United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SEP - 9 2008

Memorandum

To: Secretary Kempthorne

From: Earl E. Devaney
Inspector General

Subject: OIG Investigations of MMS Employees

This memorandum conveys the final results of three separate Office of Inspector General (OIG) investigations into allegations against more than a dozen current and former Minerals Management Service (MMS) employees. In the case of one former employee, Jimmy Mayberry, he has already pled guilty to a criminal charge. The cases against former employees, Greg Smith and Lucy Querques Dennet, were referred to the Public Integrity Section of the Department of Justice (DOJ). However, that office declined to prosecute. The remaining current employees await your discretion in imposing corrective administrative action. Others have escaped potential administrative action by departing from federal service, with the usual celebratory send-offs that allegedly highlighted the impeccable service these individuals had given to the Federal Government. Our reports belie this notion.

Collectively, our recent work in MMS has taken well over two years, involved countless OIG human resources and an expenditure of nearly $5.3 million of OIG funds. Two hundred thirty-three witnesses and subjects were interviewed, many of them multiple times, and roughly 470,000 pages of documents and e-mails were obtained and reviewed as part of these investigations.

I know you have shared my frustration with the length of time these investigations have taken, primarily due to the criminal nature of some of these allegations, protracted discussions with DOJ and the ultimate refusal of one major oil company - Chevron - to cooperate with our investigation. Since you have already taken assertive steps to replace key leadership and staff in the affected components of MMS, I am confident that you will now act quickly to take the appropriate administrative action to bring this disturbing chapter of MMS history to a close.

**A Culture of Ethical Failure**

The single-most serious problem our investigations revealed is a pervasive culture of exclusivity, exempt from the rules that govern all other employees of the Federal Government.

In the matter involving Ms. Dennet, Mr. Mayberry and Milton Dial, the results of this investigation paint a disturbing picture of three Senior Executives who were good friends, and who remained calculatedly ignorant of the rules governing post-employment restrictions, conflicts of interest and Federal Acquisition Regulations to ensure that two lucrative MMS contracts would be awarded to the company created by Mr. Mayberry - Federal Business Solutions - and later joined by Mr. Dial. Ms. Dennet manipulated the contracting process from the start. She worked directly with the contracting officer, personally participated on the evaluation team for both contracts, asked for an increase to the first contract amount, and had Mayberry prepare the justification for the contract increase. Ms. Dennet also appears to have shared with Mr. Mayberry the Key Qualification criteria upon which bidders would be judged, two weeks before bid proposals on the first contract were due.

In the other two cases, the results of our investigation reveal a program tasked with implementing a "business model" program. As such, Royalty in Kind (RIK) marketers donned a private sector approach to essentially everything they did. This included effectively opting themselves out of the Ethics in Government Act, both in practice, and, at one point, even explored doing so by policy or regulation.

Not only did those in RIK consider themselves special, they were treated as special by their management. For reasons that are not at all clear, the reporting hierarchy of RIK bypassed the one supervisor whose integrity remained intact throughout, Debra Gibbs-Tschudy, the Deputy Associate Director in Denver, where RIK is located. Rather, R1K was reporting directly to Associate Director Dennet, who was located some 1500 miles away in Washington, DC, and to whom the unbridled, unethical conduct of RIK employees was apparently invisible (although the Associate Director had been made aware of the plan by RIK to explore more formal exemption from the ethics rules.)

More specifically, we discovered that between 2002 and 2006, nearly 1/3 of the entire RIK staff socialized with, and received a wide array of gifts and gratuities from, oil and gas companies with whom RIK was conducting official business. While the dollar amount of gifts and gratuities was not enormous, these employees accepted gifts with prodigious frequency. In particular, two RIK marketers received combined gifts and gratuities on at least 135 occasions from four major oil and gas companies with whom they were doing business - a textbook example of improperly receiving gifts from prohibited sources. When confronted by our investigators, none of the employees involved displayed remorse.

We also discovered a culture of substance abuse and promiscuity in the RIK program - both within the program, including a supervisor, Greg Smith, who engaged in illegal drug use and had sexual relations with subordinates, and in consort with industry. Internally, several staff admitted to illegal drug use as well as illicit sexual encounters. Alcohol abuse appears to have been a problem when RIK staff socialized with industry. For example, two RIK staff accepted lodging from industry after industry events because they were too intoxicated to drive home or to their hotel. These same RIK marketers also engaged in brief sexual relationships with industry contacts. Sexual relationships with prohibited sources cannot, by definition, be arms-length.

Finally, we discovered that two of the RIK employees who accepted gifts also held inappropriate outside employment and failed to properly report the income they received from this work on their financial disclosure forms. Smith, in particular, deliberately secreted the true nature of his outside employment - he pitched oil and gas companies that did business with RIK to hire the outside consulting firm - to prevent revealing what would otherwise, at a minimum, be a clear conflict of interest.

**Conclusion**

As you know, I have gone on record to say that I believe that 99.9 percent of DOI employees are hard-working, ethical and well-intentioned. Unfortunately, from the cases highlighted here, the conduct of a few has cast a shadow on an entire bureau.

In summary, our investigation revealed a relatively small group of individuals wholly lacking in acceptance of or adherence to government ethical standards; management that through passive neglect, at best, or purposeful ignorance, at worst, was blind to easily discernible misconduct; and a program that had aggressive goals and admirable ideals, but was launched without the necessary internal controls in place to ensure conformity with one of its most important principles: "Maintain the highest ethical and professional standards." This must be corrected.

**Recommendations**

In conclusion, we offer the following Recommendations.

1. **Take appropriate administrative corrective action.**

   Some very serious misconduct is identified in these reports. While the DIG generally does not take a position concerning what administrative corrective action might be appropriate in any given matter, in this instance there may be significant enough misconduct to warrant removal for some individuals. Given the unwillingness of some to acknowledge their conduct as improper, the subjects of our reports should be carefully considered for a life-time ban from working in the RIK program.

2. **Develop an enhanced ethics program designed specifically for the RIK program.**

   Given the RIK culture, an enhanced ethics program must be designed for RIK, including, but not limited to, 1) an explicit prohibition against acceptance of any gifts or gratuities from industry, regardless of value; 2) a robust training program to include written certification by employees that they know and understand the ethics requirements by which they are bound; and 3) an augmented MMS Ethics Office.

3. **Develop a clear, strict Code of Conduct for the RIK program.**

   A fundamental Code of Conduct with clear obligations, prohibitions, and consequences appears to be necessary to repair the culture of misconduct in the RIK program. This code should include a clear prohibition against outside employment with the oil and gas industry or consultants to that industry. Given the considerable financial responsibilities involved, MMS should also consider implementing a Random Drug Testing program specifically for RIK.

4. **Consider changing the reporting structure of RIK.**

   The management reporting structure of the RIK program must be seriously reconsidered. Given the challenges that will be faced in rebuilding this program, it seems imperative that RIK have management oversight in immediate proximity, not some 1,500 miles away in Washington, DC.

   If you have any questions, please do not hesitate to contact me at (202) 208-5745.

Attachments

# Investigative Report

*MMS Oil Marketing Group - Lakewood*

Report Date: August 19, 2008
Date Posted to Web: September 10, 2008

This report contains information that has been redacted pursuant to 5 U.S.C. §§ 552(b)(2), (b)(6), and (b)(7)(C) of the Freedom of Information Act. Some references indicating gender were written in the masculine form to protect the identities of individuals and to facilitate the reading of the report. Supporting documentation for this report may be obtained by sending a written request to the OIG Freedom of Information Office.

# RESULTS IN BRIEF

We initiated this investigation in July of 2006 after receiving allegations from a confidential source (CS) that improprieties were occurring within the Minerals Management Service's (MMS) Royalty in Kind Program (RIK).

The CS specifically alleged that RIK marketers had developed inappropriate relationships with representatives of oil companies doing business with the U.S. Department of the Interior (DOI). The CS asserted that the inappropriate relationships included RIK employees frequently attending oil and gas industry social functions and accepting gifts from company representatives.

Our investigation confirmed that between January 1, 2002, and July 2006, 19 RIK marketers and other RIK employees – approximately 1/3 of the entire RIK staff – had socialized with, and had received a wide array of gifts from, oil and gas companies with whom the employees were conducting official business. With respect to eight specific RIK employees, these gifts exceeded the allowable limits.

We also discovered that two of the RIK employees who accepted gifts also held unauthorized outside employment. Both of these employees had failed to seek MMS approval for their outside work and similarly failed to report the income they received from this work on their financial disclosure forms. In addition, we learned that one MMS employee, not affiliated with the RIK Program, had received approval for outside work but had failed to report the income received from it.

Finally, our investigation revealed an organizational culture lacking acceptance of government ethical standards, inappropriate personal behaviors, and a program without the necessary internal controls in place to prevent future unethical or unlawful behavior.

We are forwarding this report to the Assistant Secretary for Land and Minerals Management for whatever adverse action he deems appropriate for the DOI employees involved.

# BACKGROUND

## Minerals Management Service

MMS manages the nation's natural mineral resources on the Outer Continental Shelf and on some federal and Indian lands. MMS also collects, accounts for, and disburses more than $8 billion per year in revenue from these offshore and onshore mineral leases. Two major programs comprise MMS – Offshore Minerals Management and Minerals Revenue Management (MRM). Offshore Minerals Management manages the mineral resources in federal waters, while MRM is responsible for managing all revenues associated with offshore and onshore federal mineral leases. Together, these programs are one of the federal government's greatest sources of non-tax revenues.

MRM processes rents and royalties from nearly 70,000 leases annually and employs approximately 600 federal and 300 contract personnel. The Federal Oil and Gas Royalty Management Act of 1982, 30 U.S.C. § 1701, and the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996, 30 U.S.C. § 1701, form the basis for MRM oversight and regulatory enforcement activities.

