

**Congress of the United States**  
**House of Representatives**  
**Washington, D.C. 20515**

September 12, 2003

The Honorable Joshua B. Bolten  
Director of the Office of Management and Budget  
725 17th Street, NW  
Washington, DC 20503

Dear Mr. Bolten:

We are writing to request a detailed justification for President Bush's request for an additional \$2.1 billion to rebuild Iraq's oilfields. This supplemental request is a radical departure from the Administration's prior estimates of the costs of oilfield reconstruction. Moreover, it was apparently developed without consultation with the Army Corps of Engineers, the agency overseeing the oilfield reconstruction.

In March 2003, shortly before armed conflict began in Iraq, the Army Corps of Engineers gave Kellogg Brown & Root, a subsidiary of Halliburton, a sole-source contract to rebuild and operate the oilfields of Iraq. Since then, the Corps has given Halliburton task orders worth \$948 million under the contract.<sup>1</sup>

A "Final Work Plan" developed jointly by the Army Corps of Engineers, the Iraqi Ministry of Oil, and the Coalition Provisional Authority detailed the oilfield work that would be done by Halliburton and other private contractors at U.S. taxpayer expense. This plan was finalized on July 24, less than two months ago. It established as the goal of taxpayer-funded reconstruction restoring Iraqi oil production to its prewar levels of 3 million barrels a day by the end of 2003.<sup>2</sup>

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<sup>1</sup> Army Corps of Engineers, *Engineer Support to Operation Iraqi Freedom: Frequently Asked Questions* (Sept. 8, 2003) ([www.hq.usace.army.mil/cepa/iraq/faq.htm](http://www.hq.usace.army.mil/cepa/iraq/faq.htm)). In addition to the task orders under the oil restoration contract, Halliburton has also received task orders worth \$943 million through June to provide logistical support for the Army under the LOGCAP contract. Letter from R.L. Brownlee, Acting Secretary of the Army, to Rep. Waxman (Aug. 14, 2003).

<sup>2</sup> Restoration of Iraqi Oil Infrastructure Final Work Plan (July 24, 2003). The production target of 3 billion barrels per day was set the preceding month by the Iraqi Oil Ministry as part of a strategic plan called a Rough Order of Magnitude. See U.S. Army Corps of Engineers, *Iraqi Oil Infrastructure Restoration Strategic Plan: Rough Order of Magnitude (ROM)* (June 3, 2003).

The Final Work Plan identified approximately 200 oil-related projects. These were to be completed in three phases, ending in December 2003. The total cost of the projects was estimated to be \$1.11 billion.<sup>3</sup>

Until the President's speech to the nation on September 7, the Final Work Plan appeared to be guiding oil reconstruction efforts. When questions were raised about the sole-source contract with Halliburton, the Corps announced on June 23 that it would put the oil restoration contract up for competitive bidding. During this process, contractors were initially told to use cost estimates prepared in June in a Corps document called "Iraqi Oil Infrastructure Restoration Strategic Plan: Rough Order of Magnitude." This document put the total cost of taxpayer-funded oil reconstruction efforts at \$1.4 billion and then added a 20% contingency to raise the estimated cost to \$1.68 billion.<sup>4</sup> After the Final Work Plan was released at the end of July, which lowered the cost estimate to \$1.11 billion, some contractors announced that they would not bid because virtually no work would be left to be done by the time the new contracts were finally awarded in October.<sup>5</sup>

The minority staff of the Government Reform Committee visited Iraq in late August as part of the Committee's congressional delegation. During that visit, the scope of the remaining oilfield construction work was discussed. There was no indication that our oil reconstruction efforts – or the estimates of their cost – had fundamentally changed. To the contrary, the Coalition Provisional Authority confirmed at a briefing on August 25 that Halliburton could be awarded most of the remaining oilfield reconstruction work prior to issuance of the new contracts in October. The principal variable was said to be the amount of new sabotage that might occur. The Coalition Provisional Authority further stated that the plan was that the oilfields would be turned over to the Iraqi Governing Council by March 2004. This would effectively terminate oilfield reconstruction costs borne by the U.S. taxpayer.

