators. Information concerning theft activity, stolen property, and thieves in the oil patch was being maintained conscientiously by most agencies, but on an individual basis. Law enforcement officers had available to them the National Crime Information Center (NCIC) computer system, but NCIC only accepted and maintained records of stolen property which had unique serial numbers. Further, NCIC had no specific category for oilfield equipment, making uniform entry of such stolen equipment difficult, and NCIC could only be queried by specific serial number. This meant that the investigator had nowhere to make inquiries regarding items stolen by general description and nowhere to turn to get an overall picture of the problem.

Study of this problem led to the development of another new service to law enforcement. PISC analysts developed a computer program for oilfield theft information that is a first in the nation. The program, called PATCH, is a multi-function system which serves as a central collection point for oilfield theft reports and information on known oilfield thieves. Officers can query the system using general descriptions of property and with a combination of identifying information and circumstances make a positive identification of property without a unique serial number. PATCH is also a tool for crime analysis capable of giving the officer valuable information concerning theft patterns, similarities, and current theft hotspots. It is the only system available with the potential to give the officer the overall view of the oilfield theft problem in his area and to connect it with activity in other areas.

As PATCH is a new program, it will of course take time to build its data base before it will be as effective as planned. It is, however, rapidly gaining acceptance as word spreads of its capabilities. The Sheriff's Association of Texas has asked sheriffs in the state to send copies of their oilfield theft reports to PISC for entry into the PATCH system. The Texas DPS is providing PISC with listings of industry property reported stolen to them, and PISC has publicized requests for such reports from other agencies and from the victim companies themselves. Such cooperation and participation has already enabled PATCH to provide valuable information to investigators, information which was previously unavailable.

As information began to funnel into PISC headquarters it soon became apparent that maximum effectiveness could only be achieved by expanding the geographical areas of service to include all states. It had been known to law enforcement for some time that oilfield thieves fit the description of "traveling criminals," a name used by officers to describe highly mobile thieves who travel around the country. It is common for a thief to live in Texas, drive to Oklahoma and steal a Christmas tree, and either bring it back to Texas to sell or even take it to a third state. The only way to catch such thieves, short of sheer chance, is for agencies to cooperate and share information. The OIL-COPS hotline was already getting information from Texas about thieves operating in surrounding states and such information was being passed on accordingly. It was the only natural step to add an additional national WATS line to the OIL-COPS hotline to facilitate the exchange of information among other states. The national line, which has the same number, was added in August 1982.

The scope of the anti-theft program began to change rapidly after the executive committee of the Independent Petroleum Association Of America (IPAA) officially

sanctioned PISC at its national meeting in October 1982. The IPAA sanction moved PISC into the national arena and soon afterwards came sanctions from associations representing 14 other states. In December 1982 the Interstate Oil Compact Commission endorsed PISC and its efforts to combat oilfield crime. With these sanctions and endorsements it became obvious that PISC was truly an industry organization and could really become the national clearing house for information on stolen oilfield property and active oilfield thieves.

The original oilfield task force noted in their study that the industry itself had weak points which contributed to the theft problem. These findings were reinforced in conversations PISC personnel had with police officers and with industry executives. Besides the more obvious problems, such as most equipment in the oil patch is not marked with identifying numbers, PISC found that many in the industry simply did not know some of the basic theft prevention measures necessary to reduce the chance of theft.

To combat this problem PISC is developing a series of seminars for industry personnel aimed at both the managerial and worker level. These seminars will cover employee relations and policies as they relate to theft prevention, site and operational security measures, and available security devices. The objective of the seminars will be to provide the industry with common sense security measures that can be utilized without a substantial financial investment. It is commonly known by police that most thieves will follow the path of least resistance, stealing those items with little or no protection. These seminars will hopefully encourage the industry to carry their share in the fight against oilfield theft by placing some resistance in the paths of would be thieves.

THE FUTURE

The beginning of 1982 saw the rapid decline of the oil boom. There are large surpluses of equipment now where there were extreme shortages. Prices of equipment have fallen drastically, and in some cases equipment sells at or below cost. Many people forecasted a sharp decline in the oilfield theft problem also. For the most part those forecasts have proven wrong.

While high prices and extraordinary demand for equipment may have brought many criminals into a new field, they have stayed in the oil patch for different reasons. It is true that the thieves can not steal just anything and expect to find an easy sale as they once could, but many of the items most commonly stolen and sold on the black market can hardly be given away in the legitimate market. An example of this paradox is pipe. There is such a surplus of pipe that manufacturers have closed their doors and some are bankrupt. In some cases the pipe is sold at almost give-away prices in order to reduce inventories. Yet pipe of all descriptions is stolen virtually every day and sells very quickly on the black market. The same is true for valves and many other items.

The explanation of the current equipment theft situation is simple. Even at today's prices equipment is expensive and the theft of that equipment still offers the same benefits it did in 1981, low risk and relatively high profit. Most equipment does not have serial numbers and where equipment is numbered most companies keep such poor inventory records they are unable to report that number to law enforcement. Thieves take advantage of this knowing that there is little chance of identifying the owner of a piece of equipment if they are caught with it.

There is still a ready market for stolen equipment. There always has been a certain number of professional criminals who make a living buying and selling stolen equipment. These people are well organized and know their business so well as to be

unaffected by the industry downturn. The reason a so-called legitimate operator might knowingly buy stolen equipment has changed though. Whereas before an operator would turn to the black market to buy equipment because of the severe shortages of such equipment, now many of these people buy stolen property to cut their costs. The industry depression has created a new demand for stolen equipment.

The downturn in the industry has not affected crude oil thefts. The lure of crude oil is very strong to the thief who knows a buyer. As a practical matter crude oil is almost totally generic. If you have a pocketful of twenty dollar bills, who can identify where you got them? The same is true of a truckload of oil. The only risk in stealing either is at the moment you are filling your pocket, or your truck. Since the price of oil has not fallen drastically, the theft of crude oil has risen if anything in 1982.

Together crude oil and equipment thefts have continued to mean bad news for the petroleum industry in 1983. The Texas DPS reports very little change in their oilfield theft reports between 1981 and 1982. The cost of these thefts to the industry, and indirectly to the public, is very high. To reduce these thefts the industry will have to continue to provide active support to law enforcement efforts to combat oilfield thefts by taking the necessary measures to deter thefts and by providing law enforcement all possible assistance. The founding of PISC was a step towards that goal and it will be up to the industry to continue that initiative.