

Roth: Oil theft – making ends meet and funding terrorism

By [Jim Roth](#), Director and Chair of the Firm's Clean Energy Practice Group. This column was [originally published in The Journal Record](#) on March 14, 2016.



Jim Roth is a Director and Chair of the firm's Clean Energy Practice.

Oil theft – making ends meeting and funding terrorism

The fact that crude oil theft is a booming business in south Texas may be surprising, considering the current low commodity price. But low oil prices are precisely the fuel that is causing this fire to spread.

Economies in oil-producing states have been crushed by the plummeting price of oil. Many people are being laid off, and they are desperately searching for ways to make ends meet.

Just look at the enormous hole in Oklahoma's state budget because of this oil and gas downturn and the lower taxes received from low production levels. These economic pains are being felt on the macro and the micro level. Unfortunately, some have even resorted to stealing crude oil to make money.

Reports in energy-producing states have begun to suggest that oil theft is occurring, many times, from ex-employees who know where oil is being stored by their previous employer. If the ex-employee has access to a tanker truck, it is easy to hook up to the storage tank and steal the product. To launder the stolen crude, some will sell it at a fraction of the market price to operators of wells that have not been producing. Others tell buyers that the stolen crude has been skimmed off of wastewater, which is itself a common occurrence in production areas.

The Energy Security Council estimates that 1 to 3 percent of all the oil produced in Texas is being stolen and sold on black markets. This could be costing Texas producers over \$2 billion per year.

And Texas isn't alone. Oil theft is also a key source of funding for ISIS, which generates more than \$1 million per day for the terrorist organization through stolen oil. ISIS has been smuggling oil out of Syria and Iraq since it invaded the region in 2014, and it has raised several hundred million dollars during this time. This is how ISIS rapidly grew from a few radicals to a global extremist network.

As with the Texas oil thieves, ISIS smugglers have to launder the stolen oil. This is easily accomplished by ISIS due to its dominance in the region – not only from a military standpoint, but also over the oil and gas industry. ISIS has infiltrated many of the small refineries in Syria and Iraq, and it sells the crude oil it steals to those refineries. The terrorist group has also cut off outside sources of petroleum products. Thus, many people have no other source of fuel and are forced

to buy it from the refineries that are effectively controlled by ISIS.

Low oil prices are having a broad global impact. The oil smuggling in south Texas and in Syria are just two examples of how some oil-producing regions have been affected. Authorities in both regions are trying to find ways to increase security and cut down on oil theft, but progress is still needed.

At a time when genuine market prices are already harmful to companies and the broader economy, this level of oil theft is certainly adding insult to injury.

Jim Roth, a former Oklahoma corporation commissioner, is an attorney with [Phillips Murrah PC](#) in Oklahoma City, where his practice focuses on clean, green energy for Oklahoma.