



2013-2014  
ANNUAL  
REPORT

*When we take  
care of our land,  
our land takes  
care of us!*



COMMISSIONER OF PUBLIC LANDS  
RAY POWELL, M.S., D.V.M.





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**New Mexico  
State Land Office**  
2013-2014  
Annual Report

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State Land Office  
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PO Box 1148  
Santa Fe NM 87504

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# MESSAGE FROM THE COMMISSIONER

## Commissioner

Ray Powell, MS, DVM

## Deputy Commissioner

Sunalei Stewart

## Assistant Commissioners

### Mineral Resources

Greg Bloom

### Commercial Resources

Don Britt

### Surface Resources

Mike Anaya

### Field Operations

John Romero, DVM

### Administrative Services

Elaine Olah

### Communication

Karin Stangl

### Educational Programs,

### Beneficiary Services and

### Tribal Liason

Christina Cordova

### General Counsel

Harry Relkin

### Special Projects

Ralph Gallegos

## Our Land, Our Legacy

I am honored to be serving you as your New Mexico State Land Commissioner. We have built a team of honest, ethical, and hardworking public servants who continue to develop new opportunities and collaborative partnerships that move New Mexico forward. This team is committed to generating record revenues, creating good jobs for New Mexico's working families, and caring for the health and productivity of our State Trust Lands.

Since my administration's return in 2010, we have rebuilt a badly compromised and dysfunctional office and turned it into one of the best land management agencies in the United States. This time-consuming and

hard work has yielded huge dividends for New Mexico. Our future is bright!

### Priority One: Generating Revenues

In the last three and a half years, we have generated a record \$2.3 billion. In fact, this

## Ray Powell, M.S., D.V.M.

Ray Powell, a veterinarian, is in his third nonconsecutive term as Commissioner of Public Lands. During his initial two terms, from 1993-2002, he served as the president and vice-president of the 22-member Western States Land Commissioners Association from 1996-1998 and worked closely with federal cabinet members, governors, members of congress, and tribal leaders to improve public policy on trust lands nationwide. He has received numerous awards from business, agriculture, sportsmen, academic, sovereign tribal governments, and environmental groups for his work as Commissioner of Public Lands.

Commissioner Powell served nearly a decade as a member of the State Investment Council, Mining Commission, Oil and Conservation Commission, the Youth Conservation Corps Commission, and the Capitol Building's Planning Commission. Prior to that, he served as a special assistant to Governor Bruce King with responsibility for environment, natural resources, health, and recreation.

Commissioner Powell served two terms as a member of the U.S. Department of Agriculture's Committee on Foreign Animal and Poultry Diseases. In this capacity he gained significant expertise in understanding the impacts of disease and other pathogens on our human and domestic and wild animal populations.

In 1985, Commissioner Powell received his doctorate in veterinary medicine from Tufts University, with an emphasis in wildlife medicine. Prior to his election as Commissioner in 2010, Powell worked with world-renowned scientist and humanitarian Dr. Jane Goodall and the Jane Goodall Institute for Wildlife Research Education and Conservation.

Powell was as a member of the New Mexico Board of Veterinary Regulation and Licensing from 2002-2010, serving as chairman for most of his tenure. He has worked tirelessly to enhance the humane treatment of animals.

Powell is a native of Albuquerque and attended Albuquerque Public Schools. He received his bachelor's degree in anthropology and biology and a master's degree in botany and plant ecology from the University of New Mexico. Commissioner Powell is married to Jean Civikly-Powell, a professor emerita at the University of New Mexico. She developed the Faculty Dispute Resolution Program and serves as ombudsperson for the University. They live in Albuquerque's North Valley.



year we earned the most revenue ever – \$817 million on behalf of New Mexico’s public schools, universities, and hospitals. This translates into tax savings of more than \$850 per year for each New Mexico household – and is enough money to pay the yearly salaries of 17,000 teachers, about two-thirds of New Mexico’s educators.

This high revenue is the result of the State Land Office capitalizing on strong oil and gas production, maximizing revenue generated from a growing renewable energy portfolio, and sustaining strong agricultural and commercial leases. With my team’s work ethic and knowledge, we will continue to create significant new opportunities.

