

VICENTE VILLAFLO, SUBSTITUTED BY HIS HEIRS, PETITIONER, VS. COURT OF APPEALS AND NASIPIT LUMBER CO., INC., RESPONDENTS.

G.R. No. 95694. October 09, 1997

Ponente: PANGANIBAN ,J.

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PANGANIBAN ,J.:

In this rather factually complicated case, the Court reiterates the binding force and effect of findings of specialized administrative agencies as well as those of trial courts when affirmed by the Court of Appeals; rejects petitioner's theory of simulation of contracts; and passes upon the qualifications of private respondent corporation to acquire disposable public agricultural lands prior to the effectivity of the 1973 Constitution.

The Case

Before us is a petition for review on certiorari seeking the reversal of the Decision[1] of the Court of Appeals, dated September 27, 1990, in C.A. G.R. CV No. 09062, affirming the dismissal by the trial court of Petitioner Vicente Villaflo's complaint against Private Respondent Nasipit Lumber Co., Inc. The disposition of both the trial and the appellate courts are quoted in the statement of facts below.

The Facts

The facts of this case, as narrated in detail by Respondent Court of Appeals, are as follows:[2]

“The evidence, testimonial and documentary, presented during the trial show that on January 16, 1940, Cirilo Piencenaves, in a Deed of Absolute Sale (exh. A), sold to [petitioner], a parcel of agricultural land containing an area of 50 hectares,[3] more or less, and particularly described and bounded as follows:

‘A certain parcel of agricultural land planted to abaca with visible concrete monuments marking the boundaries and bounded on the NORTH by Public Land now Private Deeds on the East by Serafin Villaflo, on the SOUTH by Public Land; and on the West by land claimed by H. Patete, containing an area of 60 hectares more or less, now under Tax Dec. 29451 in the (sic) of said Vicente Villaflo, the whole parcel of which this particular parcel is only a part, is assessed at P22,550.00 under the above said Tax Dec. Number.’

This deed states:

‘That the above described land was sold to the said VICENTE VILLAFLO, xxx on June 22, 1937, but no formal document was then executed, and since then until the present time, the said Vicente Villaflo has been in possession and occupation of (the same); (and)

That the above described property was before the sale, of my exclusive property having inherited from my long dead parents and my ownership to it and that of my [sic] lasted for more than fifty (50) years, possessing and occupying same peacefully, publicly and continuously without interruption for that length of time.’

Also on January 16, 1940, Claudio Otero, in a Deed of Absolute Sale (exh. C) sold to Villaflo a parcel of

agricultural land, containing an area of 24 hectares, more or less, and particularly described and bounded as follows:

‘A certain land planted to corn with visible concrete measurements marking the boundaries and bounded on the North by Public Land and Tungao Creek; on the East by Agusan River; on the South by Serafin Villaflor and Cirilo Pienzenaves; and on the West by land of Fermin Bacobo containing an area of 24 hectares more or less, under Tax Declaration No. 29451 in the name already of Vicente Villaflor, the whole parcel of which this particular land is only a part, is assessed at P22,550.00 under the above said Tax Declaration No. 29451.’

This deed states:

‘That the above described land was sold to the said VICENTE VILLAFLO, xxx on June 22, 1937, but no sound document was then executed, however since then and until the present time, the said Vicente Villaflor has been in open and continuous possession and occupation of said land; (and)

That the above described land was before the sale, my own exclusive property, being inherited from my deceased parents, and my ownership to it and that of my predecessors lasted more than fifty (50) years, possessing and occupying the same, peacefully, openly and continuously without interruption for that length of time.’

Likewise on January 16, 1940, Hermogenes Patete, in a Deed of Absolute Sale (exh. D), sold to Villaflor, a parcel of agricultural land, containing an area of 20 hectares, more or less, and particularly described and bounded as follows:

‘A certain parcel of agricultural land planted to abaca and corn with visible concrete monuments marking the boundaries and bounded on the North by Public Land area-private Road; on the East by land claimed by Cirilo Pienzenaves; on the South by Public Land containing an area of 20 hectares more or less, now under Tax Declaration No. 29451 in the name of Vicente Villaflor the whole parcel of which this particular parcel, is assessed at P22,550.00 for purposes of taxation under the above said Tax Declaration No. 29451.’

This deed states:

‘xxx (O)n June 22, 1937 but the formal document was then executed, and since then until the present time, the said VICENTE VILLAFLO has been in continuous and open possession and occupation of the same; (and)

That the above described property was before the sale, my own and exclusive property, being inherited from my deceased parents and my ownership to it and that of my predecessors lasted more than fifty (50) years, possessing and occupying same, peacefully, openly and continuously without interruption for that length of time.’

On February 15, 1940, Fermin Bocobo, in a Deed of Absolute Sale (exh. B), sold to Villaflor, a parcel of agricultural land, containing an area of 18 hectares, more or less, and particularly described and bounded as follows:

‘A certain parcel of agricultural land planted with abaca with visible part marking the corners and bounded on the North by the corners and bounded on the North by Public Land; on the East by Cirilo Pienzenaves; on the South by Hermogenes Patete and West by Public Land, containing an area of 18 hectares more or less now under Tax Declaration No. 29451 in the name of Vicente Villaflor. The whole parcel of which this particular parcel is only a part is assessed as P22,550.00 for purposes of taxation under the above said Tax Declaration Number (Deed of Absolute Sale executed by Fermin Bocobo date Feb. 15, 1940). This document was annotated in Registry of Deeds on February 16, 1940).’

This deed states:

‘That the above described property was before the sale of my own exclusive property, being inherited from my deceased parents, and my ownership to it and that of my predecessors lasted more than fifty (50) years, possessing

and occupying the same peacefully, openly and continuously without interruption for that length of time.'

On November 8, 1946, Villaflor, in a Lease Agreement (exh. Q),[4] leased to Nasipit Lumber Co., Inc. a parcel of land, containing an area of two (2) hectares, together with all the improvements existing thereon, for a period of five (5) years from June 1, 1946 at a rental of P200.00 per annum 'to cover the annual rental of house and building sites for thirty three (33) houses or buildings.' This agreement also provides:[5]

'3. During the term of this lease, the Lessee is authorized and empowered to build and construct additional houses in addition to the 33 houses or buildings mentioned in the next preceding paragraph, provided however, that for every additional house or building constructed the Lessee shall pay unto the Lessor an amount of fifty centavos (¢50) per month for every house or building. The Lessee is empowered and authorized by the Lessor to sublot (sic) the premises hereby leased or assign the same or any portion of the land hereby leased to any person, firm and corporation; (and)

4. The Lessee is hereby authorized to make any construction and/or improvement on the premises hereby leased as he may deem necessary and proper thereon, provided however, that any and all such improvements shall become the property of the Lessor upon the termination of this lease without obligation on the part of the latter to reimburse the Lessee for expenses incurred in the construction of the same.'

Villaflor claimed having discovered that after the execution of the lease agreement, that Nasipit Lumber 'in bad faith x x x surreptitiously grabbed and occupied a big portion of plaintiff's property x x x'; that after a confrontation with the corporate's (sic) field manager, the latter, in a letter dated December 3, 1973 (exh. R),[6] stated recalling having 'made some sort of agreement for the occupancy (of the property at Acacia, San Mateo), but I no longer recall the details and I had forgotten whether or not we did occupy your land. But if, as you say, we did occupy it, then (he is) sure that the company is obligated to pay the rental.'

On July 7, 1948, in an 'Agreement to Sell' (exh. 2), Villaflor conveyed to Nasipit Lumber, two (2) parcels of land xxx described as follows:[7]

'PARCEL ONE

Bounded on the North by Public Land and Tungao Creek; on the East by Agusan River and Serafin Villaflor; on the South by Public Land, on the West by Public Land. Improvements thereon consist of abaca, fruit trees, coconuts and thirty houses of mixed materials belonging to the Nasipit Lumber Company. Divided into Lot Nos. 5412, 5413, 5488, 5490, 5491, 5492, 5850, 5849, 5860, 5855, 5851, 5854, 5855, 5859, 5858, 5857, 5853, and 5852. Boundaries of this parcel of land are marked by concrete monuments of the Bureau of Lands. Containing an area of 112,000 hectares. Assessed at P17,160.00 according to Tax Declaration No. V-315 dated April 14, 1946.

PARCEL TWO

Bounded on the North by Pagudasan Creek; on the East by Agusan River; on the South by Tungao Creek; on the West by Public Land. Containing an area of 48,000 hectares more or less. Divided into Lot Nos. 5411, 5410, 5409, and 5399. Improvements 100 coconut trees, productive, and 300 cacao trees. Boundaries of said land are marked by concrete monuments of the Bureau pf (sic) Lands. Assessed value -- P6,290.00 according to Tax No. 317, April 14, 1946.'

This Agreement to Sell provides:

'3. That beginning today, the Party of the Second Part shall continue to occupy the property not anymore in concept of lessee but as prospective owners, it being the sense of the parties hereto that the Party of the Second Part shall not in any manner be under any obligation to make any compensation to the Party of the First Part, for

the use, and occupation of the property herein before described in such concept of prospective owner, and it likewise being the sense of the parties hereto to terminate as they do hereby terminate, effective on the date of this present instrument, the Contract of Lease, otherwise known as Doc. No. 420, Page No. 36, Book No. II, Series of 1946 of Notary Public Gabriel R. Banaag, of the Province of Agusan.

4. That the Party of the Second Part has bound as it does hereby bind itself, its executors and administrators, to pay unto the party of the First Part the sum of Five Thousand Pesos (P5,000.00), Philippine Currency, upon presentation by the latter to the former of satisfactory evidence that:

(a) The Bureau of Lands will not have any objection to the obtainment by the Party of the First Part of a Certificate of Torrens Title in his favor, either thru ordinary land registration proceedings or thru administrative means procedure.

(b) That there is no other private claimant to the properties hereinbefore described.

5. That the Party of the First Part has bound as he does hereby bind to undertake immediately after the execution of these presents to secure and obtain, or cause to be secured and obtained, a Certificate of Torrens Title in his favor over the properties described on Page (One) hereof, and after obtainment of such Certificate of Torrens Title, the said Party of the First Part shall execute a (D)eed of Absolute Sale unto and in favor of the Party of the Second Part, its executors, administrators and assigns, it being the sense of the parties that the Party of the Second Part upon delivery to it of such deed of absolute sale, shall pay unto the Party of the First Part in cash, the sum of Twelve Thousand (P12,000.00) Pesos in Philippine Currency, provided, however, that the Party of the First Part, shall be reimbursed by the Party of the Second Part with one half of the expenses incurred by the Party of the First Part for survey and attorney's fees; and other incidental expenses not exceeding P300.00.'

