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Latest Stories**Halliburton to lose Iraq oil project**

By **LARRY MARGASAK**
 The Associated Press
 12/31/2003, 10:06 a.m. ET

WASHINGTON (AP) — Just weeks after Pentagon auditors said Halliburton may have overcharged taxpayers to import oil to Iraq, the Defense Department is removing the Army Corps of Engineers from its role in supervising the program.

The Defense Energy Support Center, which buys fuel for the military throughout the world, will supervise the shipments and choose new contractors to replace Halliburton, Vice President Dick Cheney's former company.

"We're taking over the mission," the center's spokeswoman, Lynette Ebberts, said Tuesday.

Democratic lawmakers have criticized the prices charged the U.S. government by Halliburton's KBR subsidiary, which has been importing refined petroleum products into Iraq under a mission awarded without competitive bids. Cheney headed Halliburton before running for vice president.

Earlier this month, the Defense Department's auditing agency supported the Democrats' allegations, finding the company may have charged up to \$61 million too much for delivering gasoline to Iraqi citizens.

Ebberts would not comment on whether the audit prompted the change, which was ordered Dec. 23.

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President Bush tried to calm the controversy, saying Halliburton should repay the government if it overcharged for fuel, which was imported from Iraq's neighboring countries.

Halliburton has said it expected to be cleared by the Defense Department. The company said its pricing resulted from a contract with a Kuwaiti firm, the only company approved as a supplier by the Corps.

Halliburton got its contract to rebuild Iraq's dilapidated oil industry as an outgrowth of a contract with the Army to provide emergency logistical help for situations such as the Iraq war. The Army Corps of Engineers opened the oil rebuilding process to competitive bidding earlier this year and was preparing to award up to \$2 billion in replacement contracts.

Those contracts will still be awarded for the rebuilding of Iraq's oil industry, but will no longer include oil imports, the Corps said.

Richard J. Connelly, director of the support center, said the existing contract would remain in place for now, so that fuel deliveries will not be interrupted.

Corps spokesman Robert Faletti said, "I don't believe the report had anything to do with the transfer."

The support center said it would award contracts under competitive bidding, a process that could take two to three months, but would consider a short-term contract until the bids are awarded.

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