

Crude Crimes: Treasury Warns on Oil Smuggling and Money Laundering

WRITTEN BY

Matthew E. Orso | Peter E. Jeydel | Charlene C. Goldfield

The Treasury Department has taken initial steps to implement the Trump administration's "total elimination" policy directed at certain drug trafficking cartels. Most recently, on May 1, Treasury's Financial Crimes Enforcement Network (FinCEN) issued an [alert](#) advising about a rising trend of oil smuggling from Mexico across the U.S. border led by several cartels.

After a number of cartels were recently [designated](#) as Foreign Terrorist Organizations (FTOs), companies doing business with Mexico in particular may need to adapt their compliance approaches when it comes to sanctions, money laundering, and related areas. (See [our previous alert](#) on this topic.)

This FinCEN advisory underscores that these risks may also be present for purely domestic business within the U.S.

Energy companies such as traders and refiners, as well as financial institutions, should be attentive to suspicious transactions and red flags in trade-related documentation. Companies with potential exposure to this should consider updating their compliance programs and potentially doing a lookback for any past issues.

How the Operation Works

These operations primarily target a Mexican state-owned energy company. Cartels either steal oil or bribe their employees, then transport the stolen oil to storage tanks in cartel-dominated areas in Mexico. From there, the oil is smuggled into the U.S., often disguised as "waste oil" or hazardous materials.

Once in the U.S., the smuggled oil is stored in mobile tanks on vacant lots managed by U.S. companies. Then, they sell the oil at reduced prices, often through brokers, to refineries in Texas and other parts of the U.S., as well as internationally.

Accompanying OFAC Sanctions Actions and Insights

Along with the FinCEN alert, Treasury's Office of Foreign Assets Control (OFAC) [sanctioned](#) three Mexican nationals and two Mexico-based hazardous materials transportation companies linked to the cartel oil smuggling network. In an unusual move, Treasury Secretary Scott Bessent posted a [YouTube video](#) about these designations, a signal of the priority the administration places on this effort.

OFAC's press release states that one of the designated individuals exercises "control over port of entry bridges between the Tamaulipas and Texas border regions," which allows him to charge fees to "any trucks moving crude into the United States via these routes." This underscores the pervasive presence of cartel-linked networks in certain pockets of the Mexican — and U.S. — economies. Compliance programs should reflect these government determinations and warnings.

OFAC had previously issued stark findings about the significant presence of the cartels in the oil sector. For example, in September 2024, OFAC [sanctioned](#) nine Mexican nationals for similar smuggling activity, along with 26 Mexico-based entities, including 11 gas stations selling stolen fuel and another hazardous materials transportation company.

Takeaways

Companies in the energy sector may need to revisit their sanctions and anti-money laundering compliance approach in order to be comfortable that they are not becoming involved in these smuggling schemes — or in any other cartel-linked business activity that may not yet have been targeted by the U.S. government. Given the high political priority of this effort, one should expect a continued drumbeat of designations and advisories, and eventually enforcement actions, aimed at the full scope of cartel-linked business on both sides of the border.

Financial institutions and companies in the energy sector should be alert for higher-risk or unusual profiles of traders or other smaller oil suppliers, transportation companies, and the like, as well as trade documentation that may have signs of falsification, which was one of the hallmarks of the scheme highlighted by FinCEN.

RELATED INDUSTRIES + PRACTICES

- [Anti-Money Laundering](#)
- [Banking + Financial Services Regulation](#)
- [Energy](#)
- [International](#)
- [Sanctions + Trade Controls](#)
- [White Collar Litigation + Investigations](#)