**Priority Two: Creating Jobs**

My team has worked hard to foster job creation through the leasing of New Mexico’s trust lands, developing opportunities from science and tech parks and renewable energy projects to oil and gas and agricultural activities. In collaboration with communities and the private sector, we are working to create jobs throughout the state. Three of our projects – the Sandia Science and Technology Park, the Innovation Park at Mesa del Sol, and the new 1,400-acre business park in Lea County – are now home to over 5,000 high-paying jobs.

New Mexico’s abundance of sunshine and wind makes it a natural for renewable energy production. In the last three years, we have created public-private joint ventures that have resulted in the largest distributive solar plant in New Mexico on an old landfill in Albuquerque and the largest commercial solar array on State Trust Land in Luna County – 50 megawatts. And I recently signed the lease for the largest wind farm in New Mexico, which will be on State Trust Land in Torrance County. This project ultimately will generate 1,000 megawatts of electricity with 125 wind turbines – enough energy to supply 400,000 homes. In total, the renewable energy projects we are developing will generate about \$500 million over their lifetime.

**Priority Three: Ensuring Healthy Lands**

As important as generating record revenues is the State Land Office’s responsibility to protect the long-term health and productivity of our working lands. We are investing in New Mexico’s future by cleaning up illegal dumps, thinning our forests to reduce fire risk, removing non-native plants, restoring native species in riparian areas, providing drinkers for wildlife, improving overall watershed health, protecting important cultural and historical sites, and enhancing habitat for native, migratory and endangered species.

States and local communities that take the best care of their land have the strongest economies, the best jobs, and enjoy the highest quality of life. My team and I are passionate about continuing to make good decisions in an open and transparent way that ensures our public lands are accessible, healthy, and productive for the future. When we take care of our lands, our lands take care of us.



**Past Commissioners**

The first Land Commissioner, Alpheus A. Keen, was appointed. The second Commissioner, Robert P. Ervien, held the post both as an appointed official and an elected official.

Ray Powell is in his third term as the Commissioner of Public Lands. He initially served two back-to-back terms from 1993 to 2002. Although unable to run for a third consecutive term under the state constitution, Powell was elected again in 2010. Powell is the longest serving Land Commissioner in New Mexico history.

Past commissioners, their political parties and their terms:

Alpheus A. Keen (R) .....	1899-1906
Robert P. Ervien (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 J. Armijo (D) .....	1969-1974
Phil R. Lucero (D) .....	1975-1978
Alex J. 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 H. Lyons (R) .....	2003-2010



# THE TRUST

## Beneficiaries

- Public Schools
- University of NM
- NM State University
- NM Institute of Mining and Technology
- NM Highlands University
- Eastern NM University
- Western NM University
- Northern NM College
- Capital Buildings
- Carrie Tingley Hospital
- Charitable, Penal and Reform
- Children, Youth and Families Department
- Miners' Colfax Medical Center
- NM Behavioral Health Institute
- NM Military Institute
- NM School for the Blind and Visually Impaired
- NM School for the Deaf
- Penitentiary of NM
- Rio Grande Improvements
- UNM Saline Lands
- Water Reservoirs

