

Aubrey Dunn, New Mexico State Land Commissioner



**NEW MEXICO
STATE LAND OFFICE
2017 ANNUAL REPORT**

COMMISSIONER OF PUBLIC LANDS AUBREY DUNN

New Mexico Land Commissioner Aubrey Dunn is a native New Mexican, born in Alamogordo and raised on an apple farm in the small mountain community of High Rolls in Otero County.

He is a 1974 graduate of Alamogordo High School and he attended Colorado State University where he earned a bachelor's degree in animal science.

Mr. Dunn's keen business sense led him to the banking industry where he worked for 25 years, the last 10 of which he served as CEO and President of First Federal Bank of New Mexico. He is also a cattle rancher and has owned 13 ranches throughout his life. He now owns and operates the Quivira Ranch located between Mountainair and Corona.

Both his business and agricultural background have prepared him for his role as State Land Commissioner and inspired his innovative policies to diversify the State Land Office's portfolio, increase assets, and improve conservation efforts.

Mr. Dunn is a member of the Western States Land Commissioners Association, which consists of 23 states that together manage 447 million acres of surface estate, mineral properties, and land beneath navigable waterways, all held in trust for public education in the respective states. As State Land Commissioner he serves on a number of boards, including: New Mexico State Investment Council, Youth Conservation Corps, Capital Building Planning Commission, Coal Surface Mining Commission, Mining Commission, Oil Conservation Commission, Office of Interstate Natural Gas Markets, Natural Lands Protection Act Committee, and Rangeland Protection Advisory Committee.

A dedicated public servant, Aubrey also serves on the Board of Directors of the New Mexico Coalition of Conservation Districts and is a district supervisor and past chairman of the Chaves County Soil and Water Conservation District. He is a past board member of the New Mexico Farm Credit Association, Alamogordo Chamber of Commerce, Roswell Chamber of Commerce, and the New Mexico Banker's Association, among many others.

Aubrey and Robin, his wife of 38 years, share three children, A. Blair Dunn, an attorney; Dr. Jamie Dunn, an optometrist; and Jed Dunn, a soil specialist with the National Resources Conservation Service; as well as three granddaughters Harper, Amelia and Alannah.



Commissioner Dunn awards a Kindle Fire to Ventana Ranch Elementary fourth grader and State Land Office bookmark contest winner Amaya Lee.



Commissioner Dunn addresses the "State Trust Lands Energizing New Mexico" scholarship conference.



The Commissioner speaks to the Los Lunas Board of Education about how the NMSLO impacts schools.

MESSAGE FROM THE COMMISSIONER

At the New Mexico State Land Office education is our business. Since the earliest days of the territory, the role of the Commissioner of Public Lands and the State Land Office has been to maximize revenues for public education so children can attend schools of excellence.

Revenues earned from energy production, ranching and farming, and business development on State Trust Lands have generated billions of dollars for public schools and our other trust beneficiaries which include seven universities, the New Mexico Military Institute, the New Mexico School for the Deaf, the New Mexico School for the Blind and Visually Impaired, three hospitals, correctional facilities, water conservation programs, and public building construction and repair. New Mexico's public school system is the largest beneficiary of trust revenues, receiving 85 percent of revenues earned from trust lands.

Oil and gas production on State Trust Lands dominates the agency's business activity and accounts for 92 percent of revenues collected. In Fiscal Year 2017, an influx of exploration and production in the Permian Basin boosted oil and gas lease sale earnings, rentals, and royalties, which together generated more than \$624 million. The royalty earnings reflect a mandate from the New Mexico State Controller stipulating that due to a time lag in reporting oil and gas royalties, FY 2017 will contain 15 months of revenue beginning July 1, 2016 through September 30, 2017.

Other revenue sources and their respective fiscal year earnings include: rights-of-way, \$9.5 million; business leases, \$7 million; mineral rental and royalty revenues, \$8.6 million; grazing revenues, \$10.8 million; and renewable energy, \$407,000.

In all, revenues earned from trust lands in FY 2017, along with contributions from the Land Grant Permanent Fund, generated nearly \$723 million for the trust beneficiaries, with public schools receiving the majority - \$613 million.

Generating revenue is only the beginning of trust stewardship and my administration is committed to conserving trust lands. Since taking office in 2015, I have appropriated more than \$2.7 million to implement 62 projects pertaining to rangeland, forest, and watershed remediation, wildlife habitat improvement, illegal dump site cleanups, and cultural resource stabilization across 22,000 acres.

During the 2017 legislative session, the Senate and House unanimously passed, and the governor signed, HB 24 - The State Trust Lands Restoration and Remediation Fund - which will provide a funding mechanism to implement land management strategies. In anticipation of strong revenues and steady income flowing into the fund, there are 18 projects in process or completed and an additional 15 projects in various planning stages.

Other priorities this fiscal year included implementing a trespass oversight initiative, opening additional access points and campsites to sportsmen, negotiating a land exchange with the federal government to enhance public access within the Rio Grande del Norte National Monument and the Sabinoso Wilderness Area, finalizing a land trade with Cochiti Pueblo and subsequent lease agreement for Garrett's Desert Inn, launching an effort to clean up Nacimienta Copper Mine, overhauling water policy to protect the Ogallala aquifer, and spurring economic development across the state.

In conclusion, it is my pleasure to work with a team of dedicated employees who are always seeking out innovative opportunities to maximize revenues for the trust, create economic growth, conserve our vast natural resources, and improve customer service standards. Together we are setting new benchmarks for the State Land Office and for future commissioners who will manage the trust for years to come.

A handwritten signature in cursive script, reading "Aubrey Dunn".

*Aubrey Dunn
Commissioner of Public Lands*



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HISTORY OF STATE TRUST LANDS

The endowment of public lands for educational purposes was a practice established by the General Land Ordinance of 1785 and the Northwest Ordinance of 1787. The United States Congress recognized the importance of public schools to a developing nation, and although there was little money available to support the public needs of newly organizing states, the federal government had one resource in abundance – land.

By granting land to newly organized states, the federal government could provide state governments with a source of revenue that could be used to fund public education and other essential public institutions.

The Compromise of 1850 put an end to the push for immediate New Mexico statehood, however Congress did approve the Organic Act for the Territory of New Mexico, establishing New Mexico as a territory, authorizing its civil government, and reserving sections 16 and 36 in each township for the ultimate purpose of being applied to public schools.

Nearly 50 years later, Harvey B. Ferguson took up the statehood battle, but like many who had come before him, his efforts were defeated. Seeing the hopelessness of obtaining statehood at that time, Mr. Ferguson proposed legislation authorizing the granting of lands for certain purposes to the Territory of New Mexico.

The Ferguson Act of 1898 gave sections 16 and 36 in every township to the territory for support of its public schools. In the event these sections happened to be mineral lands, or had otherwise been sold or appropriated under the mining or homestead laws, the territory was entitled to make alternative selections.

Other provisions of the Ferguson Act included land grants designated to support additional beneficiaries, which are known today as University of New Mexico, New Mexico State University, Western New Mexico University, New Mexico Highlands University, New Mexico Institute of Mining and Technology, New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired, New Mexico School for the Deaf, New Mexico Behavioral Health Institute, Miners' Colfax Medical Center, Penitentiary of New Mexico, New Mexico Boys' School, Water Reservoirs, Improvements to the Rio Grande, and Public Buildings.

In 1899, Territorial Governor Miguel A. Otero urged the Legislature to activate the federal land grants and appointed the first Commissioner of Public Lands, Alpheus A. Keen.

The Ferguson Act had stipulated that more land grants would be forthcoming when statehood was granted. Therefore, when the Enabling Act of 1910 was approved it paved the way for statehood and provided that sections 2 and 32 in every township were to be held in trust by the state for support of its public schools.

Again, if these lands were mineral in character, already appropriated, or within a National Forest, "lieu" lands were selected.

The Enabling Act, which provided for a Constitutional Convention, was passed by Congress on June 20, 1910. After delegates drafted a constitution, the document was submitted to the people for a vote. By presidential proclamation the Territory of New Mexico officially became the State of New Mexico on January 6, 1912.

One of the articles of the new constitution provided that the Commissioner of Public Lands take control, jurisdiction, care, and custody of the trust lands as agent for the state.

Over the years amendments to the Enabling Act have been made, the most important of which placed control over the minerals within the Legislature. The State Land Office issued its first oil and gas lease in 1916, received its first royalty payment in 1924, and received title to minerals underlying trust lands in 1927.

Today, the Commissioner of Public Lands and the State Land Office manage 9 million acres of surface estate and 13 million mineral acres, all held in trust to support 22 beneficiaries. And, as intended by our country's founding fathers, public schools continue to be the largest beneficiary of the land trust.

LAND GRANT PERMANENT FUND

The Land Grant Permanent Fund (LGPF) was created with the lands deeded by the United States of America to the Territory of New Mexico in accordance with the Ferguson Act of 1898 and the Enabling Act of 1910 in anticipation of New Mexico's impending statehood in 1912.

It was with the creation of the State Investment Council (SIC) in 1957, and the subsequent passage of a constitutional amendment in 1958, that the task of managing the constitutionally protected LGPF was transferred from the Legislature to the SIC, formally creating a permanent trust, as well as fiduciary responsibilities for SIC members.

The corpus of the LGPF is entirely the product of revenues generated by the State Land Office. Royalty payments collected from oil, gas, and minerals extracted from State Trust Lands, along with land sale proceeds, flow into the LGPF, which in Fiscal Year 2017 amounted to \$563 million. The SIC, of which the Commissioner of Public Lands is a member, invests the corpus of the fund in equity and bond markets, and as of June 30, 2017, the value of the fund was \$16 billion. The beneficiaries were paid five percent of the five-year average market value of the fund, or \$638 million.

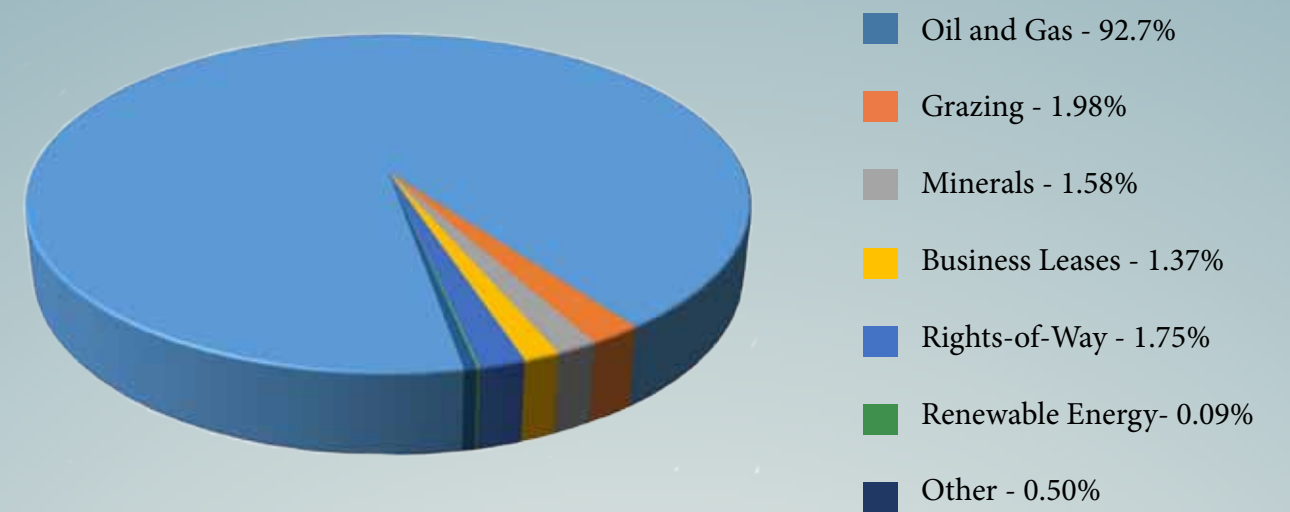


LAND MAINTENANCE FUND

Renewable resources, such as lease payments, oil and gas lease sale earnings, rights-of-way, permits, interest, and fees flow into the Land Maintenance Fund (LMF), which covers the State Land Office's operating expenses. The agency is self-funded and spends about five cents of every dollar it earns. The remaining revenues are distributed monthly to the trust beneficiaries.

In Fiscal Year 2017, the State Land Office collected nearly \$101 million. The agency's operating budget was \$16 million and distributions to the beneficiaries totaled nearly \$85 million.

