

**Southwest Border Initiative
(Project Gunrunner)**

Biweekly Update

June 14, 2010

The following is a biweekly update on significant events related to the Southwest Border Initiative. The information is collected from the different ATF offices involved in this initiative and intended for ATF use only.

FIELD OPERATIONS

DALLAS FIELD DIVISION

Liaison, Training, Media, and Other SWB Interaction:

On June 9, 2010, ATF agents from the Dallas Field Division participated in DEA's Operation Deliverance. DEA targeted "facilitators of the Mexican cartels" pursuant to 11 ongoing DEA El Paso investigations and three ongoing DEA New Mexico investigations.

A combined 163 arrests were affected utilizing approximately 450 law enforcement officers/agents in furtherance of the U.S. Attorney Generals efforts.

On June 10, 2010, the Dallas SAC participated in a press conference held by the DEA El Paso SAC Office in furtherance of DEA's Operation Deliverance. Agency heads from FBI, ICE, CBP, IRS, U.S. Attorney's office, El Paso Police and others were present. The Dallas SAC was interviewed by several local media representatives.

Investigations:

El Paso Field Office

781035-08-0045 Operation Dirty Shield (OCDETF): ATF and DEA special agents assisted by local police affected three arrest warrants in Dumas, Texas in furtherance of this investigation and in an effort to disable the [ATF] DTO, which is conspiring to use or carry firearms during and in relation to serious drug offenses. Jointly, DEA Agents served one arrest warrant and ATF agents served two arrest warrants for key principal suspects of the organization.

After thorough interviews, ATF agents learned that the

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arrestees, in addition to smuggling drugs for the organization, were responsible for obtaining firearms for a Mexican drug cartel. In addition to several AK-47 type rifles, the group also purchased different .50 caliber rifles from a different source and described how they smuggled them into Mexico with the help of corrupt Mexican Customs officers. Allegedly, the firearms were being ordered due to the increased fighting in Mexico. Numerous valuable items of evidence were recovered from several residences during the arrest, which included computer and cell phone information, firearm storage cases and notebooks.

Associates of the [ATF] DTO have purchased several firearms in the United States and transported them to Mexico. Five of these firearms have been seized in Mexico, three .50 caliber rifles and two AK-47 rifles. These firearms have been seized among larger quantities of firearms and equipment used by cartel death squads who carry out enforcement actions for the Sinaloa and/or [ATF] DTO's.

781035-10-0004 [ATF] (SWB) (OCDETF): DEA executed four search warrants and nine arrest warrants in and around El Paso, TX on 06/09/2010, in furtherance of the investigation into the [ATF] DTO. During the search warrants, ATF Agents seized five firearms to include a pistol with an obliterated serial number and an unregistered short barreled rifle. The firearms and narcotics investigations are continuing. Target [ATF] is currently a fugitive.

Dallas Group III

781016-10-0021 [ATF] et al (Dallas); 781060-10-0071 [ATF] (Oklahoma City): Since April 30, 2010, the Oklahoma City Field Office began an investigation into to unlawful trafficking of firearms by [ATF]. Pursuant that investigation, a controlled purchase of a .50 caliber Barrett was conducted on June 8, 2010; [ATF]

A second controlled purchase is anticipated on June 15, 2010. A Request to Use Props and a controlled delivery request has been approved by ASAC Ken Chisholm, dated 6/14/2010. FTB Chief [ATF] has agreed to provide 3 Russian SKS Rifles, [ATF]. Once the firearms are transported from OK to Dallas, arrests will be made and three federal search warrants will be executed in Dallas and two warrants served in Oklahoma.

This investigation falls under the SENSITIVE/SIGNIFICANT classification as defined in ATF O 3210.7C

Ft. Worth Field Office

781040-10-0038 [ATF] On March 15, 2010, the ATF Fort Worth Field Office was contacted by an employee of an FFL in Fort Worth, TX. The employee advised that an unknown individual was purchasing five AK-47 style assault rifles with cash. Agents with the Fort Worth Field Office established surveillance at the FFL. Upon purchasing the rifles, a female exited and placed the five AK-47 rifles into the rear of a 1998 red Jeep registered to [ATF] of Haltom City, TX. This vehicle was occupied by a white female sitting in the driver's seat and a black female sitting behind the driver in the rear seat. The female sitting in the driver's seat got out of the vehicle and into the front passenger seat. The female who purchased the firearms entered the driver seat and drove from the FFL. The

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ATF 4473 obtained from the FFL indicated that [ATF] was the purchaser of the firearms.

Agents followed the Jeep as it left and entered the parking lot of a motel in Fort Worth, TX. Agents witnessed an unknown female, later identified as [ATF] exit the front passenger seat and meet with an unknown individual driving a maroon Ford F-150 pickup truck registered to [ATF] of Fort Worth, TX.

Agents followed the two vehicles as they drove to a residential district immediately south of the motel where they stopped in the middle of the street and [ATF] and the driver of the maroon Ford F-150, later identified as [ATF] exited their vehicles and began transferring the firearm boxes from the Jeep to the cargo area of the Ford F-150. Upon the completion of the transfer, [ATF] and [ATF] reentered their vehicles and drove from the location.

Agents followed [ATF] in the maroon Ford F-150 and initiated a vehicle stop. The Jeep was at the traffic light in front of the maroon Ford F-150 and was stopped also. The driver of the red Jeep, and the purchaser of the firearms, was identified as [ATF] was the front seat passenger and [ATF] was sitting in the rear seat.