On December 2, 1948, Villaflor filed Sales Application No. V-807[8] (exh. 1) with the Bureau of Lands, Manila, 'to purchase under the provisions of Chapter V, XI or IX of Commonwealth Act. No. 141 (The Public Lands Act), as amended, the tract of public lands x x x and described as follows: 'North by Public Land; East by Agusan River and Serafin Villaflor; South by Public Land and West by public land (Lot Nos. 5379, 5489, 5412, 5490, 5491, 5492, 5849, 5850, 5851, 5413, 5488, 5489, 5852, 5853, 5854, 5855, 5856, 5857, 5858, 5859 and 5860 x x x containing an area of 140 hectares xxx.' Paragraph 6 of the Application, states: 'I understand that this application conveys no right to occupy the land prior to its approval, and I recognized (sic) that the land covered by the same is of public domain and any and all rights I may have with respect thereto by virtue of continuous occupation and cultivation are hereby relinquished to the Government.'[9] (exh. 1-D)

On December 7, 1948, Villaflor and Nasipit Lumber executed an 'Agreement' (exh 3).[10] This contract provides:

'1. That the First Party is the possessor since 1930 of two (2) parcels of land situated in sitio Tungao, Barrio of San Mateo, Municipality of Butuan, Province of Agusan;

2. That the first parcel of land abovementioned and described in Plan PLS-97 filed in the office of the Bureau of Lands is made up of Lots Nos. 5412, 5413, 5488, 5490, 5491, 5492, 5849, 5850, 5851, 5852, 5853, 5854, 5855, 5856, 5857, 5858, 5859 and 5860 and the second parcel of land is made of Lots Nos. 5399, 5409, 5410 and 5411;

3. That on July 7, 1948, a contract of Agreement to Sell was executed between the contracting parties herein, covering the said two parcels of land, copy of said Agreement to Sell is hereto attached marked as Annex "A" and made an integral part of this document. The parties hereto agree that the said Agreement to Sell be maintained in full force and effect with all its terms and conditions of this present agreement and in no way be considered as modified.

4. That paragraph 4 of the Contract of Agreement to Sell, marked as annex, “A” stipulates as follows:

‘Par. 4. That the Party of the Second Part has bound as it does hereby bind itself, its executors and administrators, to pay unto the Party of the First Part of the sum of FIVE THOUSAND PESOS (P5,000.00) Philippine Currency, upon presentation by the latter to the former of satisfactory evidence that:

a) The Bureau of Lands will have any objection to the obtainment by Party of the First Part of a favor, either thru ordinary land registration proceedings or thru administrative means and procedure.

b) That there is no other private claimant to the properties hereinabove described.’

That the First Party has on December 2, 1948, submitted to the Bureau of Lands, a Sales Application for the twenty-two (22) lots comprising the two abovementioned parcels of land, the said Sales Application was registered in the said Bureau under No. V-807;

6. That in reply to the request made by the First Party to the Bureau of Lands, in connection with the Sales Application No. V-807, the latter informed the former that action on his request will be expedited, as per letter of the Chief, Public Land Division, dated December 2, 1948, copy of which is hereto attached marked as annex ‘B’ and made an integral part of this agreement:

7. That for and in consideration of the premises above stated and the amount of TWENTY FOUR THOUSAND (P24,000.00) PESOS that the Second Party shall pay to the First Party, by these presents, the First Party hereby sells, transfers and conveys unto the Second Party, its successors and assigns, his right, interest and participation under an(d) by virtue of the Sales Application No. V-807, which he has or may have in the lots mentioned in said Sales Application No. V-807;

8. That the amount of TWENTY FOUR THOUSAND (P24,000.00) PESOS, shall be paid by the Second Party to the First Party, as follows:

a) The amount of SEVEN THOUSAND (P7,000.00) PESOS, has already been paid by the Second Party to the First Party upon the execution of the Agreement to Sell, on July 7, 1948;

b) The amount of FIVE THOUSAND (P5,000.00) PESOS shall be paid upon the signing of this present agreement; and

c) The balance of TWELVE THOUSAND (P12,000.00) PESOS, shall be paid upon the execution by the First Party of the Absolute Deed of Sale of the two parcels of land in question in favor of the Second Party, and upon delivery to the Second Party of the Certificate of Ownership of the said two parcels of land.

9. It is specially understood that the mortgage constituted by the First Party in favor of the Second Party, as stated in the said contract of Agreement to Sell dated July 7, 1948, shall cover not only the amount of SEVEN THOUSAND (P7,000.00) PESOS as specified in said document, but shall also cover the amount of FIVE THOUSAND (P5,000.00) PESOS to be paid as stipulated in paragraph 8, sub-paragraph (b) of this present agreement, if the First Party should fail to comply with the obligations as provided for in paragraphs 2, 4, and 5 of the Agreement to Sell;

10. It is further agreed that the First Party obligates himself to sign, execute and deliver to and in favor of the Second Party, its successors and assigns, at anytime upon demand by the Second Party such other instruments as may be necessary in order to give full effect to this present agreement;’

In the Report dated December 31, 1949 by the public land inspector, District Land Office, Bureau of Lands, in Butuan, the report contains an Indorsement of the aforesaid District Land Officer recommending rejection of

the Sales Application of Villaflor for having leased the property to another even before he had acquired transmissible rights thereto.

In a letter of Villaflor dated January 23, 1950, addressed to the Bureau of Lands, he informed the Bureau Director that he was already occupying the property when the Bureau's Agusan River Valley Subdivision Project was inaugurated, that the property was formerly claimed as private properties (sic), and that therefore, the property was segregated or excluded from disposition because of the claim of private ownership. In a letter of Nasipit Lumber dated February 22, 1950 (exh. X)[11] addressed to the Director of Lands, the corporation informed the Bureau that it recognized Villaflor as the real owner, claimant and occupant of the land; that since June 1946, Villaflor leased two (2) hectares inside the land to the company; that it has no other interest on the land; and that the Sales Application of Villaflor should be given favorable consideration.

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On July 24, 1950, the scheduled date of auction of the property covered by the Sales Application, Nasipit Lumber offered the highest bid of P41.00 per hectare, but since an applicant under CA 141, is allowed to equal the bid of the highest bidder, Villaflor tendered an equal bid, deposited the equivalent of 10% of the bid price and then paid the assessment in full.

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On August 16, 1950, Villaflor executed a document, denominated as a 'Deed of Relinquishment of Rights' (exh. N),[12] pertinent portion of which reads:

- '5. That in view of my present business in Manila, and my change in residence from Butuan, Agusan to the City of Manila, I cannot, therefore, develop (sic) or cultivate the land applied for as projected before;
6. That the Nasipit Lumber Company, Inc., a corporation duly organized xxx is very much interested in acquiring the land covered by the aforesaid application xxx;
7. That I believe the said company is qualified to acquire public land, and has the means to develop (sic) the above-mentioned land;

xxx xxx xxx

WHEREFORE, and in consideration of the amount of FIVE THOUSAND PESOS (P5,000.00) to be reimbursed to me by the aforementioned Nasipit Lumber Company, Inc., after its receipt of the order of award, the said amount representing part of the purchase price of the land aforesaid, the value of the improvements I introduced thereon, and the expenses incurred in the publication of the Notice of Sale, I, the applicant, Vicente J. Villaflor, hereby voluntarily renounce and relinquish whatever rights to, and interests I have in the land covered by my above-mentioned application in favor of the Nasipit Lumber Company, Inc.'

Also on August 16, 1950, Nasipit Lumber filed a Sales Application over the two (2) parcels of land, covering an area of 140 hectares, more or less. This application was also numbered V-807 (exh. Y).

On August 17, 1950 the Director of Lands issued an 'Order of Award'[13] in favor of Nasipit Lumber Company, Inc., pertinent portion of which reads:

- '4. That at the auction sale of the land held on July 24, 1950 the highest bid received was that of Nasipit Lumber Company, Inc. which offered P41.00 per hectare or P5,740.00 for the whole tract, which bid was equaled by applicant Vicente J. Villaflor, who deposited the amount of P574.00 under Official Receipt No. B-1373826 dated July 24, 1950 which is equivalent to 10% of the bid. Subsequently, the said xxx Villaflor paid the amount of P5,160.00 in full payment of the purchase price of the above-mentioned land and for some reasons stated in an

instrument of relinquishment dated August 16, 1950, he (Vicente J. Villaflor) relinquished his rights to and interest in the said land in favor of the Nasipit Lumber Company, Inc. who filed the corresponding application therefore.

In view of the foregoing, and it appearing that the proceedings had xxx were in accordance with law and in [sic] existing regulations, the land covered thereby is hereby awarded to Nasipit Lumber Company, Inc. at P41.00 per hectare or P5,740.00 for the whole tract.

This application should be entered in the record of this Office as Sales Entry No. V-407.'

It is Villaflor's claim that he only learned of the Order of Award on January 16, 1974, or after his arrival to the Philippines, coming from Indonesia, where he stayed for more than ten (10) years; that he went to Butuan City in the latter part of 1973 upon the call of his brother Serafin Villaflor, who was then sick and learned that Nasipit Lumber (had) failed and refused to pay the agreed rentals, although his brother was able to collect during the early years; and that Serafin died three days after his (Vicente's) arrival, and so no accounting of the rentals could be made; that on November 27, 1973, Villaflor wrote a letter to Mr. G.E.C. Mears of Nasipit Lumber, reminding him of their verbal agreement in 1955 xxx that Mr. Mears in a Reply dated December 3, 1973, appears to have referred the matter to Mr. Noriega, the corporate general manager, but the new set of corporate officers refused to recognize (Villaflor's) claim, for Mr. Florencio Tamesis, the general manager of Nasipit Lumber, in a letter dated February 19, 1974, denied Villaflor's itemized claim dated January 5, 1974 (exh. V) to be without valid and legal basis. In that 5th January, 1974 letter, Villaflor claimed the total amount of P427,000.00 x x x.

In a formal protest dated January 31, 1974[14] which Villaflor filed with the Bureau of Lands, he protested the Sales Application of Nasipit Lumber, claiming that the company has not paid him P5,000.00 as provided in the Deed of Relinquishment of Rights dated August 16, 1950.

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x x x (T)hat in a Decision dated August 8, 1977 (exh. 8), the Director of Lands found that the payment of the amount of P5,000.00 in the Deed xxx and the consideration in the Agreement to Sell were duly proven, and ordered the dismissal of Villaflor's protest and gave due course to the Sales Application of Nasipit Lumber. Pertinent portion of the Decision penned by Director of Lands, Ramon Casanova, in the Matter of SP No. V-807 (C-V-407) xxx reads:

'xxx xxx xxx

During the proceedings, Villaflor presented another claim entirely different from his previous claim -- this time, for recovery of rentals in arrears arising from a supposed contract of lease by Villaflor as lessor in favor of Nasipit as lessee, and indemnity for damages supposedly caused improvements on his other property xxx in the staggering amount of Seventeen Million (P17,000,000.00) Pesos. Earlier, he had also demanded from NASIPIT xxx (P427,000.00) xxx also as indemnity for damages to improvements supposedly caused by NASIPIT on his other real property as well as for reimbursement of realty taxes allegedly paid by him thereon.

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It would seem that xxx Villaflor has sought to inject so many collaterals, if not extraneous claims, into this case. It is the considered opinion of this Office that any claim not within the sphere or scope of its adjudicatory authority as an administrative as well as quasi-judicial body or any issue which seeks to delve into the merits of incidents clearly outside of the administrative competence of this Office to decide may not be entertained.

