



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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ENERGY AND MINERALS
DIVISION

September 10, 1981
RELEASED

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B-204461

The Honorable James D. Santini
Chairman, Subcommittee on Mines
and Mining
Committee on Interior and
Insular Affairs
House of Representatives

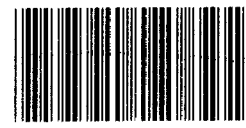
Subject: Improvements in Department of the Interior Leasing of Potential Aluminum Resources are Necessary for More Timely Decisionmaking (EMD-81-135)

Dear Mr. Chairman:

At your request, our report to you entitled "Possible Ways to Streamline Existing Federal Energy Mineral Leasing Rules" (EMD-81-44 dated January 21, 1981) identified impediments to energy mineral leasing. This report is in further response to your earlier request. It addresses impediments in leasing the nonfuel mineral alunite on Federal lands. Alunite, a potential alumina resource, contains and is, therefore, leased as a potash resource. Development of alunite would produce both potash, a fertilizer, and alumina, the raw material for aluminum, a strategic material.

We made this review to determine how the Department of the Interior's decentralized mineral management decisionmaking process affects exploration and development of a nonfuel mineral. Specifically, we reviewed all potash prospecting permit and preference right lease applications potentially affecting exploration and development of alunite in the states of Colorado, New Mexico, Utah, Nevada, and Wyoming. We also reviewed correspondence files and discussed specific cases with industry representatives and with officials in the Bureau of Land Management (BLM), and U.S. Geological Survey (USGS), the two agencies responsible for leasing nonfuel minerals.

FAILURE OF THE DEPARTMENT
OF THE INTERIOR TO RESPOND
TO GAO CONCERNS REGARDING
FEDERAL MINERALS MANAGEMENT



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On June 5, 1981, we issued a report to the Congress entitled "Minerals Management at the Department of the Interior Needs Coordination and Organization" (EMD-81-53). We reported that the

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decisionmaking process affecting mineral exploration and development on Federal lands is not consistently or cumulatively evaluated for potential effects on mineral markets. We also found that Interior's decentralized, unaccountable mineral management process can result in unnecessary delays and lack of full consideration of the costs and benefits of decisions. As we pointed out in that report, the minerals management process at the Department of the Interior needs coordination and organization--attention at top management levels to give it purpose and accountability. We recommended that the Secretary develop a minerals management program plan which discusses in detail the objectives and goals of the Department regarding key questions of mineral resource management.

Although given the opportunity, the Department of the Interior did not provide comments on our report (EMD-81-53). In addition, the Department has not complied with Section 236 of the Legislative Reorganization Act of 1970 which requires the head of a Federal agency to notify the Congress about actions taken on GAO recommendations not later than 60 days after the date of the report. This review further substantiates the overall findings of our earlier report and is a further indication to us that hearings may be needed to determine what the Department's intentions are in coordinating minerals management with other resource programs and providing for cumulative evaluation of restrictive decisions.

This further review continues to substantiate the conclusions and recommendations of the earlier report. The Department, in commenting on our review of alunite leasing, indicated a desire to continue working with us in correcting mineral management deficiencies and to respond to our earlier report in the future. The measures the Department cited for improving nonfuel mineral leasing are steps in the right direction. These steps alone, however, will not address the overall problems of coordinated management of Federal mineral resources.

ALUNITE--A PRIVATELY FINANCED
POTENTIAL NEW DOMESTIC ALUMINUM
RESOURCE MAY NOT BE DEVELOPED
BECAUSE OF DELAYS AND MISMANAGEMENT

