

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Yantai Jereh Oilfield Services Group Co., Ltd.
No. 5, Jereh Road, Laishan District
Yantai Shandong Province, China

Respondent

**ORDER RELATING TO
YANTAI JEREH OILFIELD SERVICES GROUP CO., LTD.**

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Yantai Jereh Oilfield Services Group Co., Ltd., of Yantai Shandong Province, China (“Yantai Jereh”), of its intention to initiate an administrative proceeding against Yantai Jereh pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ through the issuance of a Proposed Charging Letter to Yantai Jereh that alleges that Yantai Jereh committed four violations of the Regulations.² Specifically, the charges are:

¹ The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“the EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, Title XVII, Subtitle B of Pub. L. 115-232, 132 Stat. 2208 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018). The charged violations occurred in 2014-2015. The Regulations governing the violations at issue are found in the 2014-2015 versions of the Code of Federal Regulations (15 Parts 730-774 (2014-2015)). The 2018 Regulations set forth the procedures that apply to this matter.

Charges 1-3 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

1. On three occasions, on or about July 7, 2014, September 27, 2014 and March 3, 2015, Yantai Jereh violated the Regulations by ordering, buying, and/or selling coiled tubing, items subject to the Regulations, with knowledge that a violation of the Regulations was occurring, was about to occur, or was intended to occur in connection with the items.³ Specifically, Yantai Jereh ordered, bought and/or sold the items, valued at \$383,881.88, with the intention to export them from the United States to Iran via third countries, including China and the United Arab Emirates, without the required authorization.
2. Section 560.204 of the Iranian Transactions and Sanctions Regulations (“ITSR”), administered by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), prohibits exports directly or indirectly from the United States to Iran, including transshipments through a third country to Iran.⁴ Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the Regulations if such transaction is prohibited by the ITSR and not authorized by OFAC.⁵
3. In order to facilitate its business activities in Iran and avoid detection by U.S. law enforcement, Yantai Jereh structured the transactions to conceal from the U.S. suppliers or exporters that the coiled tubing it bought and ordered was ultimately destined for use in Iran. Part of this scheme included the involvement in the transactions of a China-based trading company Jinan Tongbaolai Oilfield Equipment Co. Ltd. (“JNTBL”), which as discussed further *infra*, was done to allow Yantai Jereh to claim it was unaware the items were procured to fulfill contracts with Iranian parties. Based on the false information provided to the U.S. parties by Yantai Jereh, Automated Export System filings were made to the United States Government indicating that the items were ultimately destined to China or the United Arab Emirates.
4. Prior to engaging in these transactions, Yantai Jereh knew or had reason to know that exports from the United States to Iran required United States Government authorization pursuant to the long-standing and widely-known embargo against Iran. In or about January 2014, a now-former Yantai Jereh employee identifying himself as Jereh’s sales manager for Iran, who used an Iranian phone number, emailed an Iranian company, claiming that Yantai Jereh had previously left the Iranian market due to the sanctions risk because “all the main components we are using [are] from the US.” Nonetheless, this former Yantai Jereh employee indicated that Yantai Jereh would try to circumvent U.S. restrictions, building “a

³ The items were designated EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2014-2015).

⁴ 31 C.F.R. § 560.204 (2014-2015).

⁵ 15 C.F.R. § 746.7 (2014-2015).

new way to access Iranian market, that is using a [Chinese trading] company named JNTBL to deal with Iranian client to control the sanctions risk.” OEE’s investigation found additional correspondence from this same individual, using a JNTBL email address to conduct business with Iranian customers.

5. Additionally, during an August 14, 2014 interview with BIS Special Agents, a then-Yantai Jereh sales vice-president, who was involved in or aware of the attempted exports to Iran at issue, admitted that he was aware of U.S. policy and laws regarding exporting to countries sanctioned by the United States.
6. Yantai Jereh was further aware that no U.S. Government authorization had been sought or obtained in connection with these transactions. Each of the three attempted exports were stopped by the U.S. Government prior to the items leaving the United States. Following the detention of the last of these attempted exports, Yantai Jereh ultimately admitted to BIS that each of the coiled tubing exports described *supra* were intended for use in Iran.
7. In engaging in this activity, Yantai Jereh committed three violations of Section 764.2(e) of the Regulations.

