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Mexican Authorities Target Mayors for Involvement in Fuel-Theft Schemes

by Carlos Navarro

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Authorities arrested Pablo Morales Ugalde, mayor of Palmar de Bravo in Puebla state, in early July, on charges of using resources of illicit origin at his four service stations. Morales Ugalde is accused of colluding with criminal organization to obtain fuel stolen from pipelines owned by PEMEX, the state-run fuel company, at discount prices, and reselling the gasoline to the public.

Palmar de Bravo is in the heart of the Franja del Huachicol in Puebla state, a 131-km swath that begins in the municipality of Esperanza, near the border with Veracruz, and ends in the community of San Martín Texmelucan, on the border with México state. The region, also known as the Triángulo Rojo (Red Triangle), has been the center of fuel thefts from pipelines that transport gasoline and diesel from a refinery in Minatitlán in Veracruz state to the Mexico City metropolitan area. A number of criminal groups, some affiliated with the Zetas, the *Cártel Jalisco Nueva Generación* (CJNG), and others ([SourceMex, March 15, 2017](#)), are leading the fuel-theft operations.

The pilfering of fuel in the area had been a problem in recent years, but thefts increased significantly at the beginning of this year, after the federal government moved to eliminate subsidies for gasoline, allowing the free market to determine prices ([SourceMex, Jan. 4, 2017](#)). Fuel thefts became so common in the Red Triangle that persons pilfering gasoline from PEMEX pipelines anywhere became known as *huachicoleros*.

When Morales Ugalde was arrested, national and local headlines described him as the *alcalde huachicolero* (the *huachicolero* mayor). Morales Ugalde, who ran as a coalition candidate representing the local *Pacto Social de Integración* (PSI) and three major national parties, had been under observation because of numerous complaints about his activities. "This is not the first time that the municipal executive, an influential businessman in the gasoline sector, has been flagged for his alleged links to these types of illicit activities," columnist Enrique Aranda wrote in the daily newspaper *Excélsior*.

According to Aranda, Morales Ugalde offered contradictory statements, attempting to justify his activities by explaining that consumers in the region benefit from lower fuel prices, and then challenging authorities to prove that his operations were linked to stolen fuel.

A lucrative business

An investigation into Morales Ugalde's activities indicated that the mayor opened two service stations in 2014, and soon opened two more where he began selling stolen fuel. The four stations, valued at 30 million pesos (US\$1.7 million), generated revenues that allowed Morales to purchase other types of properties. The mayor built a hotel, valued at 11 million pesos (US\$623,784) on land that he acquired in the nearby municipality of Tecamachalco in 2015. Then, in 2016, he acquired a 13-room boutique hotel valued at 13 million pesos (US\$737,200).

"[This arrest] shows that no one is above the law," said Puebla Gov. José Antonio Gali Fayad, who made the original request earlier this year for federal authorities to intervene in the fuel thefts.

Morales Ugalde is not the first municipal executive from the region to be arrested in connection to fuel theft. In March, authorities detained José Isaías Velázquez Reyes, mayor of Atzitzintla, on charges of colluding with the local criminal organization Los Bukanas to kidnap and murder three agents from Puebla state's anti-kidnapping unit (Fiscalía de Secuestro y Delitos de Alto Impacto, FISDAI). The agents were murdered while investigating an abduction in the region ([SourceMex, May 10, 2017](#)).

Additionally, authorities have opened fuel theft investigations against more than a dozen other mayors in the Franja del Huachicol and nearby municipalities, according to Miguel Leyva, who oversees federal cases of assault and vehicle theft for the federal attorney general's office (Procuraduría General de la República, PGR). He said that local business owners are also under investigation.

The investigations, a joint operation between the federal government and authorities in Puebla, have targeted service stations in the capital city of Puebla as well as in the interior of the state.

"Many investigations are taking place at the moment," Gali Fayad said. "The principal objective is to expel criminal organizations from our state. We hope to achieve results in the near term."