## Building on the Past

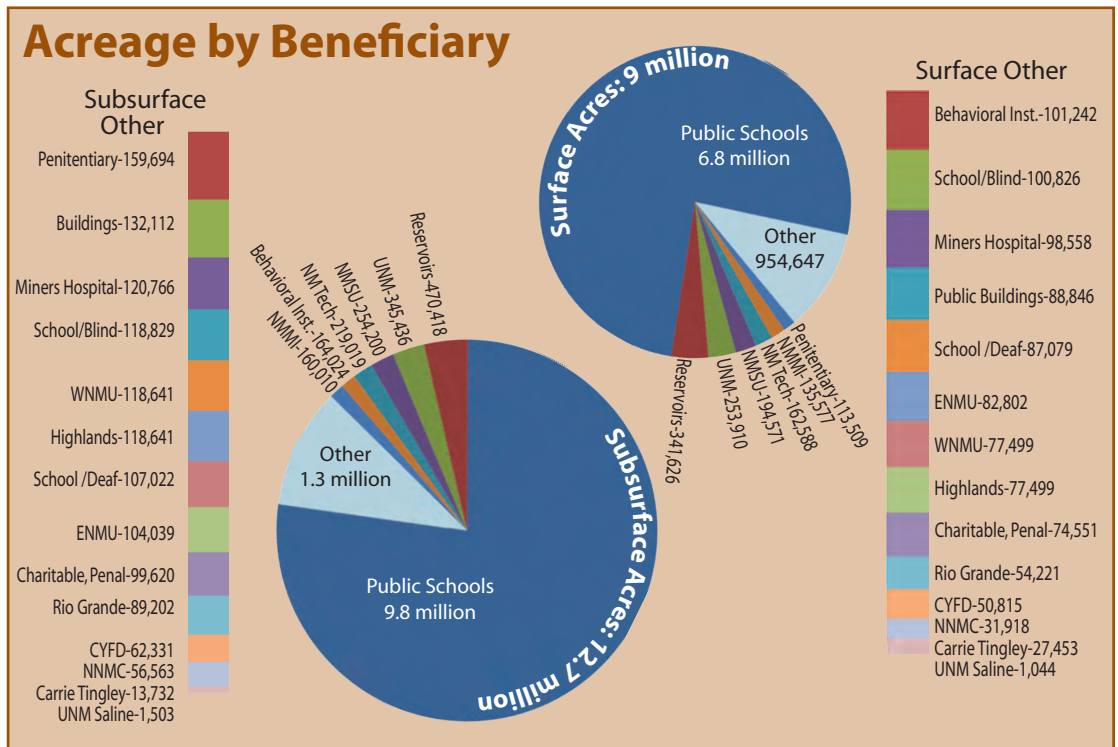
Even before New Mexico was a state, there was the beginning of a land trust. The Office of the Commissioner of Public Lands was created by the passage of the Ferguson Act on June 21, 1898. The appointed Commissioner, along with the territorial governor and the solicitor general of the territory, made up the Public Land Board charged with selecting lands that would be held in trust for New Mexico's public schools and other beneficiaries.

The Ferguson Act and the Enabling Act of 1910, which provided for New Mexico to be admitted to the United States upon voter approval of the state constitution, identified each beneficiary of Trust Land, dedicated the amount of land to be held in trust for each beneficiary, and provided for the land board to identify the specific lands that would be designated for each beneficiary institution. Each tract of land is assigned to a particular beneficiary institution.

About 8.6 million acres of Trust Lands for the benefit of the public schools were granted to New Mexico by Congress under the Fergu-

son and Enabling Acts. The state was granted four square miles – Sections 2, 16, 32 and 36 – in each 36-section township. Where those sections had previously been sold or allocated to Indian Pueblos, tribal reservations or pre-existing land grants, the state was allowed to pick lands elsewhere in lieu of the four designated sections.

The state also received "quantity grants" from the federal government, in specific amounts to benefit specified universities, special schools, institutions and other purposes. Those land grants totaled about 5 million acres.



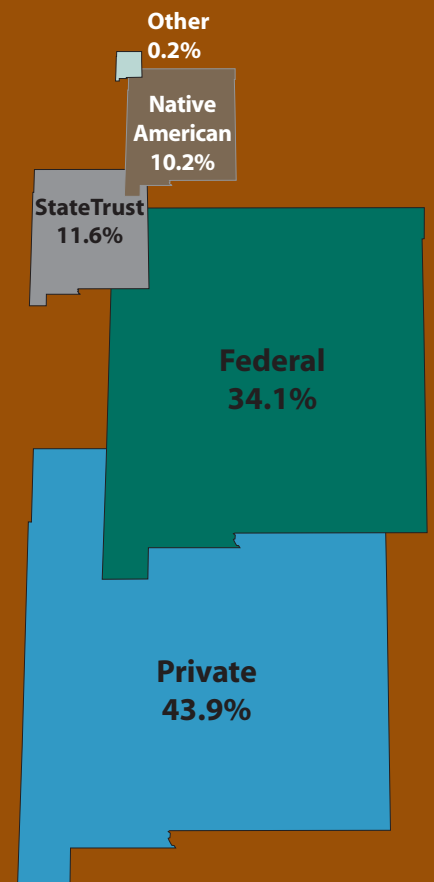
The Commissioner of Public Lands converted from an appointed position to a statewide elected position when New Mexico achieved statehood in 1912. The Commissioner administers New Mexico's State Trust Lands. Money from the uses of State Trust Lands is distributed to the trust beneficiaries directly or as earnings from the Land Grant Permanent Fund.