Charge 4 15 C.F.R. § 764.2(g): False Statements to BIS in the Course of an Investigation

8. BIS re-alleges and incorporates herein the allegations set forth in paragraphs 1-7, *supra*.
9. On or about November 6, 2014, Yantai Jereh made false or misleading statements to BIS in the course of its investigation. Specifically, the same former Yantai Jereh sales vice-president interviewed by BIS Special Agents in August 2014, as discussed in paragraph 5 *supra*, provided BIS Special Agents with a written submission on Yantai Jereh letterhead titled, “Confirmation of no U.S.A. manufactured good being transshipped to Iran in 2014 by Jereh or its subsidiaries.”
10. The letter, signed by another, and also now-former Yantai Jereh vice-president, stated that Yantai Jereh, along with a number of its subsidiaries, “had not sold, resold, or transshipped U.S.A. manufactured goods to Iran” in 2014, nor had they “sold equipment(s) to any purchaser knowing that the equipment would eventually be re-sold by the purchaser to entities or individuals in Iran.” Additionally, Yantai Jereh’s submission also asserted it did not know that Chinese trading company JNTBL “was purchasing U.S. oilfield equipment for end users in Iran.”
11. These statements were false. As set forth in paragraph 1 *supra*, two of the three attempted exports at issue of coil tubing to Iran had been made prior to the

November 6, 2014 letter submitted to the BIS Special Agents. Additionally, as discussed in paragraph 3 *supra*, Yantai Jereh was specifically using the Chinese trading company JNTBL to interact with its Iranian customers in order to conceal Yantai Jereh's involvement in the transactions.

12. In so making false or misleading statements to BIS in the course of an investigation, Yantai Jereh violated Section 764.2(g) of the Regulations

WHEREAS, BIS and Yantai Jereh have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein;

WHEREAS, I have approved of the terms of such Settlement Agreement; and

WHEREAS, in doing so, I have taken into consideration the settlement agreement that Yantai Jereh has entered into with the U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC Settlement Agreement").

IT IS THEREFORE ORDERED:

FIRST, Yantai Jereh shall be assessed a civil penalty in the amount of \$600,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of this Order.

SECOND, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2012)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and if payment is not made by the due date specified herein, Yantai Jereh will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, the full and timely payment of the civil penalty in accordance with the payment schedule set forth above and the full and timely payment of the civil penalty

agreed to under the OFAC Settlement Agreement are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Yantai Jereh.

FOURTH, for a period of five (5) years from the date of this Order, Yantai Jereh Oilfield Services Group Co., Ltd., with a last known address of No. 5, Jereh Road, Laishan District, Yantai Shandong Province, China, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as “Denied Person”) may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, license exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or engaging in any other activity subject to the Regulations; or
- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or from any other activity subject to the Regulations.

FIFTH, that no person may, directly or indirectly, do any of the following:

- A. Export or reexport to or on behalf of the Denied Person any item subject to the Regulations;
- B. Take any action that facilitates the acquisition or attempted acquisition by the Denied Person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby the Denied Person acquires or attempts to acquire such ownership, possession or control;
- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from the Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from the Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and which is owned, possessed or controlled by the Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by the Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

SIXTH, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the

Denied Person by ownership, control, position of responsibility, affiliation, or other connection in the conduct of trade or business may also be made subject to the provisions of this Order.