Several news sites, citing information from the PGR, said the list of mayors under investigation includes José Cruz Sánchez Rojas of Amozoc de Mota, Antonio Aguilar Reyes of Acajete, Carlos Alejandro Valdez Tenorio of Acatzingo, David Edgardo Huerta Ruiz of Tepeaca de Negrete, Eduardo Barojas Huerta of Esperanza, Juan Navarro Rodríguez of Ciudad Serdán, Inés Saturnino of Tecamachalco, Filomeno Cruz Gutiérrez of Huixcolotla, Leonardo Gómez Octaviano of General Felipe Ángeles, Néstor Camarillo Medina of Quecholac, José Luis Rechy Tirado of Cuyoaco, and Pablo Pérez Maceda of Tlacotepec de Benito Juárez. According to the media accounts, the business owners under investigation include José Luis Rechy Martínez and Israel Rechy Martínez, as well as leaders of criminal organizations, including Antonio Martínez Fuentes, Gustavo Martínez Jiménez, Roberto de los Santos de Jesús, and Areli Pérez Juan.

Authorities are also investigating José Tomás Pérez Muñoz and Agustín Miguel Vigil Zamora, who are apparently PEMEX employees, said the media reports.

No deterrent

A strong federal presence in the Franja del Huachicol has failed to deter fuel theft. The online business news site *Expansión*, citing PEMEX statistics, said thefts have nearly doubled despite the presence of 3,200 marines, military police, and federal agents.

According to PEMEX estimates, the criminal organizations involved in fuel theft now earn more than 2 million pesos (US\$113,000 per day), compared with an average of 150,000 pesos (US\$8,500) between 2011 and 2014.

As of early July, authorities had detained 138 individuals in connection with the fuel thefts, according to statistics compiled by the online news site *E-consulta*.

The highly dangerous activity has resulted in seven major leaks from the pipelines since the beginning of the year. At least 49 vehicles have been burned because of fires that occurred during the actual theft or during the transport of the fuel.

Still, the pilfering of fuel is so lucrative that many of the criminal organizations and public officials involved in the activity are pushing back against the federal authorities. Several fatal confrontations have occurred in the Franja del Huachicol, including an incident on May 4 in the community of Palmarito Tochapán, in the municipality of Quecholac, where an Army convoy on patrol was ambushed as it went to the site of a reported fuel theft ([SourceMex, May 10, 2017](#)).

As in many recent incidents involving the Mexican armed forces, there were reports that soldiers engaged in extrajudicial killings. A security camera captured images of a group of Mexican military officers firing on a car carrying suspected fuel thieves. The federal human rights commission (Comisión Nacional de los Derechos Humanos, CNDH) demanded a full investigation into the May 4 incident, which the defense ministry (Secretaría de la Defensa Nacional, SEDENA) had agreed to carry out. As of late July, no report had been released.

Six soldiers and one marine have been killed in the area, and 20 other military personnel have been wounded since April. A mid-July confrontation in the municipality of Vicente Guerrero left three marines dead and three others wounded. The deaths occurred as the military sought to detain Roberto de los Santos Jesús, leader of Los Bukanas, which is affiliated with the Zetas.

The number of civilian deaths has been high as well, including many members of criminal organizations as well as a few bystanders. At least 30 civilians have died during the first half of the year, E-consulta reported.

The military presence had a temporary beneficial effect for legitimate sellers in the region. Luz María Jiménez Almazán, president of the industry group Asociación de Gasolineros Unidos in Puebla and Tlaxcala states, said the military presence caused prices for stolen fuel to increase to 13 pesos (US\$0.73) per liter, compared with 6 pesos (US\$0.34) before the military moved into the Franja del Huachicol.

“Sales [of stolen] fuel declined and prices increased, said the online news site Puntual. “Even so, the black-market sales did not stop.”

The Army has since withdrawn some soldiers and reduced its air surveillance, resulting in a reduction in the price of stolen fuel. According to Puntual, prices for black-market fuel as of early July had declined to about 7 pesos (US\$0.39) in Palmar de Bravo and about 11 pesos (US\$0.61) at the regional market in Huixcolotla. In contrast, the average price at formal gas stations during that same period was 16.21 pesos (US\$0.91) per liter for magna grade gasoline.

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