Disruption of *Huachicol* Activities Requires Multidisciplinary Approach

SCOPE: This article provides an overview of *huachicol* activities conducted by Mexico-based FTO-designated transnational criminal organizations (FDTCOs) and provides indicators that may aid in identifying, investigating, and disrupting these activities. It is intended to increase awareness of these illicit activities and implications for federal, state, local, tribal, and territorial public safety and private-sector security partners.

Mexico-based FDTCOs steal and resell fuel—a practice known as *huachicol*—to diversify revenue streams and finance terrorist activities. Fuel thefts are the second-most profitable illicit revenue stream, trailing only behind drugs, and are the most significant nondrug revenue source for FDTCOs. As much as one-third of the fuel sold in Mexico may be tampered with or illegally sourced, and fuel theft probably cost the Mexican Government about $9 billion in lost tax revenues in 2024.

- FDTCOs acquire fuel through extortion, bribery, illegal drilling, pipeline tapping, hijacking of tanker trucks, and theft from refineries. They resell this fuel on the black market in Mexico, Central America, and the US. Government of Mexico fuel seizures in 2025 highlight FDTCO dependencies on illicit fuel activities and offer opportunities for enhanced partnerships among US, Mexico, and energy and transportation sectors, among other private-sector partners.
- In August 2025, the Gulf Cartel assassinated a prosecutor with the Attorney General's Office of the Republic of Mexico (FGR) in Reynosa, Tamaulipas, probably in response to an FGR seizure of 1.8 million liters of stolen fuel in July 2025. The fuel seizure cost the Gulf Cartel $1.5 million in lost revenue, suggesting that the seizure prompted the assassination. That same month, the Mexican Government seized about 15.5 million liters of illicit fuel in Coahuila and separately seized a clandestine facility that stored and possibly distributed illicit fuel.
- In May 2025, the US Treasury Department sanctioned three Mexican nationals and two Mexico-based companies linked to the New Generation Jalisco Cartel (CJNG) for operating a crude oil smuggling network. CJNG earns hundreds of millions of dollars a year by selling stolen oil, some of which is shipped to the US. The oil is often mislabeled as waste oil to avoid scrutiny.

General Depiction of *Huachicol* Activities: Hydrocarbon-Smuggling Operations

Theft: FDTCOs obtain hydrocarbons by tapping pipelines; stealing trucks and tankers; or stealing them from storage facilities and depots.

Repackage: FDTCOs smuggle hydrocarbons mislabeled as waste oil or other materials related to oil and natural gas refining to evade taxes.

Transport: Complicit US import brokers collaborate with FDTCOs to deliver stolen fuels to the US and third-party countries.

Forced Sales: FDTCOs sell fuel to buyers in an informal unregulated economy.

Extortion[a]**:** FDTCOs may force drivers to pay delivery fees in FDTCO-controlled areas.

Illicit Funding[a]**:** FDTCOs use front companies to access lucrative contracts or launder illicit funds.

[a] This image is AI-generated to illustrate *Huachicol*-related activities. The individuals and activities depicted do not represent actual persons or events.

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Disruption of *Huachicol* Activities Requires Multidisciplinary Approach *(continued)*

Physical Indicators of *Huachicol*

Depending on the location and context, FDTCOs acquire fuel by tapping pipelines, hijacking trucks, and stealing from refineries. Thefts should be reported to the appropriate authorities: federal, state, local, and company security. Although the indicators below may seem insignificant on their own, they should be viewed under the totality of circumstances.

- Thefts that may compromise the security of fuel facilities, such as stealing of identification; blueprints, uniforms, vehicles, technology, equipment, keys, or access cards/passes
- A pattern of losses or irregularities in fuel inventories indicating misdirected or missing fuel
- Employees or persons who frequently requisition uniforms, equipment, or other proprietary or sensitive materials and/or the removal of the items from a facility without authorization
- Three-axle fuel trucks from Mexico using local roads not designated for overweight travel
- Above-ground, often mobile, storage tanks on vacant lots or near ports of entry with no visible signage or safety barriers
- Frequent fuel transfers between trucks using hoses and portable pumps without proper documentation
- Insider threat concerns; seeking access to individuals with placement and access to fuel supplies
- Use of fuel-related fraudulent documents, including invoices, permits, and identification to obfuscate activities
- Stolen property transported and/or stored in containers designed for concealment, including hiding the stolen product with legitimate shipments and use of improper labeling

Financial Indicators of *Huachicol*

FDTCOs may declare stolen fuel as other products to customs authorities to evade a special tax deemed harmful to health or the environment, such as payment of Special Tax on Production and Services (IEPS) and Value-Added Tax (VAT). Below are some potential financial indicators of *huachicol* activity.