SEVENTH, as authorized by Section 766.18(c) of the Regulations, the five-year denial period set forth above shall be suspended during a probationary period of five years under this Order, and shall thereafter be waived, provided that Yantai Jereh has made full and timely payment of the civil penalty as set forth above, has paid in full the civil monetary penalty agreed to under the OFAC Settlement Agreement, and has committed no other violation of the Export Control Reform Act of 2018 (“ECRA”) or the Regulations or any order, license, or authorization issued thereunder. If Yantai Jereh violates any of these probationary conditions, BIS may modify or revoke the suspension and activate the denial order, including a five-year active denial period running from the date BIS determines Yantai Jereh has failed to make full and timely payment as set forth above, failed to pay in full the civil monetary penalty agreed to under the OFAC Settlement Agreement, or committed during the five-year probationary period another violation of ECRA or the Regulations or any order, license or authorization issued thereunder. If the suspension is modified or revoked, the activation order may also revoke any BIS licenses in which Yantai Jereh has an interest at the time of the activation order.⁶

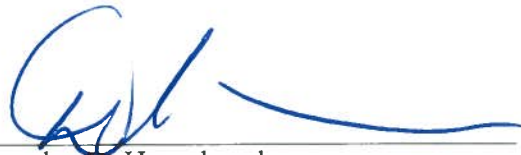
EIGHTH, Yantai Jereh shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or the Order. The foregoing does not affect Yantai Jereh’s testimonial obligations

⁶ Such a revocation would include licenses existing at the time of the activation order, whether the license had issued before or after ECRA’s enactment on August 13, 2018. *See* Note 1, *supra*

in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

NINTH, the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Douglas R. Hassebrock
Director, Office of Export Enforcement
performing the non-exclusive functions
and duties of the Assistant Secretary of
Commerce for Export Enforcement

Issued this 10th day of December 2018.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Yantai Jereh Oilfield Services Group Co., Ltd.
No. 5, Jereh Road, Laishan District
Yantai Shandong Province, China

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Yantai Jereh Oilfield Services Group Co., Ltd., of Yantai Shandong Province, China (“Yantai Jereh”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”).¹

WHEREAS, BIS has notified Yantai Jereh of its intentions to initiate an administrative proceeding against Yantai Jereh pursuant to the Regulations;²

¹ The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“the EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, Title XVII, Subtitle B of Pub. L. 115-232, 132 Stat. 2208 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018). The charged violations occurred in 2014-2015. The Regulations governing the violations at issue are found in the 2014-2015 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2014-2015)). The 2018 Regulations set forth the procedures that apply to this matter.

2

WHEREAS, BIS has issued a Proposed Charging Letter to Yantai Jereh that alleges that Yantai Jereh committed four violations of the Regulations, specifically:

Charges 1-3 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

1. On three occasions, on or about July 7, 2014, September 27, 2014 and March 3, 2015, Yantai Jereh violated the Regulations by ordering, buying, and/or selling coiled tubing, items subject to the Regulations, with knowledge that a violation of the Regulations was occurring, was about to occur, or was intended to occur in connection with the items.³ Specifically, Yantai Jereh ordered, bought and/or sold the items, valued at \$383,881.88, with the intention to export them from the United States to Iran via third countries, including China and the United Arab Emirates, without the required authorization.
2. Section 560.204 of the Iranian Transactions and Sanctions Regulations (“ITSR”), administered by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), prohibits exports directly or indirectly from the United States to Iran, including transshipments through a third country to Iran.⁴ Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the Regulations if such transaction is prohibited by the ITSR and not authorized by OFAC.⁵
3. In order to facilitate its business activities in Iran and avoid detection by U.S. law enforcement, Yantai Jereh structured the transactions to conceal from the U.S. suppliers or exporters that the coiled tubing it bought and ordered was ultimately destined for use in Iran. Part of this scheme included the involvement in the transactions of a China-based trading company Jinan Tongbaolai Oilfield Equipment Co. Ltd. (“JNTBL”), which as discussed further *infra*, was done to allow Yantai Jereh to claim it was unaware the items were procured to fulfill contracts with Iranian parties. Based on the false information provided to the U.S. parties by Yantai Jereh, Automated Export System filings were made to the United States Government indicating that the items were ultimately destined to China or the United Arab Emirates.
4. Prior to engaging in these transactions, Yantai Jereh knew or had reason to know that exports from the United States to Iran required United States Government authorization pursuant to the long-standing and widely-known embargo against Iran. In or about January 2014, a now-former Yantai Jereh employee identifying

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⁵ 15 C.F.R. § 746.7 (2014-2015).