Since the Federal government controls all of the known major domestic resources of alunite, the role played by the government in approving and disapproving applications for exploration permits and development leases is particularly crucial. However, excessive and unnecessary delays by the Department of the Interior in processing prospecting permits and lease applications for alunite have frustrated exploration and development. For example, in the states included in our review, as of April 30, 1981, 92 percent of the potash prospecting permit and preference right lease applications for alunite had been outstanding over 5 years, and some delays had exceeded 10 years. These delays have gone unchecked as a

result of a lack of accountability in managing minerals on Federal lands. It appeared from this review that Interior lacked systematic, effective procedures for managing implementation of the Mineral Leasing Act of 1920 and related leasing laws. Further, the lack of review of and accountability for decisionmaking within the Department of the Interior was common to each example cited in this report. Formal reporting was not routinely required and management control was virtually nonexistent. Information supporting denial or restriction of leasing actions was not routinely checked or reviewed. Furthermore, the cumulative effect of individual decisions as they might affect an entire resource or industry was not considered at any level. Finally, Interior did not have a program to bring to light and reduce unnecessary delays in processing nonfuel mineral applications.

At your request, the Department of the Interior reviewed a draft of this report. Their written response which is enclosed concurred entirely in its conclusions. Corrective measures to address the problems discussed in this report included several proposed amendments to the regulations governing nonfuel mineral leasing to streamline processing for preference right leases. The Department also noted that the Bureau of Land Management has begun to update field office reporting requirements, and a formal reporting system for monitoring progress on minerals casework has been initiated.

Alunite leasing unnecessarily delayed in Utah

BLM and USGS unnecessarily delayed an opportunity to develop a multimillion dollar venture in Utah with the potential to produce 500,000 tons of alumina annually as well as important fertilizer products. Lack of required headquarters direction, low priority designation and uncertainty of what was required contributed to unnecessary delays in reaching decisions regarding lease processing.

In the early 1970's, Earth Sciences, Inc., the Southwire Company, and National Steel Corporation formed a joint venture, Alumet, to explore and develop alunite. Representatives of Alumet told us the company invested over \$25 million to develop the production process and applied for several preference right leases, after finding valuable deposits of alunite on Federal land. Had these lease applications, submitted in early 1973, been processed in time, Alumet planned to commence mine construction in 1977 and production in early 1980.

BLM and USGS did not conduct necessary reviews in a reasonable time, subjecting the applicant to changing departmental regulations and changing economic conditions over a period of 8 years. BLM was aware of the need for an environmental impact statement (EIS) as early as 1973. However, the EIS process did not start

until 2 years later and the team was assigned to the EIS project on a halftime basis. Nearly 4 years after it had determined the need, BLM completed the EIS in late 1977. However, because of these avoidable delays, Alumet had to meet new regulations promulgated in 1976 requiring significant additional economic justification, added to what they had already provided, to obtain the lease.

Furthermore, prior to completion of the EIS, the Department of the Interior halted all nonfuel mineral leasing while it reviewed its royalty regulations. This leasing moratorium added another 4 years to processing time. We believe that had the originally required reviews been completed in a reasonable time, this additional delay would have been avoided. USGS could not begin its review of the applicant's economic justification until new royalty regulations were published. Although the regulations were published in May 1980, USGS had not completed its evaluation as of May 31, 1981. Until USGS completes its review, BLM is unable to complete the leasing process, which has now gone on for 8 years.

According to representatives of Alumet, these delays have resulted in an estimated capital investment increase in Alumet's planned mining operation from about \$500 million in 1977 to over \$800 million in 1980.

USGS delays in Nevada discourage exploration and development

The leasing law for potash provides a 2-year period with a 2-year extension right to conduct mineral exploration work. Upon approval of a prospecting permit necessary for alunite exploration, the permittee is required to submit an exploration plan defining how exploration will be conducted.

The Nevada BLM approved three Earth Sciences, Inc., prospecting permits in August 1976. The company submitted an exploration plan to USGS to commence exploration in the fall of 1976. When approval to begin exploration was not received, the company submitted revised plans in December 1976 and again in June 1977. Still, no action was taken. In May 1978, Earth Sciences, Inc., requested that the permit be reissued, stating:

"The significant delay in approval of an exploration plan... has essentially deprived Earth Sciences, Inc. of two years of exploration...under a system which allows only a maximum of four years to demonstrate an economic orebody..."