Criminal history checks showed that [ATF] had a prior Federal felony conviction for Alien Smuggling [ATF] had a prior Federal felony conviction for Conspiracy Possession with Intent to Distribute more than 50 kilos of marijuana; [ATF] had no prior arrest record and [ATF] was arrested on a felony warrant out of Fort Worth for forgery.

[ATF] were transported to the ATF Fort Worth Field Office where they all waived their rights per Miranda and agreed to speak with arresting agents. [ATF] all admitted to the conspiracy to straw purchase the firearms and [ATF] admitted to possessing the firearms while they were felons. During the interviews, it was determined that the firearms were to be smuggled to Mexico and trafficked to members of the [ATF] DTO. It was also determined that [ATF] was part of an ongoing ring involved in the trafficking of drugs and firearms but no further names or identifications were made.

[ATF] were arrested on a Criminal Complaint charging [ATF] with 18 USC 922 (g)(1) and [ATF] with 18 USC 2.

[ATF] and a fourth co-conspirator [ATF] were indicted by a Federal grand jury on April 14, 2010. On May 14, 2010, [ATF] pled guilty to 18 USC 922(g)(1) and 18 USC 2. [ATF] also pled guilty on May 14, 2010, to 18 USC 371. On May 20, 2010, [ATF] pled guilty to 18 USC 922(g)(1), 18 USC 371 and 18 USC 2. [ATF] also pled guilty on May 20, 2010, to 18 USC 371. All four defendants have yet to be sentenced.

781040-08-0110 [ATF] Defendant [ATF] was sentenced on 6/04/10. He received 324 months (27 years) for his criminal involvement in the trafficking of firearms and methamphetamines for the La Familia DTO. There are two additional defendants, [ATF] who have pled guilty and are awaiting sentencing. The AUSA has begun the paperwork and translations of documents to start the extradition process of defendant [ATF] There are no other details at this time.

HOUSTON FIELD DIVISION

Liaison, Training, Media, and Other SWB Interaction:

On June 2, 2010, RAC [ATF] was interviewed on camera for KSAT TV in San Antonio about firearms trafficking. The piece aired on Sunday, June 6, 2010.

Investigations:

Houston Group VIII

782025-08-0062 Operation Traficador: Four additional subjects will be charged with firearms violations and will be indicted in Brownsville. This will bring the total to seven subjects indicted on weapons charges and two on narcotics charges.

782085-10-0030 [ATF] ATF received information indicating that [ATF] was willing to trade narcotics (kilograms) for high power assault rifles. An UC meet was conducted successfully. In the interim, ATF received information that [ATF] was sitting on 900 lbs. of marijuana. ATF, DEA and the Harris County Sheriff's Office executed a state search warrant, found the stash location and recovered 567 lbs. of marijuana.

Laredo Field Office

782080-10-0001 [ATF] Firearms Trafficking: The Webb County Sheriff's Office Crimestoppers unit requested assistance in a possible firearms trafficking case on May 27, 2010. A tip was received by that agency stating that [ATF] had paid [ATF] to purchase firearms for him. Investigation continues.

782080-10-0051 Operation Hold the Line: On June 8, 2010, ATF McAllen Field Office contacted ATF Laredo Field Office due to an agent [ATF] at Gladiator Guns and Ammo, an FFL in Roma, TX. The agent saw what appeared to be a black sedan arrive at GGA. This vehicle matched the description of [ATF] vehicle, a suspect in this case. It appeared [ATF] had purchased ammunition and other items. ATF contacted deputies from the Zapata County Sheriff's Office in an attempt to intercept [ATF] on her way back to Zapata, TX. Soon after [ATF] departed Gladiator Guns, she was pulled over driving a black, Cadillac sedan. She consented to a search and the following items were recovered: 320 .50 caliber rounds; 1,260 7.62 caliber rounds; 2,000 .223 caliber rounds; 3 "camo nettings;" 5 one-quart canteens; 1 night vision "scope spotter" and 2 night vision goggles. All the items seized by Zapata County will be turned over to ATF. [ATF] is suspected to be a recruit of a group of straw purchasers that are trafficking firearms directly for the [ATF]. Four firearms purchased by this group have been recovered by Mexican Military officials after armed confrontations with the [ATF]. (See 6/9/10 SIR.)

McAllen I

782055-10-0029 [ATF] ATF Agents were provided with information by an FFL in McAllen, Texas, regarding suspicious activity by [ATF]. Agents interviewed [ATF] and he admitted to straw purchasing numerous weapons and ammunition for [ATF]. [ATF] also told the agents that [ATF] had previously mentioned supplying firearms and

ammunition to Los Zetas in Mexico. Agents set up an operation using [ATF] [ATF] provided [ATF] with approximately \$2,000 for the purchase of a .308 rifle and four cases of ammunition. A Federal Arrest Warrant was later issued for [ATF] was interviewed after his arrest, and admitted to the agents that he had been part of a firearms trafficking ring [ATF] also gave information on other participants involved in the trafficking ring.

BATS Incident number 201769 - Recovery of fake grenades: On May 25, 2010, ATF responded to [ATF] [ATF] in Pharr, Texas, to assist the Pharr Police Department relative to the recovery of hand grenades. On this date, the Pharr Police Department had received information that narcotics and firearms were being stored at this residence. While conducting a security sweep at said residence, a Pharr police officer located a tire lying in the backyard that concealed four pineapple shaped grenades. McAllen Bomb Squad arrived at the scene and later rendered the grenades safe. The McAllen Bomb Squad and ATF determined that the devices were not functional grenades; the grenades did not have fuses, strikers or explosive residue. The grenades were released to Pharr PD for their investigation.