MRM collects royalties from oil and gas companies through requirements established in two types of leases. Royalty in Value (RIV) leases require that the lessee pay the federal government, through MRM, a percentage of the monetary value of the oil or gas brought to the market. RIK leases differ in that MRM takes possession of a percentage of the product (oil or gas) at a designated delivery point, which is often the platform where the oil or gas is brought to the surface. MRM then markets and sells it.

According to statistics maintained by MMS, RIK sells over 800 million cubic feet of natural gas and 150,000 barrels of oil every day. The value of RIK oil and gas sales in fiscal year (FY) 2006 was reported at over $4 billion, or approximately $11 million per day.

In addition to marketing and selling oil and gas, RIK is responsible for transporting and processing these products. Because RIK does not own or operate any pipelines or processing plants, it contracts with oil and gas companies for these services. At the end of FY 2006, RIK reported holding 32 contracts for the sale or exchange of oil and gas. During this same period, it also held 97 contracts for transportation, processing, and miscellaneous services. These 97 contracts were valued at approximately $29 million.

## RIK

MMS initiated a feasibility study in 1997 of the U.S. Government taking its oil and gas royalties in kind, rather than in value, and then competitively selling the commodities on the open market. The study concluded that this approach would not only be workable but would also be more efficient for both MMS and the industry. Further, the study team concluded that this approach would be revenue neutral or positive.

After a series of successful pilot projects, MMS published the *Road Map to the Future: Implementing Royalty in Kind Business Processes and Support Systems*. The *Road Map* called for full implementation of the RIK Program by December 2003. MMS then engaged a well-known energy consulting group to help develop RIK's first 5-year plan, which was published in May 2004.

The RIK Program director reports directly to the MRM associate director in Washington, D.C. Despite being located in Lakewood, CO, the deputy associate director for MRM has no line or supervisory authority over the RIK Program director or the program's personnel.

Between approximately 2001 and 2004, Gregory Smith served as the deputy program director of RIK. He then served as the director in 2005, until January 2007 when he was detailed to another section within MRM. Smith, as the RIK director, reported directly to Associate Director Lucy Querques Denett in Washington, D.C. Smith retired on May 26, 2007.

RIK Program employees work in four separate areas: the "Front Office" which markets and sells oil and gas; the "Mid Office," which handles contracting, risk control, and credit issues; the "Back Office," which handles accounting functions; and the "Economic Analysis Office," which helps evaluate bids and measures the performance of RIK contracts. ***Agent's Note****: The RIK Program set up its organizational structure to mirror a standard oil or gas company infrastructure.*

The RIK oil and gas marketers who are assigned to the "Front Office" are responsible for gathering and analyzing information concerning MMS leases and the feasibility of converting RIV leases to RIK leases. In addition, they gather and analyze information on the sale and transportation of oil and gas and use it to determine the best possible disposition for RIK's oil and gas. Most significantly, they receive, review, and select bids submitted by oil and gas companies on RIK properties and work with industry personnel on modifications to sales and other contracts. Due to the nature of their responsibilities, RIK oil and gas marketers interact extensively with oil and gas industry representatives.

## Applicable Regulations, Standards, and Policies

All MMS employees are subject to a myriad of federal ethics standards, regulations, and DOI policies that serve to govern their personal behavior. Those noted below are particularly germane to this investigation.

The *Standards of Ethical Conduct for Employees of the Executive Branch* states the following, in part:

> [Employees] shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards …. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts (5 CFR 2635.101(b)(14))….[Employees] shall not, directly or indirectly, solicit or accept a gift:(1) From a prohibited source; or (2) Given because of the employee's official position (5 CFR §2635.202(a))….[Employees] may not accept gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe the employee is using public office for private gain (5 CFR 2635.202(c)(3)).

***Agent's Note****: A prohibited source is defined by regulation as "any person, company, or organization that conducts business with or is seeking to conduct business with the employee's agency, or that has any interest which may be affected by the employee's official duties."*

Further, the Office of Government Ethics has issued a regulation that allows only limited circumstances in which employees may accept gifts from prohibited sources. Specifically, unsolicited gifts valued at $20 or less, per occasion, may be accepted. However, gifts from any single prohibited source may not exceed $50 in any given calendar year.

## Outside Employment Policy

MMS policy requires that all of its employees who wish to engage in outside employment report this employment to their supervisor for approval or denial. This process is documented through the employee's completion of a "Request to Engage in Outside Work or Activity" form, which must be signed by the employee, his or her supervisor, a management official, and a representative of the MMS Ethics Office.

This process is intended to ensure that an employee's outside employment does not conflict with the primary responsibilities to MMS. In addition, earned income exceeding $200 from any outside employment must be reported on the employee's "Confidential Financial Disclosure Report" (Office of Government Ethics Form 450).

# DETAILS OF INVESTIGATION

In July 2006, we began this investigation after receiving allegations from a confidential source (CS) concerning improprieties occurring within the MMS RIK Program. The CS specifically alleged that RIK marketers had developed inappropriate relationships with representatives of oil companies doing business with DOI. The CS claimed that the inappropriate relationships included RIK employees frequently attending oil and gas industry social functions and accepting gifts from company representatives.

We focused our initial investigation on the specific allegations made by the CS and later expanded our investigation to include unreported outside employment and/or income. We also spent considerable time examining the organizational culture of RIK, which appeared to be devoid of both the ethical standards and internal controls sufficient to protect the integrity of this vital revenue-producing program.

Recognizing the investigative challenges associated with a complex program such as RIK, we created an investigative team composed of criminal investigators, computer forensics specialists, criminal research specialists, and auditors. During the course of the investigation, we conducted over 100 interviews with MMS employees and industry representatives, many multiple times, and ultimately reviewed thousands of e-mails, company expense records, contract files, and other relevant documents. We sought and obtained numerous individuals' personal banking records as well as expense reports and related records from four specific oil and gas companies. ***Agent's Note:*** *Between October 2007 and May 2008, we undertook extensive efforts to interview five Chevron employees. Despite these efforts, these employees ultimately declined to be interviewed. Additionally, a former Shell employee declined to be interviewed by DOI-OIG agents.*

We have organized our investigative findings into two sections. The first section briefly summarizes the programmatic failures identified during the course of our investigation, which created the environment in which RIK employees socialized with, and accepted gifts from, industry representatives without regard for ethical standards, regulations, and DOI policies. The second section of the report describes, by employee, specific misbehavior as well as the statements made by those employees and relevant industry representatives.

# I: Programmatic Failures

## Ethical Failures

During the course of this investigation, we learned that 19 RIK employees had accepted gifts from prohibited sources in the oil and gas industry from 2002 to 2006. However, we focused our attention on only current MMS employees who had accepted unsolicited gifts of $20 or more on any one occasion and/or on current employees who exceeded the $50 gift threshold in any given year. ***Agent's Note****: We also determined that a number of former MMS employees had exceeded the dollar thresholds as well. However, we decided not to pursue these violations given the lack of an administrative remedy for DOI to take.*

Using these criteria, we ultimately examined the ethical behavior of nine employees. While the documented dollar amount of gifts for these employees was less than $7,000, the frequency of the gifts was quite disturbing. In particular, two RIK marketers received combined gifts on at least 135 occasions from four major oil and gas companies who meet the definition of prohibited sources. During this same period of time, both of these employees also received cash awards from MMS of approximately $10,000 each.

Our investigation revealed that many RIK employees simply felt that federal government ethics standards and DOI policies were not applicable to them because of their "unique" role in MMS. When interviewed, many RIK employees said they felt that in order to effectively perform their official duties, they needed to interact in social settings with industry representatives to obtain "market intelligence." Some felt their free attendance at industry functions was an absolute necessity given that it was industry's practice to conduct business over lunch, dinner, and golf outings.

One RIK employee opined that because RIK regularly paid a major producer to transport oil, it was perfectly appropriate for him to attend a "treasure hunt" in the desert with all expenses paid by the producer. Another RIK employee went so far as to say RIK's goal was to be "part of industry."

When we interviewed the industry representatives, most readily admitted that they purchased meals, drinks, and other items of entertainment for RIK employees, but they denied that these purchases were in exchange for any type of official act or preferential treatment. Some representatives said they treated RIK personnel as though they were "partners" or their "customers," given the business relationship between RIK and their respective companies.

Several industry representatives discounted the argument that DOI employees needed to participate in industry events to effectively perform their official duties. One representative denied that business was even conducted at these social events. He stated that business was rarely discussed among the attendees and that the main purpose of industry social events was entertainment. "It was about the skiing," he said.

In e-mails we retrieved from RIK employees' computer hard drives and network servers, we found numerous indications that many of the events that RIK employees attended with industry officials were purely social. For instance, one e-mail from Shell Pipeline Company representative to RIK employee Crystel Edler, regarding attending "tailgating festivities" at a Houston Texans game, stated, "You're invited …have you and the girls meet at my place at 6am for bubble baths and final prep. Just kidding …."

The Shell Pipeline Company representative's previous e-mail inviting people to the event was laden with sexual innuendo such as, "We've always provided the patrons with beer on demand, but the ever-depleting supplies have dwindled beer storage to dangerously low volumes on occasion….Although it's a given that the horsemen will indeed 'bring the meat to the table.'" ***Agent's Note****: The Shell Pipeline Company representative declined to be interviewed.*

Most industry representatives claimed to be unaware of federal ethics rules and regulations governing the acceptance of gifts from oil and gas companies. However, representatives from one major oil company said RIK employees seemed to operate differently than Department of Energy (DOE) officials, whom they said routinely declined meals and other gifts when offered. ***Agent's Note****: The industry works with DOE officials mostly on the Strategic Petroleum Reserve initiative.*

Since our investigation revealed that virtually all of the subject RIK employees had attended their annual ethics briefings over the entire 5-year period of time in question, it is *prima fascia* that these employees knew they were violating government ethics standards when they accepted gifts from prohibited sources.

