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## PAGE ONE

### DEAL BREAKER


# Land-Swap Plan Causes Trouble For Congressman

Mr. Renzi Offers Field To Mining Companies; Grand Jury Is Active

By JOHN R. WILKE

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SUPERIOR, Ariz. -- As they dig for nickel, copper and other commodities in the far corners of the earth, the world's largest mining companies, **Rio Tinto PLC** and **BHP Billiton Ltd.**, are used to solving geological problems. Here, though, the problems they encountered were political.



**Rick Renzi**

North America's largest copper lode is believed to be buried more than a mile beneath Apache Leap, the stark red cliffs that loom above this storied Old West town about an hour east of Phoenix. Resolution Copper Co., a joint venture between Rio Tinto and BHP Billiton, wants to mine it. But first it needs Congress to approve a federal land exchange, under which Resolution would swap 5,000 acres of private land for 3,000 acres of public land near its planned mine.

In exchange for supporting the bill, the local congressman, Rick Renzi, a Republican, insisted on something in return: He wanted Resolution to buy, as part of the land swap, a 480-acre alfalfa field near his hometown of Sierra Vista, according to documents and people involved in the deal.

Resolution executives refused. For starters, they thought the land was overpriced, people close to the deal say. More troubling, they discovered it was owned by Mr. Renzi's former business partner, these people say.

Resolution wasn't the only party troubled by the congressman's demands. His chief of staff resigned and began cooperating secretly with the Federal Bureau of Investigation, according to witnesses and others close to the case. The FBI began a preliminary inquiry that was first reported in October, just before Mr. Renzi was elected to a third term.

That investigation has now become a formal public-corruption probe by a federal grand jury in

Tucson. On Thursday, the grand jury authorized a search warrant of a Renzi family business. Investigators have uncovered evidence that Mr. Renzi received a cash payment from his former business partner, funneled through a family wine company, after a second investor group pursuing an unrelated land swap agreed to pay \$4 million for the alfalfa field, according to people contacted in the course of the two-year investigation.

Mr. Renzi denies any wrongdoing and says that he intends to cooperate with the investigation. The search of the family business, he said in a statement Friday, is "the first step toward getting the truth out." His lawyer says the cash payment he received was to settle an unrelated debt.

The case could add fuel to the firestorm over the Bush administration's firing of federal prosecutors late last year. Paul Charlton, the U.S. Attorney who had been overseeing the case, was among those dismissed at the behest of the White House. A spokesman for Mr. Renzi dismissed as "a political hatchet job" the suggestion that Mr. Charlton's firing was connected to the probe of Mr. Renzi. On Thursday, Attorney General Alberto Gonzales told Congress that none of the dismissals were politically motivated, and said the Justice Department is committed to battling corruption.

The Renzi case is the latest in a wave of public-corruption investigations of local and federal officials. At least five members of Congress -- three Republicans and two Democrats -- are now under federal criminal scrutiny. Two former members, both Republicans, have gone to prison in the past year. Voter polls have suggested that the investigations were one reason Republicans lost control of Congress last November.

The Renzi case spotlights the potential for abuse in the murky world of legislated land swaps, which have become more common in recent years. Thousands of acres of public land worth hundreds of millions of dollars change hands each year through narrow special-interest bills. There is little public scrutiny, and often no vote is recorded in Congress. Some swaps serve public goals, such as protecting wild habitat. Others enrich private interests at taxpayers' expense, sometimes sidestepping federal rules in the process.

The proposed Arizona land exchange would sweep aside a 1954 order by President Eisenhower protecting national forest in the area, including Oak Flats, a campground located above the proposed mine. "Yet another piece of land that was being 'permanently' protected is being put on the block because a private interest has use for it," Janine Blaeloch, director of the nonprofit Western Lands Project, complained to Congress last year.

Resolution, which declined to comment about its contacts with Mr. Renzi, has said it hopes to sink 7,000-foot shafts into the ground to reach the rich vein of copper ore. It has worked for years to win support for the mine, reaching out to local officials, environmentalists and rock-climbing groups. Arizona's governor and most members of its congressional delegation are backers. The governor told a Senate hearing last year the project could bring 1,000 jobs and \$1 billion or more to the state's economy.



Although Superior has long been a mining town, it has escaped some of the ravages of open-pit mining that have scarred nearby towns. It is rich in natural beauty, including otherworldly rock formations and steep cliffs that draw thousands of climbers each year. Mayor Michael Hing sees the new mine as a way to escape the boom-and-bust cycles

that have whipsawed the town for more than a century, ever since silver was discovered in 1875 at the Silver Queen mine and hundreds flocked to town, including famed gunslingers Doc Holliday and Wyatt Earp.

In order to secure the use of the government land for mining, Resolution has proposed buying a number of parcels elsewhere and transferring them to government entities for uses completely unrelated to mining. The town of Superior, for example, would get title to the town graveyard, now on federal land. Climbers would get another place to explore. Resolution says the vast Apache Leap rock escarpment -- so named because Apache warriors on horseback are said to have jumped to their deaths to evade capture -- would be protected. The San Carlos Apache tribe opposes the mine, citing concerns that culturally significant areas would be disturbed.

