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House of Representatives

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July 2, 2008

The Honorable Condoleezza Rice
Secretary
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Dear Madam Secretary:

I am writing to report the results of my investigation into U.S. involvement in the oil exploration agreement that the Hunt Oil Company signed on September 8, 2007, with Iraq's Kurdistan Regional Government. I am also seeking information about the U.S. role in the efforts of other oil companies to obtain Iraqi contracts.

The Hunt Oil contract was controversial and complicated the efforts to enact a national oil law for Iraq. After it was announced, Administration officials expressed public concern and denied any knowledge or involvement. The President stated: "I know nothing about the deal." A senior State Department official wrote the Committee that to the extent State Department officials were aware of the negotiations, they sought to dissuade Hunt Oil from entering the contract because "signature of such contract would needlessly elevate tensions."

The documents that the Committee has received tell a different story about the role of Administration officials. Ray Hunt, the head of Hunt Oil, personally informed advisors to President Bush of meetings he and other Hunt Oil officials planned with representatives of the Kurdish government. Other Hunt Oil officials kept State Department officials informed about the company's intentions. An e-mail from Hunt Oil's general manager states: "There was no communication to me or in my presence made by any of the 9 state department officials with whom I met ... that Hunt should not pursue our course of action leading to a contract. In fact, there was ample opportunity to do so, but it did not happen." A Commerce Department official who met with Hunt Oil officials in Kurdistan offered them further support and wished them "a fruitful visit to Kurdistan." Five days after the announcement of the Hunt Oil contract, a State Department official contacted Hunt Oil to describe another "good opportunity for Hunt" in Iraq, prompting a Hunt Oil official to write Ray Hunt: "This is really good for us. ... I find it a huge compliment that he is 'tipping' us off about this. ... This is a lucky break."

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These documents raise questions about U.S. involvement in recently reported negotiations between the Iraqi government and major U.S. and multinational oil companies, including Exxon Mobil, Shell, BP, and Chevron. You and other Administration officials have denied playing any role in these contracts. In the case of Hunt Oil, however, similar denials appear to have been misleading.

I hope you will cooperate in the Committee's ongoing investigation into these issues.

Background

On September 8, 2007, Hunt Oil entered into a contract with the Kurdistan Regional Government to explore and develop oil fields in the Kurdish region of Iraq. This contract caused outrage among Iraqi officials because it was entered into before the enactment of a national law relating to the sharing of oil revenues. The agreement was strongly condemned by Iraq's Oil Minister, who called it "illegal."¹

Administration officials criticized the Hunt Oil contract because it jeopardized the efforts of the Iraqi parliament to come to an agreement on the national oil legislation. When President Bush was asked about the Hunt Oil contract, he stated:

I knew nothing about the deal. I need to know exactly how it happened. To the extent that it does undermine the ability for the government to come up with an oil revenue sharing plan that unifies the country, obviously if it undermines it I'm concerned.²

State Department officials similarly disavowed involvement in the contract. Department officials claimed that to the extent they were aware of any negotiations, they actively warned Hunt Oil not to enter into a contract because it was contrary to U.S. national security interests. One State Department official told the press: "It's counterproductive. Our view is the contract process should be controlled by the central government and that these regional deals could become illegal if an oil law is passed."³ In a letter to the Committee, Jeffrey T. Bergner, the Assistant Secretary of State for Legislative Affairs, wrote that the State Department advised Hunt Oil that "signature of such contracts would needlessly elevate tensions between the KRG [Kurdistan Regional Government] and the Government of Iraq."⁴

¹ *Iraqi Oil Minister Says Hunt Oil Deal with Kurd Regional Government Illegal*, Associated Press (Sept. 11, 2007).

² The White House, *Press Conference by the President* (Sept. 20, 2007).

³ *Iraq: Centrifugal Force*, Energy Compass (Sept. 21, 2007).

⁴ Letter from Jeffrey T. Bergner, Assistant Secretary of State for Legislative Affairs to Henry A. Waxman, Chairman (Oct. 18, 2007).

The Hunt Oil deal continues to draw criticism from Iraqi officials. Yesterday, the *Los Angeles Times* reported that the Iraqi Oil Minister, Hussein Shahrstani, “renewed his criticism of the Kurdish regional government for signing deals with foreign companies that offer them a share of the oil they extract.”⁵

The Involvement of Administration Officials

Documents obtained by the Committee indicate that contrary to the denials of Administration officials, advisors to the President and officials in the State and Commerce Departments knew about Hunt Oil’s interest in the Kurdish region months before the contract was executed.