In fact, we even found evidence to suggest that some RIK employees took steps to keep their social contacts with industry representatives a closely held secret. For example, several RIK employees told investigators that one RIK supervisor admonished her staff not to discuss these travel activities in the RIK office. We also found e-mails where RIK employees preparing to attend industry events used language such as "this trip is to be kept quiet," or they were asked to RSVP "in private" by their supervisor. When we asked one of these employees why they needed to avoid discussing their social activities with industry, he responded with a slight chuckle, "They might have, you know, contacted the [Inspector General]."

Most importantly, toward the conclusion of our investigation, we discovered a document titled, "Initiative to Clarify Guidance for RIK Interaction with Industry," which indicates that in the summer of 2006, a group of key RIK employees were seeking ways to codify their "uniqueness" and to craft new guidance for themselves different from that which governs all other federal employees. The document states the following, in part:

> [I]t is clear that the Federal government ethics/procurement rules do not offer unambiguous guidance to RIK staff and management. It seems logical that these rules/policies, developed in the context of government in an adjudicator role for the regulated community, do not provide clear guidance, since they did not envision government as business counterplay in a commercial marketplace.

A former MMS contracting officer confirmed to us that this study group was formed in approximately June 2006 in an attempt to "see what's legal, what isn't, where the boundaries ought to be with the RIK folks."

In a recovered e-mail dated June 6, 2006, Associate MMS Director for Administration and Budget, Bob Brown, gave approval to a number of MMS employees to join this group to "study and create business/ethics rules and guidance for the RIK program." The e-mail further indicated that RIK Director Gregory Smith had requested this action and also that Brown and Associate MMS Director Lucy Querques Denett had agreed to serve as "executive sponsors" of the group.

We interviewed former RIK Director Gregory Smith on one occasion under a proffer agreement between Smith and the Department of Justice (DOJ). Smith insisted that he saw nothing wrong with, and had actually approved, RIK employees attending industry events and/or accepting meals and drinks from oil and gas companies doing business with DOI. Some RIK employees we interviewed confirmed that Smith encouraged them to attend industry social events.

When we interviewed MMS Associate Director Lucy Querques Denett, she stated that prior to our investigation, she was unaware that RIK employees had been accepting gifts and/or gratuities from the oil and gas industry.

We interviewed MRM Deputy Associate Director Deborah Gibbs Tschudy, who explained that oil and gas industry representatives were well known for providing gifts to each other, which she said was the "oil and gas industry marketing culture." Tschudy commented that this was a normal business practice for them. She stated that it was not acceptable for the industry to treat RIK employees as they treated other industry customers. She added, "We don't have to do that to be successful in the RIK Program….People want our production…[and] there's no reason for us to have to [accept gifts] to be able to be part of the market."

***Agent's Note****: While Denett and Smith will be mentioned frequently in this report, both are subjects of two separate investigations being pursued by this office. Therefore, any potential improprieties on their part will not be detailed in this report. Deputy Associate Director Tschudy served as the Acting Director of RIK during 2007 and has been cooperative with this investigation. She is also playing an instrumental role in adopting recent OIG audit and investigative recommendations regarding the RIK Program.*

## Improper Personal Conduct

During the course of our investigation, we learned that some RIK employees frequently consumed alcohol at industry functions, had used cocaine and marijuana, and had sexual relations with oil and gas company representatives.

Our investigation disclosed that alcohol was available at most or all of the industry events attended by RIK employees. For instance, we learned that two RIK employees who had attended a daytime industry-sponsored event had later spent the evening in lodging provided by that company because they were too intoxicated to safely drive to a nearby hotel. When we interviewed the employees involved, they insisted that they were developing business relationships and had gathered valuable industry-related information by attending this event. Other witnesses we interviewed stated that RIK employees "partied" frequently with oil and gas industry representatives and that these two RIK marketers were commonly referred to by industry representatives as the "MMS Chicks."

Given the depth of this investigation, we were not surprised when we uncovered recreational marijuana and cocaine use by a handful of RIK employees. As noted above, our investigation also disclosed that two RIK marketers had engaged in brief sexual relationships with representatives from companies doing business with DOI. Neither of the employees deemed it appropriate to recuse themselves from work involving the companies these officials represented.

### Internal Control Failures

Our investigation disclosed that the RIK Program's *RIK Procedures Manual* was intended to be used to document the program's operating processes. While the manual provided a list of "Front Office" duties and responsibilities, it did not contain detailed procedures on how these duties and responsibilities were to be performed. Specifically, there were no written procedures or guidelines in the *RIK Procedures Manual* regarding the overall oil and gas sales process. For instance, the manual did not contain policy or guidance on the following internal control procedures:

- Analyzing bids
- Developing "Minimum Acceptable Bids" and related target ranges
- Amending bids
- Awarding a bid to a bidder other than the highest bidder
- Deciding which bid packages will be awarded on a fixed-roll basis
- Documenting decisions reached during the bidding deliberative process

Throughout our investigation, we heard that the oil and gas industry preferred the RIK Program to the RIV Program. One RIK marketer explained this preference to us as follows: "There is definitely an advantage to the industry, so that they wouldn't have to be subject to audit."

***Agent's Note****: As our investigators brought our concerns to the attention of MMS personnel, we noticed additional guidance regarding the RIK sales process being developed. Our audit office performed a more thorough review of RIK's management controls over the RIK sales process, including any policy or guidance that was issued during our investigation.*

## II: Individual Employees

What follows are detailed discussions of the improper behavior of eight specific individuals working in the RIK Program who actually exceeded the gift limits and should be considered for adverse action by DOI. In each discussion, we start by laying out the evidence of gifts or other improper behavior we discovered. This will be followed by a detailed discussion of what both the employee told us about the gifts and any relevant interviews with oil and gas company representatives or other witnesses. In addition, we learned that one MMS employee, not affiliated with the RIK program, had received approval for outside work but failed to report the income received from it.

We determined Chevron, Shell, Gary Williams Energy Corporation (GWEC), and Hess Corporation (Hess) provided gifts to RIK employees. Each of these four companies maintained a business relationship with RIK and is therefore considered a "prohibited source." Shell and Chevron conducted business with RIK as both producers on leases where MMS took royalties in kind and as purchasers of RIK oil. Although they did not produce oil and gas on MMS leases, GWEC did purchase RIK products through RIK's Small Refiner Program. Hess operated MMS leases on which royalties were taken in kind but did not actually bid on RIK oil.

While some gifts' values were easy to determine, meals and drinks were difficult to attach a value to, especially when the attendees included both RIK employees and industry representatives. Therefore, for purposes of calculating the approximate value of meals and drinks received by RIK employees, we simply divided the total cost of the meal as reported on the company expense reports by the total number of persons who attended the event. For example, if an RIK employee and three industry representatives attended a dinner, and the total cost of the meal shown on an industry expense report was $400, then a $100 gift was attributed to the RIK employee.

***Agent's Note****: During the course of our investigation, we informed Secretary Dirk Kempthorne and Assistant Secretary for Land and Minerals Management Stephen Allred of the improper behavior we were uncovering within the RIK Program. The Secretary immediately directed Assistant Secretary Allred to transfer RIK employees Greg Smith, Crystel Edler, and Richard Fantel out of the RIK Program after we specifically identified their personal behavior as particularly troubling. Stacy Leyshon had previously been transferred out of the RIK Program.*

**1. Stacy Leyshon**

Stacy Leyshon has been employed by MMS since 1986. Between 2002 and 2007, she worked as a supervisory minerals revenue specialist in RIK. During her first few years in this position, she supervised the RIK employees in the "Front Office" who were responsible for marketing RIK oil, as well as those in the "Back Office," who handled RIK accounting functions. After a reorganization within RIK, Leyshon became responsible for only the Front Office, which contained a staff of approximately five employees.

A review of Leyshon's training records disclosed that she received ethics training in 2000, 2002, 2003, 2004, and 2006. While there was no information in the DOI Ethics Office training files documenting Leyshon's attendance at ethics training in 2005, we found several e-mails showing that in 2005, RIK received ethics training, in conjunction with EEO training, provided by the MMS Western Administrative Service Center. In addition, we found Leyshon sent an acceptance e-mail in response to the mandatory training notice. A review of Leyshon's cash awards from MMS for 2002 through 2006 revealed that she received $10,450.

Through witness interviews and a review of oil and gas company expense records and other documentation, we found that between 2002 and 2006, Leyshon attended a myriad of events hosted and paid for by oil and gas industry representatives. We also found that she accepted golf, lodging, ski-related costs, and other gifts, often in the form of meals, from oil and gas companies.

***Agent's Note***: *We provided OIG subpoenas to the above-noted four oil and gas companies for all of their expense accounts and any other documents that indicated gifts were given to RIK employees. The information received is arrayed in this report in a series of charts for each individual. However, total amounts shown most likely do not reflect the totality of gifts given to RIK employees because certain gifts do not lend themselves to industry expense reports, i.e. free lodging or company-owned tickets to sporting events. Therefore, dollar amounts shown should be considered by the reader as a conservative accounting that needs to be viewed in conjunction with witness testimony.*

Specifically, industry expense reports and other documentation indicate that Leyshon accepted gifts valued at approximately $2,887 from Chevron, Shell, and GWEC on at least 74 occasions between 2002 and 2006, as follows:

| | **CHEVRON** | | **SHELL** | | **GWEC** | | **TOTAL** | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2002 | 3 | $29 | 3 | $257 | 4 | $62 | 10 | $348 |
| 2003 | 11 | $209 | | | 3 | $25 | 14 | $234 |
| 2004 | 22 | $505 | 6 | $382 | 5 | $488 | 33 | $1,375 |
| 2005 | 9 | $340 | 2 | $80 | 4 | $472 | 15 | $892 |
| 2006 | | | 1 | $17 | 1 | $21 | 2 | $38 |
| **Total** | **45** | **$1,083** | **12** | **$736** | **17** | **$1,068** | **74** | **$2,887** |

As shown above, our review of Chevron representatives' expense reports disclosed that Leyshon was listed 45 times between 2002 and 2006. These entries include meals and drinks, an appreciation dinner, and a paintball outing.