San Antonio II (IO)

During a recent compliance inspection at Cabela's Retail LLC, ATF was informed of two separate suspected firearms trafficking purchases, which occurred at the store on 5/22/2010 and 5/23/2010. The customer making both purchases was [ATF] On 5/22/2010 [ATF] purchased a Beretta 92FS 9mm pistol in the early evening. Later in the evening, prior to closing time for the store, [ATF] attempted to purchase another similar pistol. The employees on duty at closing time informed [ATF] that they could no longer conduct any transfers due to the store closing for the evening. After being told that a transfer could not occur, [ATF] pleaded with the employee to sell him another firearm and that he could pay cash since he had \$2,000 in the trunk of his car. [ATF] was still refused the sale of a second firearm on the evening of 5/22/2010 and was told to return to the store the next day to purchase an additional firearm. The next morning, 5/23/2010, [ATF] returned to the store and purchased the second firearm; a Beretta 92 9mm pistol, and paid for the firearm in cash. For this transaction, Cabela's was able to provide video of the entire transaction and of the vehicle driven by [ATF] The employee who helped [ATF] stated that [ATF] returned to the store the second day wearing the same clothing as the night before and that [ATF] had several wads of cash in the trunk of the vehicle. IO forwarded copies of both ATF Forms 4473 and a copy of the surveillance video as requested by ATF LE of the San Antonio Field Office.

LOS ANGELES FIELD DIVISION

Investigations:

El Centro Field Office

784095-10-0004 Operation River's Edge: The El Centro ATF Field Office initiated Operation River's Edge upon learning that three individuals that resided at River's Edge RV Park in Winterhaven, CA were purchasing firearms in Yuma, AZ with fraudulent Arizona identification cards and illegally importing the firearms into California. Agents managed to seize 12 firearms from [ATF] [ATF] was arrested 6/07/10, for Illegal Importation of an Assault Weapon into California and [ATF] was recommended for prosecution in 5

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Imperial County, CA.

784095-10-0016 [ATF], et al: On 5/20/10, ATF El Centro received information from the Imperial County DEA Office regarding the possible illegal sales of firearms and explosives. The information was developed from an ongoing [ATF] investigation, which indicates that an unknown individual wants to deliver an undetermined number of firearms to a purchaser in Mexicali, B.C., Mexico. The recorded conversation describes numerous guns being stored in an unknown location. ATF Agents out of the El Centro Field Office received a Ping Order to help learn the firearms whereabouts and eventually identify the individuals.

San Diego I

784040-10-0043 DIAZ CNC Precision Machining: ATF and U.S. Border Patrol has initiated an investigation into [ATF] who is alleged to manufacture AR-15 type lower receivers without a license, through his business, "Diaz CNC Precision Machining." To date, [ATF] has purchased one such lower receiver directly from [ATF]. ATF FTB examined the lower receiver and determined that it meets the definition of a firearm. [ATF] has ordered additional lower receivers from [ATF]. Investigation continues.

784040-08-0121 [ATF] On June 7, 2010, a 56-count complaint and arrest warrant was signed by U.S. Magistrate Cathy Ann Benchivengo for the arrest of [ATF]. 55 of the 56 counts were for violating Title 18, USC 922(a)(6) and one count was for violating Title 18, USC 922(a)(1)(A). The aforementioned documents were signed under seal and [ATF] was arrested by agents from the New York Field Division's Brooklyn Field Office on June 8, as a part of the Attorney General's Project Deliverance.

784040-09-0089 Cold War Shooters: SA [ATF] continued to coordinate with Industry Ops and the California Department of Justice in moving forward with criminal prosecution of [ATF] and his employees at Cold War Shooters. An undercover phone call is planned for this afternoon (6/8) and [ATF]
[ATF]

784040-10-0052 [ATF] SA [ATF] submitted a final draft of a search warrant for [ATF] residence to the U.S. Attorney's Office on 6/4. It is expected to be brought to the magistrate judge by the end of the week.

San Diego II

784045-10-0018 Operation [ATF]; 784040-10-0023 OCDETF Operation "Luz Verde:" ATF, in conjunction with the Cross Border Violence Group (CBVG) of the San Diego, Major Mexican Trafficking Strike Force (MMTSF), continues to investigate the criminal activity of an enforcement cell directed by senior members of the Arellano Felix Drug Trafficking Organization. Initiated in November 2009, this ongoing investigation continues to [ATF] for the purchase of firearm and drug evidence, as well as T-III intercepts. The takedown portion of this investigation is tentatively scheduled for late June, with approximately 50 suspects.

General Intelligence:

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ATF El Centro and the California Department of Justice Firearms Division have initiated Operation Steel Bullet to target firearms traffickers operating within Imperial Valley, CA. The Firearms Trafficking Task Force will investigate illegal firearm purchases, transportation, and smuggling of firearms from California into Mexico.

The Firearms Trafficking Task Force mission is to reduce the flow of illegal weapons to Mexican drug cartels from or through California. The Firearms Trafficking Task Force will conduct these investigations utilizing all available intelligence sources, including but not limited to, law enforcement agencies, informants, databases, and other investigative techniques.