There is no merit in the contention of Villaflor that owing to Nasipit's failure to pay the amount of xxx (P5,000.00) xxx (assuming that Nasipit had failed) the deed of relinquishment became null and void for lack of

consideration. xxxx.

xxx xxx xxx

x x x The records clearly show, however, that since the execution of the deed of relinquishment xxx Villaflor has always considered and recognized NASIPIT as having the juridical personality to acquire public lands for agricultural purposes. xxxx.

xxx xxx xxx

Even this Office had not failed to recognize the juridical personality of NASIPIT to apply for the purchase of public lands xxx when it awarded to it the land so relinquished by Villaflor (Order of Award dated August 17, 1950) and accepted its application therefor. At any rate, the question whether an applicant is qualified to apply for the acquisition of public lands is a matter between the applicant and this Office to decide and which a third party like Villaflor has no personality to question beyond merely calling the attention of this Office thereto.

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Villaflor offered no evidence to support his claim of non-payment beyond his own self-serving assertions and expressions that he had not been paid said amount. As protestant in this case, he has the affirmative of the issue. He is obliged to prove his allegations, otherwise his action will fail. For, it is a well settled principle (‘) that if plaintiff upon whom rests the burden of proving his cause of action fails to show in a satisfactory manner the facts upon which he bases his claim, the defendant is under no obligation to prove his exceptions or special defenses (Belen vs. Belen, 13 Phil. 202; Mendoza vs. Fulgencio, 8 Phil. 243).

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Consequently, Villaflor’s claim that he had not been paid must perforce fail.

On the other hand, there are strong and compelling reasons to presume that Villaflor had already been paid the amount of Five Thousand (P5,000.00) Pesos.

First, xxx What is surprising, however, is not so much his claims consisting of gigantic amounts as his having forgotten to adduce evidence to prove his claim of non-payment of the Five Thousand (P5,000.00) Pesos during the investigation proceedings when he had all the time and opportunity to do so. xxx The fact that he did not adduce or even attempt to adduce evidence in support thereof shows either that he had no evidence to offer xxx that NASIPIT had already paid him in fact. What is worse is that Villaflor did not even bother to command payment, orally or in writing, of the Five Thousand (P5,000.00) Pesos which was supposed to be due him since August 17, 1950, the date when the order of award was issued to Nasipit, and when his cause of action to recover payment had accrued. The fact that he only made a command (sic) for payment on January 31, 1974, when he filed his protest or twenty-four (24) years later is immediately nugatory of his claim for non-payment.

But Villaflor maintains that he had no knowledge or notice that the order of award had already been issued to NASIPIT as he had gone to Indonesia and he had been absent from the Philippines during all those twenty-four (24) years. This of course taxes credulity. xxx.

Second, it should be understood that the condition that NASIPIT should reimburse Villaflor the amount of Five Thousand (P5,000.00) Pesos upon its receipt of the order of award was fulfilled as said award was issued to NASIPIT on August 17, 1950. The said deed of relinquishment was prepared and notarized in Manila with Villaflor and NASIPIT signing the instrument also in Manila on August 16, 1950 (p.77, (sic)). The following day or barely a day after that, or on August 17, 1950, the order of award was issued by this Office to NASIPIT also in Manila. Now, considering that Villaflor is presumed to be more assiduous in following up with the Bureau of

Lands the expeditious issuance of the order of award as the payment of the Five Thousand (P5,000.00) Pesos (consideration) would depend on the issuance of said order to award NASIPIT, would it not be reasonable to believe that Villaflor was at hand when the award was issued to NASIPIT on August 17, 1950, or barely a day which (sic) he executed the deed of relinquishment on August 16, 1950, in Manila? xxx.

Third, on the other hand, NASIPIT has in his possession a sort of “order” upon itself -- (the deed of relinquishment wherein he (sic) obligated itself to reimburse or pay Villaflor the xxx consideration of the relinquishment upon its receipt of the order of award) for the payment of the aforesaid amount the moment the order of award is issued to it. It is reasonable to presume that NASIPIT has paid the Five Thousand (P5,000.00) Pesos to Villaflor.

‘A person in possession of an order on himself for the payment of money, or the delivery of anything, has paid the money or delivered the thing accordingly. (Section 5(k) B-131-Revised Rules of Court.’

It should be noted that NASIPIT did not produce direct evidence as proof of its payment of the Five Thousand (P5,000.00) Pesos to Villaflor. Nasipit’s explanation on this point is found satisfactory.

‘x x x (I)t was virtually impossible for NASIPIT, after the lapse of the intervening 24 years, to be able to cope up with all the records necessary to show that the consideration for the deed of relinquishment had been fully paid. To expect NASIPIT to keep intact all records pertinent to the transaction for the whole quarter of a century would be to require what even the law does not. Indeed, even the applicable law itself (Sec. 337, National Internal Revenue Code) requires that all records of corporations be preserved for only a maximum of five years.

NASIPIT may well have added that at any rate while ‘there are transactions where the proper evidence is impossible or extremely difficult to produce after the lapse of time xxx the law creates presumptions of regularity in favor of such transactions (20 Am. Jur. 232) so that when the basic fact is established in an action the existence of the presumed fact must be assumed by force of law. (Rule 13, Uniform Rules of Evidence; 9 Wigmore, Sec. 2491).

Anent Villaflor’s claim that the 140-hectare land relinquished and awarded to NASIPIT is his private property, little (need) be said. xxxx The tracks of land referred to therein are not identical to the lands awarded to NASIPIT. Even in the assumption that the lands mentioned in the deeds of transfer are the same as the 140-hectare area awarded to NASIPIT, their purchase by Villaflor (or) the latter’s occupation of the same did not change the character of the land from that of public land to a private property. The provision of the law is specific that public lands can only be acquired in the manner provided for therein and not otherwise (Sec. 11, C.A. No. 141, as amended). The records show that Villaflor had applied for the purchase of the lands in question with this Office (Sales Application No. V-807) on December 2, 1948. xxxx There is a condition in the sales application signed by Villaflor to the effect that he recognizes that the land covered by the same is of public domain and any and all rights he may have with respect thereto by virtue of continuous occupation and cultivation are relinquished to the Government (paragraph 6, Sales Application No. V-807 xxx) of which Villaflor is very much aware. It also appears that Villaflor had paid for the publication fees appurtenant to the sale of the land. He participated in the public auction where he was declared the successful bidder. He had fully paid the purchase price (sic) thereof (sic). It would be a (sic) height of absurdity for Villaflor to be buying that which is owned by him if his claim of private ownership thereof is to be believed. The most that can be said is that his possession was merely that of a sales applicant to when it had not been awarded because he relinquished his interest therein in favor of NASIPIT who (sic) filed a sales application therefor.

xxx xxx xxx

x x x During the investigation proceedings, Villaflor presented as his Exhibit '(sic)' (which NASIPIT adopted as its own exhibit and had it marked in evidence as Exhibit '1') a duly notarized 'agreement to Sell' dated July 7, 1948, by virtue of which Villaflor undertook to sell to Nasipit the tracts of land mentioned therein, for a consideration of Twenty-Four Thousand (P24,000.00) Pesos. Said tracts of land have been verified to be identical to the parcels of land formerly applied for by Villaflor and which the latter had relinquished in favor of NASIPIT under a deed of relinquishment executed by him on August 16, 1950. In another document executed on December 7, 1948 xxx Villaflor as 'FIRST PARTY' and NASIPIT as 'SECOND PARTY' confirmed the 'Agreement to Sell' of July 7, 1948, which was maintained 'in full force and effect with all its terms and conditions x x x' (Exh. '38-A'); and that 'for and in consideration of xxx TWENTY FOUR THOUSAND (P24,000.00) PESOS that the Second Party shall pay to the First Party xxx the First Party hereby sells, transfers and conveys unto the Second Party xxx his right interest and participation under and by virtue of the Sales Application No. V-807' and, in its paragraph 8, it made stipulations as to when part of the said consideration xxx was paid and when the balance was to be paid, to wit:

- 'a) the amount of SEVEN THOUSAND xxx PESOS has already been paid by the Second Party to the First Party upon the execution of the Agreement to Sell, on July 17, 1948;
- b) the amount of FIVE THOUSAND xxx PESOS shall be paid upon the signing of this present agreement; and
- c) the amount of TWELVE THOUSAND xxx PESOS, shall be paid upon the execution by the First Party of the Absolute Sale of the Two parcels of land in question in favor of the Second Party of the Certificate of Ownership of the said two parcels of land.' (Exh. 38-B). (Emphasis ours)

It is thus clear from this subsequent document marked Exhibit '38 ANALCO' that of the consideration of the 'Agreement to Sell' dated July 7, 1948, involving the 140-hectare area relinquished by Villaflor in favor of NASIPIT, in the amount of Twenty-Four Thousand (P24,000.00) Pesos:

- (1) the amount of Seven Thousand (P7,000.00) Pesos was already paid upon the execution of the 'Agreement to Sell' on July 7, 1948, receipt of which incidentally was admitted by Villaflor in the document of December 7, 1948;
- (2) the amount of Five Thousand (P5,000.00) Pesos was paid when said document was signed by Vicente J. Villaflor as the First Party and Nasipit thru its President, as the Second Party, on December 7, 1948; and
- (3) the balance of Twelve Thousand (P12,000.00) Pesos to be paid upon the execution by the First Party of the Absolute Deed of Sale of the two parcels of land in favor of the Second Party, and upon delivery to the Second Party of the Certificate of Ownership of the said two parcels of land.

Villaflor contends that NASIPIT could not have paid Villaflor the balance of Twelve Thousand (P12,000.00) Pesos x x x consideration in the Agreement to Sell will only be paid to applicant-assignor (referring to Villaflor) upon obtaining a Torrens Title in his favor over the 140-hectare of land applied for and upon execution by him of a Deed of Absolute Sale in favor of Nasipit Lumber Company, Inc. x x x. Inasmuch as applicant-assignor was not able to obtain a Torrens Title over the land in question he could not execute an absolute Deed of (sic) Nasipit Lumber Co., Inc. Hence, the Agreement to Sell was not carried out and no Twelve Thousand (P12,000.00) Pesos was overpaid either to the applicant-assignor, much less to Howard J. Nell Company. (See MEMORANDUM FOR THE APPLICANT-ASSIGNOR, dated January 5, 1977). xxx.

xxx Villaflor did not adduce evidence in support of his claim that he had not been paid the xxx (P12,000.00) xxx consideration of the Agreement to Sell dated July 7, 1948 (Exh. '38 NALCO') beyond his mere uncorroborated assertions. On the other hand, there is strong evidence to show that said Twelve Thousand (P12,000.00) Pesos had

been paid by (private respondent) to Edward J. Nell Company by virtue of the Deed of Assignment of Credit executed by Villaflor (Exh. '41 NALCO') for the credit of the latter.