Our review of Shell representatives' expense reports and other documentation disclosed that Leyshon received approximately 12 gifts from Shell between 2002 and 2006. The expense report entries reflect mostly the purchase of meals and drinks. In addition, interviews and record reviews disclosed that Leyshon attended several of Shell's customer appreciation dinners and customer appreciation outings.

Our review of a GWEC representative's expense reports and other documentation disclosed that Leyshon was provided 17 gifts between 2002 and 2006. The gifts Leyshon received included meals, drinks, and golf outings.

GWEC holds an annual customer appreciation golf tournament in Colorado and customarily covers participants' expenses associated with the tournament, including golf-related fees, breakfast, lunch, and dinner. Participants also receive a complimentary gift, such as a golf bag, luggage, jacket, or sunglasses. GWEC's annual tournament is also timed to correspond with a local sporting event, such as a PGA tournament or a Colorado Rockies baseball game. GWEC normally covers the costs for participants to attend these events. According to GWEC records, Leyshon attended this customer appreciation event in 2004 and 2005.

Two witnesses recalled Chevron receiving a contract amendment after Jeff Brough, a Chevron trader, made an error on a bid. Interviews disclosed that Brough was responsible for preparing Chevron's bids on MMS oil properties. While preparing the bid in question, he neglected to include a transportation cost, thereby making his bid both inaccurate and potentially a career-ending event with huge financial consequences for Chevron. One witness reported that both Stacy Leyshon and Crystel Edler, RIK marketers, told her they assisted Brough after he made a significant error on a bid. The witness speculated that the error could have cost Brough his job.

***Agent's Note:*** *The term amendment refers to instances where apparently RIK allowed companies to actually revise their bids, even after an award had been made. We could not find any written policies allowing this practice although we did learn that it happened often. Apparently, company representatives would contact the RIK marketing staff to request amendments, and after approval by Leyshon, they would be forwarded to the RIK Director for final approval. The contracting officer would then process the approved amendments. Our Royalty Initiatives Group reviewed 121 amendments, only three of which favored the government. They estimated the value of the amendments not in favor of the government to be approximately $4.4 million.*

The CS in this case also told us about a sex toy business that Leyshon owned and advertised by passing out business cards at work. According to the CS, Leyshon had bragged that she made more money with this business than her salary at MMS.

We interviewed Leyshon three times. When she was first interviewed concerning these matters, she provided a signed sworn statement in which she acknowledged attending annual ethics training and understood that, as a government employee, she could only accept gifts valued up to $20 per occasion and totaling no more than $50 annually. She also said she understood that individual purchasers and distributors from the oil companies were considered prohibited sources. It should be noted that in the later two interviews, done under a proffer agreement between DOJ and Leyshon, she was considerably more forthcoming and claimed that she had not included pertinent information in her signed sworn statement because she had difficulty remembering which events she attended, on which dates.

In her first interview, Leyshon said she made sure the amount the oil companies paid for RIK employees' meals was under the allowed amount of $20 per employee. In a later interview, Leyshon admitted that she probably had exceeded the gift threshold. She added that she never kept track of the value of the dinners, drinks, and other gifts she received from industry representatives. In her later proffer interviews, Leyshon recalled with more detail and specificity the gifts she received. Additionally, Leyshon stated that she never reported any of these gifts on her Confidential Financial Disclosure Reports (CFDR) because they did not fall within the reporting requirements.

***Agent's Note****: A December 12, 2007 legal opinion issued by the OIG's Office of General Counsel opined that a confidential financial disclosure filer who received multiple benefits in connection with his/her attendance at a single event must treat the entire package of benefits as a single gift for the purpose of determining whether the gift meets the reporting thresholds of $114 and $285. While the total value of the items Leyshon received in connection with the GWEC golf tournament exceed the CFDR reporting requirements in 2004 and 2005, the legal opinion also points out that the form's instructions in 2004 and 2005, as well as relevant regulatory examples at that time, did not provide clear guidance for the filer.*

Leyshon stated that she frequently dined with Chevron employees because Chevron was one of RIK's major customers. She also said she attended Chevron's Customer Appreciation dinner in San Francisco, CA, and characterized the dinner as a "widely attended event." Leyshon noted that she did not consult with anyone in the MMS Ethics Office about attending the event but that she routinely advised Greg Smith when she attended these types of gatherings.

Leyshon acknowledged that she accepted meals and drinks from Shell representatives but could not estimate how much or how often. She recalled that she also went to Shell's customer appreciation dinners two or three times, where she accepted meals, a silver serving dish, and a dip bowl. She claimed that she donated the silver dish and the dip bowl to charity.

She also admitted to attending Shell's customer appreciation outings in Colorado in 2002, 2004, 2005, and 2006.

In 2002, Shell provided Leyshon with lodging and golf in Keystone, CO. Leyshon stated that she did not reimburse Shell for her lodging expenses. She explained that she and Crystel Edler, who also attended this same event, had accepted lodging from Shell but had bought breakfast for their Shell hosts the next morning. According to Leyshon, by providing breakfast, she and Edler had provided an item of "equal value" for the cost of the lodging.

Leyshon recalled that she and Edler had not originally planned to spend the night in lodging provided by Shell but had planned to stay at a hotel room she and Edler had reserved. She explained that after she and Edler consumed "some alcohol," a Shell employee suggested that it would be unsafe for them to drive to their hotel. Leyshon said they then stayed at Shell's lodging.

In 2004, Shell provided Leyshon with lodging and paid for her ski costs in Keystone, CO. Leyshon said she did not reimburse Shell for these expenses but claimed to apply the "reciprocal" or "equal value" logic by providing "a bunch of alcohol" valued at approximately $60 for those in attendance.

In 2005, Leyshon stayed in lodging in Breckenridge, CO, paid for by Shell but claimed she paid her own skiing costs and provided bank statements showing she paid for her lift ticket.

Finally, in 2006, Leyshon again skied with Shell employees in Breckenridge, CO, but claimed that she paid her own skiing and did not spend the night. She stated that she attended dinner with Shell employees while she was in Breckenridge but could not remember who paid.

Leyshon claimed that she attended these events to build relationships with oil and gas company officials while in a relaxed setting. She continually referred to these events with industry as "widely attended events," which she felt made them permissible. She even opined that playing in a golf tournament was acceptable under this theory. Leyshon noted that industry officials routinely conducted business during such events and claimed that without these relationships, RIK personnel could not obtain information on how the industry operated and how to effectively transport and market RIK oil.

To illustrate her point, she provided the interviewing agents with a copy of a letter she had once provided to an MMS ethics officer in which she justified playing in a golf foursome as a legitimate business opportunity for RIK. In this letter, she stated the following:

> …the host company strives to place companies, MMS included, with overlapping interests on the same foursome. This provides an opportunity to discuss and share information related to our overlapping interests where we would not be able to otherwise. With the oil industry having fewer and fewer players, much of the information shared is then passed on to others in the industry and future discussions occur.

With respect to GWEC, Leyshon acknowledged that she did accept meals, drinks, and golf fees from Don Hamilton, a GWEC employee. She said she was unable to estimate the costs of these gifts. However, Leyshon claimed that on several occasions, she had paid for everyone's dinner while dining with GWEC employees and had specifically purchased drinks for Hamilton before.

Leyshon admitted that she attended two GWEC golf tournaments but could not recall the years in which she attended. She stated that she did accept the gifts that GWEC provided to the golf tournament attendees, which included luggage one year and a golf bag one other year. Once again, she claimed that she had donated the luggage and golf bag to Goodwill "pretty quickly" after receiving them. Leyshon also admitted to accepting PGA tournament tickets from GWEC.

Leyshon consistently claimed that she had donated all gifts provided to her to charity, but she was unable to produce any receipts documenting these donations.

In one of her interviews, Leyshon stated that she took annual leave to attend industry sponsored events. In another interview, she said she could not remember if she took annual leave to attend industry functions. ***Agent's Note****: We reviewed Leyshon's leave records and found that in some instances she did appear to take annual leave during industry sponsored functions. For instance, Leyshon took leave in 2002 that appears to coincide with the Business Women in Petroleum golf tournament, and she took annual leave in 2004 during the GWEC golf tournament and the associated PGA tournament. In addition, she took leave in 2006 during the time of Shell's annual customer outing. Because we could not confirm the exact dates of these events, we could not match them to the exact dates of Leyshon's leave.*

In regard to RIK marketers advocating for companies to receive amendments to their bids, Leyshon said that if an amendment "made sense" to the RIK staff, they "would advocate for it." Leyshon said she remembered Chevron receiving an amendment after Jeff Brough, a Chevron representative, forgot to add costs related to a "leg" of pipe in his bid. She said that if RIK had awarded the contract to Chevron without allowing it to revise its bid, RIK would have been "ripping them off." She further stated that "it was an honest mistake and I felt we should rectify it." ***Agent's Note****: Brough refused to be interviewed by DOI-OIG agents.*

Leyshon also told investigators that she had intimate relationships with two oil company representatives. Specifically, Leyshon said she had a sexual relationship with an employee of a company that had "Pacific" in its name. According to Leyshon, "Pacific" did not bid on or transport RIK oil. She also admitted to having a "one-night stand" with a Shell employee. She said she did not subsequently recuse herself from work involving Shell because she only had a "one-night stand" with its employee and did not think this would affect RIK business. She stated that this employee did not prepare Shell's RIK bids.

In her earlier sworn statement, Leyshon wrote, "I do not have any inappropriate relationships or personal relationships with any of the representatives from the various companies." When asked about the discrepancy between her sworn statement and statements made during her later interview, Leyshon explained that she did not think her relationships with these employees were inappropriate and she did not consider a "one-night stand" to be a personal relationship.

Leyshon referenced a study group formed within RIK in 2006 to determine if RIK needed to operate under its own special ethical guidelines, apart from the DOI guidelines. She said, "I think [Smith and Mary Ann Seidel, DOI Ethics Office,] put together a group of people to look at the ethics around RIK and what we were … allowed to do and what we weren't allowed to do."

Leyshon denied that she had ever provided preferential treatment or confidential information to any industry official. She also stated that she had never observed any RIK employee providing preferential treatment to any oil or gas company.