PHOENIX FIELD DIVISION

Liaison, Training, Media, and Other SWB Interaction:

Four IOIs from Albuquerque II represented ATF at the annual Gun, Sword and Knife Show hosted by the New Mexico Gun Collectors Association on June 5-6, 2010. IOIs addressed questions from licensees and the general public concerning curios and relics, NFA, the Form 4473 and other topics. They also provided firearms related materials such as “Don’t Lie for the Other Guy” kits, Project Gunrunner information, a Personal Firearms Record, a State Laws and Regulations CD and theft/loss materials.

Investigations:

Albuquerque II (IO)

785090-2009-0137 RSP: SIERRA TRADING CO: During a compliance inspection conducted at Sierra Trading & Pawn (5-85-01020), located in Truth or Consequences, NM, a review of the Forms 4473 revealed an [ATF] Further review revealed that [ATF] has purchased approximately six firearms at Sierra Trading, none of which has been traced. Further investigation revealed that [ATF] resides at the same address as [ATF] a former FFL (Guns ‘N Gear, 5-85-00365). Trace history for Guns ‘N Gear reflected that a Glock 33 handgun that was sold to [ATF] had been traced as a crime gun. [ATF] was also the purchaser of five firearms, which included three Glocks from D&M Sporting Goods in Deming, NM, that were later traced. [ATF] was also the purchaser of an S&W model 29 from Ron’s Gun Shop in Deming, NM that was later traced. A referral was generated and submitted to the Phoenix FIG.

During the compliance inspection of Sierra Trading Company and Pawn, a review of the Forms 4473 revealed [ATF] Research indicates that the individuals are married and share several residences. Criminal history queries of [ATF] revealed a felony conviction for Criminal Driving Suspended/Revoked Felony, dated 3/20/1996, in addition to several arrests for driving while intoxicated, attempted murder, conspiracy and shooting in an inhabited dwelling. A referral was generated to ATF CE Las Cruces. CE’s investigation has revealed that the address listed on the Forms 4473 were fictitious.

785125-2010-0054 ABQ: WAL-MART SUPERCENTER #4201: During a compliance inspection conducted at Wal-Mart Supercenter #4201, located in Edgewood, 7

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NM (5-85-01016), [ATF] [ATF] [ATF] Conversation with the manager revealed that [ATF] is a Wal-Mart employee, but not a sporting goods employee. Research revealed that [ATF] has a felony stalking conviction. A referral was generated for the possible straw purchase.

Phoenix I

785040-09-0122 [ATF], et. al: This investigation began under Operation GIDEON and resulted in the arrest and conviction of seven defendants. One defendant pled guilty and has entered into a cooperation agreement with the government. That defendant is now providing ATF with information on individuals who are involved in armed home invasion robberies, narcotics trafficking and other firearms violations. The primary targets of these robberies are Mexico DTO members. This investigation will now focus on identifying unindicted co-conspirators, associates and rival home invaders for investigation and prosecution. Efforts will continue to determine the source of supply of their firearms. Proffers have been undertaken with a cooperating witness in this case, and follow-up investigation is ongoing.

785040-09-0141 Operation Middleman: This investigation focuses on members of the New Mexican Mafia who have been identified through proactive monitoring of jail calls and who have been contacted in an undercover capacity by ATF. These individuals are believed to be involved in narcotics trafficking on behalf of a Mexico DTO and some have discussed involvement in Phoenix area home invasion robberies. This investigation will now focus on historical criminal activity, continued purchases of methamphetamine from gang members and a possible proactive sting operation. On 6/1/2010, an undercover meeting was conducted with a target of this investigation to confirm the group's willingness and predisposition to commit a home invasion robbery.

785040-09-0143 [ATF] This investigation focuses on an individual who has relayed to [ATF] [ATF] that he has a "crew" that has been active in committing robberies of narcotics stash houses in the Phoenix Metropolitan area. These stash houses are believed to be operated by cartel associates involved in the transportation of narcotics to various points in the U.S., and the procurement of firearms for use in their activities. A preliminary meet was conducted between an ATF UC and [ATF] on 6/2/10. This investigation is continuing.

Phoenix II

7855045-10-0026 [ATF] This investigation of [ATF] (a former FFL) and [ATF] utilizes undercover agents and continues. [ATF] who sell at gun shows under the name, [ATF] [ATF], have boasted about having 6,000 firearms in their collection. Crime gun recoveries are being monitored. A search warrant planned for June has been postponed to July, 2010. Phoenix Group II is in contact with Asset Forfeiture & Seized Property to obtain assistance for this anticipated large-scale search warrant.

785045-10-0023 Operation 602 Exchange: Opening of this storefront operation has been delayed. However, undercover deals have been made at the store before it has even opened for business. A goal of the storefront is to identify and purchase firearms and other contraband from suspects. Build-out continues and this storefront is expected to open for business in approximately one week.