7

himself as Jereh's sales manager for Iran, who used an Iranian phone number, emailed an Iranian company, claiming that Yantai Jereh had previously left the Iranian market due to the sanctions risk because "all the main components we are using [are] from the US." Nonetheless, this former Yantai Jereh employee indicated that Yantai Jereh would try to circumvent U.S. restrictions, building "a new way to access Iranian market, that is using a [Chinese trading] company named JNTBL to deal with Iranian client to control the sanctions risk." OEE's investigation found additional correspondence from this same individual, using a JNTBL email address to conduct business with Iranian customers.

5. Additionally, during an August 14, 2014 interview with BIS Special Agents, a then-Yantai Jereh sales vice-president, who was involved in or aware of the attempted exports to Iran at issue, admitted that he was aware of U.S. policy and laws regarding exporting to countries sanctioned by the United States.
6. Yantai Jereh was further aware that no U.S. Government authorization had been sought or obtained in connection with these transactions. Each of the three attempted exports were stopped by the U.S. Government prior to the items leaving the United States. Following the detention of the last of these attempted exports, Yantai Jereh ultimately admitted to BIS that each of the coiled tubing exports described *supra* were intended for use in Iran.
7. In engaging in this activity, Yantai Jereh committed three violations of Section 764.2(e) of the Regulations.

Charge 4 15 C.F.R. § 764.2(g): False Statements to BIS in the Course of an Investigation

8. BIS re-alleges and incorporates herein the allegations set forth in paragraphs 1-7, *supra*.
9. On or about November 6, 2014, Yantai Jereh made false or misleading statements to BIS in the course of its investigation. Specifically, the same former Yantai Jereh sales vice-president interviewed by BIS Special Agents in August 2014, as discussed in paragraph 5 *supra*, provided BIS Special Agents with a written submission on Yantai Jereh letterhead titled, "Confirmation of no U.S.A. manufactured good being transshipped to Iran in 2014 by Jereh or its subsidiaries."
10. The letter, signed by another, and also now-former Yantai Jereh vice-president, stated that Yantai Jereh, along with a number of its subsidiaries, "had not sold, resold, or transshipped U.S.A. manufactured goods to Iran" in 2014, nor had they "sold equipment(s) to any purchaser knowing that the equipment would eventually be re-sold by the purchaser to entities or individuals in Iran." Additionally, Yantai Jereh's submission also asserted it did not know that Chinese

2

trading company JNTBL “was purchasing U.S. oilfield equipment for end users in Iran.”

11. These statements were false. As set forth in paragraph 1 *supra*, two of the three attempted exports at issue of coil tubing to Iran had been made prior to the November 6, 2014 letter submitted to the BIS Special Agents. Additionally, as discussed in paragraph 3 *supra*, Yantai Jereh was specifically using the Chinese trading company JNTBL to interact with its Iranian customers in order to conceal Yantai Jereh’s involvement in the transactions.
12. In so making false or misleading statements to BIS in the course of an investigation, Yantai Jereh violated Section 764.2(g) of the Regulations.

WHEREAS, Yantai Jereh has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, Yantai Jereh fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement (“Assistant Secretary”) will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Yantai Jereh enters into this Agreement voluntarily and with full knowledge of its rights, after having consulted with counsel;

WHEREAS, the Parties enter into this Agreement having taken into consideration the settlement agreement that Yantai Jereh has entered into with the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC Settlement Agreement”);

WHEREAS, if the Assistant Secretary approves the agreement and issues a corresponding order, and Yantai Jereh complies with the terms of the OFAC Settlement Agreement, BIS’s Office of Export Enforcement will recommend that Yantai Jereh and

2

Jereh International (Hong Kong) Co. Ltd, a Yantai Jereh subsidiary, be removed from the Entity List.⁶

WHEREAS, Yantai Jereh states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Yantai Jereh neither admits nor denies the allegations contained in the Proposed Charging Letter; and

WHEREAS, Yantai Jereh agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over Yantai Jereh, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanctions shall be imposed against Yantai Jereh:
 - a. Yantai Jereh shall be assessed a civil penalty in the amount of \$600,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.
 - b. The full and timely payment of the civil penalty agreed to in Paragraph 2.a and full and timely payment of the civil penalty agreed to under the OFAC Settlement Agreement are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Yantai Jereh.