Leyshon admitted to the interviewing agents that she had outside employment with the "Passion Party" company; however, she said she had obtained the appropriate approvals from MMS. She claimed that no one from industry had ever purchased products from her but she admitted that some of her subordinates, including Fantel, Edler and Hogan, had. Leyshon denied advertising Passion Parties at work.

***Agent's Note****: A review of Leyshon's ethics file revealed that on March 16, 2005, Leyshon requested approval to engage in outside employment with Passion Parties, Inc. According to the request, Leyshon would be selling sensual products and planning parties. This request was approved in April 2005. Leyshon reported her income and her position with Passion Parties Inc., on both her 2005 and 2006 OGE 450s)*.

One MMS employee told us that when she questioned Leyshon about the appropriateness of oil companies paying for RIK employees' meals, Leyshon responded that this was the "RIK way of doing business."

Leyshon told investigators that she "had a hit every once in a while" in reference to her use of marijuana but noted that this never occurred at the MMS office.

When interviewed, Michael Faulise, Director of Marketing for Shell Exploration and Production Company (Shell E&P), stated that he had worked for Shell since 2000 and one of his principle contacts at RIK was Stacy Leyshon. Faulise made the general comment that the main purpose of skiing or golfing events hosted by Shell was entertainment and that business was rarely discussed among the attendees. He further stated that people would never receive business information from him during social events. He said he thought of RIK as a fellow industry partner. When asked, Faulise stated that he was unable to recall Leyshon ever paying for any lodging or meals provided by Shell.

We also interviewed Shell E&P's manager of crude oil and logistics, Barbara Layer. The interview occurred under a proffer agreement between Layer and DOJ. Layer identified Leyshon as one of her main contacts at RIK and stated that she treated Leyshon and other RIK employees as "working interest partners" who were often invited to Shell events and meals. She specifically remembered Leyshon attending multiple Shell events at Keystone Ski Resort in Colorado and holiday parties in New Orleans.

With respect to the Keystone event, Layer remembered that Leyshon stayed overnight in the Shell-owned lodge, "Dutchman Haus," because she had too much to drink. Layer was unable to recall any instance in which Leyshon reciprocated or purchased anything of value for Shell employees.

We interviewed a senior crude oil trader for Shell Oil Trading Company regarding his relationship with Stacy Leyshon pursuant to a DOJ proffer agreement. The senior trader said he had heard Leyshon and Edler referred to by other Shell employees as the "MMS Chicks" who often drank too much and conducted themselves in an unprofessional manner. Because of their reputation, the senior trader claimed that he made the personal decision not to socialize with any RIK employee and that he had never provided an RIK employee with a gift. When told that RIK employees claimed that they had to socialize and take gifts from the industry to do their jobs well, the senior trader said this claim was "absolutely false."

Pursuant to a DOJ proffer agreement, we interviewed former Shell Trading Company trader Alan Raymond regarding Stacy Leyshon, whom he identified as one of his main RIK contacts. Raymond said he viewed RIK as "just another oil exploration company," and, therefore, providing RIK employees with gifts and entertainment was "relationship building." He claimed that his superiors at Shell Trading Company had approved of providing gifts and entertainment to RIK employees.

Raymond explained that "relationship building" enhanced assistance from other oil company players on market-related issues. He explained, "You never know when you're going to have a need to pick up the phone and be helped." However, Raymond made a distinction between RIK and DOE employees with regard to accepting gifts. In particular, he recalled that DOE employees were much more conservative about accepting gifts. For instance, he remembered that his boss had once directed him to provide pens to DOE employees but had insisted that they not cost more than $20.

We interviewed Don Hamilton, Vice President of raw materials supply for GWEC, who confirmed that RIK employees had attended some of the GWEC customer appreciation golf tournaments and other social events. The interviewing agents reviewed Hamilton's expense reports with him in great detail. He specifically recalled seeing Leyshon at the "Bear Dance" event in 2005 and admitted that his personal expense reports indicated that she was present at many meals and drinks for which he had paid. Hamilton did not recall Leyshon or any other MMS employee paying for any of his expenses.

**2. Crystel Edler**

Crystel Edler has been employed by MMS since 1989. She was an RIK oil marketing specialist from approximately 2001 until 2007, when she was reassigned to a new position within MRM. While assigned to RIK, Edler worked directly for Stacy Leyshon.

A review of Edler's training records disclosed that she received ethics training in 1999, 2002, 2003, 2004, and 2006. Edler also periodically received information on DOI ethics rules by e-mail. For example, Edler received an October 2002 e-mail sent to MMS employees nationwide concerning ethics in which the term "gift" was described as "anything of monetary value: gratuities, favors, discounts, hospitality, entertainment, loans, training, lodging, transportation, and meals or refreshments." While there was no information in the DOI Ethics Office training files documenting Edler's attendance at ethics training in 2005, we found an acceptance e-mail sent by Edler in response to a mandatory ethics training notice sent to RIK employees. A review of her cash awards from MMS for the period of 2002 through 2006 revealed a total of $9,750.

Through interviews and a review of oil and gas company expense records and other documentation, we found that between 2002 and 2006, Edler attended numerous events hosted and paid for by industry representatives. For example, we found that Edler attended Shell's annual customer outings, GWEC's annual customer appreciation golf tournaments, and Shell's annual holiday dinner. We also found that she accepted free golf, lodging, snowboarding lessons and rental equipment, and other gifts, mainly in the form of meals and drinks, from numerous oil company representatives.

Specifically, Edler accepted gifts valued at approximately $2,715 from Chevron, Shell, GWEC, and Hess on at least 61 occasions between 2002 and 2006, as follows:

| | CHEVRON | | SHELL | | GWEC | | HESS | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2002 | 4 | $69 | 3 | $257 | | | 1 | $19 | 8 | $345 |
| 2003 | 16 | $284 | 3 | $154 | 3 | $34 | 4 | $224 | 26 | $696 |
| 2004 | 8 | $106 | 8 | $573 | 2 | $318 | | | 18 | $997 |
| 2005 | 3 | $169 | 2 | $44 | 3 | $447 | | | 8 | $660 |
| 2006 | | | 1 | $17 | | | | | 1 | $17 |
| **Total** | **31** | **$628** | **17** | **$1,045** | **8** | **$799** | **5** | **$243** | **61** | **$2,715** |

Our review of Chevron representatives' expense reports disclosed that Edler was listed 31 times between 2002 and 2006. The entries reflected meals and drinks, a customer appreciation dinner, and golf balls purchased for her at the GWEC tournament.

Our review of Shell representatives' expense reports and other documentation disclosed that Edler received approximately 17 gifts between 2002 and 2006. The expense report entries reflected only meals and drinks. Interviews and record reviews disclosed that Edler also attended Shell's customer appreciation dinners and customer appreciation outings, which were not reflected on Shell's document production.

Our review of a GWEC representative's expense reports and other documentation disclosed that Edler received approximately eight gifts between 2002 and 2006. The expense report entries reflected only meals.

In addition, interviews and record reviews disclosed that Edler, like Leyshon, attended the GWEC annual customer appreciation golf tournament in 2004 and 2005. We found an e-mail, dated April 24, 2004, from an official from GWEC requesting Edler's address "for the gift." Edler replied giving her address. In an August 11, 2005 e-mail with the subject line "PGA Golf Tour," Edler was asked which gift she would like, and she responded, "I want to say it was the garment bag," again providing her mailing address.

Our review of a Hess representative's expense reports disclosed that Edler was listed on the reports four times between 2002 and 2003. In addition, interviews disclosed that Edler stayed two nights in lodging provided by Hess at a 2003 Shell event in Steamboat Springs, CO. Edler's stay was not reflected in the Hess expense reports.

In addition, our investigation disclosed that in 2004, Greg Smith became concerned that an RIK employee might have released confidential pipeline transportation rates to Shell. Apparently, a company official from Poseidon Oil had called Smith to complain that Shell had learned of the confidential transportation rate that Poseidon had negotiated with RIK. We also discovered e-mails sent among RIK staff where Edler admitted to talking to "Mike" (Faulise) about the Poseidon deal. On May 6, 2004, Smith sent an e-mail to several RIK marketers including Edler that stated, "I have heard the details of our agreement with Poseidon … including the actual rate we agreed to … was communicated to Shell. If true, this ran counter to our promise to Poseidon to keep this information confidential."

Our investigation also disclosed that Edler failed to request the required approval for her outside employment with A&B Professional Services (A&B), a firm that provides accounting services to interior designers. In addition, Edler failed to report the income she received from A&B in 2004 and 2005 on her Office of Government Ethics Form 450, as required.

We interviewed Wallene Reimer, the owner of A&B and Edler's sister, who stated that Edler had worked for A&B for one year. According to W-2 Forms provided by Reimer, Edler received the following income:

| | Amount | Form 450 |
|---|---|---|
| 2003 | $82.92 | Did not report (not required to) |
| 2004 | $515.75 | Did not report |
| 2005 | $1,503.63 | Did not report |

We interviewed Edler twice, and both interviews were conducted as a result of a proffer agreement signed between Edler and DOJ. Edler admitted that in some instances, she violated the government ethics rules by accepting gifts from oil company representatives. She stated that it was "really hard for us to stay within the ethics guidelines" because it was common for industry officials to pay for each other's expenses. She also claimed that in some instances, she paid for dinners with her own money. Edler claimed that RIK's goal was to "be a part of industry." She also said, "We wanted to be received as the producers, just like anybody else…being in the business and going out and meeting with these people and becoming friends with them has gotten me very far with them."

***Agent's Note****: We also interviewed Edler during our investigation of false claims allegations raised by MMS auditors in 2006 (Case No. [Exemption 2]). During this interview, investigators asked Edler about any sexual relationships she had with, or gratuities she accepted from, oil company officials. Edler responded, "Absolutely not. I mean no," adding that she had never even heard of this occurring.*

When asked, Edler could not remember how often she dined with Chevron employees, but she did not dispute the information in Chevron's expense reports. She also said she did not document the value of the meals and drinks she accepted. She said she usually tried to order the "cheapest" items on the menu when she dined with Chevron employees and claimed she sometimes purchased meals and drinks for Chevron employees in an effort to reciprocate.