Atty. Gabriel Banaag, resident counsel of NASIPIT who is in a position to know the facts, testified for NASIPIT. He described that it was he who notarized the 'Agreement to Sell' (Exh. 'F'); that he knew about the execution of the document of December 7, 1948 (Exh. '38') confirming the said 'Agreement to Sell' having been previously consulted thereon by Jose Fernandez, who signed said document on behalf of NASIPIT xxx that subsequently, in January 1949, Villaflor executed a Deed of Assignment of credit in favor of Edward J. Nell Company (Exh. '41 NALCO') whereby Villaflor ceded to the latter his receivable for NASIPIT corresponding to the remaining balance in the amount of Twelve Thousand xxx Pesos of the total consideration xxx stipulated in both the 'Agreement to Sell' (Exh. 'F') and the document dated December 7, 1948 (Exh. '39'); xxx. He further testified that the said assignment of credit was communicated to (private respondent) under cover letter dated January 24, 1949 (Exh. '41-A') and not long thereafter, by virtue of the said assignment of credit, (private respondent) paid the balance of Twelve Thousand xxx due to Villaflor to Edward J. Nell Company xxx. Atty. Banaag's aforesaid testimony stand un rebutted; hence, must be given full weight and credit. xxx Villaflor and his counsel were present when Atty. Banaag's foregoing testimony was given. Yet, Villaflor did not demur, nor did he rebut the same, despite having been accorded full opportunity to do so.

xxx xxx xxx

Having found that both the Five Thousand xxx consideration of the deed of Relinquishment xxx and that the remaining balance of xxx (P12,000.00) to complete the Twenty-Four Thousand (P24,000.00) Pesos consideration of both the Agreement to Sell dated July 7, 1948, and the document, dated December 7, 1948, executed by the former in favor of the latter, have been paid Villaflor the issue on prescription and laches becomes academic and needs no further discussion.

But more than all the questions thus far raised and resolved is the question whether a sales patent can be issued to NASIPIT for the 140-hectare area awarded to it in the light of Section 11, Article XIV of the new Constitution which provides in its pertinent portion to wit:

'x x x No private corporation or association may hold alienable land of the public domain except by lease not to exceed one thousand hectares in area xxx.'

The Secretary of Justice had previous occasion to rule on this point in his opinion No. 140, s. 1974. Said the Honorable Justice Secretary:

'On the second question, (referring to the questions when may a public land be considered to have been acquired by purchase before the effectivity of the new Constitution posed by the Director of Lands in his query on the effect on pending applications for the issuance of sales patent in the light of Section 11, Art. XIV of the New Constitution aforesaid), you refer to this Office's Opinion No. 64 series of 1973 in which I stated:

On the other hand, with respect to sales applications ready for issuance of sales patent, it is my opinion that where the applicant had, before the Constitution took effect, fully complied with all this obligations under the Public Land Act in order to entitle him to a Sales patent, there would be no legal or equitable justification for refusing to issue or release the sales patent.'

With respect to the point as to when the Sales applicant has complied with all the terms and conditions which would entitle him to a sales patent, the herein above Secretary of Justice went on:

'That as to when the applicant has complied with all the terms and conditions which would entitle him to a patent

is a questioned (sic) fact which your office would be in the best position to determine. However, relating this to the procedure for the processing of applications mentioned above, I think that as the applicant has fulfilled the construction/cultivation requirements and has fully paid the purchase price, he should be deemed to have acquired by purchase the particular tract of land and (sic) the area (sic) in the provision in question of the new constitution would not apply.'

From the decision of the Director of Lands, Villaflor filed a Motion for Reconsideration which was considered as an Appeal M.N.R. Case 4341, to the Ministry of Natural Resources.

On June 6, 1979, the Minister of Natural Resources rendered a Decision (exh. 9),[15] dismissing the appeal and affirming the decision of the Director of Lands, pertinent portions of which reads:

'After a careful study of the records and the arguments of the parties, we believe that the appeal is not well taken.

Firstly, the area in dispute is not the private property of appellant.

The evidence adduced by appellant to establish his claim of ownership over the subject area consists of deeds of absolute sale executed in his favor on January 16, and February 15, 1940, by four (4) different persons, namely, Cirilo Pienzenaves, Fermin Balobo, Claudio Otero and Hermogenes Patete.

However, an examination of the technical descriptions of the tracts of land subject of the deeds of sale will disclose that said parcels are not identical to, and do not tally with, the area in controversy.

'It is a basic assumption of our policy that lands of whatever classification belong to the state. Unless alienated in accordance with law, it retains its rights over the same as dominus, (Santiago vs. de los Santos, L-20241, November 22, 1974, 61 SCRA 152).

For, it is well-settled that no public land can be acquired by private persons without any grant, express or implied from the government. It is indispensable then that there be showing of title from the state or any other mode of acquisition recognized by law.' (Lee Hong Hok, et al. vs. David, et al., L-30389, December 27, 1972, 48 SCRA 379.)

It is well-settled that all lands remain part of the public domain unless severed therefrom by state grant or unless alienated in accordance with law.

We, therefore, believe that the aforesaid deeds of sale do not constitute clear and convincing evidence to establish that the contested area is of private ownership. Hence, the property must be held to be public domain.

'There being no evidence whatever that the property in question was ever acquired by the applicants or their ancestors either by composition title from the Spanish Government or by possessory information title or by any other means for the acquisition of public lands, the property must be held to be public domain.' (Lee Hong Hok, et al., vs. David, et al., L-30389 December 27, 1972, 48 SCRA 378-379 citing Heirs of Datu Pendatun vs. Director of Lands; see also Director of Lands vs. Reyes, L-27594, November 28, 1975, 68 SCRA 177).

Be that as it may, appellant, by filing a sales application over the controverted land, acknowledged unequivocally [sic] that the same is not his private property.

'As such sales applicant, appellant manifestly acknowledged that he does not own the land and that the same is a public land under the administration of the Bureau of Lands, to which the application was submitted, xxx All of its acts prior thereof, including its real estate tax declarations, characterized its possessions of the land as that of a 'sales applicant' and consequently, as one who expects to buy it, but has not as yet done so, and is not, therefore, its owner.' (Palawan Agricultural and Industrial Co., Inc. vs. Director of Lands, L-25914, March 21, 1972, 44

SCRA 20, 21).

Secondly, appellant's alleged failure to pay the consideration stipulated in the deed of relinquishment neither converts said deed into one without a cause or consideration nor ipso facto rescinds the same. Appellant, though, has the right to demand payment with legal interest for the delay or to demand rescission.

xxx xxx xxx

However, appellant's cause of action, either for specific performance or rescission of contract, with damages, lies within the jurisdiction of civil courts, not with administrative bodies.

xxx xxx xxx

Lastly, appellee has acquired a vested right to the subject area and, therefore, is deemed not affected by the new constitutional provision that no private corporation may hold alienable land of the public domain except by lease.

xxx xxx xxx

Implementing the aforesaid Opinion No. 64 of the Secretary of Justice, the then Secretary of Agriculture and Natural Resources issued a memorandum, dated February 18, 1974, which pertinently reads as follows:

'In the implementation of the foregoing opinion, sales application of private individuals covering areas in excess of 24 hectares and those of corporations, associations, or partnership which fall under any of the following categories shall be given due course and issued patents, to wit:

1. Sales application for fishponds and for agricultural purposes (SFA, SA and IGPSA) wherein prior to January 17, 1973;
 - a. the land covered thereby was awarded;
 - b. cultivation requirements of law were complied with as shown by investigation reports submitted prior to January 17, 1973;
 - c. land was surveyed and survey returns already submitted to the Director of Lands for verification and approval; and
 - d. purchase price was fully paid.'

From the records, it is evident that the aforestated requisites have been complied with by appellee long before January 17, 1973, the effectivity of the New Constitution. To restate, the disputed area was awarded to appellee on August 17, 1950, the purchase price was fully paid on July 26, 1951, the cultivation requirements were complied with as per investigation report dated December 31, 1949, and the land was surveyed under Pls-97.'"

On July 6, 1978, petitioner filed a complaint[16] in the trial court for "Declaration of Nullity of Contract (Deed of Relinquishment of Rights), Recovery of Possession (of two parcels of land subject of the contract), and Damages" at about the same time that he appealed the decision of the Minister of Natural Resources to the Office of the President.

On January 28, 1983, petitioner died. The trial court ordered his widow, Lourdes D. Villaflor, to be substituted as petitioner. After trial in due course, the then Court of First Instance of Agusan del Norte and Butuan City, Branch III,[17] dismissed the complaint on the grounds that: (1) petitioner admitted the due execution and genuineness of the contract and was estopped from proving its nullity, (2) the verbal lease agreements were unenforceable under Article 1403 (2)(e) of the Civil Code, and (3) his causes of action were barred by extinctive prescription and/or laches. It ruled that there was prescription and/or laches because the alleged verbal lease ended in 1966, but the

action was filed only on January 6, 1978. The six-year period within which to file an action on an oral contract per Article 1145 (1) of the Civil Code expired in 1972. The decretal portion[18] of the trial court's decision reads:

“WHEREFORE, the foregoing premises duly considered, judgment is hereby rendered in favor of the defendant and against the plaintiff. Consequently, this case is hereby ordered DISMISSED. The defendant is hereby declared the lawful actual physical possessor-occupant and having a better right of possession over the two (2) parcels of land in litigation described in par. 1.2 of the complaint as Parcel I and Parcel II, containing a total area of One Hundred Sixty (160) hectares, and was then the subject of the Sales Application No. V-807 of the plaintiff (Exhibits 1, 1-A, 1-B, pp. 421 to 421-A, Record), and now of the Sales Application No. 807, Entry No. V-407 of the defendant Nasipit Lumber Company (Exhibit Y, pp. 357-358, Record). The Agreements to Sell Real Rights, Exhibits 2 to 2-C, 3 to 3-B, and the Deed of Relinquishment of Rights, Exhibits N to N-1, over the two parcels of land in litigation are hereby declared binding between the plaintiff and the defendant, their successors and assigns.

Double the costs against the plaintiff.”

The heirs of petitioner appealed to Respondent Court of Appeals[19] which, however, rendered judgment against petitioner via the assailed Decision dated September 27, 1990 finding petitioner's prayers -- (1) for the declaration of nullity of the deed of relinquishment, (2) for the eviction of private respondent from the property and (3) for the declaration of petitioner's heirs as owners – to be without basis. The decretal portion[20] of the assailed 49-page, single-spaced Decision curtly reads:

“WHEREFORE, the Decision appealed from, is hereby AFFIRMED, with costs against plaintiff-appellants.”

Not satisfied, petitioner's heirs filed the instant 57-page petition for review dated December 7, 1990. In a Resolution dated June 23, 1991, the Court denied this petition “for being late.” On reconsideration -- upon plea of counsel that petitioners were “poor” and that a full decision on the merits should be rendered -- the Court reinstated the petition and required comment from private respondent. Eventually, the petition was granted due course and the parties thus filed their respective memoranda.

