



# Houston

High Intensity Drug Trafficking Area

# Drug Market Analysis 2009



NATIONAL DRUG INTELLIGENCE CENTER  
U.S. DEPARTMENT OF JUSTICE





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This assessment is an outgrowth of a partnership between the NDIC and HIDTA Program for preparation of annual assessments depicting drug trafficking trends and developments in HIDTA Program areas. The report has been coordinated with the HIDTA, is limited in scope to HIDTA jurisdictional boundaries, and draws upon a wide variety of sources within those boundaries.



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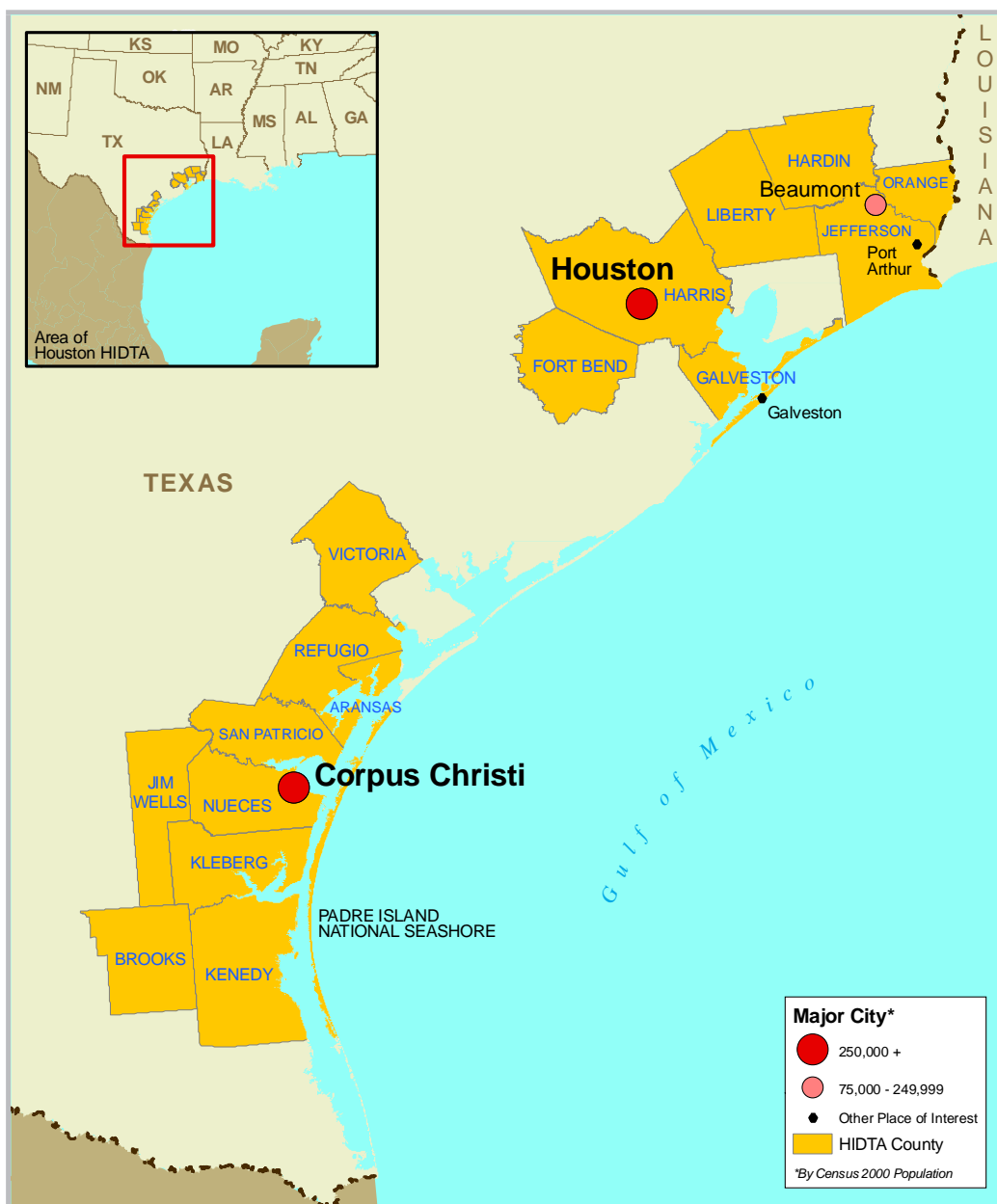
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# Preface

This assessment provides a strategic overview of the illicit drug situation in the Houston High Intensity Drug Trafficking Area (HIDTA), highlighting significant trends and law enforcement concerns related to the trafficking and abuse of illicit drugs. The report was prepared through detailed analysis of recent law enforcement reporting, information obtained through interviews with law enforcement and public health officials, and available statistical data. The report is designed to provide policymakers, resource planners, and law enforcement officials with a focused discussion of key drug issues and developments facing the Houston HIDTA.

**Figure 1. Houston High Intensity Drug Trafficking Area**



## Strategic Drug Threat Developments

- Mexican drug trafficking organizations (DTOs) are the most pervasive organizational threat to the Houston HIDTA region and are the predominant traffickers in the region. These DTOs, particularly those aligned with the Gulf and Sinaloa Cartels, have established bases of operation in the HIDTA region, primarily in Houston and Corpus Christi, where they distribute large quantities of drugs to major market areas throughout the United States.
- The amount of cocaine, marijuana, and methamphetamine seized in the Houston HIDTA region has decreased over the past 3 years. This decrease can be attributed, in part, to an increase in seizures made before the drugs were smuggled across the Southwest Border, increased seizures in South Texas counties that border Mexico,<sup>1</sup> and traffickers' use of alternative routes to smuggle drugs across the Southwest Border.
- The number of powder methamphetamine laboratory seizures in the Houston HIDTA region continued to decrease in 2008. This development can be largely attributed to successful precursor chemical control legislation in Texas and law enforcement programs.
- Indoor cannabis cultivation poses an increasing threat to the Houston HIDTA region, particularly in Houston and Corpus Christi.
- Houston is the primary source city in the United States for traceable guns seized in Mexico. Mexican DTOs and their associated enforcement groups rely on firearms trafficking from Houston to obtain weapons for smuggling and enforcement operations.

1. For the purposes of this report, South Texas counties that border Mexico are Cameron, Hidalgo, Kinney, Maverick, Starr, Val Verde, Webb, Willacy, and Zapata Counties. Once drug shipments have been smuggled across the Southwest Border into South Texas, most traverse these counties on their way to market areas in the HIDTA region and other parts of the United States.

## HIDTA Overview

The Houston HIDTA region, which encompasses 16 counties along the Gulf of Mexico in southeastern Texas, is a key distribution and transshipment area for illicit drugs supplied to drug markets in the Midwest, Northeast, and Southeast and a consolidation area for the smuggling of illicit drug proceeds into Mexico. The proximity of the Houston HIDTA region to the U.S.–Mexico border and the Gulf of Mexico makes the area susceptible to drug trafficking as well as other national security and law enforcement threats, such as alien smuggling, weapons trafficking, and terrorist entry into the United States. Houston, located in Harris County, is the principal drug market area in the HIDTA region. Smaller, outlying drug markets such as Beaumont/Port Arthur (Jefferson County) and Corpus Christi (Nueces County) exist in the area. (See Figure 1 on page 1.)

Mexican DTOs exploit the geography and economy of the Houston HIDTA region to smuggle illicit drugs from Mexico and to launder illicit proceeds. The HIDTA region's geographic makeup varies from sparsely populated ranch land in the south to major metropolitan areas in the north—including Houston, the fourth-largest city in the United States. A large segment of the HIDTA region is located along undeveloped areas of the Gulf Coast, which are susceptible to maritime drug smuggling from Mexico. Well-developed economic and financial infrastructures in metropolitan areas of the HIDTA region, particularly in Houston, provide DTOs with the means to launder illicit drug proceeds through traditional financial institutions and money services businesses (MSBs).

The Houston HIDTA region has a dynamic transportation infrastructure that offers DTOs extensive land, sea, and air modes of transportation. Overland transportation through an intricate network of interstates, highways, advanced secondary routes, and railroads provides DTOs with numerous means with which to smuggle illicit

drugs into and through the area. Moreover, Houston is a major hub for the trucking industry; tractor-trailers are commonly used by DTOs to smuggle large drug shipments from Mexico through the HIDTA region to markets throughout the United States. The Houston HIDTA region's transportation system is also supported by four major railroads in Houston, Beaumont/Port Arthur, and Corpus Christi, which provide access to Mexico. Drug smuggling by sea and air conveyances poses a moderate threat to the Houston HIDTA region, which contains or immediately borders 10 seaports. The sheer volume of maritime traffic and foreign cargo that passes through these ports offers another avenue for drug smuggling. The Port of Houston has long been the nation's leading port for foreign tonnage and is the sixth-largest seaport in the world. Additionally, the Padre Island National Seashore (PINS), an undeveloped natural barrier island that extends south from Corpus Christi to the Mansfield Channel, poses a distinct maritime smuggling vulnerability to the area. (See Figure 7 on page 22.) Commercial aircraft are also used by traffickers to smuggle drugs and U.S. currency through the three major international airports in the Houston HIDTA region.