REVENUE SOURCES



FY 2017 REVENUES BY SOURCE

RENTALS

Sand & Gravel Rentals and Interest.....	\$11,838
Special Use Agreement.....	\$3,040
Potash Rentals and Bonuses.....	\$48,819
Salt Rentals and Interest.....	\$1,143
Coal Rentals and Interest.....	\$10,105
General Mining Rentals and Bonuses.....	\$16,375
Shut-In Royalty.....	\$54,277
Oil and Gas Rentals.....	\$1,853,660
Oil and Gas Bonuses.....	\$65,266,469
Oil and Gas Interest.....	\$2,919,492
Grazing.....	\$10,750,474
Business Rentals and Bonuses.....	\$4,254,688
Land Use Restrictions.....	\$8,500
Billboards.....	\$110,344
Geothermal Rentals and Bonuses.....	\$6,062
Water and Interest.....	\$550,108
Salt Water and Interest.....	\$1,997,148
Rights-of-Way Easements Interest.....	\$9,522,828
Solar Energy.....	\$224,265
Wind Energy.....	\$245,997
Land Contracts Interest and Penalties.....	\$257
Gas Storage Units.....	\$91,835
Fuel Wood.....	\$10,592

SUBTOTAL.....\$97,958,316

OTHER

Fees and Copies.....	\$2,109,549
Interest On Cash Deposits.....	\$793,770
Other Miscellaneous Income.....	\$25,193

SUBTOTAL\$2,928,513

TOTALS (Rentals + Other).....\$100,886,829

ROYALTY

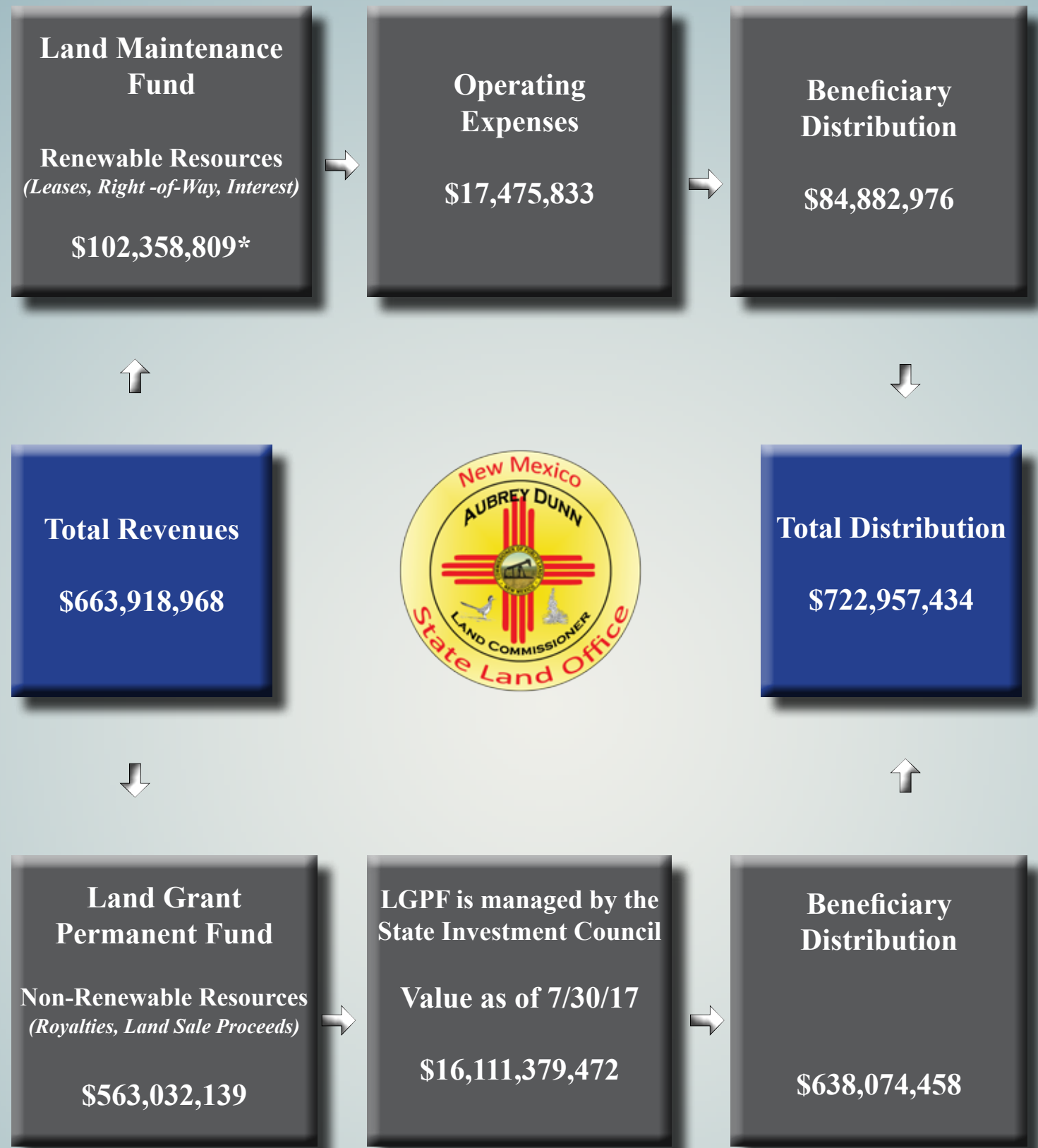
Sand and Gravel	\$3,608,435
Potash	\$2,347,667
Salt	\$47,906
Caliche	\$554,049
Coal	\$1,939,930
General Mining.....	\$1,530
Oil and Gas (1).....	\$554,072,680
Land Sales Principal.....	\$5,850
Geothermal.....	\$825
Other.....	\$453,267

SUBTOTAL.....\$563,032,139

GRAND TOTAL.....\$663,918,968

(1) Pursuant to a mandate from the New Mexico State Controller, due to a time lag in reporting oil and gas royalties, FY 2017 will contain 15 months of revenue beginning July 1 2016 through September 30 2017. This reflects amounts due on product sales as of June 30 and will be in effect for all future reporting. These additional three months increased oil and gas royalty for FY 2017 by approximately \$119 million.

FY 2017 REVENUE FLOW CHART



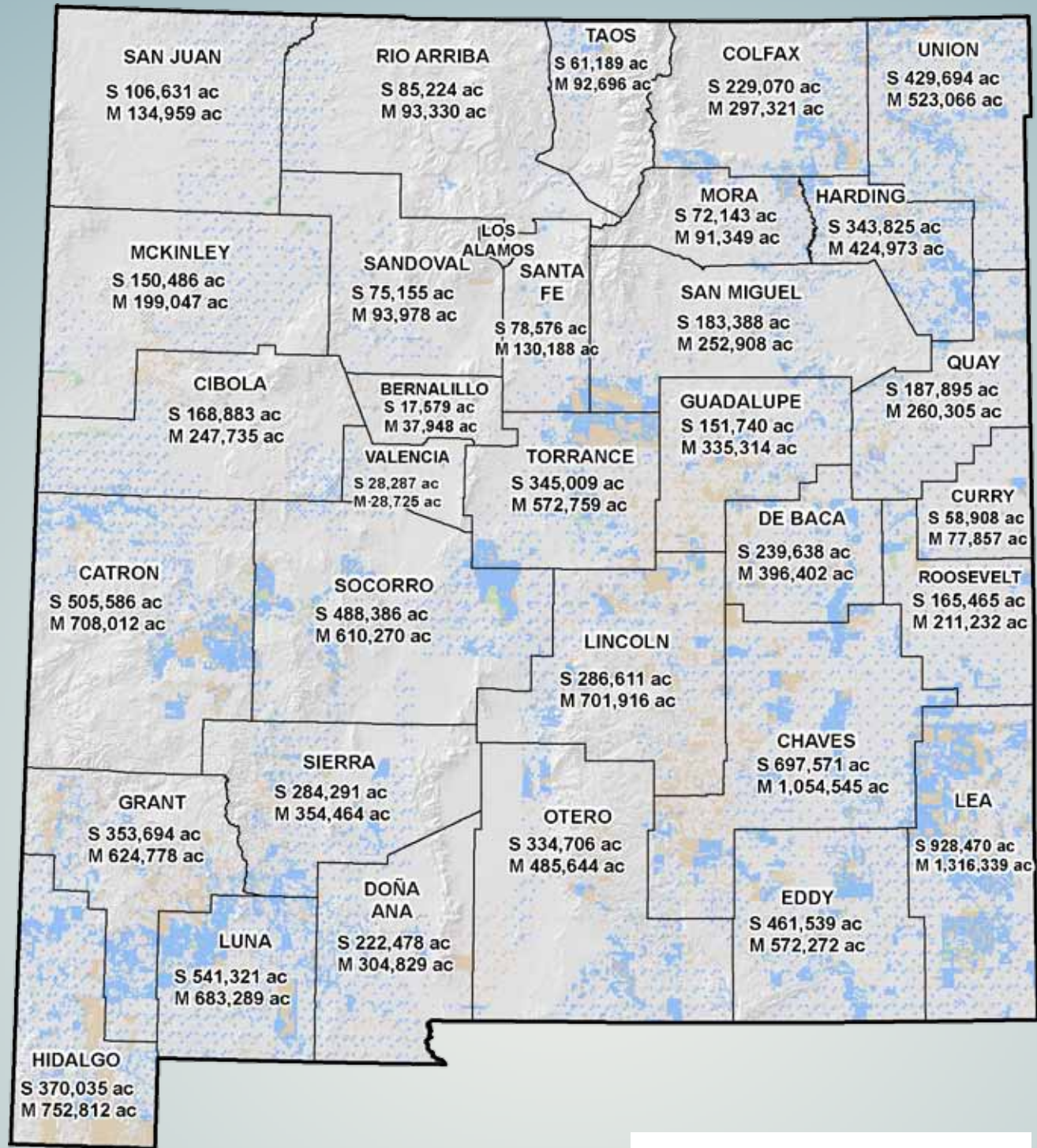
*Includes Reapportionment of \$1,700,492 remaining in LMF FY16 and distribution of interest on investment \$2.7 million.

Beneficiaries	FY 2017 Maintenance Fund Distribution	FY 2017 LGPF Distribution	FY 2017 Total Distribution
Public Schools	\$71,489,681	\$541,553,064	\$613,042,745
University of NM	\$2,154,383	\$8,514,456	\$10,668,839
NM State University	\$393,528	\$2,705,732	\$3,099,260
Western NM University	\$100,110	\$158,441	\$258,551
Eastern NM University	\$189,474	\$493,586	\$683,060
NM Highlands University	\$100,387	\$157,623	\$258,010
Northern NM College	\$59,895	\$127,771	\$187,666
NM Institute of Mining and Technology	\$315,231	\$1,204,282	\$1,519,513
NM Military Institute	\$513,858	\$19,588,299	\$20,102,157
NM School for the Deaf	\$533,535	\$11,943,794	\$12,477,329
NM School for the Blind and Visually Impaired	\$541,560	\$11,918,496	\$12,460,056
Carrie Tingley Hospital	\$32,370	\$8,812	\$41,182
Miners' Colfax Medical Center	\$247,868	\$5,645,610	\$5,893,478
NM Behavioral Health Institute	\$1,409,012	\$2,114,369	\$3,523,381
Penitentiary of NM	\$1,010,210	\$12,069,513	\$13,079,723
NM Boys' School	\$43,957	\$34,947	\$78,904
Charitable, Penal & Reform (1)	\$781,404	\$5,016,585	\$5,797,989
Public Buildings	\$560,610	\$6,798,552	\$7,359,162
Water Reservoirs	\$2,961,863	\$6,320,881	\$9,282,744
Rio Grande Improvements	\$1,443,926	\$1,414,189	\$2,858,115
UNM Saline Lands	\$112	\$285,455	\$285,567
State Parks Division (2)	\$0	\$0	\$0
Total	\$84,882,976	\$638,074,458	\$722,957,434

(1) Seven institutions own equal shares of the lands and permanent funds for the beneficiary identified as Charitable, Penal and Reform. The rentals, royalties, and permanent fund distributions for this beneficiary are shared equally by Carrie Tingley Hospital, Las Vegas Medical Center, Los Lunas Hospital, Miners' Colfax Medical Center, Penitentiary of NM, NM Boys School, and the Youth Diagnostic and Development Center.

(2) In 1949, the state Legislature passed a bill authorizing the Commissioner of Public Lands to lease land for oil, gas, and mineral production in state parks with rentals and royalties credited to the state park fund.

