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June 6, 2003

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Lt. Gen. Robert B. Flowers
ATTN: Directorate of Military Programs
U.S. Army Corps of Engineers
441 G Street, NW
Washington, DC 20314

Dear General Flowers:

I write to request additional information on reports that the Army Corps of Engineers may drop its plan to replace the secret, no-bid contract awarded to Halliburton for oil work in Iraq with a contract issued under a competitive bidding process.¹ If accurate, this would contradict numerous previous statements by the Corps, including assurances in letters that you have written me. I would like you to clarify this matter as soon as possible.

The Army Corps has repeatedly said that the no-bid contract worth up to \$7 billion that it gave Halliburton was a short-term “bridge” contract that would only last until a new contract could be competitively bid. In a letter written April 8, you informed me that “[t]here will be ample opportunity for competition of the overall requirements to support the restoration of Iraq’s oil infrastructure.” In your letter to me of May 2, you stated that the Halliburton contract “was designed from the outset as a bridge to competition and is structured accordingly.” You also indicated that the Corps was already:

completing the competitive acquisition strategy and plan, preparing the statement of work, and preparing the solicitation that will request proposals to perform the work. The solicitation will be advertised on the Federal Business Opportunities website by late spring or early summer. The best estimate for award of the contract based on this schedule is approximately the end of August.²

¹ E.g., *U.S. May Drop Plan for Open-Bid Iraqi Oil-Field Contract*, Dow Jones Newswires (June 4, 2003).

² Letter from Lt. Gen. Robert B. Flowers to Rep. Henry A. Waxman (May 2, 2003); *U.S. May Dump Plans for Open-Bid Contract for Iraqi Fields*, World Markets Research Centre (June 5, 2003).

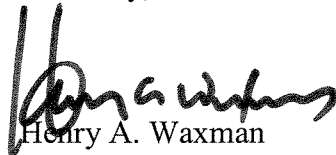
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The Corps of Engineers made similar, widely reported assurances to the media. Faced with questions as to why the Corps of Engineers had minimized the scope of the initial no-bid contract to Halliburton, the Corps explained that it believed that operating oil facilities and distributing the product would be covered under a separate contract.³ A spokesman for the Corps asserted that Halliburton would not export oil under its existing contract, but rather, a winning American bidder might be allowed to export oil when the second competitive contract was awarded within the next four to nine months.⁴

If the news accounts are correct, it appears that the Army Corps of Engineers has done an about-face and is poised to give additional benefits to Halliburton under its no-bid contract. Gary Loew, the planning director of the Corps's project, reportedly cited production deadlines and said, "There may not be time to actually award a second contract."⁵

I would appreciate clarification as to whether the Corps plans to issue a second, competitive contract for oil work in Iraq. If the Corps plans to abandon a competitive bidding process, I would appreciate an explanation why it has contradicted its past assurances to the public.

Sincerely,



Henry A. Waxman
Ranking Minority Member

³ *Army Corps Says It Minimized Halliburton's Role in Contract; Agency Officials Say They Thought Rebuilding Would Be Under Separate Pact To Be Awarded*, Los Angeles Times (May 8, 2003); *Cheney Company Running Iraqi Oil Industry: Army Reveals Halliburton Producing for Domestic Use*, Guardian (London) (May 8, 2003).

⁴ *U.S. Pumped Up Halliburton Deal*, Chicago Tribune (May 8, 2003).

⁵ *U.S. May Drop Plan for Open-Bid Iraqi Oil-Field Contract*, *supra* note 1.