USGS agreed with Earth Sciences, Inc., claim and in a letter to the Nevada BLM, stated:

"...Earth Sciences, Inc. has a point in that governmental inaction has, in fact, negated two years of their prospecting effort; however the regulations are specific in that only an extension may be granted."

An extension, but not a new permit, was granted in June 1980. USGS approved the exploration plan in March 1981, pointing out that the prospecting period would expire on June 30, 1982, 15 months from the approval date. An Earth Sciences, Inc., official advised us that their current budget made no provision for exploration during 1981 on the Nevada property because the company had been so uncertain of the exploration plan status that it did not bother to program funds.

We believe USGS's unexplained and apparently unnecessary inaction is contrary to the objectives set forth by Congress in minerals legislation--to foster and encourage domestic mineral industries. Any unnecessary delay in the administrative process which reduces the amount of time normally available for exploration frustrates this goal.

Questionable circumstances surround
a Wyoming land use plan

Errors in fundamental decisionmaking data caused one Wyoming resource area office to recommend rejection of an alunite prospecting permit application unnecessarily. To explore for alunite resources, Occidental Minerals applied for a potash prospecting permit in southwestern Wyoming on September 22, 1977. The application was initially delayed 6 months by USGS for no apparent reason. Because the applicant inquired about the permit status in March 1978, USGS commenced its technical review then and in February 1979, almost a year later, recommended that BLM issue the permit.

In March 1979, BLM's cognizant area office assumed responsibility for an evaluation to determine technical and environmental considerations, the next step in the process. Completion of this step, however, was delayed until the resource area office completed its land use plan. In developing the plan, the resource office recommended that the Occidental Minerals permit be rejected due to conflicts with

- elk critical winter range,
- sage grouse strutting and breeding grounds,
- important deer and antelope areas, and
- a recreation area in close proximity to the permit area.

Additionally, the land use plan stated that technology did not exist to process alunite to alumina and, should a mine be developed, strip mining (the assumed extraction method) would conflict with recreation and wildlife values in the area. The wildlife portion of the plan stated no activity should be permitted which interfered with wildlife.

We analyzed the facts presented in the land use plan and found many errors. Resource area officials, in responding to our inquiry, stated they had, in fact, included erroneous wildlife and mineral data. They agreed to reconsider their recommendation. We were advised that, subsequently, upon reevaluating the data, the resource area office plans to recommend approval of the prospecting permit.

CONCLUSIONS

Excessive and unnecessary delays in processing alunite prospecting permit and preference right lease applications in several western states have frustrated development of a potential domestic aluminum resource. Exploration and development of such leasable nonfuel minerals as alunite cannot occur without Government approval. Thus, to allow inaction without formulating alternative means of allowing exploration and development automatically means there will be little or no activity.

As the Department noted in responding to the results of our review, the Bureau of Land Management must coordinate adjudication and processing of mineral leasing activities with such surface management agencies as the Forest Service. The Department recognizes that, in such cases, the Bureau has less control in scheduling field examinations and environmental analysis.

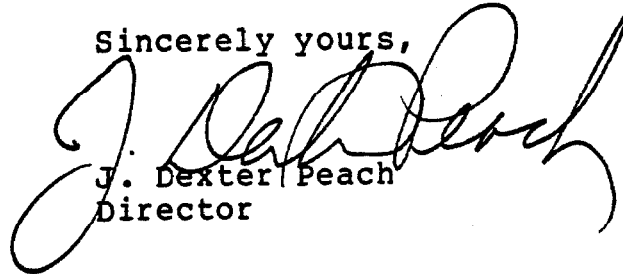
Further, the Department stated that, in some cases, permittees themselves do not aggressively pursue or react diligently to leasing requirements for economic, budgetary, or other internal reasons. The point is well taken--not all delay is attributable to Government slowness or indecision alone. This point should not, however, lead to a generalized assumption that unresponsiveness from any of the parties involved should be allowed to continue unchecked. We believe that neither lack of Government responsiveness nor insufficient permittee diligence should tie up disposition of valuable resources indefinitely, as appears to have been the case with alunite.

