



**OFFICE OF  
INSPECTOR GENERAL  
U.S. DEPARTMENT OF THE INTERIOR**

**REPORT OF INVESTIGATION**

<b>Case Title</b> Henke, Steven P.	<b>Case Number</b> OI-CO-09-0259-I
<b>Reporting Office</b> Lakewood, CO	<b>Report Date</b> June 7, 2010
<b>Report Subject</b> Report of Investigation	

**SYNOPSIS**

This investigation was initiated in March 2009 based on a referral from the Government Accountability Office (GAO). GAO alleged Steven Henke, District Manager, Bureau of Land Management (BLM) in Farmington, N.M., was too close to unnamed oil and gas industry officials and made decisions to benefit companies based on personal relationships, rather than the good of BLM. GAO claimed to have uncovered evidence related to these allegations while conducting a survey at BLM Farmington and speaking with numerous BLM staff members.

Although the information provided by GAO was vague and second-hand, OIG's investigation revealed that Henke took gifts from Williams Exploration and Production (Williams E&P), a prohibited source, in the form of golf tickets, lodging and meals. This investigation also revealed Henke misused BLM travel funds to attend the 2007 PGA Championship in Tulsa as a guest of Williams E&P. Although Henke conducted some limited government business during this trip, he admitted that BLM work was a secondary motive to the travel, and the primary purpose was to attend the tournament. Additionally, during 2007 Henke solicited approximately \$8,000 in donations from Williams E&P to Henke's youth baseball teams. Also in 2007, Merrion Oil & Gas, a prohibited source, provided Henke's with an internship. In 2009, Henke attended the Masters Golf Tournament in Augusta, GA with Williams E&P and made some repayment to the company for ticket and lodging expenses. Henke did not disclose any of the aforementioned gifts on his annual Confidential Financial Disclosure Reports. Our investigation found no evidence of any corrupt or official acts Henke took to benefit the company in exchange for the things of value he received.

This investigation was referred to the U.S. Attorney for the District of New Mexico, which declined prosecution. On May 10, 2010, OIG Central Region Investigations provided BLM senior management with our preliminary findings on Henke's misconduct. Ex. 5

Reporting Official/Title Special Agent	Signature
Approving Official/Title Jack L. Rohmer/Special Agent in Charge	Signature
Authentication Number: F5863415084C3518E09DF0425D49D8E0	

[REDACTED] Henke then retired from federal service on May 21, 2010. This case will be closed.

### **BACKGROUND**

BLM Farmington, which also includes an office in Taos, NM oversees the largest minerals production area in the onshore United States, the San Juan Basin. Until May 21, 2010, Henke was the senior official in the district, a GS-14, and managed approximately 160 employees.

All BLM employees are subject to federal ethics standards, regulations, and DOI policies that serve to govern their conduct. The *Standards of Ethical Conduct for Employees of the Executive Branch* states, in part:

[Employees] shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards .... Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts (5 CFR 2635.101(b)(14))....[Employees] shall not, directly or indirectly, solicit or accept a gift:(1) From a prohibited source; or (2) Given because of the employee’s official position (5 CFR §2635.202(a))....[Employees] may not accept gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe the employee is using public office for private gain (5 CFR 2635.202(c)(3)).

Further, the Office of Government Ethics regulation allows only limited circumstances in which federal government employees may accept gifts from prohibited sources. Specifically, unsolicited gifts valued at \$20 or less, per occasion, may be accepted. However, gifts from any single prohibited source may not exceed \$50 in any given calendar year. A prohibited source is defined by regulation as “any person, company, or organization that conducts business with or is seeking to conduct business with the employee’s agency, or that has any interest which may be affected by the employee’s official duties.”

Williams Exploration and Production is a subsidiary of Williams Companies, based in Tulsa. Williams E&P is one of the top five producers in the San Juan Basin, and is considered a prohibited source under federal regulations. Merrion Oil & Gas Company is based in Farmington and holds numerous permits to drill on federal and Indian lands overseen by BLM. It, too, is considered a prohibited source.