The Issues

Petitioner, through his heirs, attributes the following errors to the Court of Appeals:

I. Are the findings of the Court of Appeals conclusive and binding upon the Supreme Court?

II. Are the findings of the Court of Appeals fortified by the similar findings made by the Director of Lands and the Minister of Natural Resources (as well as by the Office of the President)?

III. Was there ‘forum shopping?’

IV. Are the findings of facts of the Court of Appeals and the trial court supported by the evidence and the law?

V. Are the findings of the Court of Appeals supported by the very terms of the contracts which were under consideration by the said court?

VI. Did the Court of Appeals, in construing the subject contracts, consider the contemporaneous and subsequent act of the parties pursuant to article 1371 of the Civil Code?

VII. Did the Court of Appeals consider the fact and the unrefuted claim of Villaflor that he never knew of the award in favor of Nasipit?

VIII. Did the Court of Appeals correctly apply the rules on evidence in its findings that Villaflor was paid the P5,000.00 consideration because Villaflor did not adduce any proof that he was not paid?

IX. Is the Court of Appeals' conclusion that the contract is not simulated or fictitious simply because it is genuine and duly executed by the parties, supported by logic or the law?

X. May the prestations in a contract agreeing to transfer certain rights constitute estoppel when this very contract is the subject of an action for annulment on the ground that it is fictitious?

XI. Is the Court of Appeals' conclusion that the lease agreement between Villaflores is verbal and therefore, unenforceable supported by the evidence and the law?"

After a review of the various submissions of the parties, particularly those of petitioner, this Court believes and holds that the issues can be condensed into three as follows:

(1) Did the Court of Appeals err in adopting or relying on the factual findings of the Bureau of Lands, especially those affirmed by the Minister (now Secretary) of Natural Resources and the trial court?

(2) Did the Court of Appeals err in upholding the validity of the contracts to sell and the deed of relinquishment? Otherwise stated, did the Court of Appeals err in finding the deed of relinquishment of rights and the contracts to sell valid, and not simulated or fictitious?

(3) Is the private respondent qualified to acquire title over the disputed property?

The Court's Ruling

The petition is bereft of merit. It basically questions the sufficiency of the evidence relied upon by the Court of Appeals, alleging that public respondent's factual findings were based on speculations, surmises and conjectures. Petitioner insists that a review of those findings is in order because they were allegedly (1) rooted, not on specific evidence, but on conclusions and inferences of the Director of Lands which were, in turn, based on misapprehension of the applicable law on simulated contracts; (2) arrived at whimsically -- totally ignoring the substantial and admitted fact that petitioner was not notified of the award in favor of private respondent; and (3) grounded on errors and misapprehensions, particularly those relating to the identity of the disputed area.

First Issue: Primary Jurisdiction of the Director of Lands and Finality of Factual Findings of the Court of Appeals

Underlying the rulings of the trial and appellate courts is the doctrine of primary jurisdiction; i.e., courts cannot and will not resolve a controversy involving a question which is within the jurisdiction of an administrative tribunal, especially where the question demands the exercise of sound administrative discretion requiring the special knowledge, experience and services of the administrative tribunal to determine technical and intricate matters of fact.[21]

In recent years, it has been the jurisprudential trend to apply this doctrine to cases involving matters that demand the special competence of administrative agencies even if the question involved is also judicial in character. It applies "where a claim is originally cognizable in the courts, and comes into play whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body; in such case, the judicial process is suspended pending referral of such issues to the administrative body for its view." [22]

In cases where the doctrine of primary jurisdiction is clearly applicable, the court cannot arrogate unto itself the authority to resolve a controversy, the jurisdiction over which is initially lodged with an administrative body of special competence.[23] In *Machete vs. Court of Appeals*, the Court upheld the primary jurisdiction of the Department of Agrarian Reform Adjudicatory Board (DARAB) in an agrarian dispute over the payment of back rentals under a leasehold contract.[24] In *Concerned Officials of the Metropolitan Waterworks and Sewerage System vs. Vasquez*, [25] the Court recognized that the MWSS was in the best position to evaluate and to decide

which bid for a waterworks project was compatible with its development plan.

The rationale underlying the doctrine of primary jurisdiction finds application in this case, since the questions on the identity of the land in dispute and the factual qualification of private respondent as an awardee of a sales application require a technical determination by the Bureau of Lands as the administrative agency with the expertise to determine such matters. Because these issues preclude prior judicial determination, it behooves the courts to stand aside even when they apparently have statutory power to proceed, in recognition of the primary jurisdiction of the administrative agency.[26]

“One thrust of the multiplication of administrative agencies is that the interpretation of contracts and the determination of private rights thereunder is no longer a uniquely judicial function, exercisable only by our regular courts”[27]

Petitioner initiated his action with a protest before the Bureau of Lands and followed it through in the Ministry of Natural Resources and thereafter in the Office of the President. Consistent with the doctrine of primary jurisdiction, the trial and the appellate courts had reason to rely on the findings of these specialized administrative bodies.

The primary jurisdiction of the director of lands and the minister of natural resources over the issues regarding the identity of the disputed land and the qualification of an awardee of a sales patent is established by Sections 3 and 4 of Commonwealth Act No. 141, also known as the Public Land Act:

“Section 3. The Secretary of Agriculture and Commerce (now Secretary of Natural Resources) shall be the executive officer charged with carrying out the provisions of this Act through the Director of Lands, who shall act under his immediate control.”

“Section 4. Subject to said control, the Director of Lands shall have direct executive control of the survey, classification, lease, sale or any other form of concession or disposition and management of the lands of the public domain, and his decision as to questions of fact shall be conclusive when approved by the Secretary of Agriculture and Commerce.”

Thus, the Director of Lands, in his decision, said:[28]

“x x x It is merely whether or not Villaflor has been paid the Five Thousand (P5,000.00) Pesos stipulated consideration of the deed of relinquishment made by him without touching on the nature of the deed of relinquishment. The administration and disposition of public lands is primarily vested in the Director of Lands and ultimately with the Secretary of Agriculture and Natural Resources (now Secretary of Natural Resources), and to this end--

‘Our Supreme Court has recognized that the Director of Lands is a quasi-judicial officer who passes on issues of mixed facts and law (Ortua vs. Bingson Encarnacion, 59 Phil 440). Sections 3 and 4 of the Public Land Law thus mean that the Secretary of Agriculture and Natural Resources shall be the final arbiter on questions of fact in public land conflicts (Heirs of Varela vs. Aquino, 71 Phil 69; Julian vs. Apostol, 52 Phil 442).’

The ruling of this Office in its order dated September 10, 1975, is worth reiterating, thus:

‘x x x it is our opinion that in the exercise of his power of executive control, administrative disposition and allegation of public land, the Director of Lands should entertain the protest of Villaflor and conduct formal investigation xxx to determine the following points: (a) whether or not the Nasipit Lumber Company, Inc. paid or reimbursed to Villaflor the consideration of the rights in the amount of P5,000.00 and what evidence the company has to prove payment, the relinquishment of rights being part of the administrative process in the disposition of the land in question xxx.

xxxx Besides, the authority of the Director of Lands to pass upon and determine questions considered inherent in or essential to the efficient exercise of his powers like the incident at issue, i.e. , whether Villaflor had been paid or not, is conceded by law.”

Reliance by the trial and the appellate courts on the factual findings of the Director of Lands and the Minister of Natural Resources is not misplaced. By reason of the special knowledge and expertise of said administrative agencies over matters falling under their jurisdiction, they are in a better position to pass judgment thereon; thus, their findings of fact in that regard are generally accorded great respect, if not finality,[29] by the courts.[30] The findings of fact of an administrative agency must be respected as long as they are supported by substantial evidence, even if such evidence might not be overwhelming or even preponderant. It is not the task of an appellate court to weigh once more the evidence submitted before the administrative body and to substitute its own judgment for that of the administrative agency in respect of sufficiency of evidence.[31]

However, the rule that factual findings of an administrative agency are accorded respect and even finality by courts admits of exceptions. This is true also in assessing factual findings of lower courts.[32] It is incumbent on the petitioner to show that the resolution of the factual issues by the administrative agency and/or by the trial court falls under any of the exceptions. Otherwise, this Court will not disturb such findings.[33]

We mention and quote extensively from the rulings of the Bureau of Lands and the Minister of Natural Resources because the points, questions and issues raised by petitioner before the trial court, the appellate court and now before this Court are basically the same as those brought up before the aforesaid specialized administrative agencies. As held by the Court of Appeals:[34]

“We find that the contentious points raised by appellant in this action, are substantially the same matters he raised in BL Claim No. 873 (N). In both actions, he claimed private ownership over the land in question, assailed the validity and effectiveness of the Deed of Relinquishment of Rights he executed in August 16, 1950, that he had not been paid the P5,000.00 consideration, the value of the improvements he introduced on the land and other expenses incurred by him.”

In this instance, both the principle of primary jurisdiction of administrative agencies and the doctrine of finality of factual findings of the trial courts, particularly when affirmed by the Court of Appeals as in this case, militate against petitioner’s cause. Indeed, petitioner has not given us sufficient reason to deviate from them.

Land in Dispute Is Public Land

Petitioner argues that even if the technical description in the deeds of sale and those in the sales application were not identical, the area in dispute remains his private property. He alleges that the deeds did not contain any technical description, as they were executed prior to the survey conducted by the Bureau of Lands; thus, the properties sold were merely described by reference to natural boundaries. His private ownership thereof was also allegedly attested to by private respondent’s former field manager in the latter’s February 22, 1950 letter, which contained an admission that the land leased by private respondent was covered by the sales application.

This contention is specious. The lack of technical description did not prove that the finding of the Director of Lands lacked substantial evidence. Here, the issue is not so much whether the subject land is identical with the property purchased by petitioner. The issue, rather, is whether the land covered by the sales application is private or public land. In his sales application, petitioner expressly admitted that said property was public land. This is formidable evidence as it amounts to an admission against interest.

In the exercise of his primary jurisdiction over the issue, Director of Lands Casanova ruled that the land was public:[35]

“x x x Even (o)n the assumption that the lands mentioned in the deeds of transfer are the same as the 140-hectare area awarded to Nasipit, their purchase by Villaflor (or) the latter’s occupation of the same did not change the character of the land from that of public land to a private property. The provision of the law is specific that public lands can only be acquired in the manner provided for therein and not otherwise (Sec. 11, C.A. No. 141, as amended). The records show that Villaflor had applied for the purchase of lands in question with this Office (Sales Application No. V-807) on December 2, 1948. xxx There is a condition in the sales application xxx to the effect that he recognizes that the land covered by the same is of public domain and any and all rights he may have with respect thereto by virtue of continuous occupation and cultivation are relinquished to the Government (paragraph 6, Sales Application No. V-807 of Vicente J. Villaflor, p. 21, carpeta) of which Villaflor is very much aware. It also appears that Villaflor had paid for the publication fees appurtenant to the sale of the land. He participated in the public auction where he was declared the successful bidder. He had fully paid the purchase price (sic) therefor (sic). It would be a (sic) height of absurdity for Villaflor to be buying that which is owned by him if his claim of private ownership thereof is to be believed. xxx.”