## Drug Threat Overview

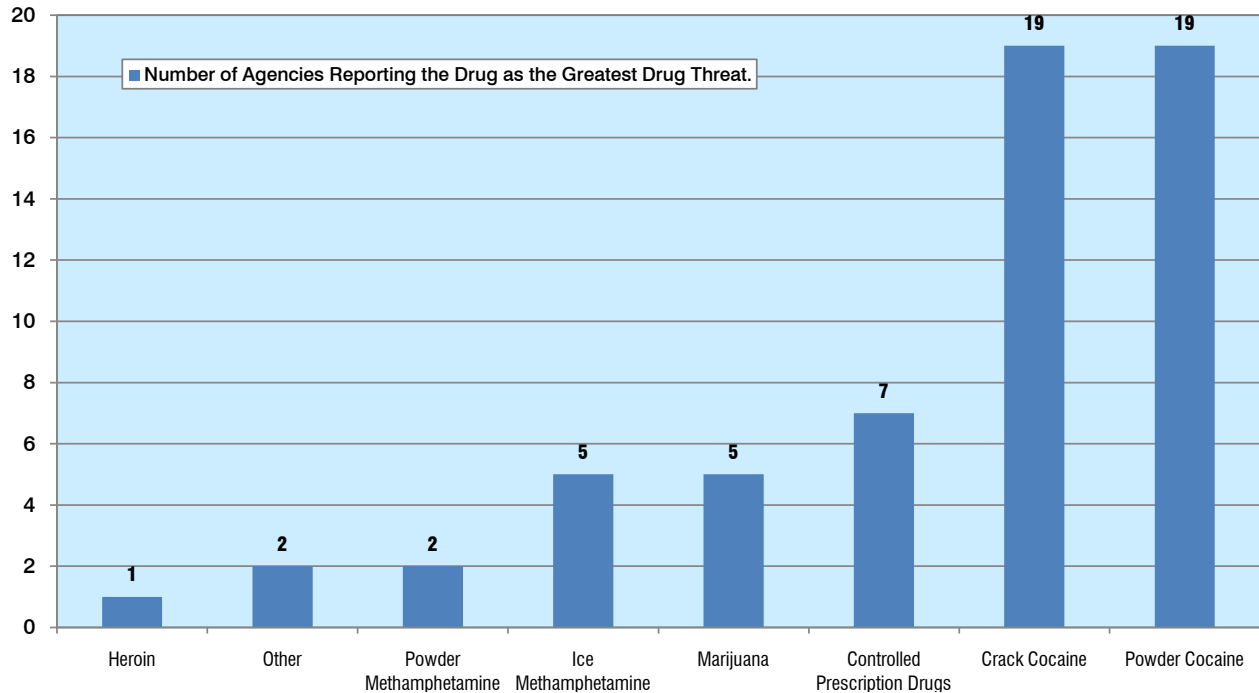
The Houston HIDTA region is one of the most significant distribution and transshipment areas in the United States for drugs smuggled from Mexico to U.S. drug markets. Large-scale transportation and distribution of illicit drugs and laundering of illicit drug proceeds are the primary drug-related issues facing the Houston HIDTA region, requiring a large commitment of law enforcement resources from member agencies (as evidenced by the amount of drugs seized). Wholesale quantities of illicit drugs, particularly cocaine and marijuana, are transported from Mexico through South Texas to the HIDTA region, primarily to Houston and Corpus Christi, where they are distributed to major markets throughout the United States, including

Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado; Detroit, Michigan; Los Angeles, California; and New York, New York. According to the National Drug Intelligence Center (NDIC) National Drug Threat Survey (NDTS) 2009, most responding law enforcement agencies report that cocaine is the greatest drug threat to their jurisdictions.<sup>2</sup> (See Figure 2 on page 4.) Wholesale quantities of ice methamphetamine are also transported to the region and distributed to markets in the southeastern and central United States. Although large quantities of cocaine, marijuana, and methamphetamine are smuggled through the HIDTA region, the amount of these drugs that was seized by law enforcement agencies in the HIDTA region decreased in 2008. This decrease can be attributed to increased seizures in source countries and Mexico that occurred before the drugs were smuggled to the Texas-Mexico border and increased law enforcement operations in Texas such as Operation Border Star.<sup>3</sup> Additionally, traffickers are shifting smuggling routes to avoid the increasing violence in areas of Mexico opposite the border area in South Texas. Heroin, MDMA (3,4-methylenedioxymethamphetamine, also known as ecstasy), and controlled prescription drugs (CPDs) are also distributed to markets outside the HIDTA region, but to a much lesser extent. Additionally, some wholesale quantities of drugs remain in the HIDTA region for local distribution. (See Figure 3 on page 5.)

2. National Drug Threat Survey (NDTS) data for 2009 cited in this report are as of February 12, 2009 and include responses from 60 law enforcement agencies in the Houston HIDTA. NDTS data cited are raw, unweighted responses from federal, state, and local law enforcement agencies solicited through either the National Drug Intelligence Center (NDIC) or the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) program. Data cited may include responses from agencies that are part of the NDTS 2009 national sample and/or agencies that are part of HIDTA solicitation lists.
3. Operation Border Star uses resources throughout Texas to support operations conducted by the U.S. Border Patrol along the Southwest Border, including local law enforcement personnel; Texas Department of Public Safety troopers and criminal intelligence personnel; Texas Rangers; Texas Parks and Wildlife Department game wardens; and Texas Military Forces personnel.



**Figure 2. Greatest Drug Threats to the Houston HIDTA Region**



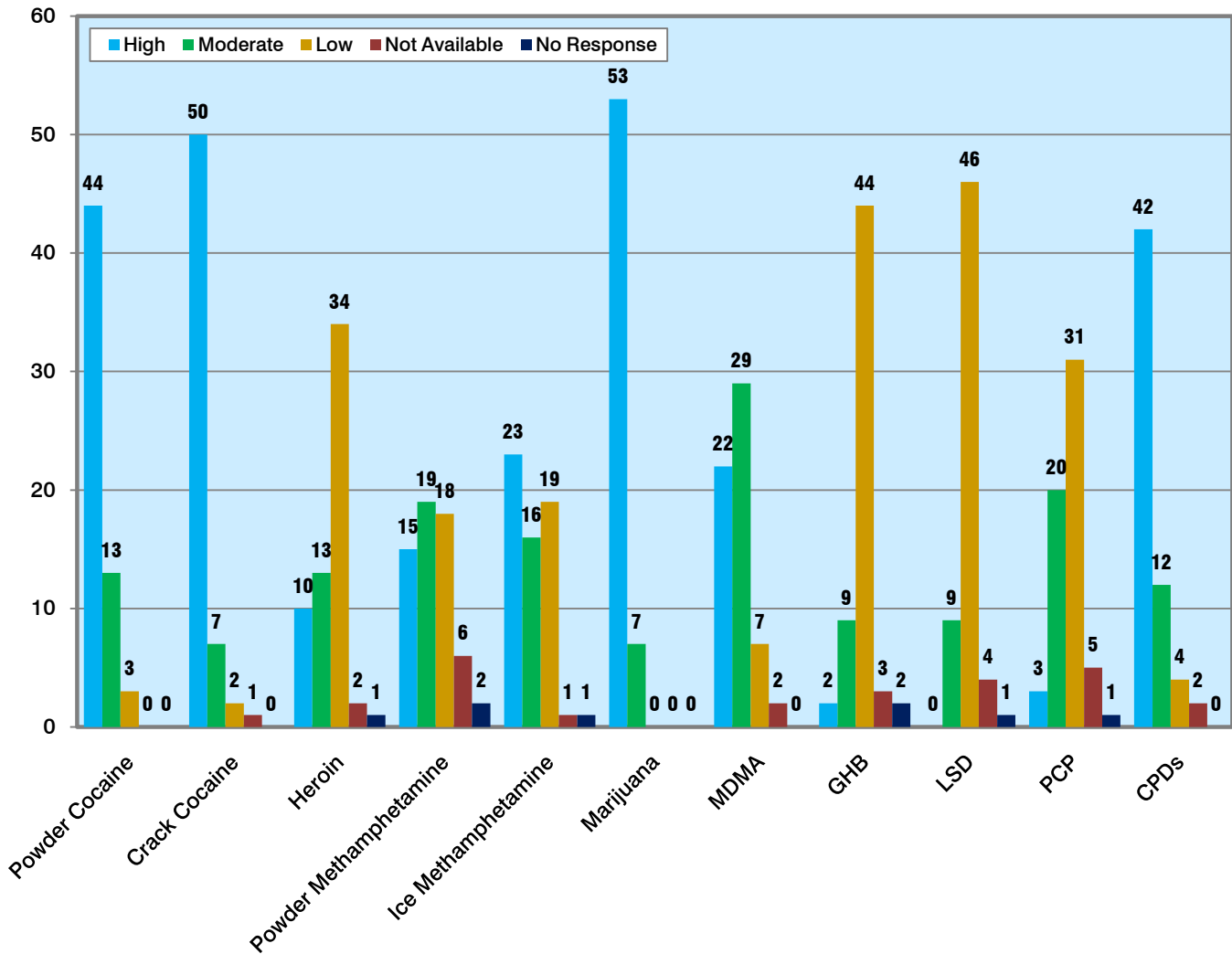
Source: National Drug Threat Survey 2009.

Illicit drug production in the Houston HIDTA region is limited and entails crack cocaine conversion, cannabis cultivation, and powder methamphetamine production. Crack cocaine conversion occurs throughout the HIDTA region, primarily in the Houston metropolitan area—no significant change has occurred over the past several years. NDTs 2009 data indicate that 51 of the 60 responding law enforcement agencies in the HIDTA region report that cocaine is converted to crack in their jurisdictions. Cannabis cultivation, particularly at indoor sites, is a growing threat to the Houston HIDTA region; law enforcement officials have been dismantling an increasing number of indoor grow operations in the region. According to NDTs 2009 data, 39 of the 60 responding law enforcement agencies indicate that cannabis is cultivated indoors in their jurisdiction, and 31 indicate that it is grown hydroponically. The number of methamphetamine laboratory seizures decreased from 2006 through 2008 in the Houston HIDTA region, a development that can be largely attributed

to an influx of ice methamphetamine from Mexico and successful precursor chemical control legislation and law enforcement programs. (See Table 2 on page 9.) As such, 32 of the 60 agencies that responded to the NDTs 2009 report that methamphetamine production is low in their jurisdictions.

The distribution and abuse of illicit drugs in the Houston HIDTA region place substantial societal and financial burdens on communities and local, state, and federal agencies. Crack cocaine is the primary drug of abuse in the HIDTA region, particularly in Harris County; the drug has had a major impact on the level of violent and property crime occurring in many communities. Marijuana distribution and abuse occur at high levels in the HIDTA region; marijuana is the most commonly abused drug among youth in the region. Heroin abuse is a substantial problem in some HIDTA communities because of its highly addictive nature. Ice methamphetamine is distributed and abused in many areas of the HIDTA region, fueling methamphetamine-related treatment

**Figure 3. Drug Availability in the Houston HIDTA as Reported by State and Local Law Enforcement Agencies, 2009\***



Source: National Drug Threat Survey 2009.

\*Chart depicts the number of state and local law enforcement agencies reporting the specified availability levels for each drug.

admissions and crime in these areas. MDMA and other dangerous drugs (ODDs) are distributed and abused in the HIDTA region as well, particularly among the region’s youth. The diversion of CPDs, such as hydrocodone, is increasing in the HIDTA region, particularly in the Houston area. (See Figure 3.)

## Drug Trafficking Organizations

Mexican DTOs are the most pervasive organizational threat to the Houston HIDTA region. The proximity of their operations to the U.S.–Mexico border and their access to major drug market areas throughout the United States have enabled Mexican DTOs to emerge as the predominant traffickers in the HIDTA region, in most areas along the U.S.–Mexico border, and in

### Drug Trafficking Organizations, Criminal Groups, and Gangs

**Drug trafficking organizations** are complex organizations with highly defined command-and-control structures that produce, transport, and/or distribute large quantities of one or more illicit drugs.

**Criminal groups** operating in the United States are numerous and range from small to moderately sized, loosely knit groups that distribute one or more drugs at the retail level and midlevel.

