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From _____

CONGRESSMAN

Nick Rahall

WEST VIRGINIA-4th DISTRICT

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RAHALL RELEASES INVESTIGATION FINDINGS ON ARMY CORPS MINERAL LEASES MANAGEMENT

WASHINGTON, D.C. -- U.S. Rep. Nick J. Rahall (D-W.Va.) today released the results of an investigation by the U.S. General Accounting Office (GAO) into the U.S. Army Corps of Engineers management of mineral leases in West Virginia and several neighboring states.

Rahall requested the investigation earlier this year after learning that the Ohio River Division of the Army Corps had failed to distribute 75% of the production royalties collected from the mineral leases to the State as required by federal law. The Army Corps had also neglected to transfer administration of the approximately 300 leases to the Department of the Interior in contravention of Corps regulation.

"As a result of my activities in this matter, including the hearing conducted by my subcommittee, subsequent actions taken by the Corps of Engineers have caused West Virginia to receive over \$300,000 in oil and gas production royalties it was owed," Rahall said.

"While the results of this investigation confirm that we were successful in obtaining amounts due to the people of West Virginia, it did point out that we will never know the true amount involved because the investigators were unable to verify the accuracy of certain payments and because pre-1979 collection records were destroyed," Rahall added. "This is truly unfortunate."

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The mineral leases, primarily for oil and gas, are located on lands acquired by the Army Corps for various water projects. In reviewing available Corps records dating back to 1979 the GAO could determine whether payments were made but could not verify the accuracy of production-based royalty payments because production data for the leases had never been obtained by the Corps.

Congressional investigators also found that the Corps could not document the proper amounts collected from mineral lease payments before 1979 because individual collection records had been destroyed pursuant to Army regulations.

"I do not entirely fault the Army Corps for this situation. Their mission is to build flood control projects, not manage mineral leases, and the GAO found an honest mistake had been made when these leases were not transferred to the Bureau of Land Management which has expertise in these matters," Rahall said. "However, as evidenced by this investigation, I do believe the Army's policy of destroying records after 6 years should be changed."

Rahall noted that aside from the major issues of West Virginia being reimbursed and the leases now being properly managed, the investigation has created a heightened awareness in the State to federal mineral leasing issues.

"The western states are more in tune with federal mineral leasing because of a great degree of federal land ownership and the historical presence of the Bureau of Land Management in that region. In the East, the BLM is not well known, federal minerals are not part of our heritage and most states have paid little to no attention to these matters. Yet, royalties from oil and gas leases on federal lands such as in our national forests can add up to hundreds of thousands of dollars in a given year," Rahall said.