⁶ Supplement No. 4 to 15 C.F.R. Part 744. See also 15 C.F.R. §§ 744.11 and 744.16.

7

c. For a period of five (5) years from the date of the Order, Yantai Jereh Oilfield Services Group Co., Ltd., with a last known address of No. 5, Jereh Road, Laishan District, Yantai Shandong Province, China, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as “Denied Person”), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- i. Applying for, obtaining, or using any license, license exception, or export control document;
- ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or engaging in any other activity subject to the Regulations; or
- iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or from any other activity subject to the Regulations.

d. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the five-year denial period set forth in Paragraph 2.c shall be

7

suspended during a probationary period of five years under the Order, and shall thereafter be waived, provided that Yantai Jereh has made full and timely payment in accordance with Paragraph 2.a above, has paid in full the civil monetary penalty agreed to under the OFAC Settlement Agreement, and has committed no other violation of the Export Control Reform Act of 2018 (“ECRA”) or the Regulations or any order, license, or authorization issued thereunder. If Yantai Jereh violates any of these probationary conditions, BIS may modify or revoke the suspension and activate the denial order, including a five-year active denial period running from the date BIS determines that Yantai Jereh has failed to make full and timely payment in accordance with Paragraph 2.a above, failed to pay in full the civil monetary penalty agreed to under the OFAC Settlement Agreement, or committed during the five-year probationary period another violation of ECRA or the Regulations or any order, license, or authorization issued thereunder. If the suspension is modified or revoked, the activation order may also revoke any BIS licenses in which Yantai Jereh has an interest at the time of the activation order.⁷

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, Yantai Jereh hereby waives all rights to further procedural steps in this matter (except the procedural steps set forth in Sections 766.17(c) and 766.18(c) of the Regulations with respect to the possible activation of suspended sanctions due to a violation or violations of this Agreement or the Order, if issued), including, without limitation, any right to:

(a) receive an administrative hearing regarding the allegations in any charging letter;

⁷ Such a revocation would include licenses existing at the time of the activation order, whether the licenses had issued before or after ECRA’s enactment on August 13, 2018. See note 1, *supra*

7

(b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued. Yantai Jereh also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any violation of the Regulations arising out of the transactions identified in the Proposed Charging Letter or in connection with collection of the civil penalty or enforcement of this Agreement and the Order, if issued, from the date of the Order until the later of the date Yantai Jereh pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement or pays in full the civil penalty agreed to under the OFAC Settlement Agreement.

4. Yantai Jereh shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or the Order. The foregoing does not affect Yantai Jereh's testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a and payment in full of the civil penalty agreed to under the OFAC Settlement Agreement, BIS will not initiate any further administrative proceeding against Yantai Jereh in connection with any violation of the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of

2

Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.


9. If the Order issues, BIS will make the Proposed Charging Letter, this Agreement, and the Order available to the public.

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10. Each signatory affirms that he/she has authority to enter into this Settlement Agreement and to bind his/her respective party to the terms and conditions set forth herein.

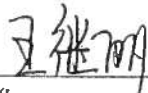
BUREAU OF INDUSTRY AND
SECURITY
U.S. DEPARTMENT OF COMMERCE



John Sonderrnan
Acting Director
Office of Export Enforcement

Date: 12/7/18


YANTAI JEREH OILFIELD SERVICES
GROUP CO., LTD.



Ji Li Wang
President
Yantai Jereh Oilfield Services Group
Co., Ltd.

Date: 2018. 11. 29

Reviewed and approved by:



Beth Peters, Esq.
Ajay Kuntamukkala, Esq.
Hogan Lovells US LLP
Counsel for Yantai Jereh Oilfield Services
Group Co., Ltd.