The President's recent request for a new emergency supplemental spending bill departs significantly from these previous estimates. The new supplemental spending package includes an additional \$2.1 billion "to rehabilitate oil infrastructure and secure domestic consumption."<sup>6</sup>

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<sup>3</sup> Restoration of Iraqi Oil Infrastructure Final Work Plan (July 24, 2003)

<sup>4</sup> U.S. Army Corps of Engineers, *Iraqi Oil Infrastructure Restoration Strategic Plan: Rough Order of Magnitude (ROM)* (June 3, 2003). The Rough Order of Magnitude was based on a statistically significant sample of damage assessments, but it stated that costs could vary by up to 40%. *Id.*

<sup>5</sup> *New Iraq Contracts Offer Just "Scraps,"* Los Angeles Times (Aug. 14, 2003).

<sup>6</sup> Office of the Under Secretary of Defense (Comptroller), *FY 2004 Request* (September 2003) (briefing to the House Committee on Appropriations).

When combined with the \$948 million that has already been obligated to pay Halliburton, this would bring the total cost to the U.S. taxpayer of oil reconstruction to over \$3 billion.<sup>7</sup>

This new \$3 billion estimate is over 2.5 times larger than the \$1.11 billion total cost projected less than two months ago in the Final Work Plan. This is an enormous change. Yet the President gave no explanation of how the costs could have ballooned so dramatically in such a short period of time.

It is even more inexplicable that the new estimate of the costs of restoring the oil infrastructure appears to have been developed without the input of the Army Corps of Engineers, the agency responsible for our oil restoration efforts. This week, Rep. Waxman's staff requested a briefing from the Corps headquarters in Washington, D.C., on the basis of the request for the \$2.1 billion in additional funding. They were told that the Corps would be unable to provide the requested briefing because the Corps was not involved in the development of the numbers.

This is hard to comprehend. It is impossible to conceive how a reasoned assessment of the costs of restoring Iraq's oil infrastructure could be made without consulting with the experts at the Corps of Engineers.

It is essential that you provide Congress with a detailed justification of the Administration's request for an additional \$2.1 billion for oil reconstruction efforts. Specifically, we request the following information:

- A detailed explanation of the origin of the \$2.1 billion supplemental appropriations request, including an identification of who was involved in the preparation of the request;
- An itemization of each oil reconstruction project to be paid for out of the \$2.1 billion supplemental appropriations;
- An estimate of the cost of each project;
- For each project to be paid for by the supplemental appropriations which is part of the July 24 Final Work Plan, an explanation of how and why the estimated costs for the project have changed since the preparation of the Final Work Plan;
- For each project which is not part of the July 24 Final Work Plan, an explanation of why the project was not included in the Final Work Plan;
- An explanation of why the Corps of Engineers was not consulted in preparation of the supplemental appropriations request;

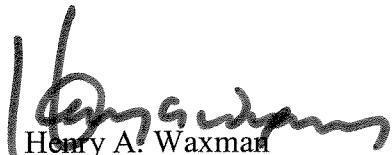
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<sup>7</sup> In fact, actual costs are likely to be even higher. GAO has informed Rep. Waxman that Halliburton is likely to be awarded significant additional work between August and October 2003 that could add "hundreds of millions of dollars" of costs.

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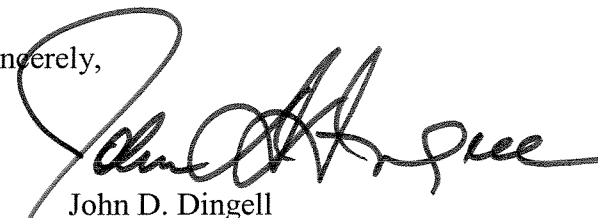
- Any communications between any private contractor, such as Halliburton or Bechtel, and any Administration official during the preparation of the supplemental appropriations request.

Given the urgency of this matter, we respectfully request a complete answer to these questions by September 20, 2003.



Henry A. Waxman  
Ranking Minority Member  
Committee on Government Reform

Sincerely,



John D. Dingell  
Ranking Minority Member  
Committee on Energy and Commerce