Edler told investigators that she did not document the value of the meals and drinks Shell employees provided her. She said Shell employees always ordered expensive bottles of wine and when she realized how expensive the wine was, she stopped drinking it. Edler claimed that she often reciprocated by buying Shell employees meals and drinks, but she was not able to provide any receipts to substantiate this.

Edler confirmed that she attended the Shell customer appreciation outings in 2002 and 2004. She said she attended these events in order to meet and get to know industry representatives. She said RIK was dependent on industry personnel to provide it with knowledge to be successful, and the RIK Program was enhanced as a result of RIK employees attending these events.

Edler told investigators that during the 2002 event, she golfed with Shell employees but could not recall who paid her fees. She admitted that Shell also provided lodging for her during the 2002 event. She explained that she had originally planned to stay at a condo she had reserved, but the weather turned bad. Advised that the investigation had disclosed that she spent the night at Shell's lodge because she had too much to drink, Edler said, "It could have been that, too. Honestly, I don't recall the reason. It was a long time ago."

Edler stated that she did not reimburse Shell for the cost of her lodging and instead she and Leyshon provided breakfast for the group during the event. She said that since this breakfast food was valued at a few hundred dollars, this was the equivalent to paying Shell for their lodging.

Edler said that although the MMS Ethics Office did not approve their attendance at this event, Smith did, and he was aware that Edler would be golfing with Shell during the day and spending the night. "Anything that we did, Greg knew and approved," Edler said. According to Edler, Smith's approval was verbal and not in writing.

Our investigation revealed that in 2004, Edler attended another Shell appreciation event, which was held during the winter in Keystone, CO, and again Shell provided her lodging. When asked about this event, Edler said she did not want to attend this event, but Smith had ordered her to attend, and she did. According to Edler, Smith knew she would be staying in lodging provided by Shell. She did admit that she went snowboarding and that Shell had paid for her equipment rental and a snowboarding lesson.

Edler did not dispute any of the information in the GWEC expense reports. She remembered dining with Hamilton and a group of RIK employees around Christmas, several times. The only specific meal she recalled attending, when Hamilton had paid, occurred in December 2005 when the RIK employees in attendance went well over the $20 per occasion limit. She said she never reimbursed Hamilton for any of her expenses, but she may have bought him drinks one time.

Edler said she thought she only attended the GWEC customer appreciation golf tournament one time, in 2004, and added that both Leyshon and Smith were with her. Edler claimed that she did not accept the PGA tournament tickets that were given to all attendees of the GWEC tournament. However, she could not remember if she accepted the free meals GWEC provided or received a gift as part of her attendance at the event. After being advised that she was listed on GWEC records as receiving a golf bag in 2004 and a garment bag in 2005, she stated that if she had received these gifts, she would have donated them to Goodwill or the Salvation Army. Edler said she did not keep receipts for items she donated to charity.

According to Edler, she and a Hess employee often went out socially while in Houston, but Edler said she would be "shocked" if the Hess employee charged these costs to his Hess expense account. Edler said she and the Hess employee had usually shared expenses. ***Agent's Note****: The Hess employee's expense reports for 2002 and 2003 indicate a total of approximately $100 spent on Edler.*

Edler stated that she could not recall ever adjusting her travel voucher to reflect any meals that were provided by industry at any of the events she attended. She said that "looking back," she probably should have adjusted her vouchers, but she was traveling so much she neglected to do so.

Edler said she did not report meals, drinks, or any of the entertainment she received as gifts from industry officials on her OGE 450, Confidential Financial Disclosure Forms, because she did not consider them gifts.

When investigators asked Edler about Smith's e-mail to her and other RIK employees, regarding Poseidon Oil, she denied ever giving anyone in the oil or gas industry any confidential information. Edler explained that the transportation rates were "very transparent" and that a company could simply examine the RIK bid formula and guess what transportation rate Poseidon had received. ***Agent's Note****: When Leyshon was asked about this incident, she told investigators that the Poseidon matter in question was assigned to Edler. Leyshon said she counseled Edler on the issue but Edler had denied releasing the rate information.*

Edler said she had romantic relationships with two men from the oil industry: One who worked for Shell Pipeline Company and an oil scheduler for Chevron. Edler said her supervisor, Leyshon, knew about both relationships, and Edler did not think there was a reason to recuse herself from dealing with Shell or Chevron. She claimed that she never discussed RIK business with either the Shell employee or the Chevron employee. When asked if she had personal or sexual relationships with anyone else from industry, Edler asked the agents if they had any e-mails or evidence with which to remind her, adding "I did date people."

We reviewed company records and expense reports for Chevron and Shell Pipeline Company and did not find any gifts or meals purchased for Edler by the Shell Pipeline Company or Chevron. ***Agent's Note****: DOI-OIG agents attempted to interview both the Shell and Chevron employees. The Chevron employee refused to be interviewed and the Shell employee refused repeated attempts to schedule an interview.*

Edler admitted that she had used cocaine "in the past," most recently in 2005. However, she claimed that she never used cocaine during business hours and that she never used cocaine with any MMS employees or industry representatives.

Edler explained that she did not obtain approval for her outside employment with A&B from her supervisor, Stacy Leyshon, but that she may have mentioned it to Leyshon "in passing." She said she did not actually feel the employment needed formal MMS approval because her employer was her sister. Edler claimed that she failed to report her A&B income on her OGE 450 Form because she did not realize that the income amount was high enough to trigger the requirement to report. She also stated that she "probably forgot about it" and that it was "an error" on her part not to report the A&B income.

Investigators asked Edler about allegations that she had allowed Chevron employee Jeff Brough to amend a bid. She explained that Brough, who was new to the RIK Program, had bid on a large number of barrels and won. She said she thought this was his first bid submission to RIK. Edler continued by stating that a month later, Brough was "freaking out" because he had left out "something" (she could not recall what he left out) on his bid. According to Edler, Brough traveled to Denver to meet with Smith and discuss his error. Edler recalled that Smith said RIK would split the cost of the amendment with Brough. She added that RIK was not trying to "screw anybody over." She said RIK employees probably "joked" about saving Brough's job, but she did believe his job was at risk.

Edler explained that she did not provide Brough with the amendment in return for any favors. She further stated that in regard to amendments, there was no decision-making on her part and that she had to pass all company amendment requests on to Leyshon and that Smith or Pam Rieger had to approve the amendment before forwarding it to the contracting officer for concurrence.

Finally, Edler insisted that no one in industry ever offered her anything in exchange for favorable treatment. She also claimed that the gifts she received from industry officials never influenced her work at RIK.

We interviewed Mike Faulise, Barbara Layer, and Alan Raymond of Shell, who all confirmed that Edler was an RIK employee they dealt with on both a professional and social basis. Both Faulise and Layer remembered her attending the annual Shell outings. During Faulise's interview, we showed him a February 2004 e-mail he wrote to Edler stating, "Nobody will say anything about you being here for the night. As far as I'm concerned, you were in a hotel." Edler responded, "Mikey …you are sooo wonderful. You know how much I totally adore you." Faulise said Edler had informed him that Smith did not approve of her staying in Shell-provided lodging. Faulise said he could not recall Edler ever paying for her lodging or meals at Shell-sponsored events.

Faulise also recalled a discussion with Edler where they discussed RIK shipping Poseidon oil on a Poseidon-owned pipeline. Faulise was upset about MMS shipping on this pipeline because Shell had a difficult time shipping its own barrels on the same pipeline. Faulise stated that Edler may have given him the specific rate that RIK gave Poseidon, but he could not recall for certain if she did. However, he did recall complaining about the matter to a Poseidon employee, who then expressed irritation that Edler had talked to Shell about an RIK-Poseidon deal.

Layer opined that Leyshon and Edler "couldn't have done their job as well" had they not attended industry sponsored events. She recalled telling both Edler and Leyshon that "My lips are sealed" when it became known that they were not authorized to accept lodging from Shell. She specifically remembered seeing Edler at Shell's holiday parties in New Orleans where all attendees received gifts.

Finally, Layer informed us that she had witnessed Edler making advances on a male industry executive at one of Shell's holiday parties. [Exemptions 6 & 7(C)]

Raymond remembered one social event where he said Edler had had too much to drink and had acted "too friendly" in public with him. He opined that Edler was "definitely not professional." He also recalled buying her several meals and drinks along with other RIK employees.

When we interviewed Don Hamilton from GWEC, he identified Edler as somebody he dealt with professionally and socially. He recalled numerous occasions where he bought Edler drinks and meals and specifically remembered her attendance at the 2005 GWEC golf event at Bear Dance and having seen her RSVPs for other GWEC-sponsored events. Hamilton denied offering Edler or any other RIK employee gifts in exchange for preferential treatment.

He offered the following philosophy about RIK employees attending industry events: "[Y]ou cannot market oil and get top dollar sitting in an ivory tower."

We interviewed the Hess employee who provided gifts to Edler. He stated that he purchased meals and drinks for Edler on four separate occasions and charged them to his Hess expense account. The total expense for Edler was approximately $119. He stated that Edler never reimbursed him for any of these expenses.

### 3. Richard Fantel

Richard Fantel has been employed by MMS since 1997. He was an RIK oil marketing specialist from 2002 through December 2006, when he was detailed to a new position within MMS. While in the RIK Program, he was a direct report to Stacy Leyshon. Fantel was employed by the Bureau of Mines, DOI, between 1978 and 1996. He is a geologist by education and training.

A review of Fantel's training records disclosed that he received ethics training in 1999, 2000, 2001, 2002, 2003, 2004, and 2006. While we did not find any information in the MMS Ethics Office training files documenting Fantel's attendance at ethics training in 2005, the e-mail notice regarding the mandatory EEO/Ethics training presented by the Western Administrative Service Center was sent to Fantel. A review of Fantel's cash awards from MMS for the period of 2002 through 2006 revealed a total of $7,000.