Date: 11/30/18



UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Industry and Security
Office of Export Enforcement
1401 Constitution Avenue, Suite 4508
Washington, DC 20230

PROPOSED CHARGING LETTER

BY FEDERAL EXPRESS

Yantai Jereh Oilfield Services Group Co., Ltd.
No. 5, Jereh Road, Laishan District
Yantai Shandong Province, China

Attention: Ms. Ji Li Wang
President

Dear Ms. Wang,

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Yantai Jereh Oilfield Services Group Co., Ltd. (“Yantai Jereh” or “Jereh”), has violated the Export Administration Regulations (“EAR” or “Regulations”) ¹ Specifically, BIS alleges that Yantai Jereh committed the following four violations:²

Charges 1-3 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

1. On three occasions, on or about July 7, 2014, September 27, 2014 and March 3, 2015, Yantai Jereh violated the Regulations by ordering, buying, and/or selling coiled tubing, items subject to the Regulations, with knowledge that a violation of the Regulations was

¹ The Regulations originally issued pursuant to the Export Administration Act (50 U.S.C. §§ 4601-4623 (Supp. III 2015) (available at <http://uscode.house.gov>)) (“EAA” or “the Act”). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.* (2012)). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, Title XVII, Subtitle B of Pub. L. 115-232, 132 Stat. 2208 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018). The violations alleged occurred in 2014-2015. The Regulations governing the violations at issue are found in the 2014-2015 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774 (2014-2015). The 2018 Regulations govern the procedural aspects of this case.



occurring, was about to occur, or was intended to occur in connection with the items.³ Specifically, Yantai Jereh ordered, bought and/or sold the items, valued at \$383,881.88, with the intention to export them from the United States to Iran via third countries, including China and the United Arab Emirates, without the required authorization.

2. Section 560.204 of the Iranian Transactions and Sanctions Regulations (“ITSR”), administered by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), prohibits exports directly or indirectly from the United States to Iran, including transshipments through a third country to Iran.⁴ Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the Regulations if such transaction is prohibited by the ITSR and not authorized by OFAC.⁵
3. In order to facilitate its business activities in Iran and avoid detection by U.S. law enforcement, Yantai Jereh structured the transactions to conceal from the U.S. suppliers or exporters that the coiled tubing it bought and ordered was ultimately destined for use in Iran. Part of this scheme included the involvement in the transactions of a China-based trading company Jinan Tongbaolai Oilfield Equipment Co. Ltd. (“JNTBL”), which as discussed further *infra*, was done to allow Yantai Jereh to claim it was unaware the items were procured to fulfill contracts with Iranian parties. Based on the false information provided to the U.S. parties by Yantai Jereh, Automated Export System filings were made to the United States Government indicating that the items were ultimately destined to China or the United Arab Emirates.
4. Prior to engaging in these transactions, Yantai Jereh knew or had reason to know that exports from the United States to Iran required United States Government authorization pursuant to the long-standing and widely-known embargo against Iran. In or about January 2014, a now-former Yantai Jereh employee identifying himself as Jereh’s sales manager for Iran, who used an Iranian phone number, emailed an Iranian company, claiming that Yantai Jereh had previously left the Iranian market due to the sanctions risk because “all the main components we are using [are] from the US.” Nonetheless, this former Yantai Jereh employee indicated that Yantai Jereh would try to circumvent U.S. restrictions, building “a new way to access Iranian market, that is using a [Chinese trading] company named JNTBL to deal with Iranian client to control the sanctions risk.” OEE’s investigation found additional correspondence from this same individual, using a JNTBL email address to conduct business with Iranian customers.
5. Additionally, during an August 14, 2014 interview with BIS Special Agents, a then-Yantai Jereh sales vice-president, who was involved in or aware of the attempted exports to Iran at issue, admitted that he was aware of U.S. policy and laws regarding exporting to countries sanctioned by the United States.

³ The items were designated EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2014-2015).

⁴ 31 C.F.R. § 560.204 (2014-2015).