**Gangs** are defined by the National Alliance of Gang Investigators' Associations as groups or associations of three or more persons with a common identifying sign, symbol, or name, the members of which individually or collectively engage in criminal activity that creates an atmosphere of fear and intimidation.

many areas of the United States. Mexican DTOs, particularly those aligned with the Gulf and Sinaloa Cartels, have established bases of operation in the HIDTA region, especially in Houston and Corpus Christi, where they distribute large quantities of drugs to major market areas throughout the United States. These DTOs compartmentalize their operations to insulate themselves from law enforcement. Mexican DTOs operating within

the Houston HIDTA also use advanced communication techniques including prepaid cell phones, satellite phones, and global positioning systems as well as Internet-based methods such as instant messaging, e-mail, social networking web sites, and file-sharing web sites to facilitate drug trafficking. For example, traffickers in the HIDTA region sometimes share an e-mail account and communicate by creating draft messages that are saved and can be viewed by anyone within the organization who can access the account. Additionally, Mexican DTOs continually adapt to law enforcement efforts to detect and dismantle their operations, contributing to the magnitude of the threat they pose to the region. (See Table 1.)

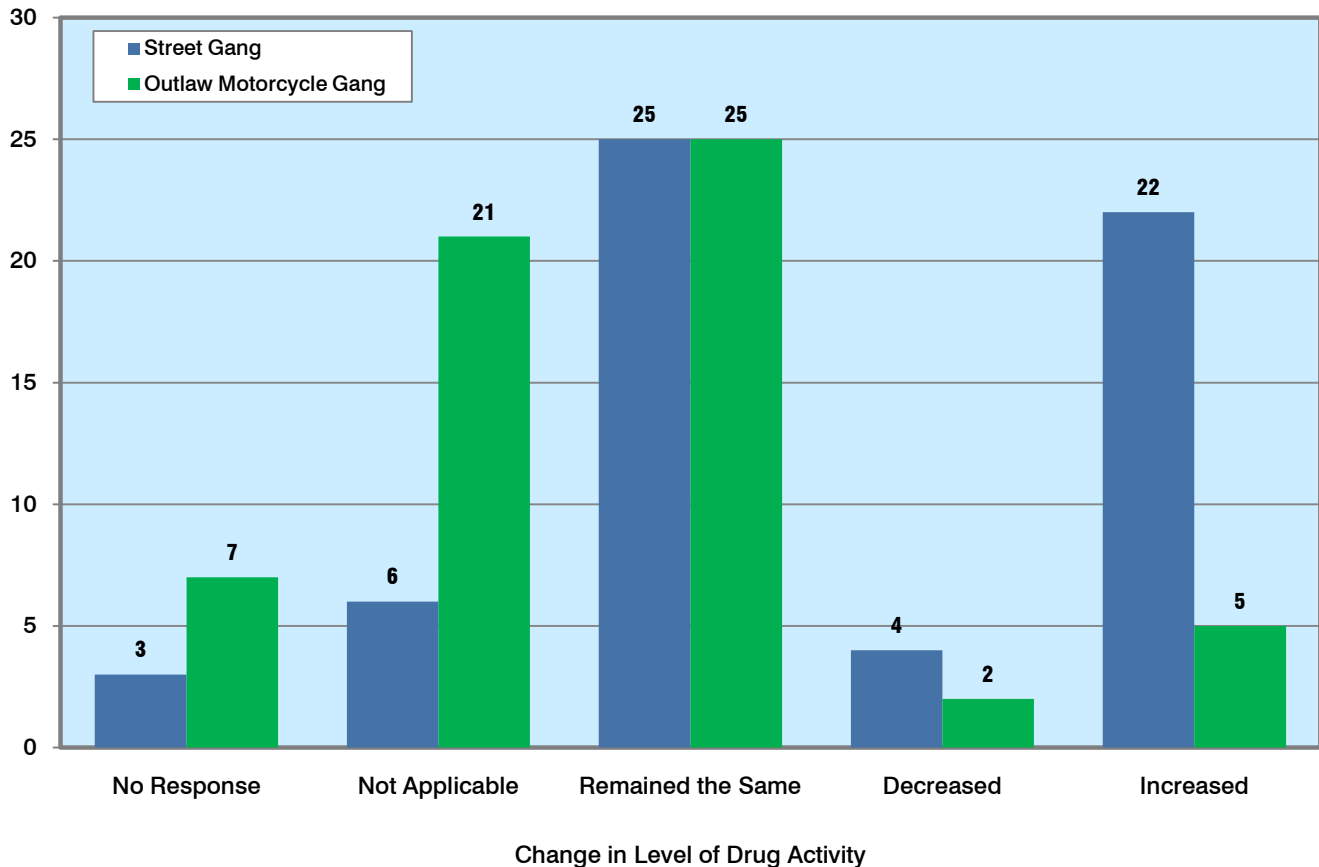
Over the past several years, several Mexican DTOs have been engaged in a violent struggle over drug trafficking corridors that transit the U.S.–Mexico border, several of which lead into the Houston HIDTA region. However, recent law enforcement and military operations in Mexico against Mexican DTOs appear to have diverted some of the attention of the DTOs from each other to Mexican law enforcement and military personnel. For example, in February 2009, traffickers and Mexican authorities engaged in a violent gun battle in Reynosa, Tamaulipas, Mexico, which led U.S. and Mexican authorities to shut down the bridge between the United States and Mexico at the Hidalgo port of entry (POE). Some

**Table 1. Drug and Money Laundering Organizations Operating in the Houston HIDTA**

Scope of Organization	Number of Organizations	Ethnicity/Race/Nationality of Organizations	Number of Members	Drugs Trafficked
International	201	African American, Albanian, Asian, Canadian, Caucasian, Colombian, Dominican, El Salvadoran, Guatemalan, Jamaican, Mexican, Middle Eastern, Nigerian, Puerto Rican	5–1,150	Cocaine, hashish, heroin, marijuana, MDMA, methamphetamine
Multistate	73	African American, Caucasian, Colombian, Dominican, Jamaican, Mexican	5–1,000	Cocaine, CPDs, heroin, marijuana, MDMA, methamphetamine
Local	200	African American, Asian, Caucasian, Dominican, Mexican	5–494	Cocaine, CPDs, heroin, marijuana, MDMA, methamphetamine

Source: Houston High Intensity Drug Trafficking Area.

**Figure 4. Past Year Changes in Street Gang and OMG Drug Activity in the Houston HIDTA Region as Reported by State and Local Law Enforcement Agencies\***



Source: National Drug Threat Survey 2009.

\*Chart depicts the number of state and local law enforcement agencies reporting the specified changes in street gang and OMG drug activity.

DTOs have formed alliances to combat increased law enforcement and military operations, which pose a direct threat to the smuggling operations of the DTOs.

Other organizations operating in the Houston HIDTA region include African American, Asian, Caucasian, Colombian, Dominican, and Jamaican DTOs and criminal groups. (See Table 1 on page 6.) Colombian DTOs transport and distribute illicit drugs, particularly cocaine, in the HIDTA region; they also sell illicit drugs, particularly cocaine, directly to members of Mexican DTOs based in Mexico, who smuggle and distribute the drugs in the HIDTA region on their own behalf. Asian DTOs and criminal groups, particularly Chinese

and Vietnamese groups, are the principal MDMA traffickers in the HIDTA region; they transport MDMA from Canada, primarily through Los Angeles, to Houston for distribution. Additionally, Asian DTOs have been linked to indoor cannabis cultivation in the region.

Prison gangs,<sup>4</sup> street gangs, and outlaw motorcycle gangs (OMGs) distribute illicit drugs at the wholesale and retail levels in the Houston HIDTA region. According to NDTs 2009 data, 25 of the 60 responding law enforcement agencies in the Houston HIDTA region report that the level of

4. Prison gangs operate within state correctional facilities located in the HIDTA region as well as on the streets, particularly in Houston and Corpus Christi.

street gang drug activity has remained the same during the past year, while 22 agencies report that the level has increased. In addition, a majority of responding law enforcement agencies report that the level of OMG drug activity has remained the same. (See Figure 4 on page 7.) Drug trafficking is the primary source of income for most gangs operating in the area. Most gangs distribute drugs at the retail level; however, some, including Mexican Mafia and Texas Syndicate, have developed ties with Mexican DTOs, enabling them to obtain wholesale quantities of drugs directly from Mexico. Gangs in the region also engage in violent criminal activity, including assault and homicide; such activity poses a considerable threat to law enforcement and public safety.

## Drug Markets

The Houston metropolitan area is the major drug market in the HIDTA region. Several significant outlying markets also exist in the region—specifically, Beaumont/Port Arthur, Corpus Christi, the southern Houston HIDTA region, and PINS.

### Houston Drug Market

Houston, located in Harris County, is a major drug distribution center that supplies Atlanta, Chicago, Detroit, New York City, and Philadelphia (PA) with illicit drugs, primarily cocaine and marijuana. Houston's well-developed highway system, established financial infrastructure, racial and ethnic diversity, and large volume of international trade contribute to the area's role as a major transshipment center for illicit drugs destined for U.S. drug markets and drug proceeds destined for Mexico. The significant number of drug-related investigations linked to the city, such as cases in Atlanta, Chicago, Miami, (FL) Newark (NJ), New Orleans (LA), New York City, and St. Louis (MO), exemplifies Houston's role as a key national drug distribution and money laundering center.

### Production

Very little drug production occurs in Houston because of the ready availability of drugs from Mexico; however, powder cocaine is converted to crack, cannabis is cultivated, and methamphetamine is produced to varying degrees. Significant amounts of powder cocaine are converted into crack cocaine within the city for local and regional consumption. Crack cocaine is often converted in crack houses, hotel rooms, and garages.

Cannabis cultivation is an increasing threat to the Houston HIDTA region, particularly in the Houston metropolitan area, where officials report that cannabis is cultivated indoors, outdoors, and hydroponically. More than 55 grow operations were dismantled in the Houston HIDTA region in 2006 and 2007 (the latest years for which data are available); most were located in Harris County and its surrounding areas (Fort Bend and Montgomery Counties). Cannabis cultivators typically locate grow sites in densely populated metropolitan areas of Houston; the sites range from simple, one-house grows to a network of multiple houses linked to one organization. In February 2009, law enforcement officers seized more than 100 cannabis plants from a home in Baytown (located east of Houston); the plants had been grown in several bedrooms in the home through the use of hydroponic equipment. More sophisticated hydroponic grow sites are generally operated by Vietnamese organizations; smaller, less sophisticated operations are generally run by Caucasian independent growers. Vietnamese cannabis cultivators in Houston have been linked by law enforcement officials to traffickers in California, Florida, Louisiana, Minnesota, Utah, and Washington as well as in Canada. Indoor cannabis cultivators realize higher profits because indoor cultivation is a year-round process that affords four to six harvests per year and the controlled conditions enable growers to produce high-quality marijuana, which commands higher prices in most drug markets. A pound of locally produced hydroponic marijuana

usually sells for \$4,000 to \$5,000 per pound, compared with Mexican marijuana, which sells for \$180 to \$600 per pound. Most hydroponic marijuana grown in the HIDTA region is sold locally; some is also transported to other areas of Texas, such as Austin and Dallas, and to Louisiana for distribution.

