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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

MAY 25 1972

Dear General Clarke

The General Accounting Office has reviewed the policies and procedures used in the acquisition of mineral rights at selected water resources projects by the Huntington, Louisville, St Louis and Tulsa District Offices of the Corps of Engineers (Civil Functions), Department of the Army

In an earlier report to the Congress dated September 29, 1967, we reported examples where the Corps had entered into agreements with owners which provided for the full payment of the estimated value of oil reserves. Subsequent to the agreements, however, owners were permitted to extract oil without an appropriate adjustment in the cost to the Government in acquiring the mineral interest.

In commenting on our earlier report, the Department of the Army, by letter dated May 24, 1967, advised us that the Chief of Engineers had this matter under study and would prepare and modify instructions to preclude windfall benefits in connection with the acquisition and subordination of mineral rights at water resources projects.

Our current review work showed no examples of the type discussed in our earlier report. We found, however, that no written directives or other formal instructions had been issued by the Corps to the division and district offices as a result of the deficiencies cited in our earlier review.

The Division Engineers at the Lower Mississippi Valley and Southwestern Divisions, where our earlier review work had been completed, were provided with additional instructions to be followed in mineral acquisitions. Subsequently, these same instructions were also provided to the Ohio River Division after they requested guidance upon reading of the deficiencies in the Comptroller General's Annual Report. By letter dated August 18, 1969, the Office of the Chief of Engineers advised the Ohio River Division that appropriate changes would be made in ER 405-1-620 and ER 405-2-150 in order to incorporate the guidance provided.

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We believe that in order to fully inform the various other division and district offices in this matter, the Engineering Regulations should be modified or amended as was indicated by the Department's comments in 1967.

We wish to express our appreciation for the cooperation and courtesies extended to our representatives during the review work.

Copies of this report are also being sent to the Secretary of Defense and the Secretary of the Army.

Sincerely yours,


Wilbur D. Campbell
Assistant Director

Lieutenant General F. J. Clarke
Chief of Engineers
Department of the Army
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