Phoenix Group VII

785115-10-0020 [ATF] ATF Phoenix Group VII Strike Force has begun an investigation into the firearms trafficking activities of [ATF]. To date, this investigation, aided by [ATF] [ATF] has determined that at least 14 firearms (with many more suspected “straw” purchasers providing a large amount of additional firearms) have been purchased on behalf of and subsequently delivered to [ATF]. By his own account (documented in audio recordings between [ATF] [ATF] obliterates the serial numbers of these firearms prior to his delivering them “South (to Mexico).” [ATF] was able to successfully introduce undercover agent [ATF]

ATF

Subsequently, S/A [ATF] participated in a controlled meeting (meet and greet) with [ATF] during which [ATF] solicited S/A [ATF] to “straw” purchase AK pistols from local FFLs and agreed to pay S/A [ATF] \$100 profit for each one delivered. Additionally, [ATF] expressed his desire to purchase suppressors (in 9mm, .45, .223, 7.62), 40mm grenade launchers, and 40mm High Explosive (HE or other anti-personnel type) in whatever quantities that S/A [ATF] was able to obtain. On June 1, acting in an undercover capacity, S/A [ATF] delivered 6 AK “DRACO” pistols to [ATF] reimbursed S/A [ATF] \$300 for each pistol, plus provided S/A [ATF] with \$600 for conducting the “straw” purchases and an additional \$100 bonus. During the U/C OP, [ATF] stated his intent to sell/traffic the pistols for profit and again expressed his interest in purchasing the military hardware/ammunition/firearms. [ATF] also requested that S/A [ATF] to assist with his trafficking activities. Immediately after the U/C OP, [ATF] was followed by agents to a storage locker facility.

785115-10-0004 Operation Fast and Furious: This OCDETF investigation has revealed 1,608 suspected straw purchases of firearms by 62 targets of this investigation. The core group of this investigation is constantly recruiting new straw purchasers and disassociating with others. Individuals who purchased in 2009 are not currently purchasing firearms and a new straw purchaser was just indentified by ATF agents through surveillance on June 7, 2010, during the purchase of a .50 caliber rifle.

ATF agents are aware of or have caused 309 of these firearms to be recovered. To date, 179 crime guns have been recovered in the Republic of Mexico, and 130 have been recovered domestically in the United States. Of those domestic recoveries, all have been along or near the U.S. and Mexican border, i.e., El Paso, TX; Douglas, AZ; Nogales, AZ; Sells, AZ and Casa Grande, AZ, with the farthest recovery north of the border being here in Phoenix, AZ. In order to purchase these 1,608 suspected firearms, this group has spent over one million in cash transactions at various Phoenix area FFLs. Due to the proximity to the border, bank subpoenas and financial investigations have yielded little or no results.

ATF

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Of the three successful targeted telephone lines, two have been targeting [ATF]. To date, [ATF] has personally purchased 606 firearms on behalf of the group. In support of these purchases, [ATF] has spent over four hundred thousand dollars in cash transactions at various Phoenix area FFLs. [ATF] is currently receiving Food Stamp benefits from the State of Arizona due to his lack of income. ATF agents are working with the USDA-OIG.

Phoenix ATF agents are conducting [ATF] of these above-mentioned firearms transactions. [ATF]

[ATF]. This group makes “U-turns,” they pull over and start again for no apparent reason, and they alter their speed, and almost always enter residential cul-de-sacs where entry by a surveillance vehicle would certainly be noticed. ATF agents have tried to utilize the Phoenix Police department air wing unit as much as possible, but due to their mission and scheduling they are not always available to assist.

ATF agents have identified over a dozen different “stash houses” where this group deposits firearms prior to arranging for further transportation south. The firearms may stay at these stash houses for anywhere from hours to in excess of one week.

785071-10-0003 [ATF] This investigation was initiated after firearms purchased by [ATF] [ATF] were recovered in Tijuana, Baja California, on April 22, 2010. On May 26, 2010, ATF agents conducted a mobile surveillance of a suspected straw purchase of firearms by [ATF] from a Phoenix area FFL and followed her and witnessed the delivery of the firearms to [ATF]. After this initial purchase, agents were able to identify three additional straw purchasers as [ATF] and [ATF].

On May 29, 2010, Laredo PD and the Webb County SO intercepted a shipment of 147 firearms, ammunition and bayonets as individuals attempted to cross the U.S./Mexican border. Out of the seizure, 114 firearms could be identified by serial number and 33 were obliterated. Of those 114 firearms, 65 were purchased by [ATF] [ATF] in the nine days between May 18 and May 27, 2010 with a \$42,625.43 cash transaction. [ATF] initial cash payment of \$7,038.41 was reviewed by SA [ATF] and a Phoenix Police narcotics detection canine alerted on the money as containing drug residue.

[ATF] is linked to [ATF] by the previously mentioned surveillance. [ATF] is linked to [ATF] by telephone toll records, and [ATF] vehicle has been observed at [ATF] residence.

785071-10-0019 [ATF] GRIT initiative case 785071-10-0019 was opened based on the multiple sale report in which [ATF] had purchased five “weapons of choice” Romarm/ CUGIR, Draco, 7.62 cal., pistols and a WASR AK-47 style rifle. [ATF] spent approximately \$3,223 in cash for the five Draco pistols. All five Dracos and the one WASR rifle were recovered during a May 29, 2010 ICE operation in Laredo, TX (described, above).

[ATF] purchased 18 AK-47 type rifles from May 20-25, 2010, of which 17 were recovered on May 29, 2010, during the ICE operation in Laredo, TX. She paid \$9,638.06 cash for the purchase of the 17 rifles on 10

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May 25.

ATF purchased 31 AK-47 type rifles from May 19-21, 2010. Of those 31 rifles purchased by **ATF** 24 were recovered May 29, 2010, during the ICE operation in Laredo, TX. **ATF** spent \$18,520.24 cash for the purchase of these rifles.