Through interviews and a review of oil and gas company expense records, we found that Fantel accepted gifts valued at approximately $333 from Chevron, Shell, and GWEC on at least 16 occasions between 2002 and 2006, as follows:

| | **CHEVRON** | | **SHELL** | | **GWEC** | | **TOTAL** | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2002 | 1 | $20 | | | | | 1 | $20 |
| 2003 | 3 | $41 | 1 | $12 | | | 4 | $53 |
| 2004 | 2 | $24 | 3 | $106 | | | 5 | $130 |
| 2005 | 2 | $46 | 1 | $6 | 1 | $55 | 4 | $107 |
| 2006 | | | 2 | $23 | | | 2 | $23 |
| **Total** | **8** | **$131** | **7** | **$147** | **1** | **$55** | **16** | **$333** |

Our review of Chevron representatives' expense reports disclosed that Fantel was listed eight times between 2002 and 2006. All of the entries reflected meals and drinks.

Our review of Shell representatives' expense reports disclosed that Fantel was listed seven times between 2002 and 2006. All of the entries reflected meals and drinks. Interviews and record reviews also disclosed that Fantel also attended two Shell-sponsored holiday parties in New Orleans where gifts were normally given to all attendees.

Our review of GWEC's records revealed one gift valued at $55 in 2005, and further investigation revealed it was a holiday meal in Denver.

However, we also discovered that Fantel was operating a consulting company called Sundarbans. Sundarbans' Web site lists Fantel, as well as MMS employee Gary Peterson, as employees. Fantel had posted his resume on the site, which identifies him as an MMS employee.

A review of Fantel's OGE Form 450s showed that he never reported his employment with, or income from, Sundarbans to MMS. However, we did find that he reported holding outside employment one year (1997) with Pincock, Allen, and Holt (PAH), a mineral consulting firm with offices in Lakewood, CO.

A further review of Fantel's tax returns disclosed that in 2005, Fantel received a $4,000 prize from the management company of the Colorado Rockies baseball team. Fantel did not report the prize income on his OGE 450 for that year as required.

In sum, Fantel received outside income on three occasions, as follows:

| Year | Source of Income | Gross Amount | Findings |
|---|---|---:|---|
| 1997 | PAH | $9,225 | OGE 450 routinely destroyed |
| 2000 | PAH | $500 | Not reported on OGE 450 |
| 2005 | Colorado Rockies | $4,000 | Not reported on OGE 450 |

We interviewed Fantel on four separate occasions. When interviewed, Fantel confirmed that he received annual ethics training and that he was aware of the gift thresholds. He said, "It's not an exact science…I try the best I can to stay within those limits….It's so different in the kind of job I have, than other people in the federal government. Does it count that I pick up the tab sometimes? I don't know."

He went on to say that Leyshon had told him that there would be situations where marketers would have to let oil executives pay for meals but to aim for the lower-priced items on the menu. He did not deny exceeding the gift limits but claimed that if he had, it was only by a few dollars. Fantel felt that because he sometimes paid for oil executives' meals and drinks with his own credit card, it all balanced out.

Fantel described many of his contacts in the oil and gas industry as personal friends with whom he shared interests like fantasy football. He specifically mentioned two Chevron representatives and four Shell employees, including Alan Raymond, as falling into the category of being both personal and professional acquaintances. Fantel said "almost everyone" in the oil industry prefers RIK to RIV because "There is definitely an advantage to the industry, so that they wouldn't have to be subject to audit."

While Fantel freely admitted that he had received meals from industry representatives, he also said he had returned gifts to companies on several occasions and declined gifts because he felt they were too expensive. He provided the examples of turning down a ticket for a Houston Astros baseball game in the summer of 2006 as a gift he refused from a Shell employee and returning a gift of a silver-plated dish to Barbara Layer that she had sent him. Fantel also said he never shared confidential or proprietary information with oil companies, and he had not heard of anyone in RIK ever doing so.

Fantel recalled attending an industry conference in Scottsdale, AZ, within the last 3 years where he received a "treasure hunt" tour in the desert, paid for by BP Pipeline Company (BP). He said he did not have a problem with BP paying for this trip and associated expenses because RIK spent several hundred thousand dollars each year to use BP pipeline infrastructure. He opined that because of RIK's use of the BP pipeline, they (RIK) were, in essence, paying for the event. Fantel said that, in hindsight, he should not have gone on this trip. ***Agent's Note:*** *We researched desert tours on the Internet and estimated that the price per individual for this desert tour was $100.*

Further, Fantel told us that Leyshon told RIK marketers not to discuss the events of their work/travel with people outside of RIK. Fantel said this was important because, "we all felt, and I know that this came down from management….Look we're a unique kind of situation in MMS, and there's a lot of people in the building that just wouldn't understand the situations we're put under. So it's better not to talk about these things." Asked why it would be a problem for non-RIK employees to learn about marketers getting meals and drinks from oil representatives, Fantel responded, with a slight chuckle, "They might have, you know, contacted the IG [Inspector General]."

Fantel also told investigators that he wished RIK marketers could receive exceptions from the ethical guidelines because of the nature of their work. He said, "We're kind of in an awkward position sometimes….It's very awkward for us to say I have to pay my own. And that's one of the problems."

When asked about Sundarbans, Fantel stated that he never discussed any aspect of Sundarbans with the MMS Ethics Office because he did not think he needed to. He admitted that he had posted his MMS title on the Sundarbans' Web site as part of his resume. ***Agent's Note****: When we interviewed Donna Huston, Ethics Advisor, MMS, she stated that by posting his resume identifying his MMS employment on the Sundarbans Web site, Fantel had violated ethics rules that prohibit an employee from using his/her government position for private gain.*

According to Fantel, he only made money from Sundarbans twice. In 1997, PAH paid him $9,225 for work he performed on a study involving a phosphate deposit project in Peru. In 2000, a lawyer who was involved in the *Cobell v. Kempthorne* litigation contacted Fantel to perform some work. Fantel said he referred the lawyer to PAH, who in turn paid Fantel a $500 referral fee. He also told us that MMS employee Gary Peterson, whose resume was also posted on his Web site, had received monies for writing a chapter of a mining book and had given him a referral fee for $100 or less. Fantel claimed that he considered Sundarbans to be a “hobby” and that he actually lost money on it because of the Internet service fees.

Fantel also told us that in 2004, the Colorado Rockies baseball organization held a drawing of season ticket holders and awarded the winner a prize package worth $4,000 consisting of three nights at a lodge at Lake Powell, UT. Fantel stated that he had won the drawing but had not reported the prize on his OGE 450 Form, as required.

When we interviewed Barbara Layer of Shell, she recalled that she took several RIK employees to lunch in February 2003 and she thought Fantel was present. Her records reflect that this lunch cost $234.

When we interviewed Don Hamilton of GWEC, he recalled that he and another GWEC executive took Fantel and two or three other RIK employees to lunch in Denver around the 2005 holiday season. Hamilton stated that he paid for the entire meal but did not know each individual's portion, although the total expense for the lunch was $332.95. He also said that while his records indicated that Fantel attended the GWEC-sponsored golf tournament in 2006, he did not remember him being present.

**4. Gary Peterson**

Gary Peterson is a minerals revenue specialist and has been employed by MMS since 1997. From 1989 until 1996, Peterson worked for the Bureau of Mines. As noted above, Peterson’s resume was posted on Fantel’s Sundarbans Web site.

When we interviewed Donna Huston, the MMS Ethics Advisor, she stated that by posting his resume on the Sundarbans’ Web site, Peterson had violated the ethics rules that prohibit an employee from using his/her government position for private gain.

While Peterson’s resume and photo appeared on the Sundarbans Web site and his resume listed his MMS employment, Peterson said he never worked for Sundarbans or Fantel. Instead, he said the Web site was a tool to promote Peterson and Fantel’s resumes and minerals expertise backgrounds. Peterson said he never discussed his affiliation with Sundarbans with the MMS Ethics Office because he never officially worked for Sundarbans.

Regarding a $1,500 check, dated April 19, 2001, that Peterson received from an outside source, Peterson explained that he had performed a study of the steel and chromium markets for the outside source and had been paid $1,500 for his work. Peterson claimed that this work was unrelated to any MMS or DOI work. However, he admitted that he had failed to seek outside employment approval or report this income on his OGE 450.

In 1997, Peterson requested and received authorization from the MMS Ethics Office to conduct outside work for two minerals companies: JME Company and Steffen, Roberson, and Kirsten (SRK), both located in the Denver area.

Peterson voluntarily provided his IRS MISC-1099 report from SRK in 2003, which showed he received $960. Peterson admitted that he had failed to report this $960 on his 2003 OGE 450 and that he deserved to be "slapped" for neglecting to report it.

When we interviewed SRK and JME company officials, they both confirmed that Peterson performed work for them. SRK indicated that Peterson performed work for them in 1997, 1998, and 2003. In addition to the $960 he received from them in 2003, he also received a total of $7,560 in 1997 and 1998. JME records reflect $2,300 being paid to Peterson from 1997 and 1998. Both officials said their companies did not perform any oil- or gas-related work for DOI.

***Agent's Note:*** *Since OGE 450s are routinely destroyed after 6 years by MMS, we were unable to find Peterson's official OGE 450 to see whether or not this income was reported as required. However, when we interviewed Peterson on these matters, he provided us with copies of his OGE 450 Forms for 1997 and 1998. On the forms, he had reported his income from SRK and JME in Part III, "Outside Positions." He did not, however, report these companies as sources of income in Part I, "Assets and Income." Peterson told us that not reporting these sources of income in Part I was an oversight on his part, for which he apologized. He told us he did not realize that he needed to report the employment in Part I and noted that the forms were reviewed by the MMS Ethics Office, and no one noticed the discrepancy. He further stated that in 1997 and 1998, he did not receive any training on how to fill out the Office of Government Ethics Form 450.*

**5. Allen Vigil**

Allen Vigil, an RIK oil marketing specialist, has been employed by MMS since approximately 1992 and has been working in the RIK Division since October 2000.