Methamphetamine production was low and relatively stable in Harris County over the past few years. According to the El Paso Intelligence Center (EPIC) National Seizure System (NSS), law enforcement officers in Harris County seized 2 laboratories in 2006, 3 laboratories in 2007, and 2 laboratories in 2008. (See Table 2.) The enactment of precursor chemical control laws in August 2005 greatly contributed to decreased methamphetamine production in the county. However, methamphetamine production does occur in Houston, with producers attempting to circumvent chemical control laws by using fraudulent identification to obtain pseudoephedrine through retailers, turning to new sources of supply for precursor chemicals, and employing alternative production methods.<sup>5</sup>

## Transportation

Houston is one of the most significant transportation centers used by Mexican DTOs to facilitate drug distribution from the Southwest Border to major market areas throughout the United States.

5. In August 2005, Texas passed precursor control legislation requiring pharmacies that engage in over-the-counter (OTC) sales of tablet forms of products containing ephedrine, pseudoephedrine, or norpseudoephedrine to keep those products behind the pharmacy counter or in a locked case within 30 feet of, and in a direct line of sight from, a pharmacy counter staffed by an employee of the pharmacy. The state law does not apply to liquid, liquid capsule, or liquid gelatin capsule forms of the products. Additionally, before completing the OTC sale of a product containing the above-mentioned precursors, a pharmacy employee must ask for photo identification and a signature from the buyer and must record the name of the person making the purchase, the date of purchase, and the item and number of grams purchased. Individuals may not purchase more than two packages or 6 grams of ephedrine, pseudoephedrine, norpseudoephedrine, or a combination of those substances at the same time.

**Table 2. Methamphetamine Laboratories Seized in the Houston HIDTA Region, by County\* 2006–2008**

HIDTA County	2006	2007	2008
Fort Bend	0	1	0
Galveston	0	0	0
Hardin	1	0	0
Harris	2	3	2
Jefferson	0	3	0
Nueces	1	0	0
Victoria	1	0	0
<b>Houston HIDTA Region</b>	<b>5</b>	<b>7</b>	<b>2</b>

Source: National Seizure System as of January 28, 2009.

\*HIDTA counties not listed reported no seized laboratories from 2006 through 2008. NSS data are based on voluntary reporting and may not include all laboratory seizures occurring in the Houston HIDTA region. These data represent laboratory seizures only; they do not include chemical, equipment, or dumpsite seizures.

Mexican DTOs primarily use private and commercial vehicles on interstates and highways, particularly I-10 and U.S. Highway 59, to transport drugs to Houston. (See Figure 5 on page 10.) U.S. Highway 59 extends directly from the Laredo POE to Houston and also connects with US 281 and US 77, which provide routes of travel from the McAllen and Brownsville areas. Interstate 10 provides access to the city from El Paso through San Antonio. Additionally, the proposed Trans-Texas Corridor, or I-69, which is expected to extend from Mexico to Canada, traversing the Houston area, will quite likely, upon its completion, be used by Mexican DTOs to smuggle drug shipments.

Mexican DTOs also use couriers on buses and trains to transport illicit drugs to Houston. At least two Mexican-owned bus companies operate daily routes from Mexico through Houston to destinations in Florida, Georgia, North Carolina, South Carolina, and Virginia. Couriers on these buses transport cocaine, marijuana, and methamphetamine for distribution in these states; they also transport drug proceeds back to Mexico. Several rail systems operate in the Houston area, including

Figure 5. Houston HIDTA Region Transportation Infrastructure



Amtrak as well as the Burlington Northern Santa Fe, Union Pacific, Kansas City Southern, and Texas Mexican Railroads;<sup>6</sup> however, the degree to which traffickers use these rail systems to transport drugs is an intelligence gap.

6. The Texas Mexican Railroad is a 157-mile rail line between Laredo and Corpus Christi, Texas. This railway also provides service to Houston and Beaumont, Texas, through trackage rights—an arrangement between railroad companies that permits one company to operate over certain sections of track owned by another company.

DTOs exploit air conveyances in Houston to transport illicit drugs to and from the HIDTA region. Law enforcement agencies occasionally seize illicit drugs and currency from passengers on domestic and international flights and from freight arriving at the George Bush Intercontinental (IAH) and William P. Hobby (HOU) Airports. (See text box on page 11.) The extensive passenger and cargo activity at these airports provides camouflage to traffickers smuggling illicit drugs. More than 52 million passengers and more than 391,000 metric tons (MT) of air cargo

passed through these airports in 2008. Additionally, international carriers are increasingly initiating service at Houston's airports as a result of the city's economic growth. For example, nonstop flights from IAH to Doha, Qatar, began in March 2009, and daily nonstop flights to Frankfurt, Germany, will begin in November 2009. Additionally, in 2008, several Asian air cargo services began service to Houston, and nonstop passenger flights to the United Arab Emirates, Singapore, and Moscow, Russia, were also initiated. Such international service may expose Houston and the HIDTA region to an increased threat of air smuggling.

### Airline Employee Charged With Narcotics Trafficking

In October 2008 a federal grand jury indicted a baggage handler for conspiring to possess with the intent to distribute cocaine. The individual had been using his position and company flying privileges to smuggle cocaine and U.S. currency between Houston and Baltimore since 2001. In January 2008 the individual, who was carrying more than \$79,000, was arrested after deplaning a flight from Baltimore at the William P. Hobby Airport in Houston. Two other individuals, one a Mexican national, were also charged and are believed to be the source of supply for the cocaine.

Source: U.S. Attorney for the Southern District of Texas.

Maritime smuggling through the Port of Houston poses a viable threat to the HIDTA region—a threat that could increase in the long term. The amount of cargo traversing the Port of Houston has increased consecutively over the past 10 years, with more than 16 million tons of cargo moving through its facilities in 2007 (the latest data available). The Port of Houston also links the city with 1,053 ports in 203 countries; these links make the port vulnerable to drug smuggling. A vast network

of interstate highways and railways link the Port of Houston to inland markets in the continental United States, Mexico, and Canada. Additionally, in February 2007 the Port of Houston opened the Bayport Container and Cruise Terminal, which is expected to triple the port's container-handling capacity when fully developed, enabling it to handle 2.3 million twenty-foot equivalent units (TEUs).<sup>7</sup> A cruise ship terminal, which can accommodate as many as 1.7 million passengers, was also opened at the Bayport terminal in 2008. The increase in the number of containers processed through the port facilities and the addition of a large cruise ship terminal could enable DTOs to more easily smuggle illicit drug shipments using maritime methods.

### Distribution

Houston is a primary drug distribution center in the southwestern United States and is used by numerous DTOs to supply illicit drugs to markets in the HIDTA region as well as to major market areas throughout the United States. Traffickers in Houston supply cocaine, marijuana and, to a lesser extent, heroin, methamphetamine, MDMA, and diverted CPDs to distributors in major market areas such as Atlanta, Chicago, Dallas, Denver, Detroit, Kansas City, Los Angeles, New York City, Philadelphia, and St. Louis. Prior to shipping illicit drugs to other areas, traffickers in Houston often store the drugs at local stash sites. The traffickers' operations are extremely vulnerable at these stash sites; seizures of illicit drugs from locations in which large quantities are stored result in substantial losses for DTOs.

Houston is one of the most significant cocaine distribution centers in the United States. Although Houston has not experienced the wide fluctuations in cocaine availability that have

7. A twenty-foot equivalent unit (TEU) is a standardized maritime industry measurement used in the counting of cargo containers of varying lengths. TEU measurements are inexact; one TEU is most commonly equivalent to the capacity of a cargo container measuring 20 feet (length) by 8 feet (width) by 8.5 feet (height) with a volume of 1,350 cubic feet.



**Table 3. Illicit Drugs Seized in the Houston HIDTA Region by County, in Kilograms, 2006–2008\***

County	Cocaine			Heroin			Marijuana/Hashish			Methamphetamine		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Aransas	0	1	0	0	0	0	0	681	0	0	0	0
Brooks	884	691	552	16	0	16	59,451	65,089	56,517	33	5	0
Fort Bend	35	162	11	0	0	1	1,540	136	499	0	0	0
Galveston	28	101	41	0	0	0	3	1	0	0	0	0
Hardin	7	0	17	0	0	0	0	0	0	0	0	0
Harris	1,326	345	375	9	17	10	15,283	22,658	10,671	5	3	39
Jefferson	115	38	31	0	0	0	218	591	69	6	1	0
Jim Wells	0	7	0	0	0	0	281	1,298	3,299	0	0	0
Kenedy	868	705	358	0	8	0	26,954	15,384	16,165	34	98	0
Kleberg	368	57	150	0	0	0	5,186	11,667	4,173	0	7	0
Liberty	30	18	2	0	0	0	1	2,128	0	0	0	0
Nueces	53	473	33	0	3	0	2,600	3,262	619	0	43	3
Orange	4	33	68	0	0	0	93	831	102	0	0	0
Refugio	0	0	3	0	0	0	1,278	1,311	709	0	1	0
San Patricio	0	92	13	0	0	0	64	127	419	0	0	0
Victoria	0	1	0	0	0	0	0	85	163	0	0	0
<b>Houston HIDTA Region</b>	<b>3,718</b>	<b>2,724</b>	<b>1,654</b>	<b>25</b>	<b>28</b>	<b>27</b>	<b>112,952</b>	<b>125,249</b>	<b>93,405</b>	<b>78</b>	<b>158</b>	<b>42</b>

Source: National Seizure System.

\*Data as of February 2, 2009. Amounts of less than 1 kilogram are shown as zero. NSS data are based on voluntary reporting and may not include all seizures occurring in the Houston HIDTA region.

occurred in many major drug markets throughout the United States since 2007, the availability of cocaine fluctuated in 2008. The amount of cocaine seized in Harris County decreased 72 percent from 2006 (1,326 kg) to 2008 (375 kg), according to NSS data. (See Table 3.) The price of powder cocaine varied at the wholesale level in Houston in the last 6 months of 2008 (\$19,000–\$24,000 per kg) compared with the last 6 months of 2007 (\$12,000–\$30,800 per kilogram). (See Table 4 on page 13.) Anecdotal law enforcement reporting during the third quarter of 2008 also indicated that less cocaine was available than in the previous quarter and that the cocaine shipments transported to Houston were smaller. The decrease

in the amount of cocaine available in Houston can be attributed to law enforcement efforts against prominent Mexican DTOs, violent conflicts between competing Mexican DTOs as well as between DTOs and Mexican military and law enforcement personnel and counterdrug efforts in source and transit zones.