Revenues from nonrenewable use of the Trust Lands, such as the royalties

from oil and natural gas extraction, and proceeds of land sales, are deposited into the Permanent Fund. They are invested and a percentage of the fund is paid to the beneficiaries. Revenues from the renewable resource uses, such as grazing, rights of way, interest on earnings and bonuses paid to acquire oil and gas leases, are distributed directly to the beneficiaries, minus the State Land Office's operating budget and other administrative expenses.

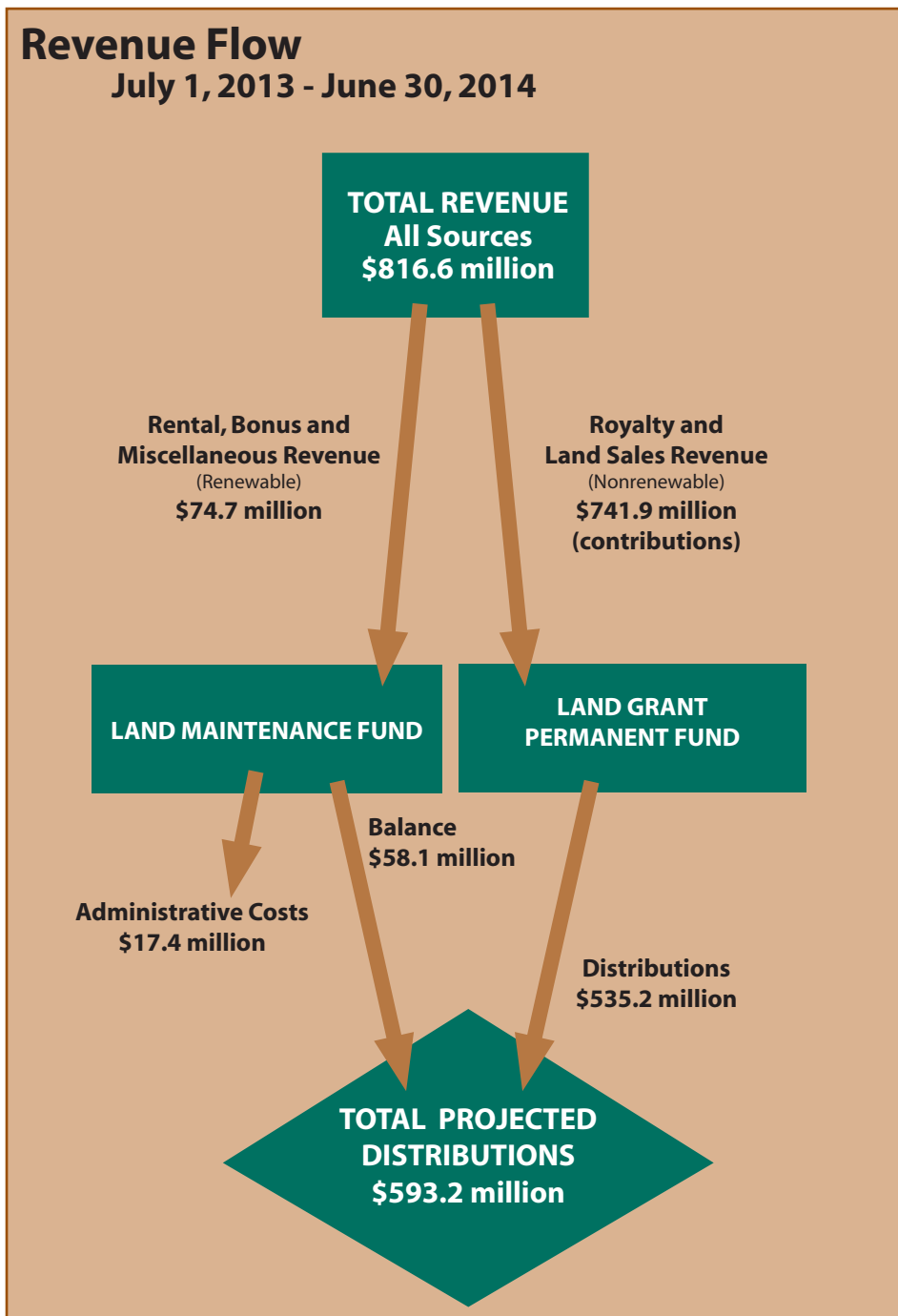
## New Mexico Land Ownership

77,666,400 Total Acres



## Revenue Flow

July 1, 2013 - June 30, 2014





# LAND TRUSTS ADVISORY BOARD

## Land Trusts Advisory Board

Martin A. Suazo  
**Chairman**

Robert G. Armstrong  
**Vice Chairman**  
Oil and Gas, Mining

William Sauble  
**Agriculture**

David Bacon  
**Conservation**

Dr. Constance Falk  
**Beneficiaries**

Lance Sigmon  
**General Public**

Renata Witte  
**Beneficiaries**

## The Public Interest

The Land Trusts Advisory Board advises the Commissioner of Public Lands in the formulation of policies and programs for the Trust. By law, the Board is politically and geographically diverse. It represents the Trust's beneficiaries and key constituencies. Two members represent the beneficiary institutions and one each represents agriculture, extractive industries and conservation interests. Two members serve at large. The members are appointed by the State Land Commissioner and confirmed by the State Senate to serve six-year terms.

### Martin A. Suazo, Chairman Las Vegas

Mr. Suazo is a businessman who operates a wood stove company in Las Vegas, N.M. He is a well-respected community leader in San Miguel County. He has a bachelor's degree in accounting, economics and political science from New Mexico Highlands University. Suazo was appointed to represent the general public on the board. He was elected chairman in April 2011. *His term expires December 31, 2016.*

### Robert G. Armstrong, Vice Chairman Roswell

Mr. Armstrong has worked more than 33 years in the oil and gas industry. A past president of the New Mexico Independent Petroleum Association, Mr. Armstrong is president of Armstrong Energy Corporation, a privately held oil and gas exploration and production company based in Roswell. He received a law degree from the University of Texas Law School and a bachelor's degree from Washington and Lee University. He also attended New Mexico Military Institute. He represents the extractive industries on the board. *His term expires December 31, 2016.*

