

## **Appendix E**

Lukens Energy Group  
Section of DOI IG Investigative Report on  
Gregory W. Smith  
August 7, 2008



# Investigative Report

*Gregory W. Smith*

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This report contains information that has been redacted pursuant to 5 U.S.C. §§ 552(b)(2), (b)(6), and (b)(7)(C) of the Freedom of Information Act. Some references indicating gender were written in the masculine form to protect the identities of individuals and to facilitate the reading of the report. Supporting documentation for this report may be obtained by sending a written request to the OIG Freedom of Information Office.

*Agent's Note: We believe that Smith obtained the information from an RIK Oil and Gas Analyst and was mistaken in his recollection that he obtained it from another MMS employee.*

### **Termination of Smith's Geomatrix Employment**

When interviewed, Daus stated that in April 2003, he and Smith met in Denver to discuss the fact that Smith's work had not resulted in any business for Geomatrix, and he therefore intended to end their association. Daus said Smith agreed and their relationship ended in July 2003.

When we interviewed Smith, he stated that his job as a consultant for Geomatrix was to identify potential customers and alert them to the fact that Geomatrix might be able to provide services that would assist them. "I was doing referral work," Smith said. Smith also explained that if discussions went beyond the introductory stage, he would step out and recuse himself from the process.

According to Smith, there was "never any linkage" between his work for MMS and his work for Geomatrix. He stated that he made it clear up front to the prospective Geomatrix clients with whom he met that there was no such link, connection, or relationship. He also stated that he felt that making "introductions" for Geomatrix was "not in any way, shape, or form" related to his RIK work.

### Lukens Energy Group

According to its Web site, Lukens Energy Group (Lukens) is "a management consulting company advising top management in the energy industry on issues of strategy, markets, regulation, valuation and risk management." Fred Hagemeyer was a Vice President of Lukens while Smith worked for Geomatrix.

When we interviewed Smith, he stated that he viewed Hagemeyer as a "trusted advisor," mainly because Hagemeyer helped RIK become established. When RIK was formed, Smith noted, no one working there had any experience or training in energy sales. RIK relied on Hagemeyer to provide advice and input on how to successfully operate the program.

*Agent's Note: In February 2007, the OIG initiated an investigation into allegations that RIK had been improperly influenced by high-level DOI officials in connection with the award of a contract for the assessment of the RIK Program to Lukens. That investigation was unable to corroborate the allegations.*

We interviewed Wally Adcox, senior MMS Procurement Official and former MMS Contracting Officer, who stated that MMS initiated the process to award a contract for an independent assessment of the RIK Program. A number of companies bid on the contract, including Lukens, and members of the Technical Proposal Evaluation Committee (TPEC) evaluated these bids. Adcox identified the TPEC members, all of whom were MMS employees, as the following individuals:

- Bob Brown
- [Exemption 7C]
- Milton Dial
- [Exemption 7C]
- Lucy Querques Denett

According to Adcox, Smith was not a member of the TPEC but was included on most of the communications concerning the contract because as an RIK manager, Smith would have to work with the contractor that was selected.

Our review of e-mail from Adcox confirmed that Smith attended the oral presentations made by the three final bidders, including Lukens. These presentations were made at the MMS office in Herndon, VA, on December 17 and 18, 2002.

We interviewed a former MMS Contracting Officer, who stated that he served as the contract administrator and later contracting officer on this contract with Lukens. According to him, most of the hand-written notes in the contract file were his, including one titled, "RIK Orals," which listed the following five individuals as attending the oral presentations:

- Bob Brown
- [Exemption 7C]
- Milton Dial
- [Exemption 7C]
- Greg Smith

The former MMS Contracting Officer stated that during any MMS contract selection process, there should be no contact between the bidding company and any MMS representative other than the contracting officer.

When we interviewed Milton Dial, he stated that Smith was a technical advisor for the contract and had input in the selection process that was equal to the TPEC members.

According to Adcox, in January 2003, the RIK assessment contract, valued at approximately \$500,000, was awarded to Lukens.

Our investigation disclosed that Smith and Hagemeyer communicated extensively before, during, and after this contract was awarded to Lukens. It also disclosed that during this very same time period, Hagemeyer worked with Smith to market Geomatrix.