LAND OWNERSHIP BY COUNTY

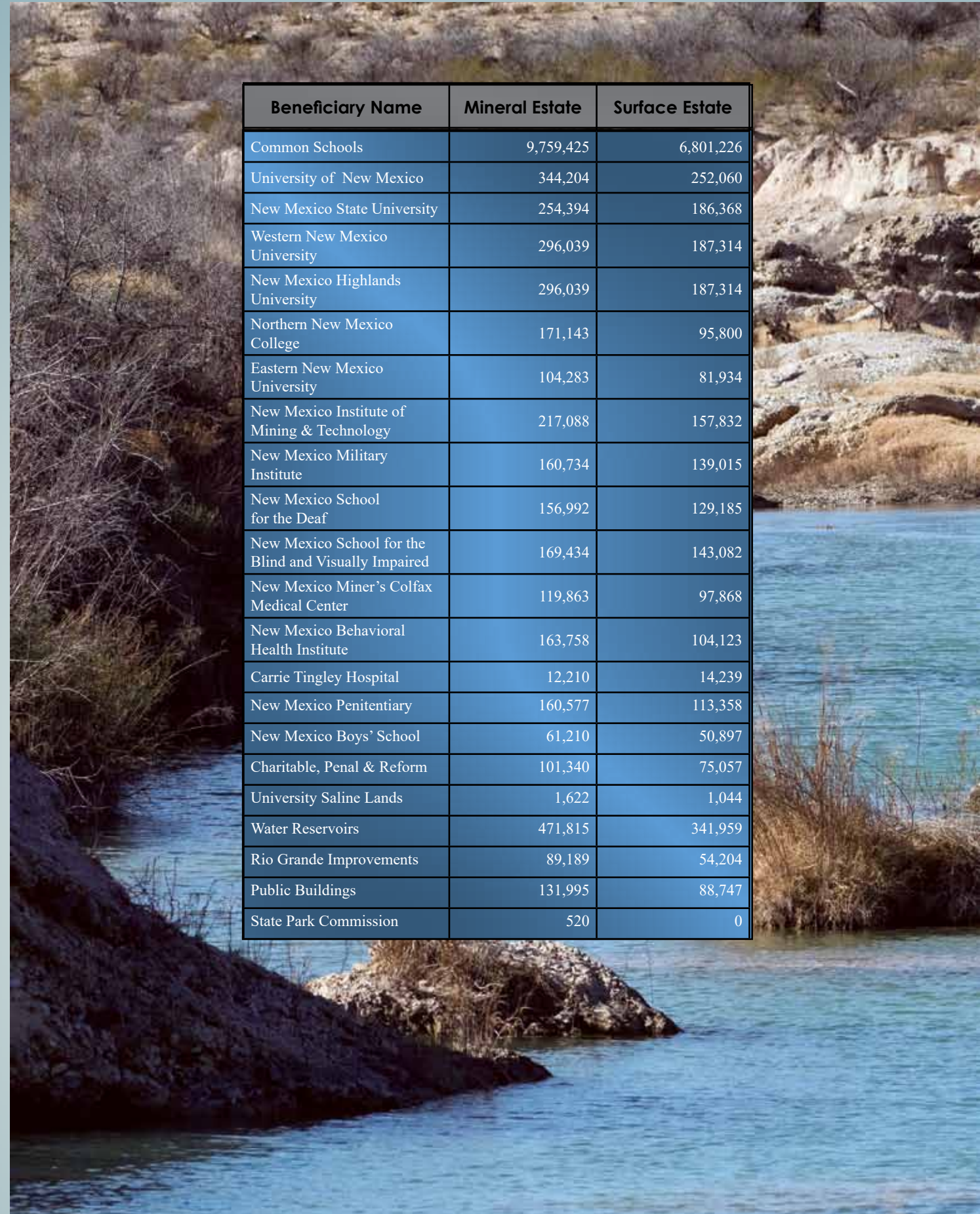


New Mexico Trust Lands

- Surface Estate
- Subsurface Estate
- Both Estates

LAND OWNERSHIP BY BENEFICIARY

Beneficiary Name	Mineral Estate	Surface Estate
Common Schools	9,759,425	6,801,226
University of New Mexico	344,204	252,060
New Mexico State University	254,394	186,368
Western New Mexico University	296,039	187,314
New Mexico Highlands University	296,039	187,314
Northern New Mexico College	171,143	95,800
Eastern New Mexico University	104,283	81,934
New Mexico Institute of Mining & Technology	217,088	157,832
New Mexico Military Institute	160,734	139,015
New Mexico School for the Deaf	156,992	129,185
New Mexico School for the Blind and Visually Impaired	169,434	143,082
New Mexico Miner's Colfax Medical Center	119,863	97,868
New Mexico Behavioral Health Institute	163,758	104,123
Carrie Tingley Hospital	12,210	14,239
New Mexico Penitentiary	160,577	113,358
New Mexico Boys' School	61,210	50,897
Charitable, Penal & Reform	101,340	75,057
University Saline Lands	1,622	1,044
Water Reservoirs	471,815	341,959
Rio Grande Improvements	89,189	54,204
Public Buildings	131,995	88,747
State Park Commission	520	0



MINERAL RESOURCES DIVISION

Ed Martin, Acting Assistant Commissioner

Mineral Resources comprises activities and programs related to subsurface natural resources - oil, natural gas, and minerals.

Fifteen employees manage non-renewable resources, evaluate commodity resources, administer monthly oil and natural gas lease sales, process and audit mineral royalty revenue, and manage leases for oil, natural gas, carbon dioxide, sand and gravel, caliche, coal, potash, salt, water easements, salt water disposal, and geothermal energy, along with a number of other minerals such as gold, silver and uranium.

Trust revenue from oil and gas reflects increased activity in the southeastern region of the state. Production is booming from one end of the Permian Basin to the other and 2.6 million acres of State Trust Lands lie within the region.

The country's largest and most prolific basin has been rejuvenated not only by commingling stacked pays, but also conventional shallow oil wells, waterfloods, and carbon dioxide enhanced oil recovery projects, as well as the Bone Spring horizontal in the Delaware Basin.

The technology of multistage fracs and stacked laterals has opened tremendous resources. With the large geographic area of the Permian region and stacked plays, operators can continue to drill through several tight oil layers and increase production even with sustained West Texas Intermediate crude oil prices below \$50 per barrel.

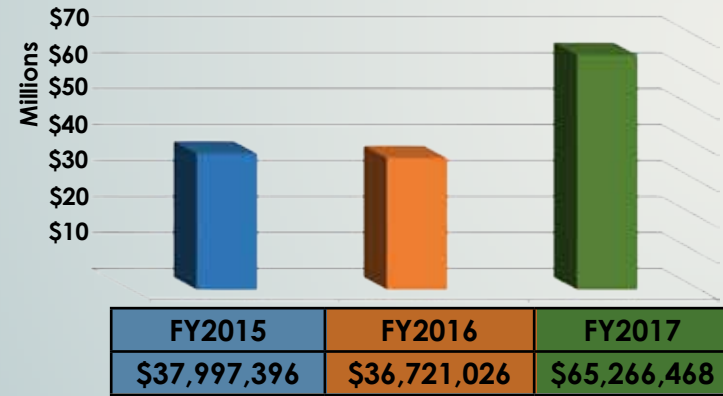
In Fiscal Year 2017, revenues from bonuses paid for oil and natural gas leases came to \$65 million, \$29 million more than in FY 2016. The annual average dollar-per-acre for oil and gas leases was \$884, compared with \$607 the previous year.

During FY 2017, the division managed 7,246 oil and gas leases and 480 mineral and water leases/special use agreements, evaluated reclamation requirements, and forecast revenues from 17 sources of income for the trust beneficiaries. The division also evaluated more than 90,000 acres for oil and gas leasing, approved more than 1,400 lease assignments, and managed more than 3,400 unit and communitization agreements.

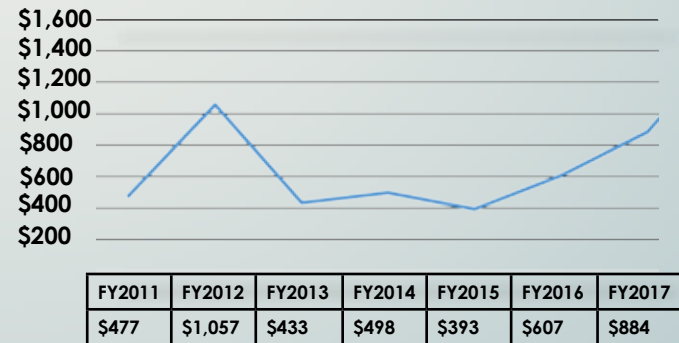
Of the 13 million acres of mineral estate owned by the State Land Office, three million acres are leased for oil and gas development and the share of New Mexico oil and gas produced on State Trust Lands remains steady. In FY 2017, oil produced on trust lands totaled 55.5 million barrels, or 25 percent of state production. Gas production totaled 2.6 billion cubic feet, which accounted for 35 percent of state production.

The minerals section of the division manages 480 leases comprised of coal, salt, industrial minerals, potash, general mining, geothermal resources, salt water disposal, and water easements.

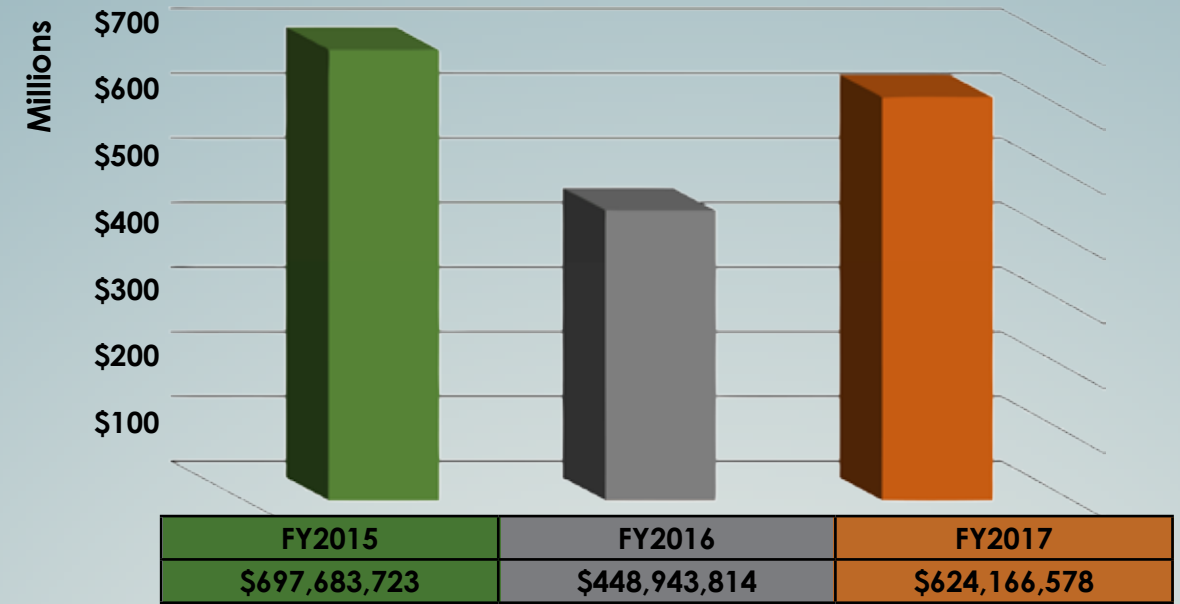
**Oil and Gas Lease Sale Revenues
Fiscal Years 2015-2017**



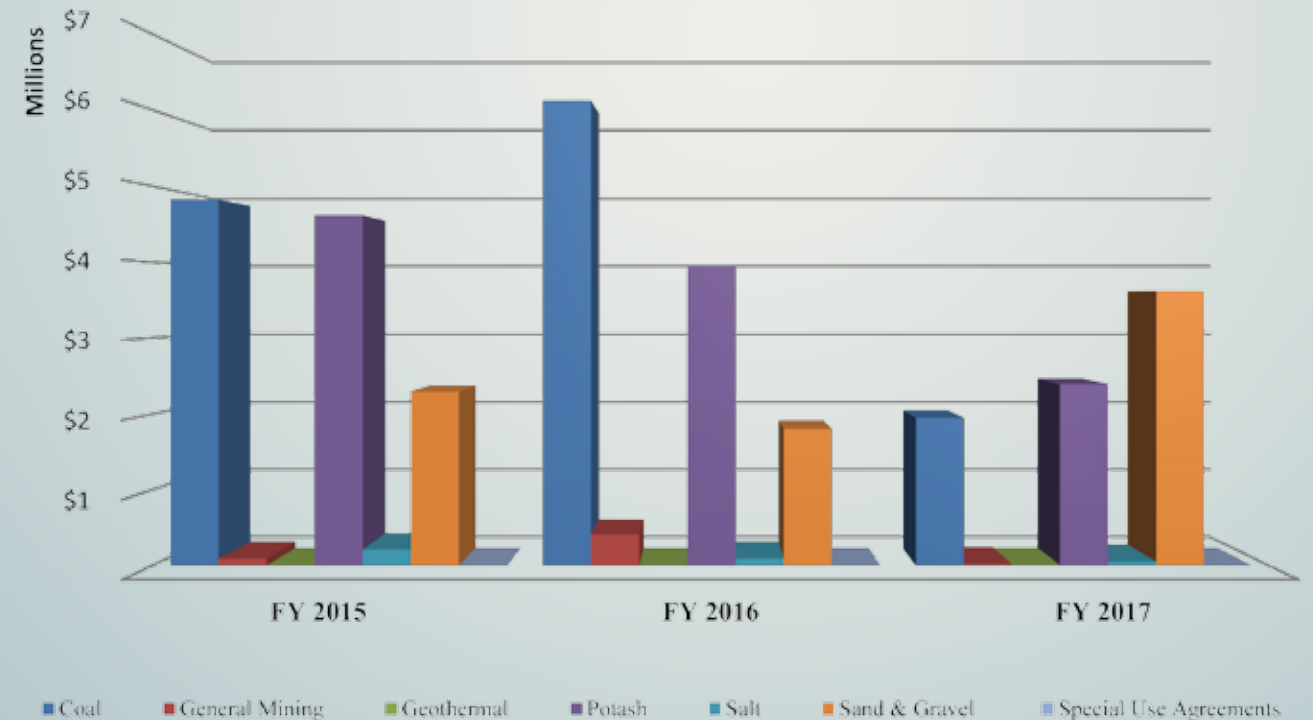
**Average \$/acre
Fiscal Years 2011-2017**



**Total Oil and Gas Revenues
Fiscal Years 2015-2017**



**Total Mineral Revenues
Fiscal Years 2015-2017**



Water Protection Policy

In an effort to protect one of the country's largest and most important sources of drinking water, State Land Commissioner Aubrey Dunn took action to curtail commercial usage of fresh drinking water from the Ogallala aquifer.

The Ogallala aquifer is a shallow water table aquifer located beneath the Great Plains with portions in eight states, including eastern New Mexico, and provides nearly all the fresh water for residential, industrial, and agricultural use.