Mr. Renzi told Resolution in 2005 that his support for the land swap would hinge in part on whether it helped fulfill a goal to cut water consumption along the San Pedro River, which slices through the desert far from the mining area, in southern Arizona, participants in the deal say. Fort Huachuca, a big U.S. Army base nearby, was under court order to cut water consumption, and it had been seeking help to retire farmland near the river. Mr. Renzi has longstanding ties to the base, the economic engine of the area. He grew up near it, and his father, retired U.S. Army Gen. Eugene Renzi, is its former commandant, now employed by one of its largest contractors, **ManTech Corp.**

Resolution proposed buying and handing over to the government thousands of acres of bird and wildlife habitat along the banks of the San Pedro, which would further the water-conservation goal.

In early 2005, however, Resolution balked at buying the 480-acre alfalfa field owned by Mr. Renzi's business partner, James Sandlin. Mr. Renzi then turned to another investment group, called the Petrified Forest group, that was looking to put together a unrelated land swap. That group, which included Bruce Babbitt, the former governor, agreed that April to buy the patch of farmland for nearly \$4 million, says Philip Aries, a land-swap expert that was part of the group.

"Congressman Renzi told me that the purchase of the Sandlin parcel was a matter of national security, and that it was key to ensuring the viability of Fort Huachuca," Mr. Aries says. "He said that if we were to buy it before" upcoming hearings about the possible closure of the base, "he would give our swap priority -- a 'free pass,' he said, would be sure to get through the Natural Resources Committee," thereby ensuring its approval.

Mr. Aries says that after his group's purchase of the alfalfa field went through in 2005, Resolution complained that the Petrified Forest group had gotten priority treatment, and Mr. Renzi dropped his support for that group's land swap.

Mr. Aries, Resolution executives and others involved in the proposed transactions have been interviewed about the matter by the FBI, people close to the case say. Mr. Aries declines to discuss those conversations, or other details of his group's dealings with Mr. Renzi. Mr. Sandlin, the former owner of the alfalfa field, declines to comment.

Public records show that Mr. Sandlin and Mr. Renzi became business partners in 2001, when Mr. Sandlin bought shares of Fountain Realty & Development, one of Mr. Renzi's companies. In 2002 and 2003, Mr. Sandlin paid his partner between \$1 million and \$5 million for Mr. Renzi's stake in that business, according to House financial-disclosure records.

In 2004, a Federal Election Commission audit found that Mr. Renzi had received a total of \$369,000 in illegal corporate funds from Fountain in the 2002 election cycle. It found that Fountain had shifted \$131,000 of this through Mr. Renzi's personal accounts to the Renzi for Congress campaign account -- and that at least \$70,000 of it was put back into Mr. Renzi's personal account.

Mr. Sandlin bought the alfalfa field in 2003 for about \$1 million, land records show. The farmland, more than a mile wide, with mountains rising on two sides, lies fallow today.

One focus of the FBI's current investigation is whether Mr. Renzi profited from the sale of Mr. Sandlin's land to the Petrified Forest group, people close to the case say. Federal investigators have been asking questions about a May 2005 payment of \$200,000 from Mr. Sandlin to Mr. Renzi, which was sent the same day that Mr. Sandlin received the first payment from the Petrified Forest group, these people say. The payment went to a wine company owned by Mr. Renzi, which was sold to his father days later, public records show.

Phoenix lawyer Grant Woods, one of Mr. Renzi's attorneys, said Friday that Mr. Sandlin sent Mr. Renzi the \$200,000 to settle a debt stemming from a previous business transaction involving land in northeast Arizona. "The note was due, and he had to pay it off," Mr. Wood said. He said Mr. Renzi was not pushing the sale of the Sandlin property to help his former business partner. "He was working to solve the water problems of the San Pedro River and help save Fort Huachuca," Mr. Woods said. When Mr. Renzi was pressing Resolution and then the Petrified Forest group to buy the land, "he did not know Mr. Sandlin had an interest in that land," Mr. Wood said.

Executives of Resolution and participants in the Petrified Forest group are cooperating with the FBI in its investigation, people close to the case said. The Petrified Forest group is not being investigated for any possible wrongdoing.

The FBI is also looking into the congressman's dealings with Fort Huachuca, these people say.

Mr. Renzi said Friday he would take a leave of absence from the House intelligence committee "until the matter is resolved." John Boehner, the House Republican leader, had warned colleagues in a letter earlier this year that "clear likelihood of serious transgressions will lead to suspension from important committee positions; guilt will lead to immediate and severe consequences," according to Congressional Quarterly.

Mr. Renzi continues to serve on the House Natural Resources Committee, which handles land-swap legislation.

Resolution is pressing ahead with its effort to line up congressional support for a land swap. Bruno Hegner, who was Resolution's president when Mr. Renzi proposed that the company buy the alfalfa field, was so troubled by the incident that he wrote a letter detailing what happened and mailed it to himself, people close to the case said. He wanted a postmarked record of what occurred, these people say. That letter is now in the hands of the FBI, they say.

**Write to** John R. Wilke at [john.wilke@wsj.com](mailto:john.wilke@wsj.com)<sup>1</sup>

### **Corrections & Amplifications:**

A river in southern Arizona was misidentified in an earlier version of this story. It is the San Pedro

River.

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(1) <mailto:john.wilke@wsj.com>

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