Congress of the United States
Washington, DC 20515

July 21, 2005

The Honorable Donald H. Rumsfeld
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301

Dear Secretary Rumsfeld:

We have been informed that Halliburton has recently attempted to prohibit an American contractor from delivering essential fuels to Iraq from Kuwait. Given the importance of fuel to the stability and economy of Iraq, we request an immediate investigation of Halliburton's actions.

The information we have received comes from a U.S. company called Lloyd-Owen International (LOI). Since June 29, 2004, LOI has delivered more than 158 million gallons of gasoline to Iraq from Kuwait under a contract with Iraq's State Oil Marketing Organization (SOMO). SOMO purchases the gasoline directly from Kuwait's state-owned oil company, the Kuwait Petroleum Corporation, and LOI manages the transportation of the gasoline.

According to Alan Waller, the CEO of LOI, Halliburton decided on July 11, 2005, to block LOI's access to the only military border crossing between Kuwait and Iraq. Mr. Waller said that the Halliburton officials who operate the military border crossing told LOI that in the future LOI would have to use the civilian crossing to move the fuel from Kuwait into Iraq. The rationale for Halliburton's position was that LOI does not have a contract with the U.S. government.[1]

Mr. Waller says that denying LOI access to the military crossing would prevent LOI from meeting Iraq's fuel needs. According to Mr. Waller, "Logistically, practically, it's just impossible" to use the civilian crossing because it takes 30 minutes per truck to pass through the Kuwaiti border process and another 30 to 60 minutes to pass through the Iraqi process.[2] At this rate, would not be possible for a convoy of 140 fuel trucks to pass through the border each day.

This is a serious matter because a policy that prevents LOI fuel convoys from reaching Iraq would be potentially catastrophic. In Mr. Waller's opinion, "it would cause massive instability."[3] The Administration has repeatedly expressed the same view. For example, in a submission to Pentagon auditors, the Army Corps of Engineers referred to long gas lines in Iraq as a "fuel crisis" and noted that the "lines were a visible symptom of the failure of the Coalition Forces to maintain order or restore basic services to the Iraqi people."[4] The Corps of Engineers

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[1] E-mail from Alan Waller to Minority Staff, House Committee on Government Reform (July 11, 2005).

[2] Senate Democratic Policy Committee, *An Oversight Hearing on Waste, Fraud, and Abuse in U.S. Government Contracting in Iraq* (June 27, 2005).

[3] *Id.*

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also stated that "[a]dequate fuel was considered to be essential to economic recovery of the country" and "[l]ack of fuel was directly related to country instability."[5]

The timing of Halliburton's actions is particularly suspect. Just three weeks ago, Mr. Waller and Gary Butters, the chairman of LOI, testified before us at a hearing of the Senate Democratic Policy Committee. Their testimony raised significant questions about Halliburton's inflated fuel prices. We learned that LOI is transporting gasoline into Iraq at a cost of just 18 cents per gallon, compared to the $1.30 per gallon that Halliburton charged to perform the same function.[6] Mr. Butters testified that there was no way to justify a price as high as Halliburton's. He explained, "in all fairness, you could probably uplift our costs by 100 percent to say, 36 ... cents. I can't see how it can go further than that."[7] According to the testimony, LOI's costs are less than one-seventh those charged by Halliburton, even though the security situation has worsened since the time when Halliburton was delivering gasoline.

In addition, Mr. Waller and Mr. Butters provided information that raised questions about other aspects of Halliburton's work in Iraq. They testified that despite its $2.5 billion oil contract, there was no evidence that Halliburton had improved Iraq's fuel distribution infrastructure. Mr. Waller explained, "We have not, to date, seen a functioning KBR piece of equipment to where we deliver."[8] With one exception, LOI personnel had "never come across a KBR official" at these sites.[9]

The LOI executives also explained that they have "encountered a number of difficulties when attempting to traverse the Kuwait-Iraq border, which is better known as the military crossing, operated by KBR."[10] In order to obtain Defense Department identification cards to expedite the border crossing for its daily fuel convoy, LOI agreed to deliver construction goods for a KBR dining facility at a base called TQ near Fallujah. According to Mr. Waller, the LOI convoy was attacked by insurgents on June 9. Three employees were killed and seven were injured. The survivors made it to the U.S. military base. Mr. Waller testified, however, that "the KBR senior management had taken an extraordinary decision to instruct their on-site staff to

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[4] U.S. Army Corps of Engineers, *Information Paper: Business Case by USACE for the Use of Altanmia as a Supplier of Fuel under the RIO Contract* (Jan. 6, 2004).

[5] *Id.*

[6] E-mail from U.S. Army Corps of Engineers, transmitted to Minority Staff, House Committee on Government Reform by the Department of Defense (June 20, 2005); Senate Democratic Policy Committee, *An Oversight Hearing on Waste, Fraud, and Abuse in U.S. Government Contracting in Iraq* (June 27, 2005).

[7] *Id.*

[8] *Id.*

[9] *Id.*

[10] *Id.*

offer no assistance to Lloyd-Owen personnel."[11] In fact, an email from a Halliburton employee stated, "Many people volunteered to help, but were told no by our management."[12]

In light of the potentially dire consequences of a fuel shortage in Iraq and the possibility that Halliburton's actions are retaliatory, we would like an explanation for the current policy of the Defense Department and Halliburton. Specifically, we would appreciate answers to the following questions:

(1) Under what contract or task order does Halliburton operate the Kuwait-Iraq military border crossing?

(2) What are Halliburton's specific duties, responsibilities, and authorities at the border crossing?

(3) What role does Halliburton play in the formulation of border crossing policies?

(4) Is Halliburton in a position to use its authority to retaliate against companies that make negative statements about Halliburton, such as LOI, or against competitors?

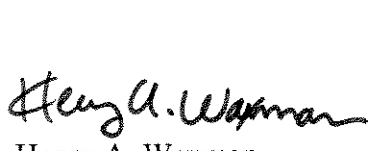
(5) Is the military border crossing being closed to SOMO contractors, such as LOI?

(6) How does the obstruction of LOI fuel convoys enhance U.S. security and reconstruction efforts in Iraq?

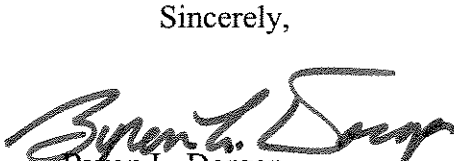
(7) Have the Defense Department and Halliburton assessed the capacity of the civilian border crossing to accommodate SOMO fuel convoys on a daily basis?

With the serious security and reconstruction challenges facing the U.S. in Iraq, a severe gasoline shortage caused by a flawed border crossing policy must be avoided. Because of the time-sensitive nature of this situation, we request a prompt response to these questions.

Sincerely,



Henry A. Waxman
Member of Congress



Byron L. Dorgan
United States Senator

Frank Lautenberg
United States Senator

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[11] *Id.*
[12] *Id.*