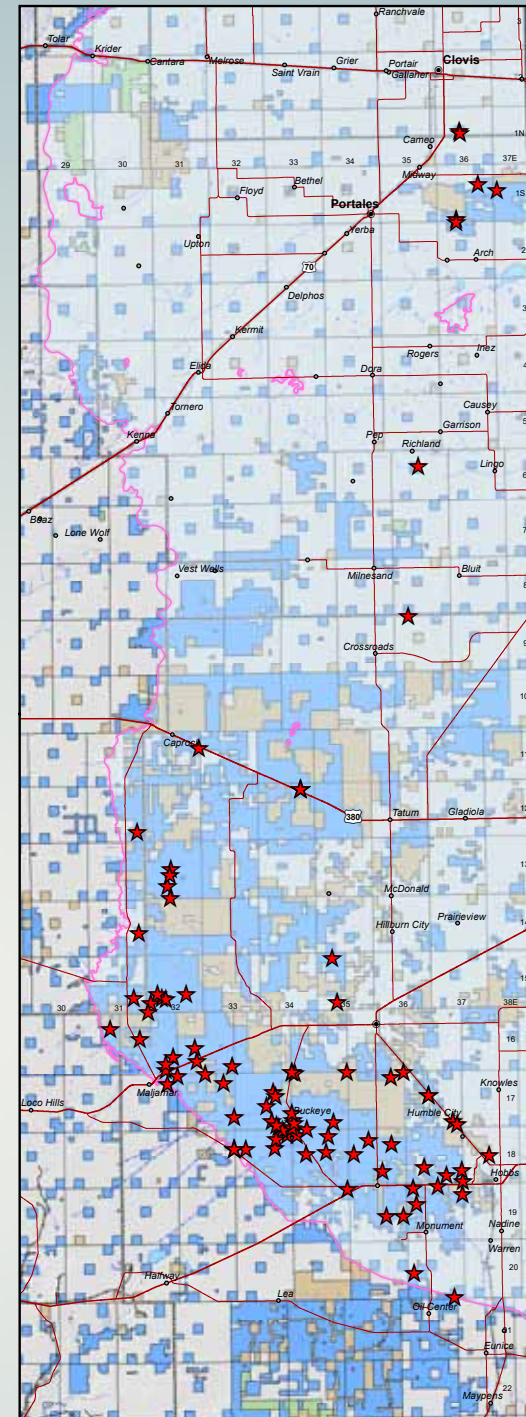
The aquifer is being both depleted and polluted and little of it is replaced by recharge from rainwater and snowmelt from the Rocky Mountains. At the current rate of water use, the aquifer could be depleted in only a few decades. Some sources say, once pumped dry, the aquifer could take more than 6,000 years to replenish naturally through rainfall.

Under Commissioner Dunn's direction, the State Land Office adopted a policy wherein the agency will not approve new, or renew, access to drill water wells on State Trust Lands that involve the use of fresh water from the Ogallala for oil and gas related activities without first reviewing hydrologic reports.

Companies are not prohibited from applying for an easement that might involve the use of fresh water for oil and gas production, however additional documentation is now required with all applications. After careful examination, Commissioner Dunn will determine whether granting land access for a water well is in the best interest of the State Land Office and whether an easement should require the grantee to draw water from deeper, non-potable sources.



Office and whether an easement should require the grantee to draw water from deeper, non-potable sources.



Water wells on State Trust Lands within the Ogallala aquifer.

Mineral Trespass Oversight Program

Under New Mexico law, it is a misdemeanor to access or use State Trust Lands without authorization from the State Land Commissioner, which includes using trust lands for a purpose other than that specified in a lease or easement.

A comprehensive evaluation of split estate and full estate parcels for mineral trespass had never been implemented until State Land Commissioner Aubrey Dunn tasked the Oil, Gas, and Minerals Division with assessing unauthorized mining activities across the nearly 13 million acres of State Trust Lands.

In New Mexico and other oil and gas producing states, the surface estate and mineral estate underlying the land are two separate legal interests which may be severed and held under different ownership (split estate), or held by the same landowner (full estate). The State Land Office's assets include more than four million acres of split estate and nearly nine million acres of full estate.

Staff evaluates split estate and full estate parcels by zooming to each property and visually examining the area using digital aerial orthophotography while looking for mine disturbances in the landscape.

In Fiscal Year 2017, the investigation identified 251 potential trespass incidents within the split estate parcels and 88 sites within the full estate parcels, most occurring before Commissioner Dunn took office in January of 2015.

Once the State Land Office's legal team evaluates the patent deed and confirms the state owns the mineral estate, a district resource manager is dispatched to conduct an on-site field inspection and prepare a field report, establish contact with the trespassing party, clarify what mining activity occurred, and estimate the type and amount of material removed. Trespassers are ordered to cease and desist and compensate the State Land Office for all minerals removed.

In FY 2017, the State Land Office settled 12 trespass sites for sand, gravel, and caliche, and received more than \$1.7 million in restitution and future royalty payments. Nine of the sites will result in new leases and lease earnings going forward.



The above photograph of State Trust Lands in San Juan County, taken in 2009, shows no visible signs of unauthorized ground disturbance.



The same site in 2015 shows unauthorized mining activity across 20 acres of State Trust Lands.

ROYALTY MANAGEMENT

George Rosenbaum, Executive Director

The Royalty Management Division (RMD) is responsible for the collection, processing, distribution, and auditing of royalty revenue from oil, natural gas, and carbon dioxide produced on State Trust Lands. Royalty payments are dependent on the terms specified in the state's statutory lease. These terms require that payments be computed on a percent of the value of products sold. Royalty payments are considered non-renewable revenues and are paid into the Land Grant Permanent Fund, while interest income is deposited into the Land Maintenance Fund.

In Fiscal Year 2017, the average price of state trust oil was \$45, an increase of approximately 18 percent from the previous fiscal year. The price increase resulted in a higher royalty distribution of \$563 million. In addition, RMD collected and distributed interest in the amount of nearly \$3 million. Total revenue collected and distributed from RMD accounts for approximately 80 percent of all State Land Office revenue.

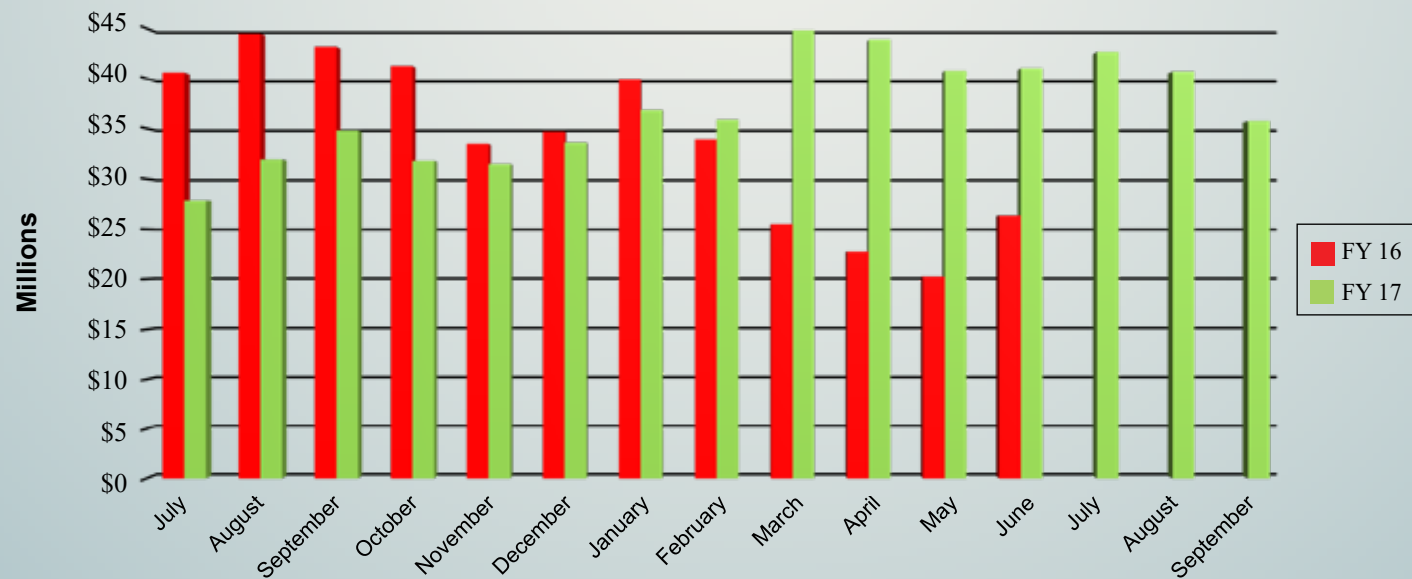
The division consists of three sections operated by 17 full-time employees: Revenue Processing, Audit, and Compliance and Special Projects.

The revenue processing section is responsible for the evaluation, payment matching, reconciliation, and validation of royalty returns to assure royalty revenue receipts are accurate and timely. This section is the first point of contact with royalty return filers. Nearly 100 percent of royalty return detail lines are filed electronically utilizing the State Land Office web-filing application. This section is also responsible for the validation of notices issued as a result of the processing of royalty returns through the Oil and Natural Gas Administration and Revenue Database (ONGARD). Assessments and credits that are generated are reviewed for accuracy and mailed to royalty return filers on a monthly basis.

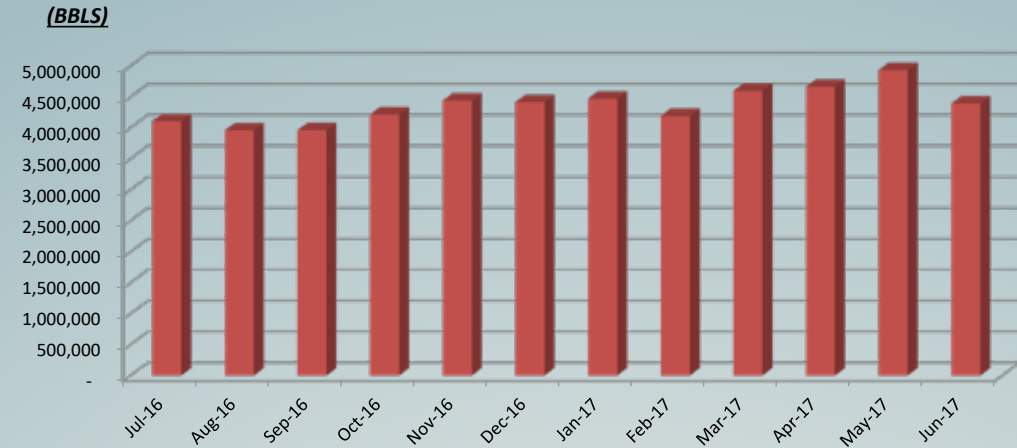
The audit section of RMD is responsible for conducting a comprehensive audit program to ensure that companies are reporting and paying oil and gas royalties in accordance with the terms of their lease agreements, existing regulations, and court decisions. The audit section conducts two types of audits: field audits and desk audits. During FY 2017, the audit section conducted six field audits and 38 desk audits. Both types of audits require a detailed analysis of documents supporting royalty filings. Total collections from audit activity for the fiscal year amounted to \$3.5 million in oil and gas royalties, an increase of approximately 48 percent from the previous fiscal year. The return on investment for field audits in FY 2017 was \$90 collected for every \$1 spent in travel.

The compliance and special projects section is responsible for the resolution and collection of outstanding notices and the clearing of suspense accounts. The section conducts a collections process which requires the analysis of all notices that have not been resolved within 90 days of the date of issuance. During FY 2017 more than 2,500 notices were resolved through the collections process. When a royalty payment is made and discrepancies exist which prevent the money from being distributed to the appropriate beneficiary, the royalty is held in suspense. Suspense accounts are addressed throughout the year; suspense balances are consistently below one-half percent of monthly distributions.

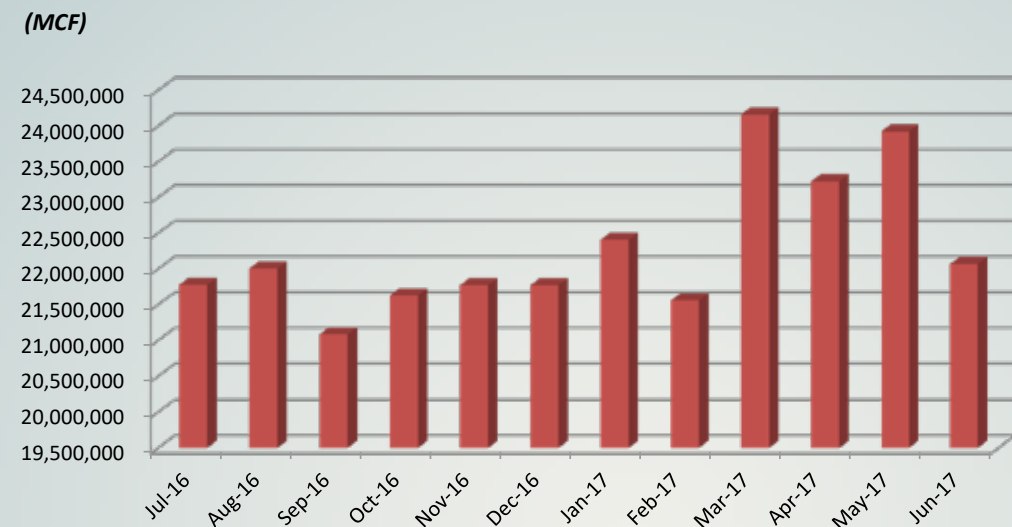
Royalty Revenues
Fiscal Years 2016 and 2017