### **DETAILS OF INVESTIGATION**

OIG began this investigation based on a referral from GAO, which claimed it had interviewed Farmington BLM employees who had information concerning misconduct by Henke, relative to showing favoritism to certain oil and gas companies regulated by BLM. The information provided by GAO was vague and second-hand (**Attachment 1**). As the investigation progressed, however, we identified numerous issues with Henke’s conduct, which are addressed in this report as follows:

- I. Information concerning Henke’s trip to the 2007 PGA Tournament;
- II. Information concerning Henke’s solicitation of funds from Williams E&P;
- III. Information concerning Henke’s trip to the 2009 Masters Tournament;
- IV. Information concerning [REDACTED] internship with Merrion Oil & Gas;

- V. Henke's Confidential Financial Disclosure Reports;
- VI. Interviews of BLM Farmington staff;
- VII. Interviews of BLM Human Resources officials; and
- VIII. Henke's admissions to BLM State Director

I. Information concerning Henke's trip to the 2007 PGA Tournament

Reviews of BLM e-mail and travel records showed Henke visited Tulsa from August 8-11, 2007 (**Attachments 2 and 3**). According to the e-mails, on May 2, 2007, Williams E&P [REDACTED] invited Henke to attend the PGA Championship in Tulsa as the company's guest. On May 3, 2007, Henke replied he would attend the event and meet with [REDACTED] another Williams E&P official, while in Tulsa to work on "this year's and next year's drilling plans, and any other coordination issues BLM has with Williams."

On July 23, 2007, [REDACTED] an event coordinator hired by Williams E&P to arrange the PGA event, e-mailed Henke a confirmation letter (See Attachment 2). In the letter, Williams E&P informed Henke the company had reserved a room for him at the Marriot Southern Hills in Tulsa.

A review of BLM travel voucher GFT-07-0001-L revealed Henke traveled to Tulsa at government expense (See Attachment 3). The cost of Henke's roundtrip flight from Albuquerque to Tulsa was \$510.96. Henke claimed \$341.30 for reimbursement. According to the Schedule of Expenses and Amounts claimed, Henke claimed per diem each day of travel, totaling \$154; \$184 in gas mileage to travel to and from Farmington to the airport in Albuquerque; and \$3 in parking. Henke also claimed centrally-billed expenses of a rental car in the amount of \$119.64, and assorted parking expenses totaling \$21. He also spent \$12 on fuel for the rental car. Henke claimed no lodging expense during this trip. The total cost to the federal government for this trip was approximately \$1,003.

By signing the voucher, Henke certified it was true and correct to the best of his knowledge and belief. Additionally, the voucher notes that falsification of an item in an expense account may represent a violation of 18 USC 287 and 18 USC 1001 (False claims and false statements, respectively).

In his interviews with OIG investigators, Henke admitted the PGA tournament was the primary reason for his trip to Tulsa (**Attachment 4**). Henke also said that Williams E&P paid for his lodging, and for some of his meals. Henke claimed he visited the Williams office and discussed BLM/Williams issues with [REDACTED] and [REDACTED]. Henke said he did not repay Williams for any of his expenses and in retrospect he viewed that as a mistake.

Henke claimed when he was first invited to the PGA by [REDACTED] he did not understand the scope of the things of value Williams planned to provide him. Henke also acknowledged that he charged the government for his travel expenses to Tulsa. In retrospect, he said, it was probably not appropriate to have done so "given the totality of the trip."

II. Information concerning Henke's solicitation of funds from Williams E&P

Our investigation identified evidence showing Henke solicited approximately \$8,000 from Williams E&P in donations to his [REDACTED] summer baseball teams in 2007 (**Attachment 5**).

On April 20, 2007, Henke e-mailed his [REDACTED] a draft letter written under the name of [REDACTED]

██████████ one of ██████████ baseball coaches. In the e-mail, Henke wrote: “Please forward this to Coach ██████████. He can modify as needed. Williams is expecting it.” The letter Henke prepared was addressed to ██████████ and requested Williams E&P provide funding to assist in “off-setting the tournament entry fees, which we anticipate will be close to \$2,000.”

