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#### ARMY CORPS OWES WEST VIRGINIA

WASHINGTON, DC - The U.S. Army Corps of Engineers has informed U.S. Rep. Nick Rahall (D-W.Va.) that it owes over one-half million dollars to West Virginia and three other states from mineral leasing production royalties collected since 1978.

Amounts collected but not distributed to the states prior to 1978 are unknown as the records on the leases apparently were destroyed.

In March, Rahall, Chairman of the Subcommittee on Mining and Natural Resources brought to light the fact that the Ohio River Division of the Corps of Engineers had been improperly managing oil and gas leases in West Virginia, Pennsylvania, Ohio and Kentucky and had failed to distribute 75% of the production royalties collected to the states as directed by Corps policy and provision of law. Management responsibility for the mineral leases have since been transferred to the Department of the Interior.

"It appears we will never know the true amount of money owed to West Virginia and the other states since the collection records on these mineral leases for years prior to 1978 evidently have been destroyed," Rahall said. "This is coupled with the fact that there was inadequate monitoring of these leases to ensure that royalties paid matched actual production levels."

The corps today told Rahall that the states are owed \$529,990 and of this amount, \$324,000 is West Virginia's share. Efforts are underway by the Corps to obtain a refund of this amount from the U.S. Treasury.

Along with the Bureau of Land Management, the Corps has examined the leasing situation pursuant to a commitment made during Rahall's April 9 Mining Subcommittee Hearing. The mineral leases were acquired by the Corps as part of various flood control projects dating back to the early 1900s. While the Corps has stated that its regulations direct that acquired mineral leases be transferred to the administration of the Department of the Interior, for reasons still unknown the Ohio River Division failed to comply with this directive. Additionally, during the Rahall hearing, the Corps indicated that since 1980 the Ohio River Division failed to distribute 75% of the production royalties collected from the mineral leases to the states as directed by Corps policy based on the statute authorizing land acquisition for flood control projects.

However, upon a review of available records dating back to 1978, the Corps has now found that production royalties collected prior to 1980 were deposited into the Federal Treasury as well rather than returned to the states. According to the Corps, records prior to 1978 were destroyed as part of normal Army procedures.

"Now that management responsibility for these leases has been transferred to mineral experts at the Interior Department, I do not anticipate problems of this nature in the future," Rahall commented. "There are still some questions I have on this whole matter, especially as to why the collection records on these leases dating prior to 1978 were destroyed. It is just hard to believe there are no records whatsoever still around and perhaps the final report by the Corps and the results of the U.S. General Accounting Office investigation will shed additional light."