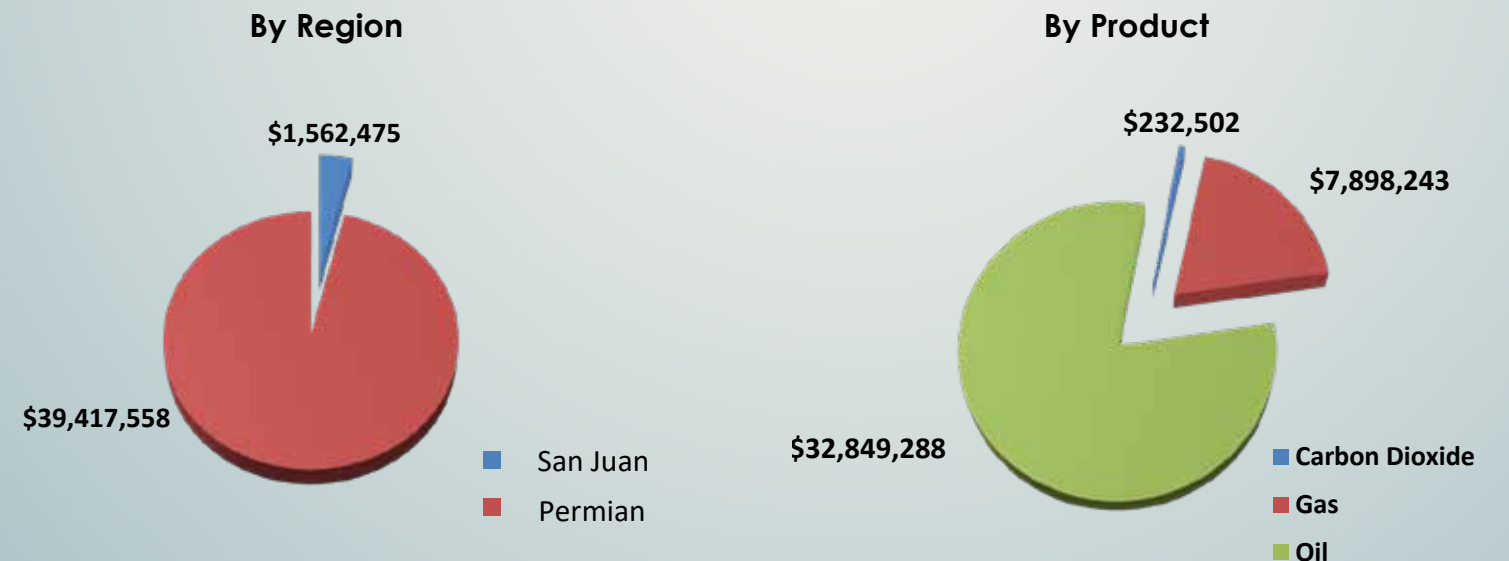
State Royalty Oil Production



State Royalty Gas Production



Royalty Distribution by Region and Product
June 2017



COMMERCIAL RESOURCES DIVISION

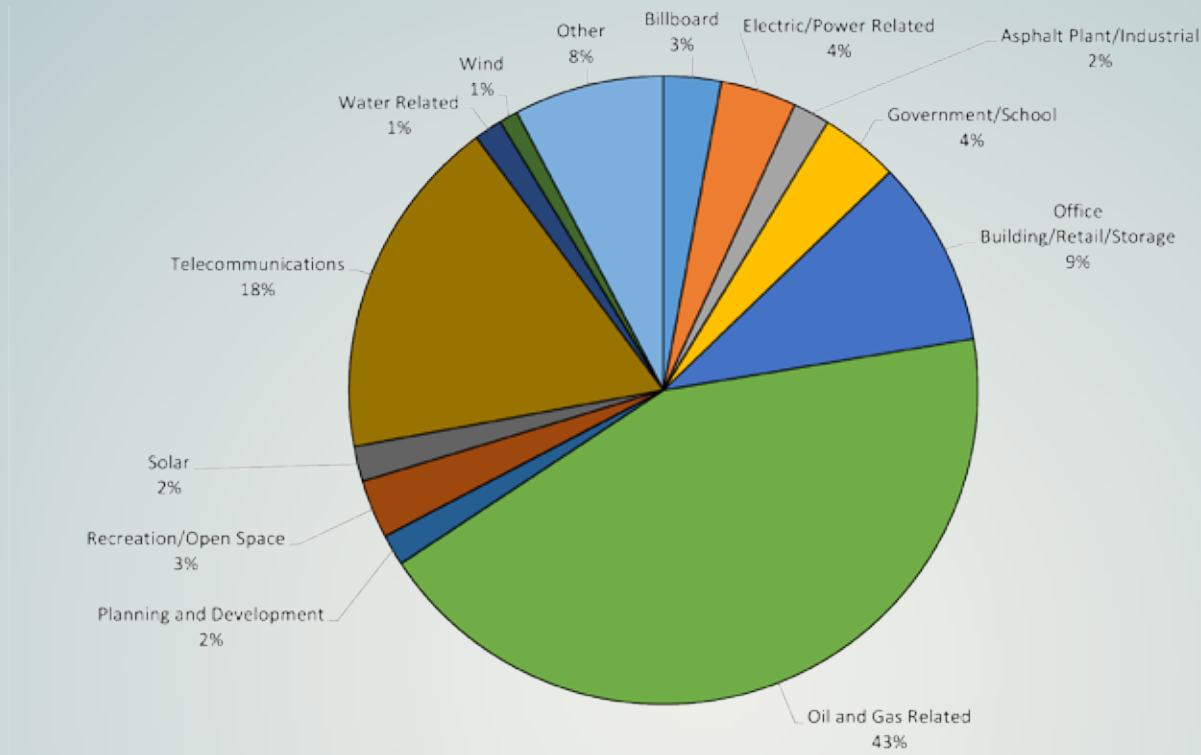
Clyde Ward, Assistant Commissioner

The Commercial Resources Division is responsible for five tracks of business activity: land leasing, land sales, renewable energy, land exchange, and rights-of-way.

State Trust Lands often lie in the path of development and have new potential for residential, commercial, and industrial development and play a key role in creating dynamic and competitive communities.

In Fiscal Year 2017, State Land Commissioner Aubrey Dunn executed business leases in Albuquerque, Farmington, Galisteo, Las Cruces, Rio Rancho, Santa Fe, Santa Rosa, Silver City, and Vado which will contribute to effective economic development, create jobs, and generate revenue for the trust beneficiaries for decades to come.

Business Lease Revenue



Land Leasing

The commercial leasing program collects revenue from business leases, billboard leases, gas storage units, and land sales; acquires new assets by exchanging lands with local, state, and federal governments, industrial and commercial developers, and private landowners; and advances the trust's business and community development portfolio.

Currently there are over 850 active business leases, which in Fiscal Year 2017 represented nearly \$4.3 million for the trust beneficiaries.

There are two types of business leases offered: short term/non-bid leases carrying a five-year term or long term/bid leases of negotiated duration. Applicants are encouraged to contact leasing staff to inquire as to the procedures and statutory requirements in place for executing leases of either type.

Business Leases on State Trust Lands

Las Cruces/Vado



- Lessee: Cottonwood Springs Development, LLC
- Location: Eight miles south of Las Cruces, west of I-10
- Acreage: 112.51 acres of State Trust Lands
- Purpose: Recreational
- Lease Term: 35 years
- Rental: \$19,800/year, plus a 3% annual escalator
- Beneficiary: Public Schools

Albuquerque



(Artist's rendition)

- Lessee: Murphy USA
- Location: Alameda Boulevard and Cottonwood Drive near Cottonwood Mall
- Acreage: 1.25 acres of State Trust Lands
- Purpose: Gas station and convenience store
- Lease Term: 20 years
- Rental: \$45,000/year, plus a 2% annual escalator
- Beneficiary: University of New Mexico

Farmington



- Lessee: City of Farmington
- Location: Northwest of Troy King Road
- Acreage: One acre of State Trust Lands
- Purpose: Water storage facility to support the municipal water system
- Lease Term: 25 years
- Rental: \$1,545/year
- Beneficiary: Public Schools

Santa Fe



- Lessee: Santa Fe County
- Location: Thornton Ranch, Galisteo Basin
- Acreage: 320 acres of State Trust Lands
- Purpose: Open Space
- Lease Term: 25 years
- Rental: \$10,000/year
- Beneficiary: Public Schools

Renewable Energy on State Trust Lands

As the United States attempts to wean itself from its dependence on fossil fuels and unsustainable energy sources, the State Land Office continues to play a pivotal role in the development of clean renewable energy supplies. Renewable energy projects are principal in the State Land Office's efforts to diversify its leasing portfolio, generate additional sources of revenue for the trust beneficiaries, and create economic investment and employment opportunities in New Mexico.

As renewable energy sources become increasingly cost competitive, the strategic location of State Trust Lands within renewable energy resource areas creates significant opportunities for the State Land Office. Major investments in transmission line capacity offer the possibility of opening and expanding markets and increasing renewable energy production within New Mexico, and a significant portion of this new electricity will be generated on trust lands.

By the end of Fiscal Year 2017, there were 11 active and eight pending utility-scale wind and solar power projects on State Trust Lands. Altogether, these will traverse nearly 152,000 acres of trust lands and generate more than 10,000 megawatts of electricity – enough to power one million homes.

The 11 active projects will generate nearly \$215 million over the course of their respective lease terms and the pending projects are expected to bring in another \$36.5 million.

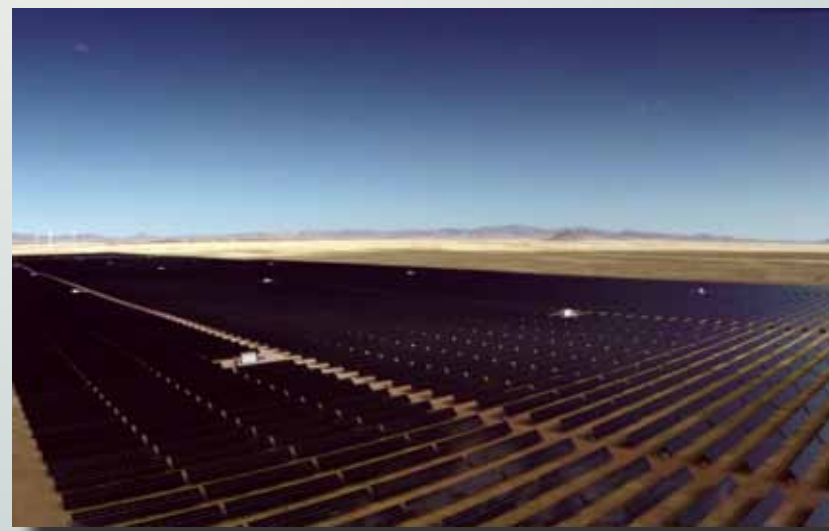
The beneficiaries of the revenues earned from these renewable energy projects include public schools, University of New Mexico, New Mexico Institute of Mining and Technology, New Mexico School for the Deaf, New Mexico School for the Blind and Visually Impaired, and Carrie Tingley Hospital.



The Caprock Wind Ranch is located on 1,840 acres of State Trust Lands in Quay County.

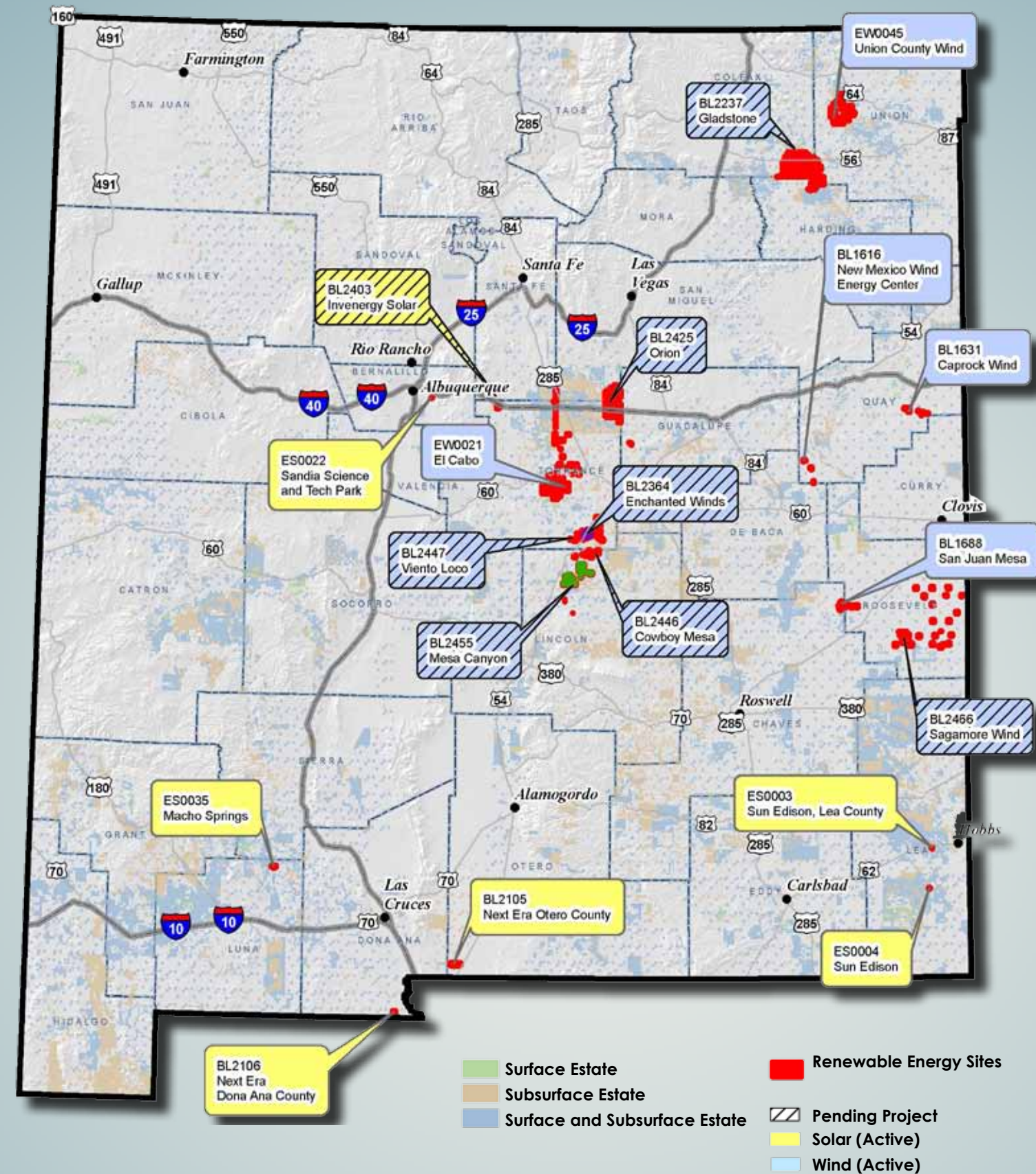


Crews install a wind turbine at El Cabo Wind Project in Torrance County.