⁵ 15 C.F.R. § 746.7 (2014-2015).

6. Yantai Jereh was further aware that no U.S. Government authorization had been sought or obtained in connection with these transactions. Each of the three attempted exports were stopped by the U.S. Government prior to the items leaving the United States. Following the detention of the last of these attempted exports, Yantai Jereh ultimately admitted to BIS that each of the coiled tubing exports described *supra* were intended for use in Iran.
7. In engaging in this activity, Yantai Jereh committed three violations of Section 764.2(e) of the Regulations.

Charge 4 15 C.F.R. § 764.2(g): False Statements to BIS in the Course of an Investigation

8. BIS re-alleges and incorporates herein the allegations set forth in paragraphs 1-7, *supra*.
9. On or about November 6, 2014, Yantai Jereh made false or misleading statements to BIS in the course of its investigation. Specifically, the same former Yantai Jereh sales vice-president interviewed by BIS Special Agents in August 2014, as discussed in paragraph 5 *supra*, provided BIS Special Agents with a written submission on Yantai Jereh letterhead titled, "Confirmation of no U.S.A. manufactured good being transshipped to Iran in 2014 by Jereh or its subsidiaries."
10. The letter, signed by another, and also now-former Yantai Jereh vice-president, stated that Yantai Jereh, along with a number of its subsidiaries, "had not sold, resold, or transshipped U.S.A. manufactured goods to Iran" in 2014, nor had they "sold equipment(s) to any purchaser knowing that the equipment would eventually be re-sold by the purchaser to entities or individuals in Iran." Additionally, Yantai Jereh's submission also asserted it did not know that Chinese trading company JNTBL "was purchasing U.S. oilfield equipment for end users in Iran."
11. These statements were false. As set forth in paragraph 1 *supra*, two of the three attempted exports at issue of coil tubing to Iran had been made prior to the November 6, 2014 letter submitted to the BIS Special Agents. Additionally, as discussed in paragraph 3 *supra*, Yantai Jereh was specifically using the Chinese trading company JNTBL to interact with its Iranian customers in order to conceal Yantai Jereh's involvement in the transactions.
12. In so making false or misleading statements to BIS in the course of an investigation, Yantai Jereh violated Section 764.2(g) of the Regulations.

* * * * *

Accordingly, Yantai Jereh is hereby notified that an administrative proceeding is instituted against it pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions,⁶ including, but not limited to any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$295,141 per violation,⁷ or twice the value of the transaction that is the basis of the violation;⁸
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If Yantai Jereh fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. See 15 C.F.R. §§ 766.6 and 766.7. If Yantai Jereh defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Yantai Jereh. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Yantai Jereh is further notified that it is entitled to an agency hearing on the record if Yantai Jereh files a written demand for one with its answer. See 15 C.F.R. § 766.6. Yantai Jereh is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. See 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. See 15 C.F.R. § 766.18. Should Yantai Jereh have a proposal to settle this case, Yantai Jereh or its representative should transmit it to the attorney representing BIS named below.

Yantai Jereh is further notified that under the Small Business Regulatory Enforcement Flexibility Act, it may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

⁶ The alleged violations occurred prior to August 13, 2018, the date of enactment of the ECRA. Consequently, the potential sanctions are provided for in the International Emergency Economic Powers Act. In situations involving alleged violations that occurred on or after August 13, 2018, the potential sanctions are specified in Section 1760(c) of the ECRA.

⁷ See 15 C.F.R. § 6.4(b)(4). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015. See also 83 Fed. Reg. 706,707 (Jan. 8, 2018), (Adjusting for inflation the maximum civil monetary penalty under IEEPA from \$289,238 to \$295,141, effective January 15, 2018.)

⁸ See International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Yantai Jereh's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of Yantai Jereh's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Room H-3839
Washington, D.C. 20230
Attention: Gregory Michelsen, Esq.

Gregory Michelsen is the attorney representing BIS in this case. Any communications that Yantai Jereh may wish to have concerning this matter should occur through Mr. Michelsen, who may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

