



Review of Mineral Rights and Conveyance of State Lands

Proposed Final Report

Joint Legislative Audit & Review Committee

December 3, 2008

Stacia Hollar, JLARC Staff

Review Mandated by 2008 Supplemental Operating Budget Note



JLARC was directed to:

- Evaluate “public policy issues raised with respect to the conveyance of state lands that include the reservation to the state of mineral rights.”
- Conduct case studies

R
E
V
I
E
W

M
A
N
D
A
T
E

State Law Requires a Reservation of Mineral Rights



B
A
C
K
G
R
O
U
N
D

- Since 1907, the state has been required to keep the rights to minerals when it transfers land.
- State controls access to the reserved mineral rights even when the minerals are located on land owned by another person or entity.

State Law Defines Scope of Reservation



M
I
N
E
R
A
L

R
E
S
E
R
V
A
T
I
O
N

- Law requires that the following be reserved:
 - *“all oils, gases, coal, ores, minerals and fossils of every name, kind or description”*
- Law distinguish the above resources from “valuable materials” which are not reserved:
 - *“forest products, forage or agricultural crops, stone, gravel, sand, peat, and all other materials of value **except mineral, coal, petroleum, and gas**”*

How Does the Sale of State Lands Affect These Resources?



S
A
L
E

O
F

L
A
N
D

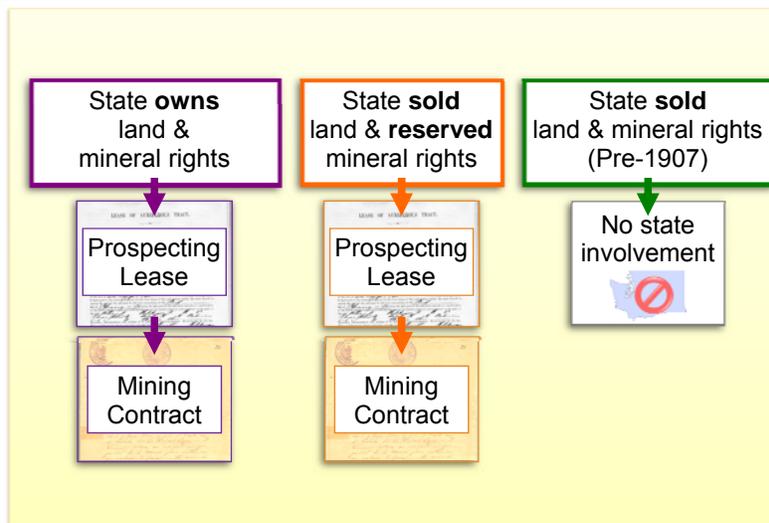
- Sold before 1907
 - Both minerals and valuable materials could be sold either **with** the land or **separate** from the land
- Sold in or after 1907
 - Minerals **could not be sold with** the land but rather the state must **reserve** mineral rights
 - Valuable materials continue to be sold either **with** the land or **separate** from the land

Process for Accessing Mineral Rights



A
C
C
E
S
S

P
R
O
C
E
S
S

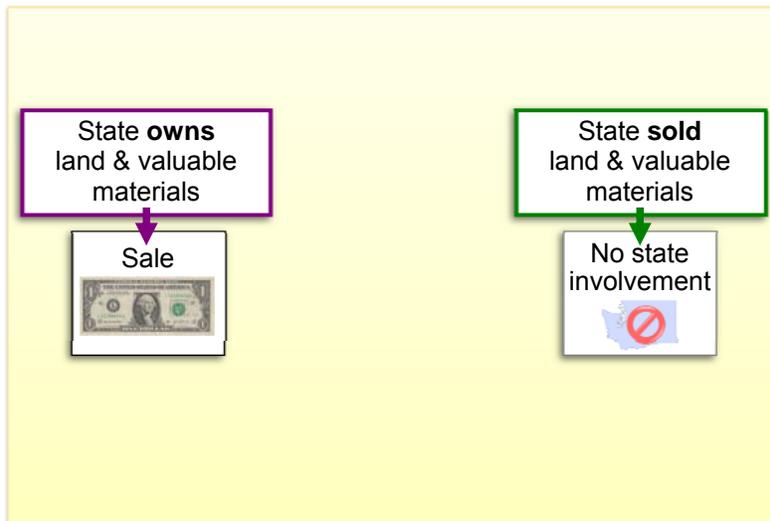


Process for Accessing Valuable Materials



A
C
C
E
S
S

P
R
O
C
E
S
S



JLARC Case Studies Selected for Review

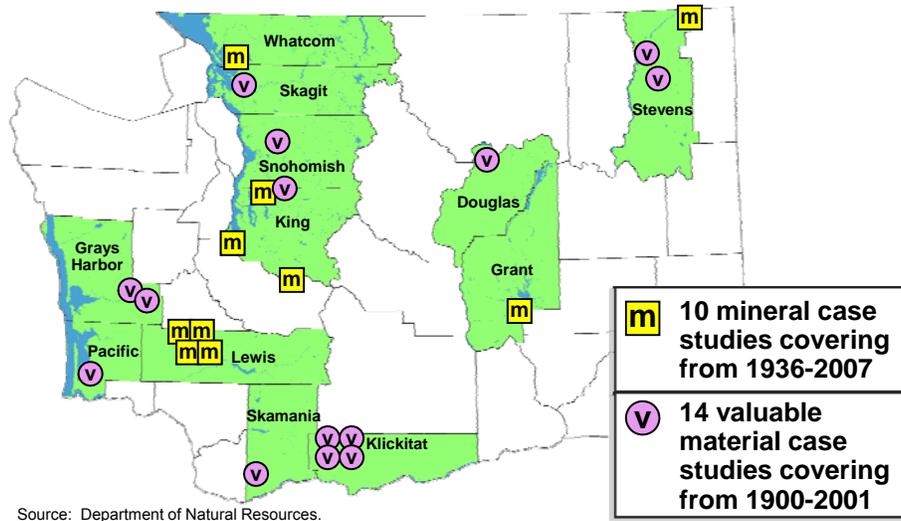


C
A
S
E

S
T
U
D
I
E
S

- Mineral case studies – state had sold the land but reserved mineral rights
- Valuable material case studies – state still owns the land
- Maury Island parcel listed as possible case study in budget note
 - Included in mineral case studies due to a 1973 oil and gas lease
 - Not included in valuable materials case studies because state sold the land and the gravel together

Locations of Case Studies



Results of Case Studies



C
A
S
E

S
T
U
D
I
E
S

- **Mineral** – reviewed 10 transactions
 - All transactions included a reservation of mineral rights
 - Access provided through mineral prospecting leases with few progressing to mining contracts
- **Valuable Material** – reviewed 14 transactions
 - All but one in compliance but one transaction in Snohomish County involving gravel
 - DNR initially handled as a mining contract rather than a sale but later amended documents

Agency Responses



A
G
E
N
C
Y

R
E
S
P
O
N
S
E
S

- Department of Natural Resources

“We are pleased to find that the appropriate methods for conveying minerals and valuable materials have been consistently followed over the years you examined.”

- Office of Financial Management

“We have no specific comments at this time, but wish to acknowledge the research and analysis presented in the report. It provides valuable clarification about who owns minerals and other resources when public lands are sold.”

Contact Information



Stacia Hollar
360-786-5191
hollar.stacia@leg.wa.gov
www.jlarc.leg.wa.gov