Houston is a principal transshipment area in the United States for Mexican marijuana; however, the total amount seized in the Houston area decreased in 2008. According to NSS data, marijuana/hashish seizures in Harris County decreased 30 percent from 2006 (15,283 kg) through 2008 (10,671 kg). (See Table 3.) This decrease can most likely be attributed to increased seizures of

**Table 4. Drug Prices in Houston, 2007–2008**

Drug		January–June 2007	June–December 2007	January–June 2008	June–December 2008
Powder cocaine	Wholesale	13,500-17,500/kg	12,000-30,800/kg 12,000-14,000/lb	18,000-23,000/kg 7,200/lb	19,000-24,000/kg
	Midlevel	400-800/oz	375-1,800/oz	600-1,000/oz	400-1,000/oz
	Retail	NR	50-100/2/10 g	60-100/g	60-100/g
Crack cocaine	Wholesale	13,000-18,000/kg	13,000-18,000/kg	NR	NR
	Midlevel	325-600/oz	350-1,000/oz	350-500/oz	500-750/oz
	Retail	NR	NR	NR	NR
Heroin	Wholesale	35,000-62,000/kg MBT 17,000-27,000/kg MBP 55,000-80,000/kg SA	35,000-50,000/kg MBT	40,000-50,000/kg MBT 50,000-80,000/kg SA	30,000-50,000/kg MBT 50,000-80,000/kg SA
	Midlevel	1,000-2,500/oz MBT 1,000-1,600/oz MBP	1,000-2,500/oz MX	1,000-2,500/oz MBT	1,000-2,500/oz
	Retail	100/g MBT MBP	60-200/g MX	60-150/g MBT	60-150/g MBT
Marijuana	Wholesale	3,500-5,000/lb HY 3,300/lb BC 600/lb SN 300-500/lb CG	4,000-8,800/kg DO or LP HY 5,000-11,000/kg MX SN 280-500/lb MX	4,000-5,000/kg DO or LP HY 300-500/lb MX SN 250-500/lb MX	4,000-5,000/kg DO or LP HY 300-600/lb MX SN 180-500/lb MX
	Midlevel	NR	NR	NR	NR
	Retail	NR	NR	NR	NR
Methamphetamine	Wholesale	8,000-15,000/lb Ice 6,000-10,000/lb PM	17,600-33,000/kg Ice MX	18,000-33,000/kg Ice MX	11,000-19,000/lb Ice MX 18,000-20,000/kg PM MX 13,000-15,000/lb PM MX
	Midlevel	700-1,500/oz Ice 500-900/oz PM	NR	1,000-1,400/oz Ice MX	300-1,150/oz PM MX
	Retail	NR	100/g PM MX	NR	100/g PM MX
MDMA	Wholesale	NR	7-20/tablet	7-20/tablet	3-4/tablet
	Midlevel	NR	14-24/tablet	NR	NR
	Retail	10-30/du	NR	20/tablet	20-100/tablet

BC–BC Bud (Canada-produced marijuana)	CG–commercial grade	DO–domestic	du–dosage unit	G–gram	HY–hydroponic
Ice–ice methamphetamine	kg–kilogram	lb–pound	LP–locally produced	MBP–Mexican brown powder	MBT–Mexican black tar
MX–Mexico-produced	NR–None reported	oz–ounce	PM–powder methamphetamine	SA–South American	SN–sinsemilla

Source: National Drug Intelligence Center, *National Illicit Drug Prices*, as of fourth quarter 2008.

the drug by U.S. law enforcement in South Texas as well as seizures by Mexican authorities prior to the smuggling of the drug across the Southwest Border. NSS data indicate that the amount of marijuana seized in South Texas counties that border Mexico increased 26 percent from 2006 to 2008. Furthermore, some traffickers may be

avoiding smuggling their marijuana loads across the U.S.–Mexico border in South Texas because of the high levels of violence in Tamaulipas and other areas in Mexico opposite the border in South Texas. (See Table 5 on page 14.) Mexican marijuana that transits Houston is typically destined for Florida, Georgia, Louisiana, Mississippi, and South Carolina.

**Table 5. Illicit Drugs Seized in South Texas Counties Bordering Mexico, in Kilograms, 2006–2008\***

County	Cocaine			Heroin			Marijuana/Hashish			Methamphetamine		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Cameron	930	1,320	553	14	20	47	13,277	17,303	19,697	96	4	59
Hidalgo	6,787	6,243	2,913	22	16	13	85,643	109,978	100,650	123	41	233
Kinney	0	44	24	0	0	0	3,431	1,304	1,057	1	0	0
Maverick	550	483	218	1	4	23	17,207	13,564	16,663	19	0	15
Starr	636	549	417	17	11	0	64,460	71,322	78,887	14	0	5
Val Verde	97	74	185	3	0	0	15,339	13,932	14,580	47	0	0
Webb	4,193	2,805	2,821	84	23	26	64,106	57,284	94,673	90	67	135
Willacy	55	27	64	0	0	0	2,134	1,366	1,358	1	4	0
Zapata	0	29	0	0	0	0	4,440	3,497	11,885	0	0	0
<b>Total</b>	<b>13,248</b>	<b>11,574</b>	<b>7,195</b>	<b>141</b>	<b>74</b>	<b>109</b>	<b>270,037</b>	<b>289,550</b>	<b>339,450</b>	<b>391</b>	<b>116</b>	<b>447</b>

Source: National Seizure System.

\*Data as of February 2, 2009. Amounts of less than 1 kilogram are shown as zero. NSS data are based on voluntary reporting and may not include all seizures occurring in the Houston HIDTA region.

Heroin transported to Houston is distributed locally as well as to other U.S. drug markets. The amount of heroin seized in Harris County in 2008 (10 kg) was similar to the amount seized in 2006 (9 kg), but less than the amount seized in 2007 (17 kg), according to NSS data. (See Table 3 on page 12.) However, anecdotal law enforcement reporting in 2008 indicated that there had been no significant changes in heroin availability, prices, or purity in Houston. (See Table 4 on page 13.) Several factors may account for decreased heroin seizures from 2007 to 2008: Increased law enforcement operations along the border in South Texas and seizures of the drug in Mexico prior to smuggling it across the Southwest Border may have resulted in fewer heroin seizures in the HIDTA region. NSS data indicate that the amount of heroin seized in South Texas counties bordering Mexico increased in each of the past 3 years, possibly accounting for some of the decrease in heroin seizures in the Houston HIDTA region from 2007 to 2008. (See Table 5.) Heroin is transported from Houston to markets in California, Louisiana, New York, and throughout Texas.

Methamphetamine seizure amounts in Harris County have increased over the past 3 years, indicating an increased flow of the drug from Mexico into the area. According to NSS data, methamphetamine seizure amounts in Harris County increased from 5 kilograms in 2006 to 39 kilograms in 2008. (See Table 3 on page 12.) Because methamphetamine production has decreased in the HIDTA region, this increase most likely reflects increased smuggling of methamphetamine across the Southwest Border rather than increased local production. Furthermore, increased seizures of methamphetamine in South Texas counties have not resulted in a corresponding decrease in Harris County. (See Table 5.) Methamphetamine transported into the Houston area from California and Dallas may have contributed to an increase in methamphetamine seizures in Harris County that was not reflected in the total methamphetamine seizure amount for the HIDTA region. Methamphetamine is distributed from Houston to markets throughout the midwestern and eastern United States, including those in Florida, Georgia, Illinois, Louisiana, and Texas.

The diversion of CPDs in Houston has increased significantly; the city has become a key source area for these drugs. Distributors and abusers obtain diverted CPDs by purchasing them on the Internet, doctor-shopping, visiting corrupt pain clinics, obtaining prescriptions from unscrupulous physicians, stealing from pharmacies, forging prescriptions, and smuggling the drugs from Mexico. Moreover, an increasing number of pain clinics in the Houston area are serving as a source of diverted prescription narcotics, such as hydrocodone, for distributors and abusers. Such pain clinics are sometimes owned by unscrupulous physicians and corrupt pharmacists, making it relatively easy for distributors and abusers to obtain CPDs. Additionally, distributors frequently recruit homeless persons to make straw purchases of CPDs for them. (See text box.) Once distributors obtain the CPDs, they distribute them throughout Texas and in drug markets in other states, including Arkansas, Georgia, Louisiana, and Tennessee. For example, in February 2009, officers from the Jefferson County Narcotics Interdiction Unit stopped a vehicle with Louisiana plates traveling eastbound on I-10 near Beaumont, Texas. Officers seized more than 5,000 CPD tablets, including 1,600 grams of hydrocodone tablets, 104 Xanax (alprazolam) tablets, and 186 grams of Soma (carisoprodol) tablets.

Significant quantities of cocaine, heroin, marijuana, methamphetamine, and MDMA are distributed in the Houston area at the wholesale level. Mexican DTOs, criminal groups, and prison gangs dominate the wholesale distribution of cocaine, Mexican black tar heroin and brown powder heroin, marijuana, and methamphetamine. Colombian and Dominican DTOs and criminal groups also distribute wholesale quantities of cocaine, but to a lesser extent. Colombian and Dominican DTOs and criminal groups dominate the wholesale distribution of South American (SA) heroin. Asian DTOs and criminal groups distribute MDMA and marijuana.

### Increased Oversight of CPDs in Texas

In response to a proliferation of pain clinics and diversion of CPDs through other means, the Texas legislature passed Senate Bill 1879 in July 2007 to provide increased oversight of prescriptions written for Schedule II through V controlled substances. Although the bill was enacted in 2007, the implementation of one of its provisions, which required an electronic transmission of all prescription information for Schedule II through V substances to the Texas Department of Public Safety (DPS), was delayed until September 2008. Texas DPS began to receive CPD data at the end of October 2008, and although it is too early to determine the impact on CPD diversion, the provision will most likely lead to a reduction in pain clinics and the number of straw purchases of CPDs in the Houston area. The information transmitted to DPS must include the following: prescribing practitioner's valid DPS registration number; prescription control number; patient's name, date of birth, and address; date that the prescription was issued and filled; primary controlled substance ingredient; quantity of controlled substance dispensed; pharmacy prescription number; and dispensing pharmacy DPS registration number. Requiring physicians and pharmacists to provide this information to a monitored central repository will make the diversion of CPDs much more difficult.

Source: Texas Department of Public Safety.

Street and prison gangs, Mexican criminal groups, and local independent dealers distribute illicit drugs at the retail level. Street gangs, prison gangs, and local independent dealers are the primary retail-level distributors of powder and crack cocaine, Mexican black tar heroin and brown powder heroin, SA heroin, and marijuana; Mexican criminal groups also distribute marijuana at the retail level.

