



Department of Justice
U.S. Attorney's Office
Southern District of Texas

Donald J. DeGabrielle, Jr. • United States Attorney

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MEDIA CONTACT OFFICE

MEDIA CONTACT NUMBER: (713) 567-9301

**THREE CHARGED IN MILLION DOLLAR FUEL EXCISE TAX FRAUD
SCHEME**

(HOUSTON) – Three Houston area residents have been indicted for their involvement in a scheme to defraud the Internal Revenue Service of millions of dollars in excise taxes arising from the purchase of kerosene later sold as diesel fuel in Houston area stations, United States Attorney Don DeGabrielle announced today.

A nine-count indictment returned under seal by a federal grand jury in Houston on Monday, July 9, 2007 has been unsealed following the arrests of Sidney Berle Baldon, II, of Crosby, TX, the owner operator of Mid-Coast International ("Mid-Coast), a distributor of kerosene and other products, Tracey Dale Diamond, an officer of Mid-Coast, and Yousef Ishaq Abuteir. All three defendants were taken into federal custody on Tuesday, July 10, 2007, where they have remained pending their initial appearance U. S. Magistrate Judge Stephen Wm. Smith at 2:00 this afternoon.

The indictment charges all three men with participating in a conspiracy to defraud the United States of federal fuel excise taxes due and owing on millions of dollars of kerosene purchased by Mid-Coast from Calcasieu Refining Company in Lake Charles, LA between October 2001 through November 2003. Baldon, II, alone, is charged with eight counts of evading the payment of excise taxes – one count for each quarter of 2002 and 2003. The United States imposes a federal excise tax on taxable fuel – including diesel and kerosene – sold for any taxable use. The tax is generally included in the cost of the fuel sold and ultimately is passed on to the consumer in the price paid at the pump.

According to allegations contained in the indictment, between July 2002 and November 2003 Mid-Coast allegedly purchased more than \$10 million in kerosene fuel from Calcasieu Refining Company falsely representing in letters to the company that the fuel was purchased for export to Mexico only, thus no excise taxes were assessed or paid by Mid-Coast. The untaxed fuel was then transported from Louisiana to Mid-Coast locations in Channelview and Houston, TX, where the fuel was mixed with other materials including middle distillate oil (MDO), a bi-product of asphalt production. The MDO was allegedly obtained through agreements facilitated by Abuteir between S.A.S.

Transport, Inc., and Southwest Solvents and Mid-Coast. Diamond is alleged to have issued checks and/or counter debits to pay for the purchase of the MDO. Abuteir personally delivered cash to Baldon and Diamond for the purchase of the fuel obtained from Calcasieu Refinery, according to the indictment. The untaxed blended fuel was then allegedly transported by drivers acting on instructions from Abuteir to retail filling stations in the Houston area where it was sold as taxable motor fuel. Backdated invoices falsely reflecting the sale of kerosene purchased by Mid-Coast International directly to customers in Mexico were allegedly prepared by employees of Mid-Coast on Diamond's instructions.

Each of the nine counts of the indictment carry a maximum penalty of five years imprisonment and a \$250,000 fine upon conviction.

In addition to the federal charges, all three defendants also face state charges of engaging in a motor fuel tax scheme arising from the importation of motor fuel without a permit as a result of indictments returned by the State of Texas through the office of Travis County District Attorney Ronnie Earle.

The joint investigation leading to the federal and state charges was initiated in late 2003 and was conducted by the Environmental Protection Agency (EPA), Immigration and Customs Enforcement (ICE), Department of Transportation (DOT), the Internal Revenue Service-Criminal Investigations, the State Comptroller of Public Accounts - Criminal Investigation Division, the Harris County Precinct One Constable's Office and the Travis County District Attorney's Office. Assistant U.S. Attorney Joe Magliolo will prosecute the federal case. Assistant District Attorneys Ruth Ellen Gura and Christopher Duggan will prosecute the State's case against these defendants in state court.

An indictment is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless and until convicted through due process of law.

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