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Mexico Files Second Lawsuit in U.S. Federal Court Against U.S. Companies that Have Acquired Stolen Fuel

by Carlos Navarro

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The Mexican government has filed a lawsuit in a US federal court against nine US companies for participating in a scheme to acquire oil products stolen from the state-run oil company PEMEX. The lawsuit, filed by PEMEX subsidiary Pemex Exploración y Producción (PEP) in the US Southern District Court in Houston on May 26, contends that US companies acquired more than US\$300 million worth of condensate directly or indirectly from drug cartels during the past several years. "All of the defendants have participated and profited, knowingly or unwittingly, in the trafficking of stolen condensate in the United States," said the suit.

This is the second lawsuit filed by PEMEX in a US federal court targeting US companies that deal in products stolen from the company. In an earlier case, also filed in Houston in June 2010, the Mexican government accused five other companies of purchasing stolen oil ([SourceMex, June 16, 2010](#)).

The latest lawsuit does not ask for a specific amount of damages but contends that the plaintiffs should be liable for at least a portion of the US\$300 million in natural-gas condensates stolen since 2006. PEMEX said its losses at times "approached 40% of the production of condensate from the Burgos Field."

Among the companies named in the latest legal action are six Texas-based companies: Big Star Gathering LTD, F&M Transportation Inc., Western Refining Company LP, Joplin Energy LLC, Superior Crude Gathering Inc., and Plains All-American. Also named in the suit are TransMontaigne Partners LP (Colorado), SemCrude LP (Oklahoma), and Saint James Oil Inc. (Utah). Oil company executives James Jensen of Sandy, Utah, and Jeff Kirby of Corpus Christi, Texas, were also named in the suit.

PEMEX said its investigations uncovered evidence that Big Star, Superior Crude, and F&M "actively and knowingly participated in a conspiracy to import and market the stolen condensate in the United States."

The company said other US buyers were either negligent in not verifying the origin of their purchases or acquired the products "only after it had been laundered" through the system.

"In either case, however, the defendants took possession of Mexico's sovereign property without right or title. All defendants are therefore liable for their individual usurpation of Mexico's patrimony," said the lawsuit, in reference to Article 27 of the Mexican Constitution, which designates crude oil as the patrimony of all Mexicans.

PEMEX said a goal of its legal action is to eliminate the US market for stolen natural-gas condensates, which are a mix of oil liquids produced as a byproduct of natural gas. The thieves have no choice but to try to sell the stolen fuel in the US, primarily Texas and neighboring states, since there is no market in Mexico, where PEMEX has a monopoly on all oil-related activities

Drug cartels primary suspects in thefts

The Zetas drug cartel is thought to be the primary group responsible for the thefts, obtaining the fuel either by installing illegal taps at remote pipelines or hijacking dozens of tanker trucks at gunpoint. The cartel has a stronghold in northeastern states, where much of the stolen fuel originates. Most of that gas is extracted from the Burgos Basin, which straddles the states of Tamaulipas, Coahuila, and Nuevo León in northeastern Mexico.

But other individuals or organizations are also participating in the scheme, possibly including other drug-trafficking organizations like the Gulf cartel. The lawsuit indicated that the Mexican government has filed criminal charges against about 140 people in Mexico for alleged involvement in the thefts, "including two Mexican customs agents who were jailed for allowing tanker trucks of stolen condensate to pass through Mexican customs and into the United States."

The theft of PEMEX fuel is not confined to gas condensates in the northeastern region. Despite tight security measures, the oil company has been unable to stop illegal taps from its pipelines throughout the country. Authorities began to address the problem in earnest in 2004 ([SourceMex, March 10, 2004](#)). But, despite that campaign, the number of cases of confirmed illegal taps at PEMEX pipelines and other installations increased significantly during the next several years.

A study by the daily newspaper indicated that the number of confirmed cases involving fuel thefts increased from 110 in 2004 to 453 in 2009. Furthermore, the study found that, while the original targets were in the oil producing states of Veracruz, Tabasco, and Tamaulipas, as well as PEMEX installations in México state, thefts were being reported in as many as 15 states by 2008.

The situation prompted the federal government to take urgent measures in 2009 to try to halt the practice ([SourceMex, Aug. 5, 2009](#)). But that did not work, as more than 273 cases of theft were recorded in the second half of 2010.

In some cases, the illegal taps can be dangerous, especially when individuals without technical training are the ones stealing the oil. This was the case with a fatal explosion at a pipeline in the community of San Martín Texmelucan in Puebla in December 2010. Local authorities said the explosion and ensuing fire were the result of a theft by individuals who did not know the proper techniques to extract the fuel. The explosion caused 28 deaths and at least 50 injuries. "All indications are that this was the result of a botched theft," PEMEX said in a statement. "In fact, we found the burnt bodies of two people a few meters from where the explosion originated."

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