## Drug-Related Crime

A significant amount of drug-related violent and property crime takes place in Houston. Drug abusers and dealers, particularly crack cocaine and methamphetamine users and dealers, engage in a host of violent and property crimes, including assaults, drive-by shootings, home invasions, robberies, burglaries, and firearms violations. Additionally, drug traffickers, particularly street gangs, routinely engage in violent criminal activity to protect and/or expand their drug distribution territory.

Houston is a significant source area for weapons smuggled south into Mexico. Houston was the top U.S. source city for guns recovered in Mexico from at least 2005 through 2007 (the latest year for which data are available). Mexican DTOs and their associated enforcement groups generally rely on firearms trafficking from the United States to Mexico to obtain weapons for their smuggling and enforcement operations. Drug traffickers, firearms smugglers, and independent criminals smuggle large quantities of firearms and ammunition from Houston to Mexico on behalf of Mexican DTOs, which then use these weapons to defend territory, eliminate rivals, enforce business dealings, control members, and challenge law enforcement. (See [text box](#).) The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) estimates that thousands of weapons are smuggled into Mexico every year. Firearms are typically purchased at—or stolen from—gun stores, pawnshops, gun shows, and private residences prior to being smuggled into Mexico, where they are often sold for a markup of 300 to 400 percent. Moreover, large caches of firearms are often stored on both sides of the Southwest Border for use by Mexican DTOs and their enforcement groups. For example, in November 2008, the Mexican Army discovered a stash house in Reynosa, Tamaulipas, Mexico (opposite the Hidalgo POE in South Texas), and seized the largest quantity of weapons and ammunition ever recorded in Mexico; it is highly likely that many of these weapons came from sources in Texas, including Houston.

## Example of Weapons Procurement in the Houston HIDTA Region and Subsequent Smuggling to Mexico

In December 2008 an individual pleaded guilty to eight counts of violating various federal firearms statutes. Information from this individual gave insight into weapons smuggling from the Houston HIDTA region to Mexico. Over the last several years, the individual had purchased more than 500 firearms and smuggled them to Mexico for resale. Although he purchased specific firearms based on orders from customers in Mexico, he listed himself as the “actual buyer.” The individual placed his orders with various firearms dealers in Corpus Christi, Houston, San Antonio, Victoria, and other locations throughout Texas. Firearms dealers in Victoria reported that the individual would order the firearms from lists and file Texas tax exemption forms indicating that the firearms were for resale, thereby avoiding the payment of sales tax on his purchases. Witnesses described traveling with the individual to central Mexico, where he delivered the firearms to various locations. These witnesses described methods of concealment used to smuggle the firearms to Mexico, which included hiding the weapons under a platform bed of a motor home. A subsequent search of the individual’s motor home revealed ammunition, gun orders, Mexican immigration documents, and other evidence indicative of firearms trafficking. Additional evidence was recovered from the individual’s home computer, which contained records of his illegal firearms dealings.

Source: U.S. Attorney for the Southern District of Texas.

## Abuse

The number of drug-related treatment admissions to publicly funded facilities in Harris County declined from 2006 through 2008. According to Texas Department of State Health Services (DSHS) data, total drug-related treatment admissions to publicly funded facilities declined

**Table 6. Drug-Related Treatment Admissions to Publicly Funded Facilities  
in the Houston HIDTA Region, 2006–2008**

County		Powder Cocaine			Crack Cocaine			Heroin			Marijuana/Hashish			Amphetamines		
		2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Aransas	Adult	*	*	*	*	*	*	28	21	32	0	*	*	*	*	*
	Youth	0	0	0	0	0	0	0	0	0	28	36	57	*	*	0
Brooks	Adult	14	26	15	*	*	*	0	0	0	15	25	17	0	0	0
	Youth	*	0	*	0	0	0	0	0	0	*	*	*	0	0	0
Fort Bend	Adult	70	88	57	70	59	49	*	*	*	140	171	170	*	20	*
	Youth	*	0	*	0	0	0	0	0	0	21	14	24	0	0	0
Galveston	Adult	115	104	85	273	301	247	30	19	15	133	151	147	32	31	26
	Youth	*	*	*	*	0	0	0	0	0	96	141	114	*	*	*
Hardin	Adult	18	*	*	29	32	14	*	0	*	10	17	*	15	21	11
	Youth	*	0	0	0	0	0	0	0	0	*	11	*	*	*	0
Harris	Adult	924	821	831	1,798	1,608	1,607	420	169	186	1,280	1,152	1,271	264	199	162
	Youth	42	48	31	10	*	*	*	0	0	888	802	832	*	*	*
Jefferson	Adult	67	89	44	414	362	308	16	11	*	139	142	105	54	60	25
	Youth	*	*	*	*	*	0	0	0	0	47	38	57	*	0	*
Jim Wells	Adult	58	41	63	28	20	22	12	*	20	46	37	45	*	*	*
	Youth	0	0	0	*	*	0	0	0	0	*	*	*	0	0	0
Kenedy	Adult	0	0	0	0	0	0	0	0	*	0	0	*	0	0	0
	Youth	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kleberg	Adult	11	*	10	14	*	*	*	*	14	*	*	*	0	*	*
	Youth	*	0	0	0	0	0	0	0	0	*	*	*	0	0	0
Liberty	Adult	11	*	10	16	20	21	0	*	*	13	11	29	17	32	16
	Youth	0	*	0	0	0	0	0	0	0	*	*	*	0	*	0
Nueces	Adult	324	282	247	360	277	261	443	342	388	256	312	364	75	104	91
	Youth	10	18	*	*	*	*	*	*	0	163	180	172	*	*	0
Orange	Adult	*	27	17	81	77	55	*	*	*	36	34	39	51	33	18
	Youth	0	0	0	0	0	0	0	0	0	*	*	19	*	0	0
Refugio	Adult	*	0	*	0	*	0	0	*	0	*	*	*	0	0	0
	Youth	0	0	0	0	0	0	0	0	0	*	0	*	0	0	0
San Patricio	Adult	36	21	30	47	28	20	41	26	27	14	19	27	*	18	12
	Youth	*	*	*	*	*	0	0	0	0	15	29	*	0	*	0
Victoria	Adult	11	*	14	17	17	34	*	*	*	*	*	*	*	10	*
	Youth	*	*	*	0	0	0	0	0	0	68	41	56	*	0	0
Houston HIDTA**	Adult	1,659	1,499	1,423	3,147	2,801	2,638	990	588	682	2,082	2,071	2,214	508	528	361
	Youth	52	66	31	10	0	0	0	0	0	1,326	1,292	1,331	0	0	0

Source: Texas Department of State Health Services.

\*As a result of confidentiality requirements in the Health Insurance Portability and Accountability Act, treatment admissions with a frequency of less than 10 are not reported.

\*\*Houston HIDTA region totals have omitted admissions in any category with a frequency less than 10; therefore, actual totals are slightly higher than those represented.

## Examples of Laundering Drug Proceeds in Houston

Traffickers in Houston use various money laundering techniques to conceal the source of drug proceeds. Examples of these techniques include the following:

Members of the Los Hermanos de Pistoleros (HPL) prison gang were arrested in May 2008 for laundering millions of dollars in drug proceeds generated by the sale of cocaine in Houston; they had been structuring and depositing the cash into personal bank accounts in Laredo since July 2007. These members had been depositing cocaine proceeds into bank accounts and withdrawing the money to purchase real estate, vehicles, airline tickets, and numerous services and personal items, including jewelry and designer items.

Members of a marijuana smuggling operation were sentenced in January 2009 for laundering drug money and trafficking marijuana. The organization had smuggled marijuana from Mexico to as far away as Massachusetts and smuggled the drug proceeds back to various locations, including Houston. Once the bulk cash reached these locations, it was smuggled to the Rio Grande Valley and eventually into Mexico.

A Canadian citizen of Vietnamese descent was sentenced in October 2008 for her role in an international money laundering scheme in which she laundered proceeds from the sale of MDMA. Sometimes the individual and her associates transported bulk cash from Houston to Canada, while at other times they purchased cashier's checks, which they mailed to Canada hidden in catalogs and magazines. As her operation grew, she began to launder the proceeds through MSBs and sent the wire transfers to Vietnam and then to Canada.

Source: U.S. Attorney for the Southern District of Texas.

13 percent during this period, with declines reported in all drug categories. Adult drug-related treatment admissions were the highest for crack cocaine, followed by marijuana/hashish and powder cocaine, while youth admissions were primarily for marijuana/hashish, followed by powder cocaine during the 3-year period. Treatment admissions in Harris County reflected the trends occurring in the HIDTA region as a whole. (See Table 6 on page 17.)