- Companies selling crude oil or fuel for significantly less than the market rate
- Companies that purchase waste oil or other hazardous materials from a limited number of Mexican and US companies
- Sending wire transfers to Mexican or US companies for waste oil or other hazardous materials without possessing the appropriate registrations with the US Environmental Protection Agency
- US-based companies that import waste oil or other hazardous materials but appear to be shell companies
- Companies that are designated to receive purchases of waste oil or other hazardous materials but are registered at a residential address
- Oil and natural gas companies, importing companies, or freight companies operating on the US southwestern border that transact with Mexican and US companies associated with FDTCOs

Considerations

FDCTOs use both witting and unwitting energy and transportation companies that operate under a binational structure, with headquartered in the US while legally registered in Mexico, often with operations on both sides of the border. FDTCOs exploit this structure, in some cases stealing fuel only to resell it back to the company.

- Shell companies hide illicit activities by creating false documents, manipulating permits to evade taxes and regulations, and commingling legitimate activities with illicit ones.
- FDTCOs conspire with US exporters to avoid taxation and dilute fuel with petrochemicals to increase their profits.

Strengthening partnerships between public safety and the private sector may help bridge potential intelligence gaps and enhance reporting capabilities, especially those highlighting FDTCO *huachicol* activities. In some instances, US-based energy and transportation companies may be unaware they are conducting business with an FDTCO, and illuminating such activities would offer opportunities for disruption.

Broad Outreach

- Establishing and maintaining information sharing with private-sector partners in the energy and transportation sectors may serve as a source for tips and leads, furthering investigations of FDTCO *huachicol* activities.
- Focusing investigative efforts on US-based actors may garner threat information and investigative leads that span the US-Mexico border.

Information Sharing and Intelligence-Driven Operations

- Encounters with potential FDTCO members or associates known to engage in *huachicol*-related activities during traffic stops and checkpoints might yield new information regarding watchlisted subjects that may not be found in the Terrorist Screening Dataset. This information can enhance broader public safety, improve decisionmaking on scene, and provide critical intelligence to agencies conducting terrorism-related investigations.
- Engagement in regular threat information sharing with federal, state, local, tribal, and territorial public and private-sector partners to ensure cross-talk, for case deconfliction, and to enhance investigative efforts.
- Investigative and disruption efforts aimed at suspicious fuel shipping, including conveyance mechanisms, routes, and known transportation actors or carriers.
- Intelligence-driven operations, including roadblocks and checkpoints both northbound and southbound to disrupt *huachicol* activities and garner information that can be shared with federal, state, local, tribal, and territorial partners, including those with investigative and intelligence-based equities.

Tailored Private-Sector Considerations

- Develop and enhance insider threat training efforts and establish reporting capabilities.
- Ensure regular information sharing and threat awareness engagement with law enforcement, especially for sectors potentially involved in *huachicol* or other FDTCO activities.
- Strengthen accounting (e.g. tracking fuel transportation vehicles and mechanisms), supply chain vetting, and compliance efforts.

Resources

The US Treasury Department's **Financial Crimes Enforcement Network (FinCEN)** provides support and resources to law enforcement to assist with investigations and mandatory suspicious activity reporting requirements if a financial institution suspects an attempted or conducted transaction involves funds derived from illegal activity, is intended to disguise illegal funds, evade regulations, or facilitate criminal activity. www.fincen.gov

For more information about oil smuggling schemes and indicators, see ***FinCEN Alert on Oil Smuggling Schemes on the U.S. Southwest Border Associated with Mexico-Based Cartels,*** 1 May 2025.

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