Macho Springs, the state's largest solar plant, is located on 500 acres of State Trust Lands in Luna County.

Active and Pending Renewable Energy Projects on State Trust Lands





Commissioner Dunn and Governor Garcia sign the exchange agreement.



The gift exchange included a cane crafted from applewood grown on Cochiti land and a handmade drum.



Carvings on the tip of the cane depict Cochiti's landscape.

Land Exchange

State Trust Lands are often adjacent to, and/or intermingled with, privately-owned and federally-held lands, often without access. Exchanging trust lands with private landowners or government agencies enables all parties to consolidate their assets and more effectively achieve their land management goals.

Trust lands offered for exchange will typically only include the surface estate. All land exchanges are designed to achieve a net increase in value or acreage.

In Fiscal Year 2017, State Land Commissioner Aubrey Dunn and Pueblo of Cochiti Governor Nicholas Garcia negotiated a land trade which returned 9,000 acres of ancestral lands to the pueblo. The lands, appraised at \$4.5 million, had previously been leased by Dixon's Apple Orchard which was wiped out by wildfire and subsequent monsoon floods.

In exchange, the pueblo purchased Garrett's Desert Inn in downtown Santa Fe for \$8 million. The 2.7-acre site is expected to generate at least \$250,000 per year, plus a percentage of gross revenues, for the trust. The beneficiary of revenues earned is the University of New Mexico.



The 60 year-old Garrett's Desert Inn that was traded to the State Land Office will be leased and renovated in the coming year.

Rights-of-Way

The Rights-of-Way section of the State Land Office oversees more than 20,000 easements and rights-of-way. These easements consist of pipelines, telecommunication lines, electrical lines, and in some cases roadways. Other types of permits issued are right-of-entry permits, outfitting and guide permits, and recreational and educational access permits.

The staff has implemented new pricing schedules for rights-of-ways to better align with market values for similar rights-of-way. These changes are expected to generate increased revenue for the beneficiaries while equitably valuing the use of State Trust Lands.

The ongoing rights-of-way digitization project remains a priority as this will increase land management techniques, enhance efficiency, and allow the public to view the rights-of-way easements that are displayed by GIS on the agency's website. Complete digitization and integration is expected by the end of Fiscal Year 2018.



Crews install a 36-inch outside diameter pipeline which bores under an access road in Eddy County.



An electric line easement and access road cross State Trust Lands in Torrance County.

FIELD OPERATIONS DIVISION

Michael Perry, Assistant Commissioner

The Field Operations Division effectively administers State Trust Lands based on the principles of responsible stewardship and exceptional customer service. The division facilitates policies and programs dealing with forest and range conservation, watershed remediation, environmental quality, wildlife habitat and endangered species management, cultural resource preservation, and agricultural leasing.

With 12 District Resource Managers assigned to 11 offices throughout the state and a staff of technical specialists in Santa Fe, field operations responds to more than 2,000 requests for field reviews each year and supports the State Land Office leasing divisions by providing field reviews, analysis, and recommendations for all potential leasing and program activities on trust lands.

Since taking office in 2015, Commissioner Dunn has appropriated more than \$2.7 million to resource management and environmental improvement programs across 22,000 acres of trust lands.

Agricultural Leasing Bureau

Ranching is central to the livelihood and culture of New Mexico's rural communities and livestock grazing is an important use of State Trust Lands. Rangeland constitutes a significant portion of the state, with the State Land Office controlling about 11.4 percent of New Mexico's 78 million acres. The State Land Office supports the long-term sustainability of rangelands while also promoting a multiple use concept of the surface estate. The agriculture community today must compete with other uses of the land such as renewable energy development and oil and gas production.

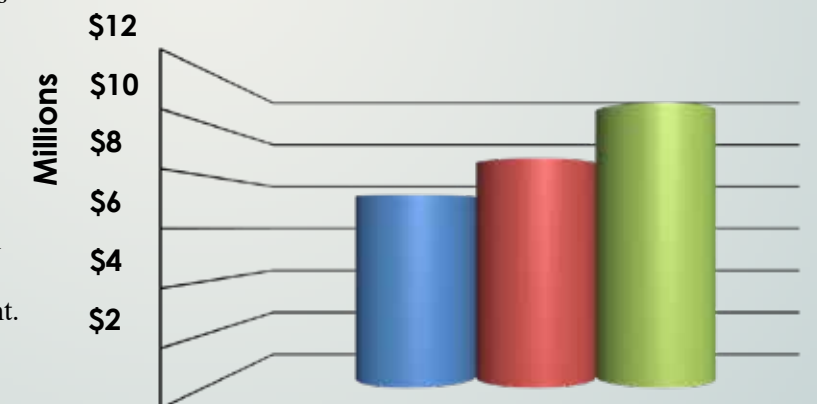
The Agricultural Leasing Bureau of the Field Operations Division administers leases for livestock grazing and cropland production, which encompass 8.8 million acres. Revenues generated from these leases totaled more than \$10.7 million in Fiscal Year 2017 - \$2 million more than the previous fiscal year.

Grazing rentals are based on a fee formula which takes into account a wide variety of statistical and economic factors including current private grazing land lease rates by western livestock ranchers, beef cattle prices, and the cost of livestock production. This formula was implemented in 1988 to ensure that fair market values are assessed for grazing rentals. The current grazing fee of \$6.19 per Animal Unit Month (AUM) took effect October 1, 2016 and is a modest increase over the previous year's fee of \$5.99 per AUM.

Of the 3,500 leases managed by the Agricultural Leasing Bureau, approximately 600 to 900 leases are renewed each year. The 2017 renewal series consisted of 641 leases covering more than 1.3 million acres. The staff works toward increased efficiency in all lease transactions, which include lease renewals, leased assignments, sublease applications, new lease applications, and improvement applications.

The bureau also encourages lessee participation in federal conservation and environmental programs including: Conservation Reserve Program through the United States Department of Agriculture/Farm Service Agency, Environmental Quality Incentive Program, and Restore New Mexico. The bureau coordinates efforts with cooperative agencies such as the Natural Resource Conservation Service and the Farm Service Agency to streamline processes in order to accommodate lessee participation in these programs which promote effective land management.

Agricultural Leasing Revenues



FY 15	FY 16	FY 17
\$7,280,751	\$8,635,845	\$10,750,474

State Trust Lands Reclamation and Remediation Fund

During the 2017 Legislative Session, State Land Commissioner Aubrey Dunn proposed a measure to create the State Trust Lands Restoration and Remediation Fund in an effort to finance projects that reclaim damaged surface lands and watersheds.

The Senate and House unanimously passed, and Gov. Susana Martinez signed, the legislation establishing the first-ever dedicated revenue stream specifically for the purpose of restoring and remediating rangeland, forest, and watersheds, improving wildlife habitat, cleaning up illegal dump sites, and stabilizing cultural resources.

Previously, the agency had to request special appropriations from the Legislature for these land management projects and securing these vital funds was never guaranteed.

Beginning July 1, 2017, one percent of the State Land Office's Maintenance Fund began diverting to the State Trust Lands Restoration and Remediation Fund on a monthly basis.

Money in the proposed fund that exceeds a \$5 million cap would be distributed to the beneficiaries, according to existing allocations.

Since the passage of House Bill 24, Commissioner Dunn has laid out an ambitious land management agenda and expects to invest \$1.2 million in the coming fiscal year.

Rio Nutrias

Phase I of the Rio Nutrias watershed restoration project treated an estimated 25 acres of State Trust Lands in Rio Arriba County between Cebolla and Tierra Amarilla at a cost of \$30,000.

By targeting pockets of overgrown ponderosa pine and piñon-juniper woodlands, crews reduced the continuity of forest fuels and improved the watershed's resiliency to catastrophic wildfire, disease, drought and insects. The resulting wood pile was purchased by the grazing lessee, creating revenue for the trust.

Phase II is planned for the coming fiscal year and crews will remove up to 200 acres of piñon pine and juniper of various species and ages to reduce the fuel load. Another benefit of the restoration project will be the promotion of a more diverse plant community including grasses, forbs, and shrubs, which in turn enhances habitat conditions for the area's abundant wildlife.



Prior to Phase I treatment, the Rio Nutrias watershed in Rio Arriba County was vulnerable to catastrophic wildfire due to fuel accumulation.



The Rio Nutrias project area after thinning and fuel reduction of piñon and juniper.

Luera Mountains Prescribed Burn

The Luera TRES prescribed fire targeted a landscape level burn unit of over 16,000 acres of multi-jurisdictional lands in Catron County. More than 6,000 acres of State Trust Lands were ultimately treated with most acreage in the ponderosa pine and mixed conifer vegetation type.

Reintroducing fire into the ecosystem restores ponderosa pine stands and piñon-juniper woodlands and reduces the risk of catastrophic wildfire and associated post-wildfire erosion. The objectives of the Luera TRES burn met with fuel consumption, reduction of woody species, reduced density of piñon and juniper, and rejuvenation of grasses, forbs, and woody species such as oak and mountain mahogany.

Implementation was completed with strong support from The Nature Conservancy, State Forestry, South Central Mountain RC&D, New Mexico Prescribed Fire Council, Bureau of Land Management, and USDA Forest Service.



A TRES is a slightly more complex prescribed fire where in addition to treating fuels and land, training is incorporated for first-time and experienced firefighters.

Rio Grande Bosque

The field operations team stepped up wildfire mitigation plans on State Trust Lands within the Rio Grande Bosque where fire would threaten lives, property, watersheds, and infrastructure.

The State Land Office owns 184 acres within the Bosque on the east and west side of the Rio Grande River.

The Bosque project is part of an ongoing effort to restore desired conditions in the forest and floodplains, increase resiliency to catastrophic wildfire, drought, disease and insect infestation, and improve wildlife habitat.

The scope of work involved removing non-native, water-guzzling Russian olive, salt cedar, and Siberian elm, cutting, chipping and spreading the slash, and reseeded the site with native grasses and forbs. An added benefit of the project was the State Land Office's partnership with the Youth Conservation Corps, which employs and involves young adults in projects that improve New Mexico's natural resources.



Non-native vegetation is cut and chipped into mulch and the site is reseeded with native grasses and forbs.

Deer Canyon

The Deer Canyon defensible space project mitigated the threat of catastrophic wildfire across 260 acres of State Trust Lands south of Mountainair in Torrance County.

Crews thinned overgrown small diameter piñon-juniper using mastication, lopping, and scatter treatments which not only reduced the risk of wildfire in the area by creating openings in the canopy and providing firefighters easier access, but also improved watershed conditions, allowed for the restoration of native grasslands, reduced soil erosion, and enhanced wildlife habitat.

The project was a collaborative effort between the State Land Office and the Claunch-Pinto Soil and Water Conservation District and cost nearly \$97,000.



The project site before treatment was susceptible to wildfire and insect infestation.



The tree thinning project led to a healthy watershed, improved vegetation, and enhanced wildlife habitat.

Bojax Mesquite Management

The State Land Office field operations team partnered with the Carlsbad Soil and Water Conservation District and the Bureau of Land Management to eradicate an infestation of Mesquite across nearly 6,400 acres of State Trust Lands in Chaves County. Crews treated the invasive shrub with herbicides to reduce the seed source and suppress potential expansion into surrounding areas.

By controlling the spread of the species, the State Land Office is creating a more diverse native plant community including grasses, forbs, and shrubs, and enhancing habitat conditions for wildlife. The treatment cost came to \$200,000.



Crews targeted the mesquite infestation using the fast-acting herbicide Sendero.



The project site just two weeks after treatment shows significant improvement in native vegetation growth.

Illegal Dump Site Remediation

Revenues earned on State Trust Lands support education and illegal dumping diminishes that earning potential. Since taking office in January of 2015, Commissioner Dunn has targeted caliche pits across southeastern New Mexico's Oil Patch that have been used as illegal dumping sites. Caliche is calcium carbonate or decomposed limestone soil and is used as road pavement and in well pads for drilling activity.

Once the caliche is extracted a pit remains that attracts trespassers who dump trash and debris, hazardous materials, appliances, rotting upholstery, and decaying animal carcasses, all of which create a health hazard and devalue State Trust Lands.

In Fiscal Year 2017, crews removed more than 550 tons of waste from 11 caliche pits covering 114 acres of State Trust Lands in Eddy and Lea counties at a cost of \$340,000. Reclamation included contouring the sites and installing fences and gates.



Crews removed 80 tons of trash from this 1.46-acre caliche pit located on State Trust Lands in Lea County.



The project site after trash removal includes perimeter fencing provided by project partner Edison Ranch.