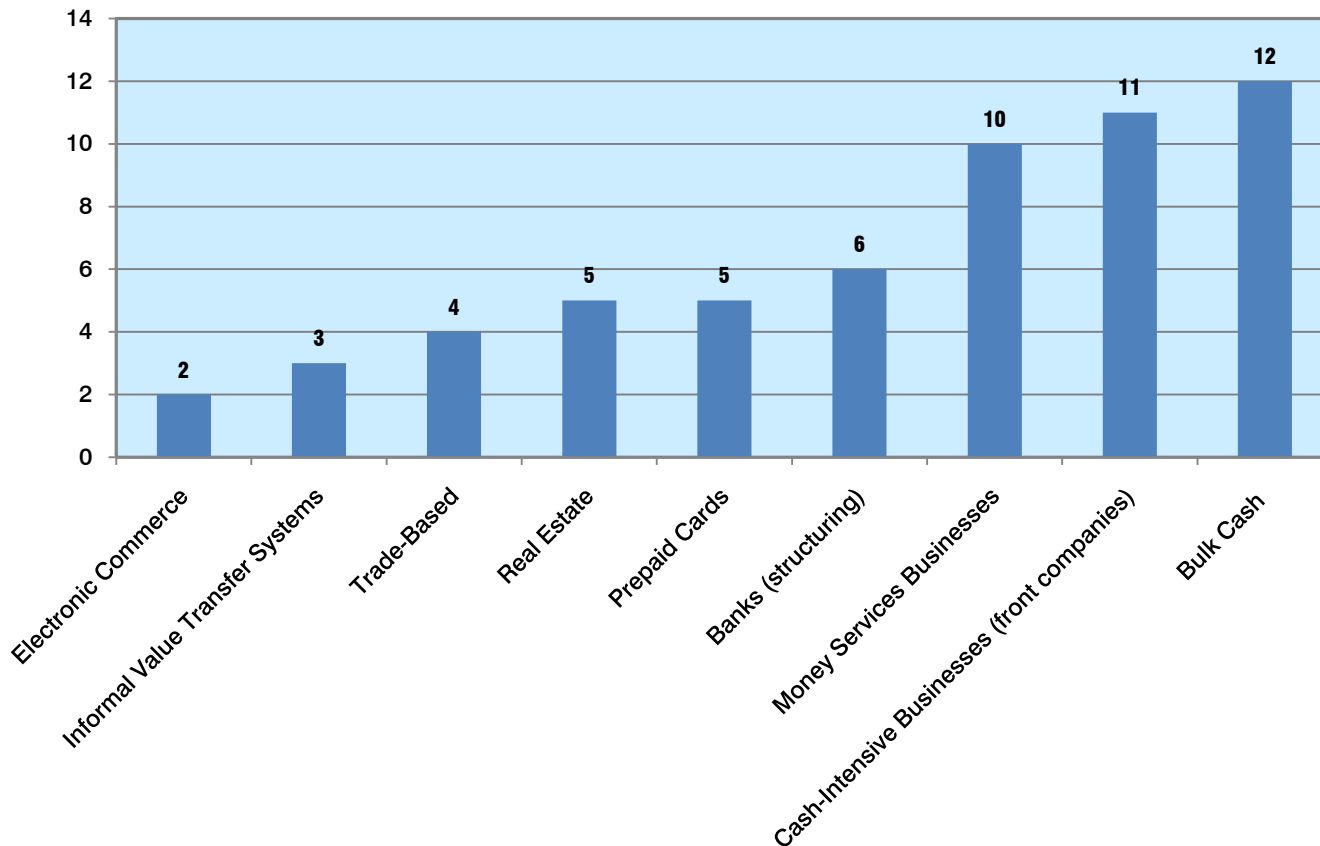
### Illicit Finance

Houston is a significant money laundering center because of its proximity to Mexico as well as its role as a major drug distribution area and global financial center. Traffickers launder drug funds in Houston primarily by consolidating illicit proceeds generated in the city and transporting them in bulk to Mexico; they also transport bulk cash to Canada, but to a lesser extent. (See text box.) According to NDTs data, 12 of the 17 responding agencies

from Harris County report that the use of bulk cash movement is high in their jurisdictions. Traffickers also use the area as a consolidation point for bulk currency shipments from other regions of the country. Traffickers transport smaller bulk cash shipments to Houston for consolidation before the shipments are transported to the Southwest Border area, where they are smuggled into Mexico for eventual repatriation. According to NDIC's *National Drug Threat Assessment 2009* Mexican and Colombian DTOs generate, remove, and launder between \$18 billion and \$39 billion in wholesale drug proceeds annually, a large portion of which is believed to be bulk-smuggled out of the United States at the Southwest Border.<sup>8</sup> A large percentage of these proceeds quite likely transit the Houston metropolitan area en route to South Texas and Mexico.

8. Analysts derived these figures by multiplying the total quantity of Mexico- and Colombia-produced drugs available at the wholesale level in the United States by the wholesale prices for those drugs.

**Figure 6. Money Laundering Techniques Used by Wholesale-Level Traffickers in Harris County, as Reported by State and Local Law Enforcement Agencies\***



Source: National Drug Threat Survey 2009.

\*Seventeen law enforcement agencies in Harris County responded to the NDTs 2009 as of February 12, 2009; Figure 6 represents the number of these agencies that responded positively when asked if these money laundering techniques were used in their jurisdictions.

Traffickers also engage in other money laundering activities in Houston, including commingling illicit proceeds with legitimate business funds generated at cash-intensive businesses, using MSBs, exploiting financial institutions (banks), using prepaid cards, and investing in real estate. (See text box on page 18; see Figure 6.) Traffickers often use several methods of money laundering concurrently in an attempt to mask illicit proceeds.

## Outlying Markets<sup>9</sup>

### Beaumont/Port Arthur

The Beaumont/Port Arthur area is located approximately 80 miles east of Houston in Jefferson County and is a transit area for drugs, primarily cocaine and marijuana, transported to markets in southeastern states, including Alabama, Florida, Georgia, Louisiana, and Mississippi along I-10, as well as illicit proceeds

9. Information regarding drug-related activities in outlying markets is often not as readily available as information about metropolitan areas. This section addresses particular markets and includes information gleaned from available law enforcement reporting and interviews.



transported west to Houston and the Southwest Border. Significant drug and currency seizures are made by law enforcement authorities along the portion of I-10 that passes through the area.

The amount of drugs seized by law enforcement authorities in Jefferson County decreased in 2008. According to NSS data, the amount of cocaine, marijuana, and methamphetamine seized in the county decreased from 2006 through 2008. The amount of cocaine seized decreased 73 percent from 2006 (115 kg) to 2008 (31 kg); the significant decrease in cocaine seizures began in 2007 (38 kg) and corresponds with the reduced flow of cocaine into the United States and the cocaine shortages in many U.S. markets first reported in 2007. The amount of marijuana seized decreased 68 percent from 2006 (218 kg) to 2008 (69 kg) after a spike in 2007 seizures (591 kg). It is likely that this decrease can be attributed to the same factors that caused the decrease in marijuana seizures in Houston. No methamphetamine seizures were reported in Jefferson County in 2008, and no heroin seizures were reported in the past 3 years. (See Table 3 on page 12.)

The number of drug-related treatment admissions to publicly funded facilities declined in all drug categories from 2006 through 2008. According to Texas DSHS data, drug-related treatment admissions decreased in all drug categories, with amphetamine-related treatment admissions (including methamphetamine-related treatment admissions) showing the greatest decrease (54 percent). (See Table 6 on page 17.)

### Corpus Christi

Corpus Christi, located in Nueces County, is a key transshipment area for illicit drugs in the Houston HIDTA region. Although not comparable in scale to Houston in terms of illicit drug activities, Corpus Christi mirrors many of the smuggling activities that occur in the city. Corpus Christi is a transshipment area for illicit

drugs, particularly cocaine and marijuana, which are smuggled from Mexico by Mexican DTOs overland in private and commercial vehicles or by maritime methods through the PINS. The city is the first metropolitan area north of the U.S. Border Patrol checkpoints in the Rio Grande Valley, making it an ideal location for DTOs to stash drugs prior to distribution. Stash houses are numerous in and around Corpus Christi and are most often used by traffickers to store cocaine and marijuana prior to transshipment to major markets in the central and eastern United States.

Indoor cannabis cultivation in the Corpus Christi area is uncommon but may be increasing. For example, law enforcement officials discovered an indoor grow site in Portland (just north of Corpus Christi) in October 2008 and seized 128 cannabis plants. The grow, in which hydroponic methods were used, was contained in a three-bedroom house; one bedroom was used for seedlings, another for more mature plants, and another for equipment storage. An elaborate duct system for air and odor removal had been installed through the roof to ventilate the house. The grow operator told authorities that the site yielded six harvests a year and produced a \$15,000 to \$20,000 profit per room per harvest. The operator had purchased the cannabis seeds from Canada. Local cultivators may begin to increase their indoor grow activities to take advantage of their ability to generate four to six harvests per year and control the growing conditions to produce high-potency marijuana, which commands higher prices in most drug markets.

Drug seizure amounts in Nueces County decreased significantly in 2008. According to NSS data, overall drug seizures in the county decreased 75 percent compared with those in 2006, with cocaine and marijuana accounting for the majority of the seizures. (See Table 3 on page 12.) Specifically, cocaine seizures decreased 38 percent and marijuana seizures decreased 76 percent from 2006 to 2008; seizures for both

drugs spiked in 2007. These decreases can more than likely be attributed to the same factors that caused seizures to decrease in Harris County. Methamphetamine seizures increased slightly from 2006 (no reported seizures) to 2008 (3 kg) after a significant increase in 2007 (43 kg). The decrease in methamphetamine seizures from 2007 to 2008 most likely was caused by an increase in methamphetamine seizures in South Texas counties that border Mexico during the same time period. (See Table 5 on page 14.) No heroin was seized in 2006 or 2008, and only 3 kilograms were seized in 2007.

Prison gangs operating in Corpus Christi, including Texas Syndicate and Mexican Mafia, have established direct connections to Mexican DTOs along the U.S.–Mexico border, giving them easy access to wholesale quantities of drugs. Texas Syndicate has the most advanced drug trafficking network in the Corpus Christi area. Members of this gang have local access to many types of drugs; they also smuggle illicit drugs directly from Mexico into the area. Mexican Mafia is involved in drug and alien smuggling. Members reportedly pick up drugs and aliens in the Rio Grande Valley and smuggle them to the area.

### **Southern Houston HIDTA Region**

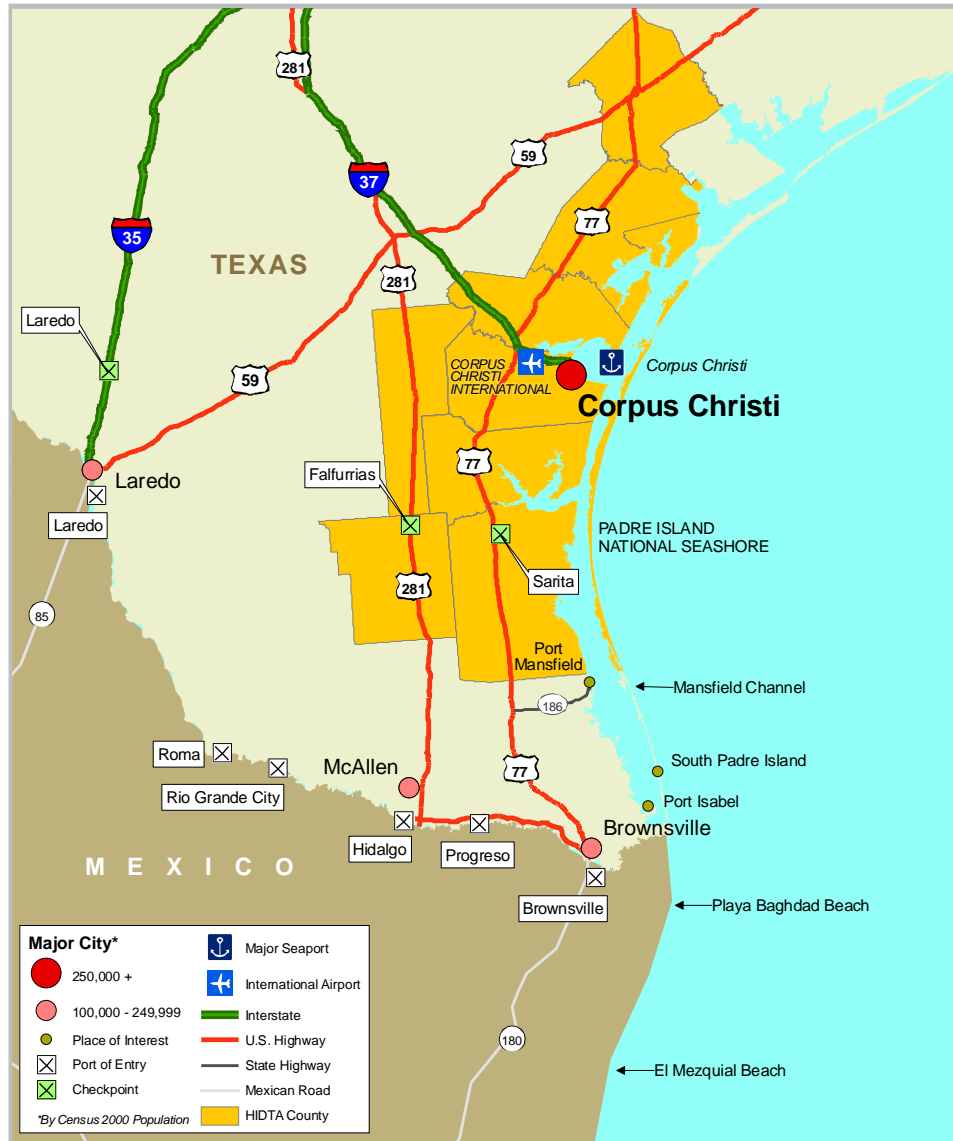
The southern portion of the Houston HIDTA region, south of Corpus Christi, is the main entry point for drugs smuggled into the area; most enter through the Brownsville, Hidalgo, and Progreso POEs. (See Figure 5 on page 10.) This sparsely populated area is close to the U.S.–Mexico border and comprises mainly ranch properties. Drug shipments from Mexico generally transit the area; distribution in the area is limited because of the sparse population. U.S. Highway 77, which extends from the Brownsville POE, and US 281, which extends from the Progreso and Hidalgo POEs, serve as major corridors for drugs smuggled north from South Texas. The successful movement of drug shipments through these POEs and, later, through the two Border Patrol