The documents show:

- On June 12 and 15, 2007, Hunt Oil officials met with officials from the U.S. Regional Reconstruction Team (RRT) for the Kurdistan region, located in Erbil, “to investigate investment prospects” in the Kurdish region.⁶ During the June 15 meeting, the Hunt Oil officials “specifically asked if the [U.S.] had a policy toward companies entering contracts with the KRG.”⁷ According to notes taken by Hunt Oil officials, they were told the “U.S. has no policy, for nor against.”⁸ Synopses of these meetings were sent to the U.S. Embassy in Baghdad as part of weekly situation reports on June 14 and 21, 2007.⁹
- On July 12, 2007, Ray Hunt, president and CEO of Hunt Oil, sent a letter to the President’s Foreign Intelligence Advisory Board, of which he was a member, making clear his intentions to pursue oil exploration in Kurdistan. Mr. Hunt disclosed that Hunt Oil was “approached a month or so ago by representatives of a private group in Kurdistan

⁵ *Foreign Companies Bid to Boost Iraqi Oil Production*, Los Angeles Times (July 1, 2008).

⁶ Regional Reconstruction Team Erbil, *Weekly Sitrep for the Period 8–14 June 2007* (June 14, 2007).

⁷ E-mail from David McDonald, General Manager for Europe, Africa, Middle East, Hunt Oil Company to Ken Topolinsky, Vice President, Hunt Oil Company (Sept. 28, 2007).

⁸ Notes of David McDonald, General Manager for Europe, Africa, Middle East, Hunt Oil Company (June 15, 2007) (emphasis in original).

⁹ Regional Reconstruction Team Erbil, *Weekly Sitrep for the Period 8–14 June 2007* (June 14, 2007); Regional Reconstruction Team Erbil, *Weekly Sitrep for the Period 15–21 June 2007* (June 21, 2007).

as to the possibility of our becoming interested in that region.”¹⁰ He went on to describe the visit of an oil survey team and stated that “we were encouraged by what we saw. We have a larger team going back to Kurdistan this week.”¹¹

- In August 2007, Hunt Oil representatives exchanged e-mails with State Department personnel discussing their return to Kurdistan in late August to “assess business opportunities in Kurdistan.”¹²
- On August 30, 2007, Ray Hunt sent a second letter to the President’s Foreign Intelligence Advisory Board informing the board that he would be traveling to Kurdistan during the week of September 3, 2007, to meet with members of the Kurdistan Regional Government, including the President, Prime Minister, and Oil Minister.¹³
- On September 5, 2007 — three days prior to the contract’s execution — Hunt Oil’s general manager informed the RRT in Erbil that “Hunt is expecting to sign an exploration contract” with the Kurdistan Regional Government.¹⁴ That same day, the RRT leader sent an e-mail summary of the meeting to the Embassy in Baghdad and the State Department headquarters in Washington.¹⁵ A second synopsis of the meeting was sent to the Embassy in Baghdad in a situation report the following day.¹⁶

The Committee asked for all documents in the State Department’s possession relating to the Hunt Oil contract, as well as all documents from Hunt Oil relating to contacts with Administration officials about the contract. No documents were produced that support the contention that the State Department warned Hunt Oil in advance not to enter into the contract.

¹⁰ Letter from Ray L. Hunt, Chief Executive Officer, Hunt Oil Company to Stephanie R. Osburn, Executive Director, President’s Foreign Intelligence Advisory Board (July 12, 2007).

¹¹ *Id.*

¹² E-mail from David McDonald, General Manager for Europe, Africa, Middle East, Hunt Oil Company, U.S. Regional Coordinator, Regional Reconstruction Team Erbil, Department of State (Aug. 7, 2007).

¹³ Letter from Ray L. Hunt, Chief Executive Officer, Hunt Oil Company to Stephanie R. Osburn, Executive Director, President’s Foreign Intelligence Advisory Board (Aug. 30, 2007).

¹⁴ E-mail from U.S. Regional Coordinator, Regional Reconstruction Team Erbil, Department of State to Robert Gilchrest et al. (Sept. 5, 2007).

¹⁵ *Id.*

¹⁶ Regional Reconstruction Team Erbil, *Weekly Sitrep for the Period 31 August–06 September 2007* (Sept. 6, 2007).

To the contrary, the documents that the Committee received appear to show the opposite: State Department officials raised no objections to the contract.

Summarizing his interactions with State Department officials leading up to the contract with the Kurdistan Regional Government, the Hunt Oil general manager stated:

There was no communication to me or in my presence made by any of the 9 state department officials with whom I met prior to 8 September that Hunt should not pursue our course of action leading to a contract. In fact there was ample opportunity to do so, but it did not happen.¹⁷

A Commerce Department official participated in the June 12, 2007, meeting with Hunt Oil officials and the Regional Reconstruction Team. Following the meeting, the Commerce official wrote to the Hunt Oil executives: "It was a real pleasure meeting with you today, hope you [had] a fruitful visit to Kurdistan. ... Please feel free to contact in case you need any support from our office here in Erbil."¹⁸ In the same communication, the Commerce official also provided Hunt Oil with information about other companies seeking oil exploration opportunities in Kurdistan.