State Land Office and Zia Pueblo Illegal Dumping Mitigation Partnership

In Fiscal Year 2017, State Land Commissioner Aubrey Dunn and Zia Pueblo Lt. Governor Jerome Lucero joined forces to clean up and fence-off State Trust Lands and adjacent Pueblo lands due to excessive illegal dumping of garbage, household appliances, stolen vehicles, and hazardous materials.

The site, located north of Rio Rancho off Rainbow Road, is also a popular spot for illegal shooting and Off-Highway Vehicle trespass. Trespassers access the area by way of Rainbow Road where it crosses a large parcel of Trust lands and dump vast amounts of waste over the escarpment on to Pueblo lands below.

The State Land Office purchased six miles of fencing materials, which Zia Pueblo agreed to install, to protect 3,526 acres of trust lands, and subsequently Pueblo lands, from illegal activity and trespass.

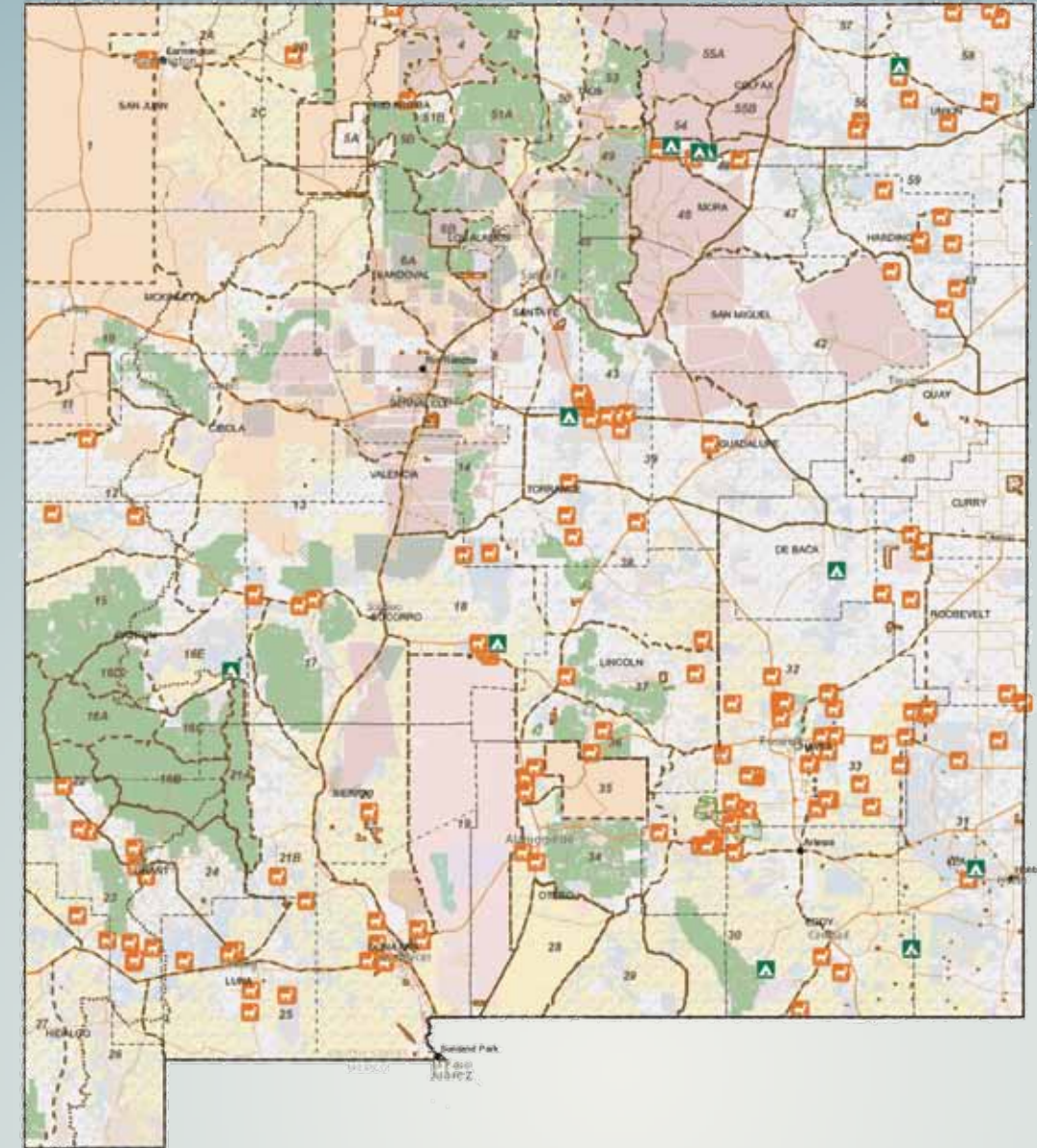


Illegal trespassers cross State Trust Lands and dump trash and stolen cars into a ravine on Zia Pueblo lands.



Zia Pueblo crews installed six miles of fencing to mitigate illegal trespass.

Hunting on State Trust Lands



In an effort to improve the sportsman experience on New Mexico State Trust Lands, State Land Commissioner Aubrey Dunn announced the addition of 141 new access points in 14 counties and two new campsites near Carlsbad.

Nearly all of the nine million acres of surface estate managed by Commissioner Dunn and the State Land Office are leased for livestock grazing and cropland production, and during New Mexico's hunting season are open to hunters, anglers, and trappers with a valid license and all applicable permits, stamps or validations.

Of the new access points, 124 are open to walk-ins and 17 are accessible by vehicle. In all, there are now 345 access points and 11 campsites on State Trust Lands.

The State Land Office partners with the New Mexico Department of Game and Fish and the Bureau of Land Management to offer mobile maps of New Mexico's big-game hunting units, hunting access points, and more, through the "Carry Map" application. This application allows users to store hunting unit maps on their mobile devices and access them regardless of cellular coverage. A link to the map may be found at www.nmstatelands.org.

Cultural Resources - Preserving the Past

The State Land Office strives to protect New Mexico's irreplaceable cultural properties located on State Trust Lands. Prior to approvals for ground-disturbing activities proposed by State Land Office lessees, cultural resource inventory reports are submitted for review by the trust's archaeologists, who then consult appropriately with the State Historic Preservation Officer and other agencies.

All identified cultural properties are preserved in place whenever and wherever possible, but archaeological excavations must sometimes be conducted to recover priceless artifacts and information prior to construction. The artifacts and reports of the archaeological excavations and analysis are then preserved in perpetuity within the Museum of New Mexico system, partially offsetting the loss of the resources themselves.

Sometimes site protection consists of building a simple fence to control animal and human traffic. It can also include stream bank stabilization to prevent large-scale losses of cultural resources to the effects of erosion.

Volunteers from SiteWatch, the state's cultural resource stewardship program, and other organizations provide site stewardship services on trust lands. The State Land Office has partnered with organizations such as the Trust for Public Land and the Archaeological Conservancy; agencies such as the Bureau of Land Management, the Historic Preservation Division, and the Natural Resources Conservation Service; as well as all levels of local, state, and national government, including recognized tribes.

In an effort to mitigate damage and destruction to cultural property, State Land Commissioner Aubrey Dunn implemented a cultural resource protection policy to identify significant cultural properties and archaeological sites on State Trust Lands.

While the State Land Office does not require the performance of an archaeological survey and submission of a report, applicants are required at the very least to submit a report of an archaeological records review. They will learn whether any or all of the area within their intended project area has already been surveyed to acceptable standards, whether any cultural properties have been found within that area, or whether only some or none of the area has been surveyed appropriately. With the information gained from this review, the applicant is in a position to make an informed decision concerning their next appropriate action.

The policy also indicates if activity is conducted without the benefit of a survey and any cultural property is damaged in the process, the lessee will be subject to a fine of no less than \$100,000 at the discretion of the Commissioner of Public Lands. The lessee will also be held liable for the cost of an archaeological damage assessment, plus the remediation value of said property as determined by that damage assessment. In this fiscal year, the State Land Office collected \$340,000 from archaeological site damage claims.

The consistent performance of cultural resource surveys in advance of any action that might have a negative effect on cultural resources located on trust land is proof positive of the exercise of the required due caution, and is the most feasible and prudent strategy available to applicants for the proper identification and protection of the irreplaceable cultural resource assets of the trust.



Three Corn Ruin is strikingly situated atop an isolated sandstone massif on State Trust Lands in Rio Arriba County. Its name is derived from a series of petroglyphs at the foot of the massif depicting three corn plants.



Pork Chop Pass, located on State Trust Lands in Rio Arriba County, includes two oval ground-floor rooms joined by a passageway.



Jesus Canyon, located on State Trust Lands in San Juan County, consists of at least three rooms and a possible exterior "plaza" area, all atop a single large boulder.

Recreation for Education

Many of New Mexico's most scenic vistas are located on State Trust Lands. This fiscal year Commissioner Aubrey Dunn launched Recreation for Education – an initiative to encourage recreation on trust lands, which in turn will generate revenue for education.

The commissioner identified 10 sites in eight counties that offer exceptional opportunities for hiking, biking, horse-back riding, rock climbing, wildlife viewing, and even a little mystery.

State Trust Lands are not public lands, however nearly all State Trust Lands are accessible with a recreational access permit, which costs \$35 for up to 10 people and each permit is valid for one year.

Moon Mountain, Lincoln County

Moon Mountain is located on State Trust Lands within the Village of Ruidoso. The diverse forest of piñon-juniper, ponderosa



pine, and Douglas fir provides ample opportunity for recreation and breathtaking views.

In 2016, the Moon Mountain Fire scorched 125 acres but demonstrated the value of active forest management by limiting the fire's size and severity. In the wake of the fire, flood mitigation work saved Ruidoso High School from being washed away. Amateur biologists and seasoned conservationists alike will find Moon Mountain a stellar example of land management strategies effectively enhancing the ecosystem.

Melrose Trap, Curry County

The North Roosevelt Trap, also known as the Melrose Trap, is a popular birding destination 10 miles west of Melrose on the eastern high plains of New Mexico.



The trap consists of about four acres of cottonwood and poplar trees surrounded by a sea of desert shrub and grasslands. The grove, located on State Trust Lands, makes it a classic trap for rare migrants and casual vagrants. During migration, 40-70 species of birds can be spotted.

Sierra Grande, Union County

Sierra Grande is an extinct shield volcano that rises 2,200 feet above the plains and boasts 360 degree views from the summit. Located on State Trust Lands near the community of Des Moines, Sierra Grande is part of the Raton-Clayton volcanic field. Sierra Grande is identified as a



shield volcano which is typically built almost entirely of fluid lava flows. They are named for their low profile, resembling a warrior's shield lying on the ground. Visitors can explore pockets of spruce and aspen along the slopes and see the results of restoration and remediation projects implemented by the State Land Office, which continue to increase forest resiliency and enhance wildlife habitat.

Mystery Stone, Valencia County

Channel your inner Indiana Jones and visit Mystery Stone, located on State Trust Lands 16 miles west of Los Lunas.



This 80-ton boulder bears an inscription which is believed to be an abbreviated version of the Ten Commandments written in Hebrew.

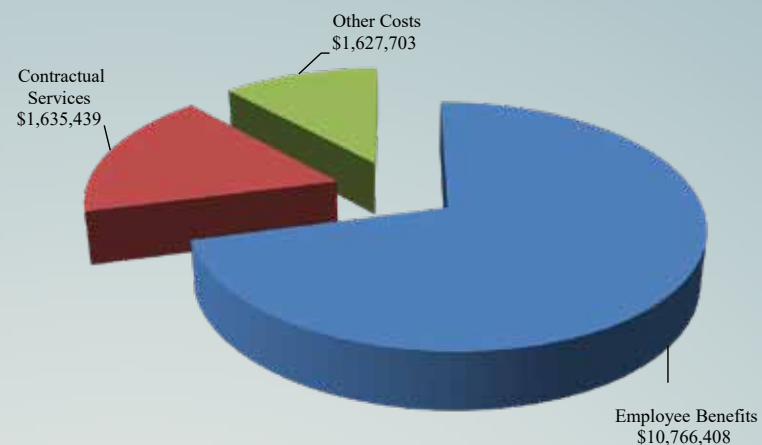
ADMINISTRATIVE SERVICES DIVISION

Sandra Lopez, Assistant Commissioner

Administrative Services provides a wide array of services including accounting, budgeting, contracts, human resources, printing, records management, facilities management and security.

The accounting section is responsible for accounts receivable, accounts payable, budgeting, contract management, and procurement. Staff receives, classifies, and records all revenue, which is then distributed to specific beneficiaries. The division formulates and manages the agency's operating budget, procures goods and services, processes payment for all operating expenses, processes professional and general service contracts, as well as inventory control and fixed assets. Financial statements reflecting activities are produced by internal staff monthly and audited annually. Revenues generated from renewable sources are deposited into the Land Maintenance Fund. At the end of each month, after withholding operating expenses, the remaining funds are distributed to designated beneficiaries. Revenue generated from oil, gas, and mineral royalty, or non-renewable sources, are transferred monthly to the Land Grant Permanent Fund, managed by the State Investment Council. In Fiscal Year 2017, the agency used about 2.81 percent of total State Trust Land revenue for operational expenses. A little over 97 percent was distributed to the trust beneficiaries.

Accounting



Human Resources

The Human Resource Office administers personnel management for 156 FTE - filled or vacant positions. The role of the office is to assure all personnel actions and initiatives are made in accordance with established rules and regulations and in support of the mission, goals, and objectives of the agency. The office provides services and support in the areas of employee relations, compensation initiatives, recruitment and retention, serves as the coordinator for Alternative Dispute Resolution, American with Disabilities, Workers' Compensation, and Family and Medical Leave, and acts as co-coordinator for the agency's Loss Prevention and Control Committee.