### William Sauble Maxwell

Mr. Sauble is a third generation rancher from Colfax County, where he manages the Circle Dot Ranch. He is a member of the Colfax

County Commission and serves as vice chair of the New Mexico Livestock Board. He is the former president of the New Mexico Cattle Grower's Association and is an active member of the U.S. Cattlemen's Association. Sauble graduated from New Mexico State University with a bachelor's degree in animal science. He also served in the U.S. Navy and Navy Reserves. Sauble represents the agriculture community on the board. *His term expires December 31, 2016.*

### David Bacon Santa Fe

Mr. Bacon is president of the Southwest Energy Institute, which advocates energy policy, and founded the New Mexico Sustainable Energy Collaborative, which deals with sustainable energy and local energy production. He is a founding member of the Permaculture Credit Union, a unique nonprofit banking institution that provides sound financial business practices for environmental conservation efforts. He has lived in New Mexico more than 30 years. He attended Colorado State University and the University of Texas. He represents conservation interests on the board. *His term expires December 31, 2015.*

### Dr. Constance Falk Las Cruces

Dr. Falk is the M. Eugene Sundt Honors professor at New Mexico State University in the Department of Agricultural Econom-



ics and Agricultural Business. She received her doctorate in agricultural economics, master's degree in business administration, and bachelor's degree in English from Oklahoma State University. She is a representative for the beneficiaries on the board. *Her term expires December 31, 2016.*

**Lance Sigmon**

**Albuquerque**

Mr. Sigmon is an associate broker with Roger Cox and Associates. He manages development projects in Albuquerque, Rio Rancho, and Las Cruces. He has a bachelor's degree in business management from Brigham Young University, in Idaho. He represents the general public on the board. *His term expires December 31, 2015.*

**Renata Witte**

**Albuquerque**

Ms. Witte is a longtime education advocate, specializing in kindergarten through 12th grade. Currently, she is the president of Parents Reaching Out. She is also a board member of the Family/Parent Involvement Advisory Council to the New Mexico Public Education Department. She educates children about governmental affairs and teaches drama and art photography at the Oñate Elementary after-school program. She is a representative for the beneficiaries on the board. *Her term expires December 31, 2015.*

**State Trust Land Map**



Small black squares and blocks of black are Trust Land.