Following the September 5, 2007, meeting with Hunt Oil, the head of the Erbil Regional Reconstruction Team sent a message to State Department officials in Baghdad and Washington warning that the Hunt Oil contract with Kurdistan appeared to be imminent.¹⁹ In response, a State Department official in Washington wrote: "Many thanks for the heads up; getting an American company to sign a deal with the KRG will make big news back here. Please keep us posted."²⁰

Other correspondence provided by Hunt Oil also casts doubt on the State Department's claim that it disapproved Hunt Oil's deal with Kurdistan. Five days after the announcement of that contract, on September 13, 2007, a State Department official in southern Iraq made contact with a Hunt Oil representative to suggest another business opportunity in Iraq, in this case a project to develop a liquefied natural gas refinery in southern Iraq, writing: "This seems like it

¹⁷ E-mail from David McDonald, General Manager for Europe, Africa, Middle East, Hunt Oil Company to Ken Topolinsky, Vice President, Hunt Oil Company (Sept. 28, 2007).

¹⁸ E-mail from Senior Commerce Specialist, Department of Commerce to David McDonald, General Manager for Europe, Africa, Middle East and Ken Topolinsky, Vice President, Hunt Oil Company (June 12, 2007).

¹⁹ E-mail from U.S. Regional Coordinator, Regional Reconstruction Team Erbil, Department of State to Robert Gilchrest et al. (Sept. 5, 2007).

²⁰ E-mail from Laird D. Treiber, Department of State to U.S. Regional Coordinator, Regional Reconstruction Team Erbil, Department of State (Sept. 5, 2007).

would be a good opportunity for Hunt. ... If you all are not aware of this and would like some more information ... let me know.”²¹ A Hunt Oil official forwarded the State Department e-mail to Ray Hunt, the head of Hunt Oil, noting: “This is really good for us. ... I find it a huge compliment that he is ‘tipping’ us off about this. He certainly doesn’t have to. ... This is a lucky break.”²²

Questions about the Recent Oil Deals

On June 19, the *New York Times* reported that Iraq was in the final negotiations to award no-bid contracts for oil development to major U.S. and multinational oil companies, including Exxon Mobil, Shell, BP, and Chevron.²³ In a subsequent article, the *New York Times* reported that U.S. officials played an “integral” role in securing these contracts.²⁴

In response to these reports, you stated unequivocally: “The United States Government has stayed absolutely out of the matter of the awarding of Iraq oil contracts.”²⁵ A State Department spokesman added: “These are Iraqi contracts. They were made by Iraqis, for Iraqis.”²⁶ He also said they “weren’t done at the behest of the United States or with a wink or a nudge or any kind of influence on our part.”²⁷

The documents the Committee has received about Hunt Oil show that in matters involving Iraqi oil, official denials of knowledge and involvement can be misleading. This is a serious matter because of the widespread suspicion in Iraq and other nations that the United States went to war to gain access to Iraqi oil.

To answer the questions that have been raised about the U.S. involvement in the recent oil deals, I request that you provide the Committee all State Department communications relating to the drafting, negotiation, or signing of the recent oil development contracts with the Iraqi Ministry of Oil. In addition, I am requesting all relevant information on the background and experience of government advisors and private-sector consultants working with the Iraqi

²¹ E-mail from Deputy Director, U.S. Regional Embassy Office Basra, Department of State to Jeanne Phillips, Hunt Oil Company (Sept. 13, 2007).

²² E-mail from Jeanne Phillips, Hunt Oil Company to David McDonald et al. (Sept. 13, 2007).

²³ *Deals with Iraq Are Set to Bring Oil Giants Back*, *New York Times* (June 19, 2008).

²⁴ *U.S. Advised Iraqi Ministry on Oil Deals*, *New York Times* (June 30, 2008).

²⁵ *Interview with Secretary of State Condoleezza Rice*, Fox News (June 19, 2008).

²⁶ U.S. Department of State, *Daily Press Briefing* (June 30, 2008).

²⁷ *Id.*

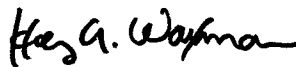
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Ministry of Oil to develop these contracts. Please provide these documents to the Committee no later than July 25, 2008.

The Committee on Oversight and Government Reform is the principal oversight committee in the House of Representatives and has broad oversight jurisdiction as set forth in House Rule X. Enclosed with this letter is a document providing additional information about how to respond to the Committee's document request.

If you have any questions regarding this request and to schedule the requested briefing, please have your staff contact Theodore Chuang or Christopher Davis of the Committee staff at (202) 225-5420.

Sincerely,



Henry A. Waxman
Chairman

Enclosure

cc: Tom Davis
Ranking Minority Member