This finding was affirmed by the Minister of Natural Resources:[36]

“Firstly, the area in dispute is not the private property of appellant (herein petitioner).

The evidence adduced by (petitioner) to establish his claim of ownership over the subject area consists of deeds of absolute sale executed in his favor xxx.

However, an examination of the technical descriptions of the tracts of land subject of the deeds of sale will disclose that said parcels are not identical to, and do not tally with, the area in controversy.

‘It is a basic assumption of our policy that lands of whatever classification belong to the state. Unless alienated in accordance with law, it retains its rights over the same as dominus. (Santiago vs. de los Santos, L-20241, November 22, 1974, 61 SCRA 152).

For it is well-settled that no public land can be acquired by private persons without any grant, express or implied from the government. It is indispensable then that there be showing of title from the state or any other mode of acquisition recognized by law. (Lee Hong Hok, et al. vs. David, et al., L-30389, December 27, 1972, 48 SCRA 379).’

xxx xxx xxx xxx

We, therefore, believe that the aforesaid deeds of sale do not constitute clear and convincing evidence to establish that the contested area is of private ownership. Hence, the property must be held to be public domain.

‘There being no evidence whatever that the property in question was ever acquired by the applicants or their ancestors either by composition title from the Spanish Government or by possessory information title or by any other means for the acquisition of public lands, the property must be held to be public domain.’

Be that as it may, [petitioner], by filing a sales application over the controverted land, acknowledged unequivocally [sic] that the same is not his private property.

‘As such sales applicant manifestly acknowledged that he does not own the land and that the same is a public land under the administration of the Bureau of Lands, to which the application was submitted, xxx All of its acts prior thereof, including its real estate tax declarations, characterized its possessions of the land as that of a ‘sales applicant’. And consequently, as one who expects to buy it, but has not as yet done so, and is not, therefore, its owner.’(Palawan Agricultural and Industrial Co., Inc. vs. Director of Lands, L-25914, March 21, 1972, 44 SCRA 15).”

Clearly, this issue falls under the primary jurisdiction of the Director of Lands because its resolution requires “survey, classification, xxx disposition and management of the lands of the public domain.” It follows that his rulings deserve great respect. As petitioner failed to show that this factual finding of the Director of Lands was unsupported by substantial evidence, it assumes finality. Thus, both the trial and the appellate courts correctly relied on such finding.[37] We can do no less.

Second Issue: No Simulation of Contracts Proven

Petitioner insists that contrary to Article 1371[38] of the Civil Code, Respondent Court erroneously ignored the contemporaneous and subsequent acts of the parties; hence, it failed to ascertain their true intentions. However, the rule on the interpretation of contracts that was alluded to by petitioner is used in affirming, not negating, their validity. Thus, Article 1373,[39] which is a conjunct of Article 1371, provides that, if the instrument is susceptible of two or more interpretations, the interpretation which will make it valid and effectual should be adopted. In this light, it is not difficult to understand that the legal basis urged by petitioner does not support his allegation that the contracts to sell and the deed of relinquishment are simulated and fictitious. Properly understood, such rules on interpretation even negate petitioner’s thesis.

But let us indulge the petitioner awhile and determine whether the cited contemporaneous and subsequent acts of the parties support his allegation of simulation. Petitioner asserts that the relinquishment of rights and the agreements to sell were simulated because, first, the language and terms of said contracts negated private respondent’s acquisition of ownership of the land in issue; and second, contemporaneous and subsequent communications between him and private respondent allegedly showed that the latter admitted that petitioner owned and occupied the two parcels; i.e., that private respondent was not applying for said parcels but was interested only in the two hectares it had leased, and that private respondent supported petitioner’s application for a patent.

Petitioner explains that the Agreement to Sell dated December 7, 1948 did not and could not transfer ownership because paragraph 8 (c) thereof stipulates that the “balance of twelve thousand pesos (P12,000.00) shall be paid upon the execution by the First Party [petitioner] of the Absolute Deed of Sale of the two parcels of land in question in favor of the Second Party, and upon delivery to the Second Party [private respondent] of the Certificate of Ownership of the said two parcels of land.” The mortgage provisions in paragraphs 6 and 7 of the agreement state that the P7,000.00 and P5,000.00 were “earnest money or a loan with antichresis by the free occupancy and use given to Nasipit of the 140 hectares of land not anymore as a lessee.” If the agreement to sell transferred ownership to Nasipit, then why was it necessary to require petitioner, in a second agreement, to mortgage his property in the event of nonfulfillment of the prestations in the first agreement?

True, the agreement to sell did not absolutely transfer ownership of the land to private respondent. This fact, however, does not show that the agreement was simulated. Petitioner’s delivery of the Certificate of Ownership and execution of the deed of absolute sale were suspensive conditions, which gave rise to a corresponding obligation on the part of the private respondent, i.e., the payment of the last installment of the consideration mentioned in the December 7, 1948 Agreement. Such conditions did not affect the perfection of the contract or prove simulation. Neither did the mortgage.

Simulation occurs when an apparent contract is a declaration of a fictitious will, deliberately made by agreement of the parties, in order to produce, for the purpose of deception, the appearance of a juridical act which does not exist or is different from that which was really executed.[40] Such an intention is not apparent in the agreements. The intent to sell, on the other hand, is as clear as daylight.

Petitioner alleges further that the deed of relinquishment of right did not give full effect to the two agreements to

sell, because the preliminary clauses of the deed allegedly served only to give private respondent an interest in the property as a future owner thereof and to enable respondent to follow up petitioner's sales application.

We disagree. Such an intention is not indicated in the deed. On the contrary, a real and factual sale is evident in paragraph 6 thereof, which states: "That the Nasipit Lumber Co., Inc., xxx is very much interested in acquiring the land covered by the aforecited application to be used for purposes of mechanized farming" and the penultimate paragraph stating: "xxx VICENTE J. VILLAFLOR, hereby voluntarily renounce and relinquish whatever rights to, and interests I have in the land covered by my above-mentioned application in favor of the Nasipit Lumber Co., Inc."

We also hold that no simulation is shown either in the letter, dated December 3, 1973, of the former field manager of private respondent, George Mear. A pertinent portion of the letter reads:

"(a)s regards your property at Acacia, San Mateo, I recall that we made some sort of agreement for the occupancy, but I no longer recall the details and I had forgotten whether or not we actually did occupy your land. But if, as you say, we did occupy it, then I am sure that the Company is obligated to pay a rental."

The letter did not contain any express admission that private respondent was still leasing the land from petitioner as of that date. According to Mear, he could no longer recall the details of his agreement with petitioner. This cannot be read as evidence of the simulation of either the deed of relinquishment or the agreements to sell. It is evidence merely of an honest lack of recollection.

Petitioner also alleges that he continued to pay realty taxes on the land even after the execution of said contracts. This is immaterial because payment of realty taxes does not necessarily prove ownership, much less simulation of said contracts.[41]

Nonpayment of the Consideration Did Not Prove Simulation

Petitioner insists that nonpayment of the consideration in the contracts proves their simulation. We disagree. Nonpayment, at most, gives him only the right to sue for collection. Generally, in a contract of sale, payment of the price is a resolutory condition and the remedy of the seller is to exact fulfillment or, in case of a substantial breach, to rescind the contract under Article 1191 of the Civil Code.[42] However, failure to pay is not even a breach, but merely an event which prevents the vendor's obligation to convey title from acquiring binding force.[43]

Petitioner also argues that Respondent Court violated evidentiary rules in upholding the ruling of the Director of Lands that petitioner did not present evidence to show private respondent's failure to pay him. We disagree. Prior to the amendment of the rules on evidence on March 14, 1989, Section 1, Rule 131, states that each party must prove his or her own affirmative allegations.[44] Thus, the burden of proof in any cause rested upon the party who, as determined by the pleadings or the nature of the case, asserts the affirmative of an issue and remains there until the termination of the action.[45] Although nonpayment is a negative fact which need not be proved, the party seeking payment is still required to prove the existence of the debt and the fact that it is already due.[46]

Petitioner showed the existence of the obligation with the presentation of the contracts, but did not present any evidence that he demanded payment from private respondent. The demand letters dated January 2 and 5, 1974 (Exhs. "J" and "U"), adduced in evidence by petitioner, were for the payment of back rentals, damages to improvements and reimbursement of acquisition costs and realty taxes, not payment arising from the contract to sell.

Thus, we cannot fault Respondent Court for adopting the finding of the Director of Lands that petitioner "offered no evidence to support his claim of nonpayment beyond his own self-serving assertions," as he did not even

demand “payment, orally or in writing, of the five thousand (P5,000.00) pesos which was supposed to be due him since August 17, 1950, the date when the order of award was issued to Nasipit, and when his cause of action to recover payment had accrued.” Nonpayment of the consideration in the contracts to sell or the deed of relinquishment was raised for the first time in the protest filed with the Bureau of Lands on January 31, 1974. But this protest letter was not the demand letter required by law.

Petitioner alleges that the assignment of credit and the letter of the former field manager of private respondent are contemporaneous and subsequent acts revealing the nonpayment of the consideration. He maintains that the P12,000.00 credit assigned pertains to the P5,000.00 and P7,000.00 initial payments in the December 7, 1948 Agreement, because the balance of P12,000.00 was not yet “due and accruing.” This is consistent, he argues, with the representation that private respondent was not interested in filing a sales application over the land in issue and that Nasipit was instead supporting petitioner’s application thereto in Mear’s letter to the Director of Lands dated February 22, 1950 (Exh. “X”).[47]

This argument is too strained to be acceptable. The assignment of credit did not establish the nondelivery of these initial payments of the total consideration. First, the assignment of credit happened on January 19, 1949, or a month after the signing of the December 7, 1948 Agreement and almost six months after the July 7, 1948 Agreement to Sell. Second, it does not overcome the recitation in the Agreement of December 7, 1948: “xxx a) The amount of SEVEN THOUSAND (P7,000.00) PESOS has already been paid by the Second Party to the First Party upon the execution of the Agreement to Sell, on July 7, 1948; b) The amount of FIVE THOUSAND (P5,000.00) PESOS shall be paid upon the signing of this present agreement; xxx.”

Aside from these facts, the Director of Lands found evidence of greater weight showing that payment was actually made:[48]

“x x x (T)here is strong evidence to show that said xxx (P12,000.00) had been paid by NASIPIT to Edward J. Nell Company by virtue of the Deed of Assignment of Credit executed by Villaflor (Exh. “41 NALCO”) for the credit of the latter.

Atty. Gabriel Banaag, resident counsel of NASIPIT xxx declared that it was he who notarized the ‘Agreement to Sell’ (Exh. “F”); xxxx that subsequently, in January 1949, Villaflor executed a Deed of Assignment of credit in favor of Edward J. Nell Company (Exh. “41 NALCO”) whereby Villaflor ceded to the latter his receivable for NASIPIT corresponding to the remaining balance in the amount of xxx (P12,000.00) xxx of the total consideration xxxx; He further testified that the said assignment xxx was communicated to NASIPIT under cover letter dated January 24, 1949 (Exh. “41-A”) and not long thereafter, by virtue of the said assignment of credit, NASIPIT paid the balance xxx to Edward J. Nell Company (p. 58, bid). Atty. Banaag’s aforesaid testimony stand rebutted; hence, must be given full weight and credit.

xxx xxx xxx.”