For example, on November 21, 2002, Hagemeyer sent an e-mail to Smith concerning the contract to be awarded. Attached to this was an electronic version of Lukens' "Capabilities Statement."

On December 11, 2002, only one week before oral presentations, Hagemeyer sent Smith a copy of Lukens' proposal. In this same e-mail string, Smith advised Hagemeyer that he would be in Houston on December 12, 2002, and asked if Hagemeyer would be around. In response, Hagemeyer wrote that he would, and he asked Smith to call him.

A review of Smith's travel vouchers disclosed that he was in Houston on December 12 and 13, 2002, but we could not substantiate whether he met with Hagemeyer.

In an April 14, 2003 e-mail to Smith, Hagemeyer wrote that the American Petroleum Institute taskforce had been formed. He also wrote, "If OK with you, I will also plant the seed about Geomatrix as the preferred Env [sic] firm."

Our e-mail review also identified a May 5, 2003 e-mail from an attorney with the firm of Fulbright and Jaworski, LLP, in Washington, D.C., to Hagemeyer asking if Hagemeyer knew anyone who could provide expert testimony in an environmental matter. In response, Hagemeyer wrote, "As a suggestion, Geomatrix is an environmental consulting firm that may be worth considering." He then provided the Fulbright and Jaworski Attorney with Smith's telephone number. Hagemeyer forwarded this e-mail to Smith the next day.

The following day, Smith sent an e-mail to Daus in which he wrote that he had just talked to the Attorney from Fulbright and Jaworski, and as a result, the Attorney was expecting an e-mail from Geomatrix concerning its capabilities. Smith also wrote that “based on recommendations” from Hagemeyer, the Attorney “is favorably disposed towards geomatrix [sic].”

*Agent’s Note: We did not find any evidence indicating that Geomatrix received any work as a result of this referral.*

When we interviewed a Geomatrix employee, he said he met with Smith in Denver in early March 2003 to discuss his potential role in the marketing work that Smith was performing for Geomatrix. In a March 5, 2003 memorandum to Daus, the Geomatrix employee wrote that during his meeting with Smith, he provided an overview of his marketing efforts. He also discussed a recent relationship that had been established between Geomatrix and Lukens where Lukens and Geomatrix were going to jointly assist oil and gas companies operating in Wyoming.

We interviewed Hagemeyer, who stated that he first met Smith in approximately 1996 or 1997 at an event involving MMS, and they subsequently became better acquainted.

Hagemeyer said he first learned about Geomatrix through Smith, and he understood from his discussions with Smith that Smith was assisting Geomatrix in the area of business development. Specifically, Hagemeyer said he understood Smith was to introduce Geomatrix to sectors of the oil and gas industry to which Geomatrix would not otherwise have access.

With respect to his efforts in assisting Smith’s marketing of Geomatrix, Hagemeyer explained that consulting firms frequently tried to align themselves with each other in an attempt to further business opportunities for both. Hagemeyer stated that he made referrals to firms like Geomatrix as he was able and hoped that others would similarly make referrals involving Lukens.

Hagemeyer recalled making an oral presentation to MMS officials in approximately December 2002 in connection with Lukens’ successful bid to win the RIK consulting contract. Hagemeyer did not recall if Smith was a member of the selection team, although he said he “could have been.” Hagemeyer similarly did not recall if he met with Smith in Houston 1 week prior to the presentation. If they had met, he said they could have discussed the upcoming contract. Hagemeyer also could not recall if Smith helped him prepare any portion of the presentation he gave to MMS. He denied that there was any relationship between the assistance he provided to Smith regarding Geomatrix and Smith’s role in the MMS contract award process.

When interviewed, Smith confirmed that he participated in the process through which Lukens was awarded the RIK consulting contract, although he said he had “very little influence” over the selection process. Smith denied that there was any relationship between his contacts with Hagemeyer prior to and during the selection process and any decisions or input he may have made or provided as a member of the group hearing oral proposals. Like Hagemeyer, Smith was not able to recall anything about their discussions prior to and during the selection process.