On July 11, 2007, ██████████ e-mailed Henke asking for ██████████ e-mail address so ██████████ could thank him for providing funding.

We also identified efforts Henke made to obtain funding for another of ██████████ teams, the ██████████ ██████████. In a May 21, 2007 e-mail to a woman named ██████████ (last name unknown), Henke attached a fundraising letter he drafted. Henke wrote to ██████████: “Here is the letter I drafted... Williams sent me \$4,200.” In the letter itself, Henke identified himself as the ██████████ fundraising coordinator, and used his BLM office line as one of the contact numbers (See Attachment 5).

When interviewed, Henke admitted to this activity, but defended it, saying he acted as a ██████████ and team fundraiser and not in his capacity as the BLM district manager (See Attachment 4). Henke noted that many energy companies in Farmington donate money to local youth groups, and he substantially said he saw nothing wrong with brokering Williams E&P’s donations to his ██████████ ball clubs. In his April 28, 2010 written statement, Henke admitted to obtaining a total of \$8,000 from Williams E&P. Henke also noted that Williams E&P continued to provide financial support to the ██████████ team after ██████████ left the organization. Henke said he did not request money from any other prohibited sources

### III. Information concerning Henke’s trip to the 2009 Masters Tournament

In April 2009, Henke attended the Masters Tournament in Augusta, GA (See Attachment 4). On March 16, 2009, ██████████ e-mailed Henke (**Attachment 6**). In the e-mail, she wrote:

“Hi Steve,  
Please see the attached confirmation letter for your trip to Augusta. Review all details and let us know if you have any questions or changes.  
We look forward to seeing you soon!”

Attached to the e-mail was a confirmation letter under Williams E&P letter head. It listed Henke’s itinerary as spanning April 8-10, 2009, and it detailed that Williams E&P had reserved a private home 10 minutes from Augusta National Golf Club, the location of the Masters tournament.

Henke recalled Williams E&P invited him, but that he paid his own airfare, transportation, and he paid Williams E&P for its expenses, specifically two days of tickets to the event and lodging at a local home the company had rented for the occasion (See Attachment 4). Henke provided OIG with two cancelled checks: one for \$500 and one for \$70, both written to Williams E&P (**Attachment 7**). Henke said the \$500 was payment for lodging and meals; the \$70 was for the Masters tickets. In his interview, he did acknowledge that the market value of the tickets was about \$500 per day.

Henke said the president of Williams E&P (whose name he could not recall) is a member of the Augusta National Club and that Williams E&P would only allow Henke to reimburse it for the actual cost to the company for the tickets, not the market value (See Attachment 4). This is where Henke derived the \$70 amount. Henke said he did not feel his trip to the Masters was an apparent conflict of

interest, because he provided money to Williams E&P to cover his costs. Henke recalled he did not consult with any BLM ethics officials concerning the propriety of this trip.

IV. Information concerning [REDACTED] internship with Merrion Oil & Gas

Henke said on one occasion he helped Merrion Oil & Gas Company to expedite acquiring drilling permits from BLM (See Attachment 4). According to Henke, Merrion's applications were in order but at the bottom of BLM's processing list and the company had a limited window in which to begin drilling. Merrion contacted Henke and asked him to move the process along so the company could obtain a permit and begin drilling. Henke told agents the stand-by time on the Merrion rigs could have cost the company approximately \$10,000 per day.

In September 2007, Merrion Oil & Gas provided [REDACTED] a three month internship with the company (**Attachment 8**).

Henke denied that his [REDACTED] internship was at all related to the assistance Henke provided Merrion, and added he would have done the same expediting for any company (See Attachment 4).

V. Henke's Confidential Financial Disclosure Reports

A review of Henke's Confidential Financial Disclosure Reports (CFDR) for the years 2007 and 2009 revealed he did not disclose 1) the PGA golf tickets and lodging paid for by Williams E&P, 2) the \$8,000 Williams E&P provided [REDACTED] baseball teams, and 3) the estimated \$930 discount on the Masters tickets he obtained from Williams E&P (**Attachment 9**).