The Director of Lands also found that there had been payment of the consideration in the relinquishment of rights:[49]

“On the other hand, there are strong and compelling reasons to presume that Villaflor had already been paid the amount of Five Thousand (P5,000.00) Pesos.

First, x x x What is surprising, however, is not so much his claims consisting of gigantic amounts as his having forgotten to adduce evidence to prove his claim of non-payment of the Five Thousand (P5,000.00) Pesos during the investigation proceedings when he had all the time and opportunity to do so. xxxx The fact that he did not adduce or even attempt to adduce evidence in support thereof shows either that he had no evidence to offer of that NASIPIT had already paid him in fact. What is worse is that Villaflor did not even bother to

command payment, orally or in writing, of the Five Thousand (P5,000.00) Pesos which was supposed to be due him since August 17, 1950, the date when the order of award was issued to Nasipit, and when his cause of action to recover payment had accrued. The fact that he only made a command for payment on January 31, 1974, when he filed his protest or twenty-four (24) years later is immediately nugatory of his claim for non-payment.

But Villaflor maintains that he had no knowledge or notice that the order of award had already been issued to NASIPIT as he had gone to Indonesia and he had been absent from the Philippines during all those twenty-four (24) years. This of course taxes credulity.xxxx

‘ x x x It is more in keeping with the ordinary course of things that he should have acquired information as to what was transpiring in his affairs in Manila x x x.’

Second, it should be understood that the condition that NASIPIT should reimburse Villaflor the amount of Five Thousand (P5,000.00) Pesos upon its receipt of the order of award was fulfilled as said award was issued to NASIPIT on August 17, 1950. The said deed of relinquishment was prepared and notarized in Manila with Villaflor and NASIPIT signing the instrument also in Manila. Now, considering that Villaflor is presumed to be more assiduous in following up with the Bureau of Lands the expeditious issuance of the order of award as the (consideration) would depend on the issuance of said order to award NASIPIT, would it not be reasonable to believe that Villaflor was at hand when the award was issued to NASIPIT on August 17, 1950, or barely a day which he executed the deed of relinquishment on August 16, 1950, in Manila? xxxx.

Third, on the other hand, NASIPIT has in his possession a sort of “order” upon itself -- (the deed of relinquishment wherein he(sic) obligated itself to reimburse or pay Villaflor the xxx consideration of the relinquishment upon its receipt of the order of award) for the payment of the aforesaid amount the moment the order of award is issued to it. It is reasonable to presume that NASIPIT has paid the (consideration) to Villaflor.

xxx xxx xxx

x x x (I)t was virtually impossible for NASIPIT, after the lapse of the intervening 24 years, to be able to cope up with all the records necessary to show that the consideration for the deed of relinquishment had been fully paid. To expect NASIPIT to keep intact all records pertinent to the transaction for the whole quarter of a century would be to require what even the law does not. Indeed, even the applicable law itself (Sec. 337, National Internal Revenue Code) requires that all records of corporations be preserved for only a maximum of five years.

NASIPIT may well have added that at any rate while there are transactions where the proper evidence is impossible or extremely difficult to produce after the lapse of time xxx the law creates presumptions of regularity in favor of such transactions (20 Am. Jur. 232) so that when the basic fact is established in an action the existence of the presumed fact must be assumed by force of law. (Rule 13, Uniform Rules of Evidence; 9 Wigmore, Sec. 2491).”

The Court also notes that Mear’s letter of February 22, 1950 was sent six months prior to the execution of the deed of relinquishment of right. At the time of its writing, private respondent had not perfected its ownership of the land to be able to qualify as a sales applicant. Besides, although he was a party to the July 7, 1948 Agreement to Sell, Mear was not a signatory to the Deed of Relinquishment or to the December 7, 1948 Agreement to Sell. Thus, he cannot be expected to know the existence of and the amendments to the later contracts. These circumstances explain the mistaken representations, not misrepresentations, in said letter.

Lack of Notice of the Award

Petitioner insists that private respondent suppressed evidence, pointing to his not having been notified of the

Order of Award dated August 17, 1950.[50] At the bottom of page 2 of the order, petitioner was not listed as one of the parties who were to be furnished a copy by Director of Lands Jose P. Dans. Petitioner also posits that Public Land Inspector Sulpicio A. Taea irregularly received the copies for both private respondent and the city treasurer of Butuan City. The lack of notice for petitioner can be easily explained. Plainly, petitioner was not entitled to said notice of award from the Director of Lands, because by then, he had already relinquished his rights to the disputed land in favor of private respondent. In the heading of the order, he was referred to as sales applicant-assignor. In paragraph number 4, the order stated that, on August 16, 1950, he relinquished his rights to the land subject of the award to private respondent. From such date, the sales application was considered to be a matter between the Bureau of Lands and private respondent only. Considering these facts, the failure to give petitioner a copy of the notice of the award cannot be considered as suppression of evidence.[51] Furthermore, this order was in fact available to petitioner and had been referred to by him since January 31, 1974 when he filed his protest with the Bureau of Lands.[52]

Third Issue: Private Respondent Qualified

for an Award of Public Land

Petitioner asserts that private respondent was legally disqualified from acquiring the parcels of land in question because it was not authorized by its charter to acquire disposable public agricultural lands under Sections 121, 122 and 123 of the Public Land Act, prior to its amendment by P.D. No. 763. We disagree. The requirements for a sales application under the Public Land Act are: (1) the possession of the qualifications required by said Act (under Section 29) and (2) the lack of the disqualifications mentioned therein (under Sections 121, 122, and 123). However, the transfer of ownership via the two agreements dated July 7 and December 7, 1948 and the relinquishment of rights, being private contracts, were binding only between petitioner and private respondent. The Public Land Act finds no relevance because the disputed land was covered by said Act only after the issuance of the order of award in favor of private respondent. Thus, the possession of any disqualification by private respondent under said Act is immaterial to the private contracts between the parties thereto. (We are not, however, suggesting a departure from the rule that laws are deemed written in contracts.) Consideration of said provisions of the Act will further show their inapplicability to these contracts. Section 121 of the Act pertains to acquisitions of public land by a corporation from a grantee, but petitioner never became a grantee of the disputed land. On the other hand, private respondent itself was the direct grantee. Sections 122 and 123 disqualify corporations, which are not authorized by their charter, from acquiring public land; the records do not show that private respondent was not so authorized under its charter.

Also, the determination by the Director of Lands and the Minister of Natural Resources of the qualification of private respondent to become an awardee or grantee under the Act is persuasive on Respondent Court. In *Espinosa vs. Makalintal*,^[53] the Court ruled that, by law, the powers of the Secretary of Agriculture and Natural Resources regarding the disposition of public lands -- including the approval, rejection, and reinstatement of applications -- are of executive and administrative nature. (Such powers, however, do not include the judicial power to decide controversies arising from disagreements in civil or contractual relations between the litigants.) Consequently, the determination of whether private respondent is qualified to become an awardee of public land under C.A. 141 by sales application is included therein.

All told, the only disqualification that can be imputed to private respondent is the prohibition in the 1973 Constitution against the holding of alienable lands of the public domain by corporations.^[54] However, this Court earlier settled the matter, ruling that said constitutional prohibition had no retroactive effect and could not prevail over a vested right to the land. In *Ayog vs. Cusi, Jr.*,^[55] this Court declared:

“We hold that the said constitutional prohibition has no retroactive application to the sales application of Biñan

Development Co., Inc. because it had already acquired a vested right to the land applied for at the time the 1973 Constitution took effect.

That vested right has to be respected. It could not be abrogated by the new Constitution. Section 2, Article XIII of the 1935 Constitution allows private corporations to purchase public agricultural lands not exceeding one thousand and twenty-four hectares. Petitioner's prohibition action is barred by the doctrine of vested rights in constitutional law.

'A right is vested when the right to enjoyment has become the property of some particular person or persons as a present interest.' (16 C.J.S. 1173). It is 'the privilege to enjoy property legally vested, to enforce contracts, and enjoy the rights of property conferred by existing law' (12 C.J. 955, Note 46, No. 6) or 'some right or interest in property which has become fixed and established and is no longer open to doubt or controversy' (Downs vs. Blount, 170 Fed. 15, 20, cited in Balboa vs. Farrales, 51 Phil. 498, 502).

The due process clause prohibits the annihilation of vested rights. 'A state may not impair vested rights by legislative enactment, by the enactment or by the subsequent repeal of a municipal ordinance, or by a change in the constitution of the State, except in a legitimate exercise of the police power' (16 C.J.S. 1177-78).

It has been observed that, generally, the term 'vested right' expresses the concept of present fixed interest, which in right reason and natural justice should be protected against arbitrary State action, or an innately just an imperative right which an enlightened free society, sensitive to inherent and irrefragable individual rights, cannot deny (16 C.J.S. 1174, Note 71, No. 5, citing Pennsylvania Greyhound Lines, Inc. vs. Rosenthal, 192 Atl. 2nd 587).

Secretary of Justice Abad Santos in his 1973 opinion ruled that where the applicant, before the Constitution took effect, had fully complied with all his obligations under the Public Land Act in order to entitle him to a sales patent, there would seem to be no legal or equitable justification for refusing to issue or release the sales patent (p. 254, Rollo).

In Opinion No. 140, series of 1974, he held that as soon as the applicant had fulfilled the construction or cultivation requirements and has fully paid the purchase price, he should be deemed to have acquired by purchase the particular tract of land and to him the area limitation in the new Constitution would not apply.

In Opinion No. 185, series of 1976, Secretary Abad Santos held that where the cultivation requirements were fulfilled before the new Constitution took effect but the full payment of the price was completed after January 17, 1973, the applicant was, nevertheless, entitled to a sales patent (p. 256, Rollo).

Such a contemporaneous construction of the constitutional prohibition by a high executive official carries great weight and should be accorded much respect. It is a correct interpretation of section 11 of Article XIV.

In the instant case, it is incontestable that prior to the effectivity of the 1973 Constitution the right of the corporation to purchase the land in question had become fixed and established and was no longer open to doubt or controversy.

Its compliance with the requirements of the Public Land Law for the issuance of a patent had the effect of segregating the said land from the public domain. The corporation's right to obtain a patent for that land is protected by law. It cannot be deprived of that right without due process (Director of Lands vs. CA, 123 Phil. 919)."

The Minister of Natural Resources ruled, and we agree, that private respondent was similarly qualified to become an awardee of the disputed land because its rights to it vested prior to the effectivity of the 1973 Constitution:[56]

"Lastly, appellee has acquired a vested right to the subject area and, therefore, is deemed not affected by the new constitutional provision that no private corporation may hold alienable land of the public domain except

by lease.

