REPUBLIC OF THE PHILIPPINES SUPREME COURT BAGUIO CITY ASAPHIL CONSTRUCTION AND DEVELOPMENT CORPORATION, PETITIONER, VS. ICENTE TUASON, JR., INDUPLEX, INC. AND MINES ADJUDICATION...

G.R. NO. 134030. April 25, 2006

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

The present petition for review under Rule 45 of the Rules of Court assails the Decision of the Mines Adjudication Board (MAB) dated August 18, 1997, modifying the Decision dated December 11, 1991 of the Regional Executive Director, DENR-Region V, Legaspi City. The dispositive portion of the MAB Decision reads:

> WHEREFORE, the Decision dated December 11, 1991 of the Regional Executive Director is hereby MODIFIED. The Agreement to Operate Mining Claim, dated May 29, 1976 is hereby CANCELLED and/or REVOKED and the appeal in so far as the Contract to Sell and Purchase Perlite Ore, dated March 24, 1975 is hereby DISMISSED for lack of merit.
>
> SO ORDERED.[1]

On March 24, 1975, respondent Vicente Tuason, Jr.[2] (Tuason) entered into a Contract for Sale and Purchase of Perlite Ore with Induplex, Inc. (Induplex), wherein Induplex agreed to buy all the perlite ore that may be found and mined in Tuason's mining claim located in Taysa, Daraga, Albay. In exchange, Induplex will assist Tuason in securing and perfecting his right over the mining claim.[3]

Thereafter, Tuason executed on May 29, 1976, an Agreement to Operate Mining Claims in favor of petitioner Asaphil Construction and Development Corporation (Asaphil).[4]

On November 9, 1990, Tuason filed with the Bureau of Mines, Department of Environment and Natural Resources (DENR), a complaint against Asaphil and Induplex for declaration of nullity of the two contracts, namely, the Contract for Sale and Purchase of Perlite Ore, and the Agreement to Operate Mining Claims. Tuason alleged in his complaint that the stockholders of Induplex formed and organized Ibalon Mineral Resources, Inc. (Ibalon), an entity whose purpose is to mine any and all kinds of minerals, and has in fact been mining, extracting and utilizing the perlite ore in Ibalon's mining claim; that this is in violation of the condition imposed by the Board of Investments (BOI) on Induplex in its Joint Venture Agreement with Grefco, Inc. dated September 3, 1974, prohibiting Induplex from mining perlite ore, through an operating agreement or any other method; that Induplex acquired the majority stocks of Asaphil on January 14, 1989, and that 95% of Ibalon's shares were also transferred to Virgilio R. Romero, who is a stockholder of Induplex, Asaphil and Ibalon. Tuason claimed that said acts adversely affected, not only his interest as claimowner, but the government's interest as well.[5]

Asaphil filed its Answer, praying for the dismissal of the complaint on the ground that the DENR has no jurisdiction over the case.[6]

Induplex filed a Motion to Dismiss the complaint, also on ground of lack of jurisdiction. Induplex contended that to fall within the jurisdiction of the DENR, the controversy should involve a mining property and the contending parties must be claimholders and/or mining operators; and that the dispute in this case involves "mineral product" and not a mining property, and the protagonists are claimholders (Tuason) and a buyer (Induplex).[7]

The DENR, through the Regional Executive Director, found merit in Induplex's arguments and dismissed the complaint. The dispositive portion of the Regional Executive Director's Decision reads:

> WHEREFORE, in view of the foregoing, the instant complaint should be, as it is hereby dismissed.
>
> SO ORDERED.[8]

On appeal, the MAB rendered the herein assailed Decision dated August 18, 1997. The MAB ruled that the complaint is for the cancellation and revocation of the Agreement to Operate Mining Claims, which is within the jurisdiction of the DENR under Section 7 of Presidential Decree No. 1281. The MAB also found that the acquisition by Induplex of the majority stocks of Asaphil, and Induplex's assumption of the mining operation violated the BOI prohibition. With regard, however, to the validity of the Contract for Sale and Purchase of Perlite Ore, the MAB ruled that the evidence does not support Tuason's plea for its cancellation.[9]

Asaphil and Induplex filed a motion for reconsideration which was denied by the MAB per Order dated March 23, 1998.[10]

Hence, the herein petition by Asaphil on the following grounds:

> A. THE BOARD A QUO HAS DECIDED A QUESTION OF SUBSTANCE UNDER THE RECENTLY ENACTED MINING ACT OF 1995 (R.A. NO. 7942), NOT THERETOFORE DETERMINED BY THIS HONORABLE TRIBUNAL -
>
> - BY VIOLATING ARTICLE 1930 OF THE CIVIL CODE OF THE PHILIPPINES WHEN IT CANCELLED ASAPHIL'S AGENCY (COUPLED WITH AN INTEREST) UNDER THE OPERATING AGREEMENT.
>
> - BY VIOLATING ASAPHIL'S CONSTITUTIONAL RIGHT TO DUE PROCESS OF LAW WHEN THE BOARD ADJUDICATED UPON ALLEGED VIOLATION OF THE AGREEMENT ON THE PART OF ASAPHIL, BUT WITHOUT RECEIVING EVIDENCE OF ANY SUCH VIOLATION.
>
> - BY IGNORING ASAPHIL'S 52.5% INTEREST UNDER THE OPERATING AGREEMENT WHICH GIVES TO ASAPHIL THE RIGHT TO DETERMINE WHETHER OR NOT THE OPERATING AGREEMENT MUST BE CANCELLED.
>
> - BY INVALIDATING THE OPERATING AGREEMENT WITHOUT RECEIVING EVIDENCE ON THE PURPORTED GROUND FOR INVALIDATION.
>
> - BY NOT ADJUDICATING UPON THE RIGHTS AND OBLIGATION OF TUASON AND ASAPHIL UNDER THE OPERATING AGREEMENT WHICH IS ACTUALLY IN THE NATURE OF A JOINT VENTURE AGREEMENT, BY REASON OF THE FINANCIAL RAMIFICATIONS THEREOF.

B. THE BOARD A QUO HAS DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS -

> - BY INVALIDATING THE OPERATING AGREEMENT WITHOUT RECEIVING EVIDENCE ON THE PURPORTED GROUND FOR INVALIDATION.
>
> - THE ACTUATION OF THE MINES ADJUDICATION BOARD IS UNCONSTITUTIONAL, AS IT DEPRIVES THE PETITIONER OF ITS RIGHT TO PRESENT EVIDENCE ON THE ISSUE OF WHETHER

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OR NOT THE OPERATING AGREEMENT HAS BEEN VIOLATED, VIRTUALLLY DEPRIVING THE PETITIONER OF ITS PROPRIETARY RIGHTS WITHOUT DUE PROCESS OF LAW.

- THE MINES ADJUDICATION BOARD ERRED IN ENTERTAINING TUASON'S APPEAL FROM THE ORDER OF DISMISSAL, AS THE LATTER WAS CONCERNED SOLELY WITH THE ISSUE OF JURISDICTION WHICH, BEING A MATTER OF LAW, IS COGNIZABLE BY THIS HONORABLE TRIBUNAL AND/OR BY THE COURT OF APPEALS.

- GRANTING THAT THE MINES ADJUDICATION BOARD COULD VALIDLY ASSUME THE FACTS (WITHOUT RECEIVING EVIDENCE),

a) THE MINES ADJUDICATION BOARD NONETHELESS ERRED IN ANNULLING THE OPERATING AGREEMENT BETWEEN TUASON AND ASAPHIL, ON THE MERE CIRCUMSTANCE THAT A STOCKHOLDER OF INDUPLEX HAD BECOME A STOCKHOLDER OF ASAPHIL IN 1990.

b) THE MINES ADJUDICATION BOARD LIKEWISE ERRED IN ANNULING THE OPERATING AGREEMENT BETWEEN TUASON AND ASAPHIL ON THE BASIS OF THE ASAPAHIL'S PURPORTED VIOLATION OF THE TERMS OF THE OPERATING AGREEMENT.

- THE MINES ADJUDICATION BOARD FURTHER ERRED IN ANNULING THE OPERATING AGREEMENT BETWEEN TUASON AND ASAPHIL AND AT THE SAME TIME THE BOARD UPHELD THE VALIDITY OF THE SUPPLY CONTRACT BETWEEN TUASON AND INDUPLEX BASED ON THE SAME INVALIDATING CAUSE.[11] (Emphasis supplied)

Petitioner's arguments may be summed up into two basic issues: first, whether or not the DENR has jurisdiction over Tuason's complaint for the annulment of the Contract for Sale and Purchase of Perlite Ore between Tuason and Induplex, and the Agreement to Operate Mining Claims between Tuason and Asaphil; and second, whether or not the MAB erred in invalidating the Agreement to Operate Mining Claims.

As a preliminary matter, it should be stated that MAB decisions are appealable to the Court of Appeals (CA) under Rule 43 of the Rules of Court. In Carpio v. Sulu Resources Development Corp.,[12] the Court clarified that while Section 79 of the Philippine Mining Act of 1995 provides that petitions for review of MAB decisions are to be brought directly to the Supreme Court, the MAB is a quasi-judicial agency whose decisions should be brought to the CA. However, considering that the Carpio case was rendered in 2002, and the petition before the Court was filed in 1999; and considering further that the issues raised, specially the issue of the DENR's jurisdiction, and the fact that the records of the case are already before the Court, it is more appropriate and practical to resolve the petition in order to avoid further delay.[13]

With regard to the issue of jurisdiction, the DENR Regional Executive Director opined that the DENR does not have jurisdiction over the case, while the MAB ruled that the DENR has jurisdiction.

The Court upholds the finding of the DENR Regional Executive Director that the DENR does not have jurisdiction over Tuason's complaint.