A review of ethics training files disclosed that Vigil received ethics training in 1999, 2001, 2003, and 2006. A review of Vigil's cash awards from MMS for 2002 through 2006 revealed a total of $7,800.

Through interviews and a review of oil and gas company expense records, we found that between 2003 and 2006, Vigil accepted 17 meals/drinks valued at a total of approximately $343. These meals were paid for by industry representatives, as follows:

| | CHEVRON | | SHELL | | TOTAL | |
|---|---|---|---|---|---|---|
| **Year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2002 | 1 | $ 40 | | | 1 | $ 40 |
| 2003 | 5 | $ 108 | | | 5 | $ 108 |
| 2004 | 5 | $ 73 | 1 | $ 16 | 6 | $ 89 |
| 2005 | 4 | $ 90 | 1 | $ 16 | 5 | $ 106 |
| 2006 | | | | | | |
| **Total** | **15** | **$ 311** | **2** | **$ 32** | **17** | **$ 343** |

Our review of Chevron representatives' expense reports disclosed that Vigil was listed 15 times between 2003 and 2006. The entries reflected meals and drinks only.

Our review of Shell representatives' expense reports disclosed that Vigil was listed two times between 2004 and 2006. The entries reflected meals only.

When interviewed, Vigil told investigators that while he did accept meals, he did not attend any industry-sponsored holiday parties or skiing events. He admitted being present at the two meals listed on Shell's expense reports. Vigil essentially said he had never been asked by oil company officials for confidential RIK information, and he was not aware of any other RIK employees providing, or being asked by oil company officials to provide, confidential business information.

He admitted that he likely violated the $50 per annum gift threshold in 2003 and the $20 per occasion gift threshold in 2005. However, there were three entries on Chevron's expense reports for which Vigil denied being present.

We interviewed Alan Raymond of Shell regarding Vigil. A review of his expense reports indicated that on October 20, 2005, he bought dinner and drinks for Vigil and two other RIK employees for a total of $79.60.

When we interviewed the employee from Hess, he said his expense account reflected that Vigil was present with other RIK and industry employees during a social event at the Flying Saucer Restaurant in Houston on September 9, 2003. His expense was listed as $57.55.

**6. Donna Hogan**

Donna Hogan, an RIK oil marketing specialist, has been employed by MMS since 1989. She has worked in the RIK Division since 2003.

A review of ethics training files disclosed that Hogan received ethics training in 2003, 2004, and 2006. A review of Hogan's cash awards from MMS for 2002 through 2006 revealed a total of $7,869.

Through interviews and a review of oil and gas company expense records, we found that between 2004 and 2006, Hogan accepted 13 meals valued at approximately $249. Industry representatives paid for these meals, as follows:

| | CHEVRON | | GWEC | | SHELL | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2004 | 6 | $99 | | | 1 | $16 | 7 | $115 |
| 2005 | 3 | $50 | 1 | $55 | 1 | $16 | 5 | $121 |
| 2006 | | | 1 | $13 | | | 1 | $13 |
| **Total** | **9** | **$149** | **2** | **$68** | **2** | **$32** | **13** | **$249** |

Our review of Chevron representatives' expense reports disclosed that Hogan was listed nine times between 2004 and 2006. The entries reflected meals and drinks only.

Our review of GWEC representatives' expense reports disclosed that Hogan was listed on the reports two times in 2006. These entries reflected meals only.

Our review of Shell representatives' expense reports disclosed that Hogan was listed two times between 2004 and 2006. The entries reflected meals.

Our investigation also disclosed that Hogan received a ticket to a country music concert by Toby Keith from Burlington Resources. ***Agent's Note**: We were able to determine that the ticket price range of this concert was $26 to $5,885.*

Hogan told investigators that she did not attend any industry-sponsored holiday parties or ski outings. She said she would pay for her share of meals and reimburse oil company employees who paid the total bill with a corporate credit card. She said she may not have followed ethics rules on occasion but never exceeded the $20 and $50 gift limits by more than a few dollars. Hogan disputed the average amounts assigned in the expense chart, saying she would never eat expensive meals while on travel or at work functions. She claimed, "I don't feel like I have gone out blatantly and been [lavished] by the companies." Hogan specifically denied that she violated any ethics rules in either 2006 or 2007.

When questioned about the concert ticket, Hogan stated that it was given to her at no charge and that she assumed the ticket had been purchased by Burlington Resources. She told the interviewing agents, "I didn't really think about it."

Don Hamilton from GWEC confirmed that his expense reports showed that he bought two meals for Hogan in 2006 for a total of $68.

Alan Raymond from Shell recalled buying Hogan dinner and drinks in Houston on October 20, 2005, along with several other RIK employees. His expense report showed a $79.60 charge.

**7. Lawrence Cobb**

Lawrence Cobb, RIK's credit manager, has been employed by MMS since 1983. He has been assigned to the RIK Division since 2000.

A review of ethics training files disclosed that Cobb received ethics training in 2001, 2004, and 2006. A review of Cobb's cash awards from MMS for 2002 through 2006 revealed a total of $9,128.

Through interviews and a review of oil and gas company expense records, we found that between 2004 and 2006, Cobb accepted nine meals/drinks valued at approximately $236. These meals/drinks were paid for by industry representatives, as follows:

| | CHEVRON | | GWEC | | TOTAL | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2004 | 4 | $30 | | | 4 | $30 |
| 2005 | | | 2 | $42 | 2 | $42 |
| 2006 | | | 3 | $164 | 3 | $164 |
| **Total** | **4** | **$30** | **5** | **$206** | **9** | **$236** |

Our review of Chevron representatives' expense reports disclosed that Cobb was listed four times, all on 1 day, at Jillians, a restaurant in Denver. Our review of GWEC representatives' expense reports disclosed that Cobb was listed five times, all for meals.

When interviewed, Cobb admitted frequent social contacts with Rob Saunders of GWEC. He also did not dispute the accuracy of Saunders' expense account noted above and further said, "No, it's probably a violation on my part." Cobb said Saunders never asked for him to execute any official act because of the meals, and Cobb never offered anything in exchange for receiving the meals.

Cobb said he remembered being at Jillians with the Chevron representatives and remembered them buying him a couple of drinks. He said the Chevron representatives may have also ordered themselves food.

We interviewed Rob Saunders, Assistant Treasurer, GWEC. As treasurer, Saunders said he dealt with credit and securities issues for GWEC and said his main contact at RIK was Cobb. He confirmed that he purchased meals for Cobb and estimated Cobb's portion as identified in the expense table above.

Saunders stated that he routinely took individuals to dinner from companies that GWEC bought crude oil from to build rapport. By building rapport, Saunders said he felt the individuals were more comfortable assigning open credit to GWEC in conjunction with the oil that GWEC purchased. He said meal purchases were merely a way to say GWEC appreciated doing business with companies. Saunders said on one or two occasions, Cobb may have purchased meals valued at approximately $10 for him.

## 8. Karen Krock

Karen Krock, a former RIK oil marketing specialist, has been employed by MMS since 2000. She worked as an RIK oil marketing specialist from 2002 through 2004; then she moved to MMS's Offshore Minerals Management Office in New Orleans as a management analyst.

A review of ethics training files disclosed that Krock received ethics training in 2000, 2002, 2003, and 2006. There were no cash awards from MMS given to Krock from 2002 through 2004.

Through interviews and a review of oil and gas company expense records, we found that during 2003 and 2004, Krock accepted 10 meals/drinks valued at approximately $198. These meals/drinks were paid for by industry representatives, as follows:

| | Chevron | | Shell | | Total | |
|---|---|---|---|---|---|---|
| **Fiscal year** | **Gifts** | **Value** | **Gifts** | **Value** | **Gifts** | **Value** |
| 2003 | 7 | $121 | 2 | $27 | 9 | $148 |
| 2004 | 1 | $50 | | | 1 | $50 |
| **Total** | **8** | **$171** | **2** | **$27** | **10** | **$198** |

When interviewed, Krock either did not recall these meals or she claimed the amounts were too high. Even after reviewing the individual entries on the company expense reports for both Chevron and Shell, she continued to claim that she never violated government gift limits when dining with industry employees. Krock did recall receiving a free ticket to a Colorado Rockies game, which she thought Chevron bought for her. She could not recall when that game took place.

When we interviewed Shell's Alan Raymond, he had a vague recollection of buying Krock and Edler dinner in Houston on January 9, 2003, as reflected on his expense report.

## 9. RIK Revenue Specialist

An RIK revenue specialist originally began working for MMS in 1990 as an auditor. In June 2002, he became a revenue specialist in the RIK Program.

A review of ethics training files disclosed that the revenue specialist received ethics training in 2002, 2003, and 2006.

Through interviews and a review of oil and gas company expense records, we found that in 2004, the revenue specialist was listed on Chevron's expense reports three times. Two were related to a paintball game and the third was at a restaurant, all of which occurred the same day. The total estimated value of the revenue specialist's share of these expenses was approximately $90, as follows:

| | CHEVRON | |
|---|---|---|
| **Fiscal Year** | **Gifts** | **Value** |
| 2004 | 3 | $90 |
| **Total** | **3** | **$90** |

When interviewed, the revenue specialist recalled playing in a paintball game with Leyshon and Chevron employees. According to the revenue specialist, Leyshon invited him to the outing and he met the other participants at the paintball game location.

The revenue specialist said he did not know how much it cost for him to play paintball and he did not know who paid for his participation. He was not concerned that Chevron might have paid for his participation or that it might be considered a gift.

The revenue specialist said that if he and Leyshon had discussed the cost of the paintball, Leyshon probably told him not to worry about it or that she would pay. The revenue specialist stated that after the paintball game, the group met at a restaurant for appetizers.

# DISPOSITION

This report is being referred to the Assistant Secretary for Land and Minerals for whatever action he deems appropriate.