It may be recalled that the Secretary of Justice in his Opinion No. 64, series of 1973, had declared, to wit:

‘On the other hand, with respect to sales application ready for issuance of sales patent, it is my opinion that where the applicant had, before, the constitution took effect, fully complied with all his obligations under the Public Land act in order to entitle him to sales patent, there would seem to be not legal or equitable justification for refusing to issue or release the sales patent.’

Implementing the aforesaid Opinion No. 64 xxx, the then Secretary of Agriculture and Natural Resources issued a memorandum, dated February 18, 1974, which pertinently reads as follows:

‘In the implementation of the foregoing opinion, sales application of private individuals covering areas in excess of 24 hectares and those of corporations, associations, or partnership which fall under any of the following categories shall be given due course and issued patents, to wit:

Sales application for fishponds and for agricultural purposes (SFA, SA and IGPSA) wherein prior to January 17, 1973,

- a. the land covered thereby was awarded;
- b. cultivation requirements of law were complied with as shown by investigation reports submitted prior to January 17, 1973;
- c. land was surveyed and survey returns already submitted to the Director of Lands for verification and approval; and
- d. purchase price was fully paid.’

From the records, it is evident that the aforesaid requisites have been complied with by appellee long before January 17, 1973, the effectivity of the New Constitution. To restate, the disputed area was awarded to appellee on August 17, 1950, the purchase price was fully paid on July 26, 1951, the cultivation requirements were complied with as per investigation report dated December 31, 1949, and the land was surveyed under Pls-97.”

The same finding was earlier made by the Director of Lands:[57]

“It is further contended by Villaflor that Nasipit has no juridical personality to apply for the purchase of public lands for agricultural purposes. The records clearly show, however, that since the execution of the deed of relinquishment of August 16, 1950, in favor of Nasipit, Villaflor has always considered and recognized Nasipit as having the juridical personality to acquire public lands for agricultural purposes. In the deed of relinquishment xxx, it is stated:

‘6. That the Nasipit Lumber Co., Inc., a corporation duly organized in accordance with the laws of the Philippines, x x x.’

Even this Office had not failed to recognize the juridical personality of Nasipit to apply for the purchase of public lands xxx when it awarded to it the land so relinquished by Villaflor (Order of Award dated August 17, 1950) and accepted its application therefor. At any rate, the question whether an applicant is qualified to apply for the acquisition of public lands is a matter between the applicant and this Office to decide and which a third party like Villaflor has no personality to question beyond merely calling the attention of this Office thereto.”

Needless to say, we also agree that the November 8, 1946 Lease Agreement between petitioner and private respondent had been terminated by the agreements to sell and the relinquishment of rights. By the time the verbal

leases were allegedly made in 1951 and 1955,[58] the disputed land had already been acquired and awarded to private respondent. In any event, petitioner's cause of action on these alleged lease agreements prescribed long before he filed Civil Case No. 2072-III, as correctly found by the trial and appellate courts.[59] Thus, it is no longer important, in this case, to pass upon the issue of whether or not amendments to a lease contract can be proven by parol evidence. The same holds true as regards the issue of forum-shopping.

All in all, petitioner has not provided us sufficient reason to disturb the cogent findings of the Director of Lands, the Minister of Natural Resources, the trial court and the Court of Appeals.

WHEREFORE, the petition is hereby DISMISSED.

SO ORDERED.

Narvasa, C.J., (Chairman), Romero, and Francisco, JJ., concur.

Melo, J., no part.

[1] Rollo, pp. 69-117.

[2] Rollo, pp. 71-74.

[3] This should be 60 hectares, as stated in the deed of sale.

[4] Folder of Exhibits, pp. 28 -30.

[5] Lease Agreement, Folder of Exhibits, pp. 29-30.

[6] Folder of Exhibits, p. 32.

[7] Ibid., p. 45.

[8] Folder of Exhibits, p. 44.

[9] Ibid.

[10] Id., pp. 49-51.

[11] Id., p. 38.

[12] Id., pp. 25-26.

[13] Rollo, pp. 184-185.

[14] Id., pp. 111-112.

[15] RTC Folder of Exhibits, pp. 77-87.

[16] Docketed as Civil Case No. 2072-III.

[17] Presided by Judge Miguel S. Rallos.

[18] RTC rollo, p. 732.

[19] The Twelfth Division composed of JJ. Artemon D. Luna, ponente; Reynato S. Puno (now a member of this Court) and Jorge S. Imperial.

[20] Rollo, p. 117.

[21] Brett vs. Intermediate Appellate Court, 191 SCRA 687, 698, November 27, 1990, per Regalado, J.

[22] Industrial Enterprises, Inc. vs. Court of Appeals, 184 SCRA 426, 431-432, April 18, 1990, per Melencio-Herrera, J.

[23] Machete vs. Court of Appeals, 250 SCRA 176, 182, November 20, 1995.

[24] Ibid., p. 182.

[25] 240 SCRA 502, 528-529, January 25, 1995.

[26] Ibid., p. 532.

[27] Id.

[28] Folder of Exhibits, pp. 68-69.

[29] Factual findings should be distinguished from contemporaneous construction and interpretation of a law by the implementing administrative agency which is accorded great respect by courts. Bagatsing vs. Committee on Privatization, 246 SCRA 334, 354, July 14, 1995.

[30] Philippine Merchant Marine School, Inc. vs. Court of Appeals, 244 SCRA 770, 785, June 2, 1995; Casa Filipina Realty Corporation vs. Office of the President, 241 SCRA 165, 174, February 7, 1995; and COCOFED vs. Trajano, 241 SCRA 363, 368, February 15, 1995.

[31] Rubenecia vs. Civil Service Commission, 244 SCRA 640, 652, May 31, 1995.

[32] Proceeding by analogy, the exceptions to the rule on conclusiveness of factual findings of the Court of Appeals, enumerated in Fuentes vs. Court of Appeals, can also be applied to those of quasi-judicial bodies, to wit:

1. When the conclusion is a finding grounded entirely on speculation, surmise or conjecture;
2. When the inference made is manifestly absurd, mistaken or impossible;
3. When there is grave abuse of discretion in the appreciation of facts;
4. When the judgment is premised on a misapprehension of facts;
5. When the findings of fact are conflicting;
6. When the Court of Appeals in making its findings went beyond the issues of the case and the same is contrary to the admissions of both appellants and appellees;
7. When the findings of fact of the Court of Appeals are at variance with those of the trial court;
8. When the findings of fact are conclusions without citation of specific evidence on which they are based;
9. When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents;
10. When the findings of fact of the Court of Appeals are premised on the supposed absence of evidence and are contradicted by the evidence on record; and
11. When certain material facts and circumstances had been overlooked by the trial court which, if taken into account, would alter the result of the case. (Fuentes vs. Court of Appeals, G.R. No. 109849, February 26, 1997, pp. 6-8)

[33] Lanzona vs. Intermediate Appellate Court, 187 SCRA 33, 38, July 2, 1990; Medina vs. Asistio, Jr., 191 SCRA 218, 223, November 8, 1990; De los Santos vs. Reyes, 205 SCRA 437, 445, January 27, 1992; Universal

Motors vs. Court of Appeals, 205 SCRA 448, 455, January 27, 1992; FNCB Finance vs. Estavillo, 192 SCRA 514, 517, December 20, 1990.

[34] Rollo, p. 111.

[35] Folder of Exhibits, pp. 71-72.

[36] Exhibit 9, *ibid.*, pp. 82-84.

[37] We should add that, at present, under Supreme Court Revised Circular 1-95, recourse from rulings of administrative agencies including those of executive departments is to the Court of Appeals directly and not to trial courts. Pertinent provisions of this circular are:

1. Scope.—These rules shall apply to appeals from judgments or final orders of the Court of Tax Appeals and from awards, judgments, final orders or resolutions of or authorized by any quasi-judicial agency in the exercise of its quasi-judicial functions. Among these agencies are the Civil Service Commission, Central Board of Assessment Appeals, Securities and Exchange Commission, Office of the President, Civil Aeronautics Board, Bureau of Patents, Trademarks and Technology Transfer, National Electrification Administration, Energy Regulatory Board, National Telecommunication Commission, Department of Agrarian Reform under Republic Act 6657, Government Service Insurance System, Employees Compensation Commission, Agricultural Inventions Board, Insurance Commission, Philippine Atomic Energy Commission, Board of Investments, and Construction Industry Arbitration Commission.

2. Cases not covered.—These rules shall not apply to judgments or final orders issued under the Labor Code of the Philippines.

3. Where to appeal.—An appeal under these rules may be taken to the Court of Appeals within the period and in the manner herein provided, whether the appeal involves questions of fact, or law, or mixed questions of fact and law.

xxx xxx xxx”

[38] “ART. 1371. In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered.”

[39] “ART. 1373. If some stipulation of any contract should admit of several meanings, it shall be understood as bearing that import which is most adequate to render it effectual.”

[40] Tongoy vs. Court of Appeals, 123 SCRA 99, 118, June 28, 1983, per Makasiar, J.

[41] Rivera vs. Court of Appeals, 244 SCRA 218, 222, May 22, 1995.

[42] Jacinto vs. Kaparaz, 209 SCRA 246, 255, May 22, 1992, per Davide, J.

[43] *Ibid.*, p. 254.

[44] “SECTION 1. Burden of proof in civil cases.-- Each party must prove his own affirmative allegations. Evidence need not be given in support of a negative allegation except when such negative allegation is an essential part of the statement of the right or title on which the cause of action or defense is founded, nor even in such case when the allegation is a denial of the existence of a document the custody of which belongs to the opposite party. The burden of proof lies in the party who would be defeated if no evidence were given on either side.”

[45] 31 C.J.S., 709; Germaldez vs Court of Appeals, 230 SCRA 320, 330, February 23, 1994.

[46] Francisco, The Revised Rules of Court in the Philippines: Evidence, Vol. VII, Part II, 1973 ed., p. 12.

[47] Folder of Exhibits, p. 38.

[48] Id., pp. 73-74.

[49] Id., pp. 69-71.

[50] CA rollo, pp. 41LLL-MMM.

[51] Manila Bay Club Corporation vs. Court of Appeals, 249 SCRA 303, 305-307, October 13, 1995.

[52] People vs. Barlis, 231 SCRA 426, 439-440, March 24, 1994.

[53] 79 Phil 134, 137, August 29, 1947.

[54] Section 11, Article XIV of the 1973 Constitution provides:

“Section 11. The National Assembly, taking into account conservation, ecological, and developmental requirements of the natural resources shall determine by law the size of lands of the public domain which may be developed, held or acquired by, or leased to, any qualified individual, corporation, or association, and the conditions therefor. No private corporation or association may hold alienable lands of the public domain except by lease not to exceed one thousand hectares in area; xxx.”

[55] 118 SCRA 492, 498-500, November 19, 1982, per Aquino, J.

[56] Folder of Exhibits, pp. 86-87.

[57] Ibid., pp. 68-69.

[58] Complaint, records, p. 4.

[59] ART. 1145. The following actions must be commenced within six years from the time the right of action accrues:

(1) Upon an oral contract;

xxxx.”

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