At the time of the filing of the complaint, the jurisdiction of the DENR over mining disputes and controversies is governed by P.D. No. 1281, entitled "Revising Commonwealth Act No. 136, Creating the Bureau of Mines, and for Other Purposes."[14] Particularly, P.D. No. 1281 vests the Bureau of Mines (now the Mines and Geo-Sciences Bureau) of the DENR with jurisdictional supervision and control over all holders of mining claims or applicants for and/or grantees of mining licenses, permits, leases and/or operators thereof, including mining service contracts and service contractors insofar as their mining activities are concerned.[15] Under Section 7 of P.D. No. 1281, the Bureau of Mines also has quasi-judicial powers over cases involving the following:

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> (a) a mining property subject of different agreements entered into by the claim holder thereof with several mining operators;
>
> (b) complaints from claimowners that the mining property subject of an operating agreement has not been placed into actual operations within the period stipulated therein; and
>
> (c) cancellation and/or enforcement of mining contracts due to the refusal of the claimowner/operator to abide by the terms and conditions thereof.

In Pearson v. Intermediate Appellate Court,[16] this Court observed that the trend has been to make the adjudication of mining cases a purely administrative matter, although it does not mean that administrative bodies have complete rein over mining disputes. In several cases on mining disputes, the Court recognized a distinction between (1) the primary powers granted by pertinent provisions of law to the then Secretary of Agriculture and Natural Resources (and the bureau directors) of an executive or administrative nature, such as granting of license, permits, lease and contracts, or approving, rejecting, reinstating or canceling applications, or deciding conflicting applications, and (2) controversies or disagreements of civil or contractual nature between litigants which are questions of a judicial nature that may be adjudicated only by the courts of justice.[17]

The allegations in Tuason's complaint do not make out a case for a mining dispute or controversy within the jurisdiction of the DENR. While the Agreement to Operate Mining Claims is a mining contract, the ground upon which the contract is sought to be annulled is not due to Asaphil's refusal to abide by the terms and conditions of the agreement, but due to Induplex's alleged violation of the condition imposed by the BOI in its Joint Venture Agreement with Grefco, Inc.. Also, Tuason sought the nullity of the Contract for Sale and Purchase of Perlite Ore, based on the same alleged violation. Obviously, this raises a judicial question, which is proper for determination by the regular courts.[18] A judicial question is raised when the determination of the question involves the exercise of a judicial function; that is, the question involves the determination of what the law is and what the legal rights of the parties are with respect to the matter in controversy.[19]

The DENR is not called upon to exercise its technical knowledge or expertise over any mining operations or dispute; rather, it is being asked to determine the validity of the agreements based on circumstances beyond the respective rights of the parties under the two contracts. In Gonzales v. Climax Mining Ltd.,[20] the Court ruled that:

> x x x whether the case involves void or voidable contracts is still a judicial question. It may, in some instances, involve questions of fact especially with regard to the determination of the circumstances of the execution of the contracts. But the resolution of the validity or voidness of the contracts remains a legal or judicial question as it requires the exercise of judicial function. It requires the ascertainment of what laws are applicable to the dispute, the interpretation and application of those laws, and the rendering of a judgment based thereon. Clearly, the dispute is not a mining conflict. It is essentially judicial. The complaint was not merely for the determination of rights under the mining contracts since the very validity of those contracts is put in issue. (Emphasis supplied)

Thus, the DENR Regional Executive Director was correct in dismissing the complaint for lack of jurisdiction over Tuason's complaint; consequently, the MAB committed an error in taking cognizance of the appeal, and in ruling upon the validity of the contracts.

Given the DENR's lack of jurisdiction to take cognizance of Tuason's complaint, the Court finds it unnecessary to rule on the issue of validity of the contracts, as this should have been brought before and resolved by the regular trial courts, to begin with.

WHEREFORE, the petition is GRANTED. The Decision of the Mines Adjudication Board dated August 18, 1997

is SET ASIDE, and the Decision dated December 11, 1991 of the Regional Executive Director, DENR-Region V, Legaspi City, dismissing the complaint for lack of jurisdiction, is REINSTATED.

Costs against respondent.

SO ORDERED.

Panganiban, C.J., (Chairperson), Ynares-Santiago, Callejo, Sr., and Chico-Nazario, JJ., concur.

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[1] Rollo, p. 35.

[2] Now deceased, and succeeded in this case by John Lyndon H. Tuason.

[3] Rollo, p. 94, et seq.

[4] Id. at 90-93.

[5] Id. at 86-88.

[6] Id. at 102-104.

[7] Id. at 105-108.

[8] Id. at 115.

[9] Id. at 29-35.

[10] Id. at 81-85.

[11] Rollo, pp. 17-19.

[12] 435 Phil. 836, 842 (2002).

[13] PAGCOR v. Angara, G.R. NO. 142937, November 15, 2005.

[14] P.D. 1281 took effect on January 16, 1978.

[15] Benguet Corporation v. Leviste, G.R. No. 65021, November 21, 1991, 204 SCRA 99, 103-104.

[16] 356 Phil. 341, 358 (1998).

[17] Gonzales v. Climax Mining, Ltd., G.R. No. 161957, February 28, 2005, 452 SCRA 607, 620-621.

[18] Id. at 620.

[19] Id.

[20] Supra note 17, at 623.

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