On May 18, 2010, **ATF** attempted to purchase a GPWASR AK-47 style rifle. The very same weapon was later recovered on the May 29, 2010 ICE Laredo, TX seizure. The actual purchaser of the GPWASR rifle has not yet been identified. ATF is currently awaiting the trace results. **ATF** recently pled guilty to state drug charges, which prohibit **ATF** from possessing any firearms under federal law.

All four of the above identified **ATF** individuals list the same address (**ATF** Phoenix, AZ) on their ATF Form 4473. Additionally, telephone toll records show these individuals communicating with one another. These individuals are believed to be family members and spent a cumulative total of \$31,381.30 for the purchase of 55 AK-47 style rifles within approximately 10 days.

Tucson Group I

785065-10-0057 **ATF** On May 25, ATF special agents conducted a surveillance of **ATF** **ATF** picked up two Colt .38 Supers from FFL Defensive Arms and Ammo. These firearms were previously paid for by **ATF** was followed to a mobile home on Tucson's South side. Although agents were unable to see if **ATF** took the firearms into the residence, agents did see **ATF** exiting the mobile home counting money as he went to his vehicle just minutes after arriving at the residence. On Saturday, May 30, ATF Tucson I, along with GRIT agents, conducted surveillance at Defensive Arms and Ammo after receiving a call from this FFL that **ATF** would be by to retrieve his pre-paid firearms. **ATF** did not show. On June 2, information was received that **ATF** picked up the remainder of his firearms from the FFL. **ATF** did not contact the FFL ahead of time as he normally does and just showed up requesting the firearms. At the time, Tucson I and GRIT agents were assisting in an operation being conducted by Tucson II and were unable to respond. ATF Tucson I and GRIT agents plan to monitor **ATF** future purchases and identify additional conspirators.

785065-09-0079 **ATF** On May 12, 2010, Tucson I, along with GRIT team members, instituted **ATF** Currently, **ATF** is still unemployed and does not have the reported income to support his illegal firearm purchases. Division TOO **ATF** assisted Tucson I with a survey of the area in effort to help develop the case. ATF Tucson I will talk **ATF** **ATF** Tucson I subpoenaed all telephone records up to the initiation of the **ATF** Upon receipt of toll records, analysis will continue concentrating on the days prior, during and after the purchase of firearms. Analysis of subpoenaed financial records indicates that **ATF** may have other bank accounts. Tucson I is working with Wells Fargo Bank in an attempt to identify accounts so subpoenas may be issued.

Tucson Group II

785085-10-0057 **ATF** On 11

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5/30/10, an ATF Special Agent from Tucson Group II assisted the U.S. Border Patrol by obtaining reports pertaining to [ATF] is under investigation for the violation of Title 18 United States Code, Chapter 44, Section 922 (g)(5), Illegal Alien in Possession of a Firearm/Ammunition. According to the U.S. Border Patrol, on or about 5/30/10 [ATF] was found to be in possession of a Romarm, Draco, 7.62 X 39mm pistol (S# DR9778-10RO). [ATF] is a Mexican National and immigration detainers (Form I-247s) were placed upon the suspect.

785085-10-0051 [ATF] ATF Tucson Group II agents, in conjunction with DEA agents assigned to the Strike Force, are jointly working a [ATF] and undercover agent targeting two individuals named [ATF] and their involvement in narcotics and firearms trafficking. [ATF] advised that [ATF] had access to a large number of firearms, including AK-47 and AR-15 type rifles, which would ultimately be trafficked to Mexican Drug Cartels. Both indicated they were involved with a Federal Firearms Licensee (FFL) that could sell any firearm [ATF] [ATF] stated they could supply [ATF] with any requested number of rifles and there was a financial discount for larger amounts purchased. At this time [ATF] is unaware of the name and location of the FFL.

785085-10-0042 Operation Vaquero: ATF Tucson II Field Office is conducting an investigation of a suspected ammunition trafficking organization based in Tucson, Arizona. [ATF] [ATF] have ordered hundreds of thousands of rounds of ammunition suspected of being trafficked to Mexican Drug Trafficking Organizations (DTOs). ATF has confirmed three suspects have purchased over a quarter million rounds of ammunition (predominately 7.62mm, .223 REM, .38 Super) from FFLs and online ammunition retailers. In addition, [ATF] is known to be connected to a Sinaloa narcotics trafficking organization.

On June 3, 2010, three Federal search warrants were served: one on the residences of the [ATF] [ATF] and one warrant served on a load vehicle used to move ammunition from Tucson, Arizona to Mexico. The warrant was served on the vehicle at the Port of Entry in Nogales, Arizona and recovered were approximately 9,500 rounds of ammunition secreted in two hidden compartments. Recovered from the residences in Tucson, Arizona were approximately 20,000 rounds of ammunition, ammunition ledgers, a tire containing ammunition concealed inside of it, an NFA weapon made from a shotgun, and narcotics evidence. [ATF] were arrested and booked into the Federal Correctional Institution, awaiting Initial Appearances. All have been charged with Conspiracy to Export Ammunition from the United States. (See 6/4/10 SIR.)

OFFICE OF STRATEGIC INTELLIGENCE AND INFORMATION

Significant Events Occurring This Period:

On June 2, El Diario de Yucatan reported that former Cancun Mayor and gubernatorial candidate Gregorio Sanchez Martinez has been indicted and was denied bail due to the gravity of the charges that he is facing, which include money laundering, organized crime activities and drug trafficking. On June 3, Mexico City Proceso reported that the Attorney General's Office of Guerrero State has exhumed 19 bodies from a grave located on the former San Francisco Cuadra ranch, in the municipality of Taxco de Alarcon. A state representative said the authorities

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will not stop until they have excavated all of the bodies in the grave, estimated to be at least 40.