As we found in our earlier work, and noted again in this review, BLM's decentralized, autonomous minerals management structure allows resource managers to administer the leasing system without consistent review of potential long-range impacts on the Nation's economy or self-sufficiency. Also, decisions may be made in a vacuum relevant to the cumulative, national economic implications. BLM's management control and reporting system which was inadequate at the time of our review, is now undergoing numerous corrections. If these corrections are properly implemented to provide top management with routine visibility over the status of nonfuel mineral leasing and hold individual decisionmakers accountable for unnecessary delays, inaccurate data and analysis, or failure to analyze the full ramifications of actions to delay or restrict nonfuel mineral leasing, they are steps in the right direction.

The corrective measures being initiated by BLM for nonfuel mineral leasing may help, but being limited to that agency alone, do not address the larger question of cumulative evaluation or review of restrictive decisions as they affect an entire resource or industry. Also, coordination of mineral and surface management functions and long-term planning will not be addressed if management improvement is limited to administrative streamlining. Indecision can result when policy-related problems are unaddressed or inefficiently dealt with on a case-by-case basis. The case of alunite leasing reflects that forward-looking, anticipatory policymaking may be essential to effectively deal with new low-grade resources.

As arranged with your office, unless you announce its contents earlier, we plan to distribute this report to cognizant agencies and other interested parties, and make the report available upon request 14 days from the date of the report.

Sincerely yours,



J. Dexter Peach
Director

Enclosure



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 21 1981

Mr. J. Dexter Peach
Director, Energy and Minerals
Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

This responds to your request of August 6, 1981, requesting our comments on your draft report: "Improvements in Department of the Interior Leasing of Potential Aluminum Resources are Necessary for More Timely Decisionmaking."

The report brings to our attention needed changes in the way the Bureau of Land Management (BLM) and Geological Survey (GS) manage leasing of alunite and other nonfuel minerals. We appreciate your candid assessment of leasing program deficiencies, and we concur with the report's conclusions. This report will provide a constructive contribution in the Department and Bureau efforts to improve upon the management of the nonfuel leasable minerals program.

The Bureau of Land Management has taken several initial steps to ensure that the nonfuel program receives increased attention. We are proposing several amendments to the 43 CFR 3500 regulations which will reduce considerably the burdens of processing Preference Right Lease applications for the applicants and the United States. Further, BLM has begun to update reporting requirements of our field offices, and the Department has initiated a formal reporting system designed to monitor progress on minerals casework. As we initiate more substantive improvements to nonfuel minerals management, we will keep you informed of our progress.

A few points not in the report are worthy of mention. First, BLM must coordinate the leasing of nonfuel minerals with not only GS but also the Forest Service and other agencies where BLM is not the surface managing agency. When other surface managing agencies are involved, BLM's role becomes one primarily of adjudication and ensuring that necessary steps in processing are completed. In these instances BLM has less control in scheduling field examinations and environmental analyses. Other surface managing agencies are responsible for developing environmental stipulations that would be attached to preference right leases.

Second, permittees are occasionally not aggressive in pursuing their Preference Right Lease applications because of unfavorable market conditions at the time. Therefore, at least some cases are not acted upon because the permittees choose not to react diligently on them for economic, budgetary, or other internal reasons.

Mr. J. Dexter Peach

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We must apologize for not responding to your excellent draft report forwarded to us earlier this year entitled "Minerals Management at the Department of the Interior Needs Coordination and Organization." Transition difficulties within the BLM prevented our timely response. We shall forward you under separate cover comments to that final report.

We appreciate the opportunity to review this report and encourage you to work with us in correcting these management deficiencies.

Sincerely,

/sgd/ David C. Russell

Acting Assistant Secretary, Land and
Water Resources