Facilities Management

The current location of the State Land Office opened in 1960 and in 2003 was named the Edward J. Lopez State Land Office Building. The agency is different than other state-owned properties as it is operated and maintained by State Land Office staff. Facilities Management manages the building and grounds while providing a wide range of support services. The facilities director is the co-coordinator of the State Land Office Loss Prevention and Control Committee, oversees security, and manages all capital projects. The agency also maintains an in-house business operations center that processes all printing, photocopying, graphic design, incoming and outgoing mail, and asset management services. The agency also maintains a fleet of approximately 35 vehicles and trucks, along with six ATVs and trailers.

Records Management

The Records Management Bureau is the central repository for all of the agency's current and historical records. The primary goal of the division is to ensure State Land Office records are accurate, accessible to employees and the general public, and document the chain of title for any activity that occurs on State Trust Lands. The bureau manages the repository of original historical documents dating from the late territorial period to statehood. More than one million active and inactive lease files and related documents and correspondence are managed by the division. The bureau director is also the point of contact for all Inspection of Public Records Act (IPRA) requests.

OFFICE OF THE GENERAL COUNSEL

John L. Sullivan, Acting General Counsel

The Office of the General Counsel (OGC) provides a full range of legal services to the commissioner and State Land Office staff, helping to optimize trust revenues and preserve and enhance the value and productivity of the land for future generations. Working closely with each division, OGC assists in drafting land leases and related documents and provides advice and representation when legal questions arise in negotiating a transaction or managing a lease after it has been issued. The OGC also assists in collecting rent and royalties, resolving disputes with lessees, and handling legal claims by and against the agency. In addition, OGC evaluates proposed and enacted legislation affecting the agency, drafts formal policies and legal rules adopted by commissioner, and assists in responding to requests submitted under the Inspection of Public Records Act.

During the 2017 fiscal year, OGC assisted in a significant land exchange in which State Trust Lands within the former Cañada de Cochiti Land Grant were conveyed to the Pueblo of Cochiti in exchange for a valuable commercial property in downtown Santa Fe across the street from the State Land Office, which currently is operated as the Garrett's Desert Inn and the Santa Fe Bite restaurant. The Pueblo of Cochiti acquired land of great cultural significance to the Cochiti people, and the agency acquired improved and further developable land that will provide much greater benefit to the trust.

The OGC assisted the Oil, Gas and Minerals Division in identifying and pursuing a number of trespass claims - many involving unauthorized mining of split estate minerals - resulting in more than \$1.7 million in payments to the State Land Office. The OGC also assisted in pursuing several claims for damage to trust-owned archeological sites, resulting in over \$340,000 in payments.

Under an OGC-drafted policy for the protection of threatened aquifers which serve as the sole source of domestic water (such as the Ogalalla aquifer), those seeking to drill water wells on State Trust Lands to produce water for oil and gas development must submit information to show whether there are other sources of water available that are suitable for oil and gas development. The OGC also revised the standard water easement and salt water disposal easement, leases, and applications, to implement the policy and ensure that the State Land Office receives sufficient data and information to allow the commissioner to make an informed decision whether to issue an easement or lease.

As part of the commissioner's effort to manage impacts to the agency and lessees from the U.S. Fish & Wildlife Service's (USFWS) proposed and potential listing of certain species as endangered, OGC helped prepare a pending application for an enhancement of survival permit and a draft Candidate Conservation Agreement with Assurances (CCAA) pertaining to the Texas hornshell mussel and four other aquatic species found in the Black, Delaware, and Pecos rivers in southeastern New Mexico. The USFWS permit and CCAA would exempt the State Land Office and voluntarily participating grazing and oil and gas lessees from penalties arising from incidental harm to these species from their activities if they are properly implementing voluntary conservation measures to benefit the species.

INFORMATION TECHNOLOGY

George Rosenbaum, Executive Director

Information technology is a cornerstone of the State Land Office. Much of the information provided to the public relies on technology and applications developed and maintained by the Information Technology Division. In addition to managing the agency network, equipment, and software, the division develops applications or oversees projects to automate agency records and record-keeping systems.

The Information Technology Division supports the daily needs of the agency for all forms of technology. This includes voice and data communications connecting the main location with the various field offices. Field managers working across the state are linked with data information from mobile devices that connect them to the technology resources provided by the State Land Office.

Staff is involved in ongoing projects to maintain, modernize, and replace the Oil and Natural Gas Administration and Revenue Database (ONGARD); provide data integration capabilities for online web-based reporting; Geographic Information Systems (GIS) mapping initiatives; and implementation of the Land Information Management Systems (LIMS).

COMMUNICATIONS

Kristin Haase, Assistant Commissioner

The Office of Communication creates and directs communication, public relations, and marketing strategy for State Land Commissioner Aubrey Dunn and the State Land Office in support of the agency's mission to generate revenue for public education.

Communication is the piece that bridges together policy and an informed public. The office has implemented effective media strategies in an effort to promote greater awareness of the agency's responsibility to the trust beneficiaries, as well as Commissioner Dunn's policies and initiatives.

The office defines the agency's message and engages constituents by way of press releases, opinion/editorial pieces, letters to the editor, print, television, and radio interviews, speaking engagements, social media, quarterly newsletters, promotional materials, advertising campaigns, and the annual report.

This year, the office launched a podcast entitled "The SLO Zone," which consists of a loosely-scripted interview format featuring Commissioner Dunn and agency directors and managers discussing programs and issues pertaining to the State Land Office. Two podcasts, each 15 minutes in duration, are produced each month and air on a Santa Fe-based radio station and are uploaded to YouTube, Facebook and Twitter.



Commissioner Dunn (right) and assistant commissioner Michael Perry discuss field projects on KSWV's radio show "The Great Outdoors."



The commissioner speaks to news photographers about the State Land Office's bookmark contest.



Commissioner Dunn and project contractor Bill Ferranti explain to local media the importance of thinning the Rio Grande Bosque.



Commissioner Dunn and Zia Pueblo Lt. Governor Jerome Lucero address the media about the illegal dumping mitigation partnership.

STATE LAND TRUSTS ADVISORY BOARD

The seven-member State Land Trusts Advisory Board assists the Commissioner of Public Lands with policies and programs associated with the trust the Land Office manages. By law, the board is politically and geographically diverse and represents the trust beneficiaries and key constituencies. Members of the board are assigned to represent the beneficiary institutions, agriculture, extractive industries, or conservation interests. The members are appointed by the Commissioner of Public Lands and must be confirmed by the Senate to serve six-year terms.

Anthony Casados, Chama Mr. Casados has been an education advocate for 30 years. He earned a bachelor's degree in education with a concentration in mathematics from the University of New Mexico and a master's degree in education administration from New Mexico Highlands University. Anthony is currently the Superintendent of Chama Valley Schools, managing district-wide programs, capital outlay, transportation, and human resources. Previous to that position he served as assistant superintendent and director of instruction and principal of Escalante High School, Tierra Amarilla Middle School and Canjilon/Tierra Amarilla Elementary School. He has extensive teaching and coaching experience and is currently serving a third term on the New Mexico Activities Association (NMAA) Board of Directors and is chair of the Northwest Regional Consortium #2. Mr. Casados represents trust beneficiaries.

Royce A. "Pancho" Maples, Roswell Mr. Maples began his distinguished military career in the United States Army and was commissioned a Second Lieutenant in Air Defense. His final assignment before retiring was as Commander, 1st Battalion, 200th Air Defense Artillery, where he supervised 400 soldiers and managed military property valued at more than \$120 million. Pancho's civilian education includes an associate's degree in liberal arts from El Paso Community College and a bachelor's degree in management science from Park College. Mr. Maples returned to his agricultural roots and currently serves as a farm manager for a large dairy in Roswell. Pancho is an avid sportsman and is a member of the Roswell Rotary Club, Southern New Mexico Chapter of the Safari Club International, and the National Rifle Association, among others. Mr. Maples represents the general public.

Patricia Quintana, Taos Ms. Quintana is the owner and operator of Rancho La Fina Lamb and Wool, La Cuchilla Farm, and De La Tierra Consulting and brings a wealth of knowledge about New Mexico's rich farming and ranching culture. She earned both a bachelor's degree in animal science and a master's degree in agriculture from New Mexico State University, and in 2005 was an Executive Fellow of Harvard University's John F. Kennedy School of Government. Under the Auspices of the United States Agency for International Development and Winrock International Patricia has consulted around the globe in an effort to link agriculture to economic development. She is a board member for the Taos Valley Acequia Association and member of the New Mexico Judicial Performance Evaluation Commission. Patricia was honored as one of the "Remarkable Women of Taos" and has been recognized by the New Mexico Commission on the Status of Women and the New Mexico Legislature for her contributions to the agricultural industry in New Mexico. Ms. Quintana represents agriculture.

Randy Rabon, Alamogordo Mr. Rabon owns and operates several businesses, including C&R Ventures, LLC, a construction and development company; Mesa Verde Enterprises, Otero County's largest civic contractor; Aggregate Technologies; The Heritage Group, developer of Mesa Village and Cielo Vista Ranch subdivisions; and Mesa Verde Ranch. Mr. Rabon is Chairman of the Board of Bank 34 and Bancorp 34. In addition, he serves on the Board of Directors of the Otero County Building Contractors Association, Alamogordo Chamber of Commerce, and is a member of the Otero County Economic Development and Main Gate United, both of which promote and support the expansion, development, and missions of Holloman Air Force Base and White Sands Missile Range. Mr. Rabon is an honorary commander of the 311th Fighter Squadron at Holloman Air Force Base, which operates the F-16 "Fighting Falcon" aircraft conducting advanced fighter training. He is currently spearheading a community wide effort to ensure a permanent bed down of two additional F-16 training squadrons at Holloman Air Force Base, which is currently the interim location. Mr. Rabon serves as chair of the SLTAB and represents the general public.

Dr. Brent Racher, Corona Dr. Racher is owner and operator of Restoration Solutions, LLC, and Racher Resource Management, LLC, and is vice president of operations with Southwestern Biomass, LLC, all specializing in forest, woodland, rangeland, and riparian restoration, fire ecology and prescribed burns, as well as advancing the use of biomass in energy production. Brent earned a bachelor's degree in range science from New Mexico State University, and a master's and doctorate in the same field from Texas Tech University. Currently, Brent is president of the New Mexico Forest Industry Association and serves on the New Mexico Energy and Natural Resources Department's forestry watershed coordinating group. Dr. Racher represents conservation.

Dr. Samuel T. Smallidge, Las Cruces Dr. Smallidge is an associate professor and Wildlife Extension Specialist for the Cooperative Extension Service at New Mexico State University. He provides New Mexico citizens scientific information and demonstrations regarding the ecology and management of wildlife in urban and rural environments. In addition, he is coordinator of the Range Improvement Task Force and works regularly with federal, tribal, state, and local governments and private citizens regarding a variety of natural resources ecology, management and policy subjects. Dr. Smallidge earned a Bachelor of Science from Purdue University and a Master of Science and Doctorate of Philosophy from New Mexico State University. He has 23-years of experience regarding ecology and management of rangelands and wildlife in New Mexico. Dr. Smallidge represents trust beneficiaries.

Mark Veteto, Hobbs Mr. Veteto is president and majority shareholder of Me-Tex Oil and Gas and has majority interest in seven other businesses. Mark earned a bachelor's degree from the University of New Mexico and began his career with Martindale Petroleum Corporation. He is a member of several professional associations, including the New Mexico Oil and Gas Association, Independent Petroleum Association of New Mexico, Society of Petroleum Engineers, Permian Basin Petroleum Association, and the UNM Alumni Association. A true believer in giving back, Mark and his father, Burton, created the Veteto Foundation a decade ago to further public education in the city of Hobbs by recognizing outstanding K-12 educators and encouraging them to stay in the teaching profession. Every year the foundation awards five of Hobbs' best and brightest educators \$5,000 each. Mr. Veteto represents the extractive industries.

New Mexico Commissioners of Public Lands

Alpheus A. Keen (R)	1899-1906
Robert P. Ervein (R)	1907-1918
Fred Muller (D)	Oct.-Dec. 1918
N.A. Field (R)	1919-1922
Justiniano Baca (D)	1923-1925
E B. Swope (D)	1925-1926
B.F. Pankey (R)	1927-1929
Austin D. Crile (R)	1929-1930
J.F. Hinkle (D)	1931-1932
Frank Vesely (D)	1933-1936
Frank Worden (D)	1937-1940
H.R. Rodgers (D)	1941-1944
John E. Miles (D)	1945-1948
Guy Shepard (D)	1949-1952
E.S. "Johnny" Walker (D)	1953-1956
Murray E. Morgan (D)	1957-1960
E.S. "Johnny" Walker (D)	1961-1964
Guyton B. Hays (D)	1965-1968
Alex Armijo (D)	1969-1974
Phil R. Lucero (D)	1975-1978
Alex Armijo (D)	1979-1982
Jim Baca (D)	1983-1986
W.R. Humphries (R)	1987-1990
Jim Baca (D)	1991-1993
Ray Powell (D)	1993-2002
Patrick Lyons (R)	2003-2010
Ray Powell (D)	2011-2014
Aubrey Dunn (R)	2015-present

State Land Commissioner
Aubrey Dunn

Deputy Commissioner
Laura Riley

Assistant Commissioner - Communications
Kristin Haase

Assistant Commissioner - Special Projects
Kris McNeil

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Diane Harlan

Office of the General Counsel
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