On June 6, Madrid EFE reported that four police officers were wounded in an attack on Durango State Public Safety Secretary General Valentin Romano. The incident occurred on June 5, near the Guadiana Tennis Club in the western section of Durango City. Romano was not hurt because he was traveling in an armored vehicle. The gunmen fired hundreds of rounds from large-caliber weapons and threw hand grenades.

The June 6 edition of Mexico City Proceso focuses on the increasing migration of Ciudad Juarez residents to the near city of El Paso, Texas, due to the violence that has engulfed that northern city. According to the magazine, 160,000 Juarez residents have left the city out of fear of “narco-violence” and established themselves in two areas of El Paso that are already known as “El Juarez Nuevo,” or “The New Juarez.”

On June 8, Madrid EFE reported that Mexican officials called on the U.S. to conduct “an extensive investigation” of the shooting death of a 14 year old Mexican boy near the main border crossing linking Ciudad Juarez to El Paso, as he apparently tried to cross into the U.S. [ATF] died Monday in Juarez’s riverside Puente Negro section, according to the Chihuahua State government. Relatives of the boy said that U.S. Border Patrol agents chased Hernandez and fired two shots at him.

On June 9, Quadratin Information and Analysis Agency reported that Army troops seized large-bore weapons, a fragmentation grenade, bullets, tactical equipment and drugs over four days in raids in seven municipalities in Michoacan State. The soldiers seized 19 rifles, 1 sidearm, 11 gun clips, 427 rounds of ammunition, 1 fragmentation grenade, 1 telescopic sight, 1 canister of tear gas, 1 bullet holster, 4 pistol holsters, 3 gun-clip carriers, a vehicle, tactical clothing and various drugs.

On June 10, Monterrey El Norte reported that [ATF] the alleged leader of Los Zetas in Monterrey, acknowledged his participation in numerous high-profile murders and attacks in the area. Army soldiers arrested the drug lord on June 9 in Monterrey in possession of drugs, five shoulder firearms and four grenades. [ATF] told investigators that he had participated in the October 12, 2008 attack on the U.S. Consulate, as well as six murders of Army soldiers and attempts to murder retired General Hermelindo Lara Cruz, the current secretary of Public Security in Escobedo. Members of Los Zetas responded to the arrest by blocking numerous thoroughfares in the city’s metropolitan area during the evening rush hour. They carjacked dozens of motorists to implement the roadblocks.

On June 10, The Presidency of the Republic of Mexico issued a Presidency communiqué by President Felipe Calderon on the regrettable events during which Mexican citizens [ATF] [ATF] lost their lives in San Diego, CA and Ciudad Juarez, Chihuahua respectively. The Mexican government is dismayed and indignant over the death of two Mexican citizens at the hands of the U.S. Border Patrol. [ATF] died after receiving several blows and electric shocks from Border Patrol and [ATF] a minor, was killed by gunshots from the Border Patrol. President Calderon expressed concern over an “emergence of violence against Mexicans, which is also associated with the emergence of other recent anti-immigrant and anti-Mexican expressions in the United States.”

On June 11, Ciudad Juarez Diario.com reported that a group of at least 25 gunmen opened fire at the Centro Cristiano Fe y Vida drug rehabilitation center in the city of Chihuahua, killing at least 19 men and wounding two. The attackers also left several poster boards with “narco-messages” at the center. Hundreds of bullet casings from AK-47 assault rifles were scattered at the [13

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scene.

On June 12, Moscow Itar-Tass reported that a Russian company has created one of the world’s largest voice identification systems under a contract with the government of Mexico. The Mexican Interior Ministry plans to use the system, containing millions of sample recordings to instantly identify voices in intercepted telephone conversations or any other audio messages. The St. Petersburg-based contractor, Center of Verbal Technologies (CVT), has said the system “is capable of keeping in store and processing 600,000 voices,” and has considerable growth potential. Over one day, the system is capable of making 600 million comparisons. The Director of CVT said, “Our system has become the world’s first and, in fact, unparalleled system of a national scale.” The system is capable of identifying the voice irrespective of the language or whether the suspect is ill, drunk or tries to change the voice intentionally. The Mexican police have already begun to collect a database of voice samples. The main equipment and software are at the data center of Mexico’s federal police.

Significant Seizure Events This Period:

No new updates provided for this period.

Trace Requests for Mexico Recoveries:

FY 10 Trace Requests Thus Far:

There were 36,239* trace requests for Mexico that were submitted between October 1, 2009 and June 7, 2010, of which 128 are pending completion. The break down by agency is as follows:

- Total Trace Requests by ATF 477
- Total Trace Requests by DHS 388
- Total Trace Requests by Mexico 35,371
- Total Trace Requests From Other Agencies 3

*These numbers do not include 11,606 duplicate traces.

INTERNATIONAL AFFAIRS OFFICE

Liaison, Training, Media, and Other SWB Interaction:

On June 16, ATF employees will host a tour of the Forensic Science Laboratory in Ammendale, Maryland, and will provide a presentation on firearms trafficking to SEDENA officials and several members of the United States Army. This presentation promotes a deeper understanding of ATF’s mission, programs and services.

