

# news

*Committee on Interior and Insular Affairs  
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*House of Representatives  
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**PUBLIC DEFRAUDED OF \$250 MILLION UNDER MINING CLAIM INVESTMENT SCAMS**  
*Congressional Report Uncovers Laundry List of Illegal Activities  
on Federal Lands Claimed under Mining Law of 1872*

**WASHINGTON, D.C.** -- Investment scams that have bilked victims of over \$250 million lead the list of illegal activities engaged in under the guise of an 118-year old federal mining law, the chairman of the House Subcommittee on Mining and Natural Resources, Rep. Nick J. Rahall (D-WV), said today in releasing the findings of an investigation conducted by the U.S. General Accounting Office.

The report also disclosed that public lands claimed under the Mining Law of 1872 were being used to support a wide variety of unauthorized activities and uses, from growing marijuana to residences such as rent-free summer cabins. Meanwhile, federal officials estimate that over 80% of the 1.2 mining claims are not being explored, developed or mined.

"This investigation reveals a pattern of public land speculation and exploitation that is simply beyond the ability of the federal government to control under existing law," Rahall stated. "Due to its deficiencies and archaic provisions, the Mining Law is viewed by some as an open invitation to engage in illicit and unauthorized activities that have nothing to do with mineral exploration and development. The public interest is being subverted and nothing short of a complete revamp of the law will change this tragic situation."

Under the Mining Law of 1872 individuals may stake claims on public lands ostensibly for valuable minerals such as gold, silver, lead, zinc and copper without prior federal government approval. No rentals or royalties are collected for the use of federal lands or any minerals that may be produced and claims can be held indefinitely due to the law's lack of diligent development requirements. The vast majority of claims are on lands administered by the Bureau of Land Management and the Forest Service in the 11 western states and Alaska.

At Chairman Rahall's request GAO examined the types of nonmining activities occurring on mining claims. "Unauthorized activities result in a variety of problems, including blocked access to public land by fences and gates; safety hazards to those using the land, such as threats of physical violence and brandishing of firearms; environmental eyesores caused by abandoned vehicles, dumped garbage, and road construction; environmental contamination caused by the unsafe storage of hazardous wastes; investment scams that defraud the public; and increased costs to reclaim damaged land or otherwise acquire land from claim holders intent on profiting from holding out for monetary compensation from parties wishing to use the land for other purposes," the report states.

Investigators uncovered:

**\* Mining claim investment scams operating on federal lands.** In one alleged scam operation, an individual filed 1,263 claims covering about 200,000 acres of public land in the Kaibab and Conconino National Forests in Arizona and sought money from investors to mine gold. Forest Service officials, however, sampled various claim sites and found only basaltic rock and cinder material present.

MORE



The director of the New Mexico Securities Division, who GAO said heads a multistate mining scam clearinghouse called "Project Goldbrick," told investigators that documented mining investment scam losses have reach at least \$250 million. Project Goldbrick is aware of over 100 suspected mining scams, mostly in Arizona, California and Nevada. In 1989, these states had 21 cases under investigation or prosecution.

*\* Marijuana cultivation on mining claims.* At one claim site on BLM-managed land near Nevada City, California, GAO investigators observed a drip irrigation system and observation post in a tree over an underground marijuana drying shed. Aside from this activity being illegal, GAO said it causes safety hazards because the claims are frequently guarded by armed men or bobby traps.

*\* A wide range of unauthorized residences from shacks and trailers to summer cabins and permanent more expensive year-around houses.* In California's Tahoe National Forest, for example, a claim holder lives on the banks of the Yuba River in a large house with a picturesque setting, but no mining was taking place. The GAO also noted that "unauthorized residences deny the general public their right to safely enjoy the benefits of public lands. Claim holders often block public land through a variety of means including erecting fences and gates and posting 'no-trespassing' and 'private property' signs. There have also been instances of claim holders issuing verbal threats and brandishing firearms."

*\* Nonmining commercial operations ranging from rental properties to toxic chemical storage.* At one site in southern California's Mojave Desert, for instance, a claim holder was using an 11-acre claim to store scrap metal and other materials including arsenic, copper and cyanide.

*\* The filing of nuisance claims.* "Some claim holders record claims but do not mine on them; rather, they profit by blocking an anticipated land use until a prospective user buys out their interest, probably for thousands of dollars more than the minimal amounts they paid to record their claims," GAO said. In one case, the Department of Energy bought out a claim holder who was blocking construction of a proposed nuclear waste repository site at Yucca Mountain in Nevada at a cost of \$249,500. After DOE identified the site as a possible repository, the individual had filed claims covering about 540 acres of the proposed repository area.

"There is little in existing laws or regulations to deter claim holders from initiating unauthorized activities or to encourage them to promptly terminate such activities when discovered," GAO said in explaining that efforts to eliminate unauthorized activities are costly and time-consuming to the BLM's and Forest Service's small enforcement staffs.

According to Rahall: "The intent of the Mining Law is obviously not to promote marijuana cultivation or provide free land for vacation homes in wilderness settings. Yet, the lack of diligent mineral development criteria for mining claims gives rise to these types of abuses and the law itself becomes an impediment to those who are serious about mineral development."

Earlier this year, Rahall introduced comprehensive legislation to revise the Mining Law of 1872. A major aspect of the bill is its proposed diligent development requirements. On September 6th, his Subcommittee on Mining and Natural Resources will conduct a hearing on the bill, H.R. 3866, in Washington, D.C. The GAO, BLM and Forest Service are among those scheduled to testify.

*A limited number of copies of the report, entitled "Federal Land Management: Unauthorized Activities Occurring on Hardrock Mining Claims" for use by the media can be obtained from the Subcommittee.*