When investigators asked Henke why he did not list the PGA tournament or the baseball funds on his Confidential Financial Disclosure Report for 2007, Henke replied he did not see anything wrong with the items he accepted (See Attachment 4). Henke denied he tried to conceal the trip from BLM management.

Henke said he did not list the Masters trip on his 2009 CFDR because he felt he had compensated Williams for expenses related to the trip.

VI. Interviews of BLM Farmington staff

In his interviews, Henke categorically denied he ever provided an official act or preferential treatment in return for a thing of value from Williams, or any other prohibited source (See Attachment 4).

We conducted numerous interviews of BLM Farmington Inspections and Evaluations staff and environmental personnel who work for Henke (**Attachments 10-19**). None of the employees interviewed claimed Henke ever pressured them to favor Williams E&P – or any energy company – and none of the witnesses had any information about Henke providing direct favors to oil and gas operators. The employees substantially said Henke had been supportive of their enforcement efforts on oil and gas companies.

Our investigation found no evidence of Henke corruptly or improperly assisting or favoring Williams E&P, or any other energy company which he oversaw.

VII. Interviews of BLM Human Resources officials

OIG investigators met with BLM officials [REDACTED] Human Resources (HR) Officer, and [REDACTED] Human Resources Specialist (**Attachment 20**). [REDACTED] confirmed that Henke was required to participate in annual ethics training and had satisfied the annual training requirements. She advised that based on Henke’s annual ethics training he was aware of his ethical responsibilities, to include knowledge about prohibited sources, and restrictions concerning the acceptance of gifts from prohibited sources.

[REDACTED] and [REDACTED] both substantially said Henke should have vetted [REDACTED] Merrion internship through the HR office. Additionally, they both said Henke should not have solicited donations from Williams E&P for [REDACTED] baseball teams nor should he have accepted golfing tickets or other gifts over \$20, from Williams E&P.

VIII. Henke’s admissions to BLM State Director

Henke told OIG investigators that on April 23, 2010, he met with BLM New Mexico State Director Linda Rundell and Associate Director Jesse Juen (See Attachment 4) (*Agent’s note: this meeting occurred four days after Henke’s first interview with OIG*). Henke recalled he “gave it all to them,” meaning he made a full admission of his misconduct. Henke said Rundell, whom he has known for about 25 years, had tears in her eyes when he told her.

**SUBJECT(S)**

Steven P. Henke  
District Manager (retired)  
BLM-Farmington  
Home address: [REDACTED]  
DOB: [REDACTED]  
SSN: [REDACTED]

**DISPOSITION**

This investigation was referred to the U.S. Attorney for the District of New Mexico, which declined prosecution. On May 10, 2010, OIG Central Region Investigations provided BLM senior management with our preliminary findings on Henke’s misconduct. [REDACTED] Ex. 5  
[REDACTED] Henke then retired from federal service on May 21, 2010. This case will be closed.

**ATTACHMENTS**

1. IAR- Interview of [REDACTED]
2. E-mails related to 2007 PGA event
3. IAR – Review of BLM travel voucher GFT-07-0001-L
4. IARs – Interview of Steven Henke and written statement
5. E-mails related to baseball fundraising
6. E-mails related to 2009 Masters Tournament
7. Copies of checks written by Henke to Williams E&P

8. E-mail related to Merrion internship
9. IAR – Interview of [REDACTED]
10. IARs – Interviews of [REDACTED]
11. IAR – Interview of [REDACTED]
12. IAR – Interview of [REDACTED]
13. IAR – Interview of [REDACTED]
14. IAR – Interview of [REDACTED]
15. IAR – Interview of [REDACTED]
16. IAR – Interview of [REDACTED]
17. IAR – Interview of [REDACTED]
18. IAR – Interview of [REDACTED]
19. IAR – Interview of [REDACTED]
20. IAR – Meeting with Bureau of Land Management Human Resource Office Personnel