Mexico City

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Liaison, Training, Media, and Other SWB Interaction:

On May 26, five members of ATF's Special Response Team (SRT) and International Affairs Office met with approximately 11 Mexican tactical officials at their headquarters in Mexico City. SRT was represented by an SRT Team Leader, a Tactical Canine Handler, the ATF Medic Project Officer, the Special Operations Division (SOD) Crisis Negotiator Project Officer, and an SOD Project Officer discussing the Forward Observer Program. Representatives from the Narcotics Affairs Section (NAS) were also present at the meeting. ATF special agents gave an overview of their respective fields within the SRT to include successes, lessons learned, qualification standards, and equipment developments within the SRT. The SSP indicated that they would be providing a written request for training.

On the same day, representatives from the ATF Mexico Office met with members of Center for Planning, Analysis, and Information Combating Organized Crime (CENAPI) in Mexico City to coordinate Spanish eTrace training. The training will be scheduled pursuant to signing of the eTrace MOU.

On May 28, MCO personnel hosted an Arms Trafficking Working Group Meeting. Participants included representatives from Customs and Border Protection (CBP), the Department of Justice, the Department of Homeland Security (DHS) Attaché, Immigration and Customs Enforcement and a State Department Political Officer. Topics focused on the Arms Trafficking Matrix (Schematic showing ideas and programs affecting arms trafficking and the cooperation between the USG and the GOM), the status of the eTrace MOU (agreed upon by PGR, currently pending review in the Mexican State Department), and a DHS survey on Drugs for Arms.

From June 8-11, the Chief of the International Affairs Office will be meeting with ATF personnel from ATF Mexico's offices, including Ciudad Juarez, Monterrey, and Tijuana, to discuss both policy and administrative issues in Mexico. Included are meetings with the U.S. Ambassador and other embassy officials in Mexico City.

On June 9, the ATF Mexico Office participated in the 11th Regular Firearms Coordination Group (GC-Armas)/6th Session of the Merida Initiative Arms Trafficking Bi-National Group Meeting. This meeting took place at CENAPI Headquarters in Mexico City. Discussions focused on the deployment of the Integrated Ballistics Information System in Mexico, the training of U. S. Attorneys in Spanish eTrace and the creation of a 12-month work plan between ATF and CENAPI.

Investigative Assistance:

On May 24, representatives from the ATF Mexico Office briefed members of the S7 section of the Secretariat of National Defense on the firearms and explosives seizure in Higuera, the importance of eTrace, an adjudicated ATF investigation, the capabilities of the RPG-7 and Improvised Explosive Devices seized in Mexico. The RPG-7 is a portable, shoulder-launched, anti-tank rocket propelled grenade weapon originated from Russia.

There is growing concern within SEDENA on the use of the RPG-7 against its forces around the country and since December 2006, at least 50 of these items have been used and/or recovered in Mexico. Due to these concerns, SEDENA requested training on the RPG-7/M72 Light Anti-Tank Weapon for approximately 100 personnel. Each training session would take two days 15

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and be given to groups of 30 personnel each. M72 Light Anti-Tank Weapon is a lightweight, self-contained, anti-armor weapon consisting of a rocket packed in a launcher designed in the United States.

To support ongoing trace efforts, SEDENA indicated that they would provide the ATF Mexico Office with the significant seizures weekly. This would allow the ATF Mexico Office to trace the firearms sooner and provide personnel assigned to the S7 and GC-Armas attendees with preliminary trace results.

On May 24, a team of personnel from the ATF Office in Mexico City was accompanied by a prosecutor from the Specialized Unit of Investigation in Terrorism, Stockpiling and Firearms Trafficking (UEITA) to examine, photograph and trace 35 firearms and over 40 individual pieces of explosives seized in Atizapan de Zaragoza, State of Mexico. The firearms and explosives were being held at SEDENA Military Camp Number 1 in Naucalpan, State of Mexico. The opportunity to view the firearms and explosives in the military warehouse was coordinated through UEITA Chief.

Monterrey

Liaison, Training, Media, and Other SWB Interaction:

On May 21, the ATF Mexico Office briefed U.S. Embassy Law Enforcement Team members on the firearms and explosives seizure in Higuera, Nuevo Leon, which occurred on May 11. Approximately 25 personnel attended the presentation.

On June 15, 2010, an ATF special agent and his family were evacuated from Monterrey due to a credible threat against the agent and his family. The threat was made by suspected ATF members in the Monterrey area. The agent and his family were flown to the U.S. while the threats were investigated. As a precaution, two other agents working in this office were also evacuated and escorted, in a caravan, by Immigration and Custom Enforcement agents to McAllen, Texas. ATF is continuing to monitor the situation. (See 6/15/10 SIR.)

Investigative Assistance:

From June 8–9, 2010, ATF personnel from the Monterrey Consulate Office entered the 104 firearms into eTrace that were recovered by the military in a Gulf Cartel clandestine armory in Matamoros on June 6, 2010. Also recovered in the seizure were 151 40mm projectile grenades, 18 fragmentation grenades and 23 gas grenades. ATF Monterrey Consulate Office is currently in the process of receiving authorization from the Government of Mexico to examine all firearms and explosives that were seized and are currently being held at a military base in Matamoros. NFORCE UI number 701531-10-0024 was opened to document the seizure.

Tijuana

No new updates provided for this period.

Ciudad Juarez

No new updates provided for this period.

OFFICE OF TRAINING AND PROFESSIONAL DEVELOPMENT

No new updates provided for this period.

ENFORCEMENT PROGRAMS AND SERVICES

No new updates provided for this period.