checkpoints—one in Kingsville/Sarita in Kenedy County on US 77 and one in Falfurrias in Brooks County on US 281—is a critical phase of drug transportation from the U.S.–Mexico border. The two HIDTA counties in which these checkpoints are located (Brooks and Kenedy) accounted for 77 percent of total drug seizures in the HIDTA region in 2008, with cocaine and marijuana accounting for most of the seizures. (See Table 3 on page 12.) However, the amount of cocaine, marijuana, and methamphetamine seized in Brooks and Kenedy Counties decreased from 2006 to 2007, most likely because of increased seizures of drugs in transit to the United States and increased seizures by law enforcement authorities in counties along the border in South Texas. (See Table 5 on page 14.) Drug shipments increase significantly in value after successfully passing through the POEs and again after passing through these checkpoints. For example, 1 pound of marijuana purchased in Mexico for \$40 to \$50 typically increases in value to \$200 per pound when smuggled across the border and further increases to \$250 to \$400 per pound north of the checkpoints. Additionally, large quantities of bulk cash are smuggled south through this portion of the HIDTA region. For example, in January 2008, officers from the Kingsville Police Department seized over \$1 million from a vehicle being driven south on US 77.

### **Padre Island National Seashore**

Mexican DTOs use the PINS as an entry point to smuggle drugs and illegal aliens. The PINS is located on an undeveloped natural barrier island that extends south from Corpus Christi to the Mansfield Channel, a waterway that divides the PINS from South Padre Island. (See Figure 7 on page 22.) The PINS and South Padre Island consist of 95 miles of mostly uninhabited and undeveloped beaches that offer traffickers an attractive venue for maritime smuggling. Mexican DTOs often use the area for smuggling operations to avoid enhanced overland border protection at the checkpoints in Kingsville/Sarita

Figure 7. Padre Island National Seashore



and Falfurrias. Seashore visitors have reported witnessing illicit deliveries from shark boats to land vehicles; such smuggling operations pose a danger to visitors if they are perceived as a threat by traffickers.

DTOs use shark boats,<sup>10</sup> or *lanchas*, to smuggle cocaine, marijuana, and illegal aliens to the PINS. Shark boats typically depart from Playa Baghdad and El Mezquial, Mexico, approximately 20 miles

south of the U.S.–Mexico border on Mexico’s east coast. It is common for 10 to 20 shark boats loaded with drugs or illegal aliens to leave Playa Baghdad Beach and flood an area along the PINS. DTOs also hire fishermen in Mexico to use their boats to smuggle contraband into the PINS; some Mexican fishermen may be particularly susceptible to recruitment by traffickers because the Mexican fishing industry has collapsed as a result of overfishing and loss of fishing grounds. Traffickers engage in most smuggling activity through the PINS at night to avoid detection. Once a shipment of drugs or illegal aliens reaches the PINS, traffickers on the shore

10. Shark boats, also known as *lanchas*, are low-riding vessels that can endure voyages of up to 19 hours while carrying more than 1,000 pounds of illegal drugs or 10 to 20 illegal aliens.

generally retrieve the contraband from the traffickers manning the boat. Traffickers use Park Route 22, the only accessible land route to the PINS, to transport illicit drug shipments and illegal aliens from the island. Drugs are then transported to Corpus Christi, where they are stored in stash houses for later distribution. Illegal aliens are transported to Corpus Christi prior to moving to other locations in the United States.

Marijuana and, to a lesser extent, cocaine are the drugs most often smuggled through the PINS. Drug smuggling through the PINS decreased in 2008 compared with the previous 5-year period, when marijuana shipments in excess of 1,000 pounds were common. For example, in September 2007, over 1,200 pounds of marijuana were discovered among the sand dunes by U.S. Customs and Border Protection officials on routine air patrol. In addition, cocaine shipments were often found washed ashore during this period. Decreased drug smuggling activity through the PINS in 2008 can be partially attributed to the large amount of debris (including furniture, appliances, and parts of houses) that washed ashore along the PINS as a result of Hurricane Ike in September 2008, making travel through the park by foot and motor vehicle hazardous. The hurricane also coincided with cannabis harvest season in Mexico and quite likely had an even larger impact on marijuana smuggling during that period. Decreased cocaine smuggling through the PINS was most likely caused by the same factors that resulted in decreased cocaine seizures in other areas of the HIDTA region.

## Outlook

Drug flow into the Houston HIDTA region in the near term will more than likely remain lower than in past years. Large amounts of drugs will most likely continue to be seized by law enforcement personnel conducting counterdrug operations in Mexico and other source areas as well as along the U.S.–Mexico border in South Texas. As long as these operations continue, drug shipments that would otherwise pass through the region will be seized before they reach the HIDTA region.

Additionally, the ongoing presence of Mexican law enforcement and military personnel coupled with violence among cartels in areas across the border from South Texas may cause DTOs to reroute drug shipments through other areas along the Southwest Border. The high level of violence is not likely to subside in the near future.

The diversion and distribution of CPDs may decrease in the HIDTA region because of increased CPD monitoring. The increased oversight of Schedule II through V drugs in Texas will quite likely curtail some CPD diversion and distribution through doctor-shopping, visiting corrupt pain clinics, obtaining prescriptions from unscrupulous physicians, and forging prescriptions. However, traffickers may increasingly use other diversion methods not directly affected by enhanced regulations, such as purchasing CPDs on the Internet, stealing from pharmacies, and smuggling the drugs from Mexico.

Indoor cannabis cultivation in the Houston HIDTA region will most likely increase in response to the growing demand for higher-potency marijuana in Texas and the rest of the United States and because of the higher profit margin associated with the drug. Marijuana producers have consistently increased the average potency of marijuana through improved cannabis cultivation techniques, particularly at indoor grow sites, to meet rising demand for higher-potency marijuana throughout the United States as well as in the Southwest Region.

Weapons trafficking from Houston to Mexico may increase as Mexican traffickers attempt to fill the demand for weapons in Mexico. Ongoing battles for control of drug territories among Mexican DTOs and confrontations between Mexican military and law enforcement officers and DTOs have created an increasing demand for weapons and ammunition among drug traffickers. Weapons trafficking organizations operating in the HIDTA region will most likely expand their gun and ammunition smuggling operations into Mexico. Other entrepreneurial traffickers may also begin to smuggle weapons into Mexico because of the high profit potential.

## Sources

### Local and State

Alvin Police Department  
 Aransas Pass Police Department  
 Baytown Police Department  
 Beaumont Police Department  
 Brazoria County Sheriff's Office  
 Brooks County Sheriff's Office  
 City of Houston  
   Houston Police Department  
   Mayor's Office of Public Safety and Drug Policy  
 City of Rockport Police Department  
 College Station Police Department  
 Corpus Christi Police Department  
 Deer Park Police Department  
 Dickson Police Department  
 Fort Bend County Sheriff's Office  
 Friendswood Police Department  
 Galena Park Police Department  
 Galveston County Sheriff's Office  
 Galveston Police Department  
 Grimes County Sheriff's Office  
 Groves Police Department  
 Hardin County Sheriff's Office  
 Harris County Medical Examiner's Office  
 Harris County Sheriff's Office  
 Houston Airport System  
 Houston Police Department  
 Ingleside Police Department  
 Jefferson County Sheriff's Office  
 Jersey Village Police Department  
 Jim Wells County Sheriff's Department  
 Katy Police Department  
 Kenedy County Sheriff's Office  
 Kingsville Police Department  
 Kleberg County Sheriff's Office  
 Kountze Police Department  
 La Marque Police Department  
 La Porte Police Department  
 League City Police Department  
 Liberty Police Department  
 Montgomery County Sheriff's Office  
 Nueces County Sheriff's Office  
 Orange County Sheriff's Office  
 Orange Police Department  
 Pasadena Police Department  
 Port Arthur Police Department  
 Portland Police Department  
 Port of Corpus Christi Police Department

Port of Houston Authority  
 Refugio County Sheriff's Office  
 Richmond Police Department  
 San Patricio County Sheriff's Office  
 South Houston Police Department  
 Stafford Police Department  
 State of Texas  
   Texas Department of Public Safety  
   Texas Department of State Health Services  
 Sugarland Police Department  
 Texas City Police Department  
 Victoria Police Department  
 Webster Police Department  
 West University Place Police Department

### Regional

Middle Atlantic–Great Lakes Organized Crime Law Enforcement Network

### Federal

Executive Office of the President  
   Office of National Drug Control Policy  
     High Intensity Drug Trafficking Areas  
       Houston  
       South Texas  
 U.S. Department of Homeland Security  
   U.S. Coast Guard  
   U.S. Customs and Border Protection  
     Houston Division  
     U.S. Border Patrol  
   U.S. Immigration and Customs Enforcement  
 U.S. Department of Justice  
   Bureau of Alcohol, Tobacco, Firearms and Explosives  
     Houston Field Division  
   Drug Enforcement Administration  
     El Paso Intelligence Center  
     National Seizure System  
     Houston Field Division  
   Federal Bureau of Investigation  
   U.S. Attorneys Office  
     Southern District of Texas  
 U.S. Department of the Interior  
   National Park Service  
     Padre Island National Seashore  
 U.S. Department of State  
 U.S. Department of the Treasury  
   Financial Crimes Enforcement Network

### Other

*Houston Chronicle*

**Questions and comments may be directed to  
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