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Trust Land Endowment by Township  
 Township = 36 Sections  
 Section = 1 square mile

# MINERAL RESOURCES

**Assistant Commissioner**  
Greg Bloom

**Director  
Oil, Gas and Minerals**  
Larry Roybal  
(until 1/14)  
Terry Warnell  
(as of 3/14)

**Director  
Royalty Management**  
Kurt McFall

## Record Earnings

The two divisions of Mineral Resources together earn about 95 percent of State Land Office revenue. In fiscal year 2014, revenue from the Royalty Management Division and the Oil, Gas and Minerals Division totaled \$785 million – the highest amount in the agency’s history. This record sum reflects sustained oil prices, increased oil production on trust lands, and solid interest in State Land Office oil and gas lease sales.

### Royalty Management Division

Through the combined effort of the Revenue Processing, Audit, and Compliance sections, the Royalty Management Division distributed oil and gas royalty revenue of \$726 million and interest revenue of \$3.35 million, for a total of more than \$729 million. This was 89 percent of State Land Office revenue and is an all-time State Land Office record. The Royalty Management Division achieved a single-month royalty distribution record of almost \$70 million in June 2014.

The Royalty Management Division is responsible for collecting and processing royalty revenue from oil, natural gas, and carbon dioxide produced from trust lands. Royalty payments depend on the volume of production, the price paid, and the royalty rate specified in the lease. All lease terms are governed by statute. Royalty payments are considered “nonrenewable revenues” and are deposited in the Land Grant Permanent Fund. Interest income, considered “renewable,” is deposited in the Land Maintenance Fund, which directly supports beneficiaries.

The Royalty Management Division has three separate sections: Revenue Processing, Audit, and Compliance and currently has 19 full-time employees. The Revenue Processing Section, with one manager and five accountants, is responsible for the initial evaluation, payment matching, reconciliation and validation of royalty returns to accurately distribute royalty revenue to the appropriate beneficiaries. Accomplishing these tasks requires analyzing errors flagged by ONGARD (Oil and Natural Gas Administration and Revenue Database) and working with the royalty filers to correct these errors prior to funds distribution. This section is the first point of contact for royalty return filers and therefore, customer service is an integral part of the section’s duties. During 2014, this section processed 3,675 royalty returns consisting of over 594,000 detail lines. Almost 100 percent of royalty-return detail lines are filed electronically using the State Land Office web-filing application. This sec-



*In fiscal year 2014, revenue from the two divisions of Mineral Resources totaled \$785 million — the highest amount in the agency’s history.*

tion also validates notices issued from royalty returns processed through the ONGARD system. They review the accuracy of assessments and credits and mail royalty return filers on a monthly basis.

The Audit Section of the Royalty Management Division, with one manager and five auditors, conducts a comprehensive audit program to ensure that companies are reporting and paying oil and gas royalties in accordance with their lease agreement terms and existing regulations. The Audit Section conducts both field audits and desk audits. Field audits are conducted on large oil and gas royalty filers and are large in scope and potential collections. Field audits require the staff to travel to the company's location to examine records and question personnel regarding their filed information. During 2014, the Audit Section conducted nine field audits.

Desk audits are conducted on oil and gas royalty filers and are often smaller in scope and potential collections. Desk audits require that the company being audited submit records for examination to the State Land Office site. Both types of audits require detailed analysis of documents supporting royalty filing, reporting patterns and company accounting systems. In addition, the Audit Section uses data from the Oil Conservation Division of the Energy, Mineral and Natural Resources Department and the New Mexico Taxation and Revenue Department in its analysis of data submitted by the oil and gas royalty reporting company to the Land Office. During 2014, the Audit Section conducted 42 desk audits, resulting in an additional \$6.9 million in oil and gas royalties.

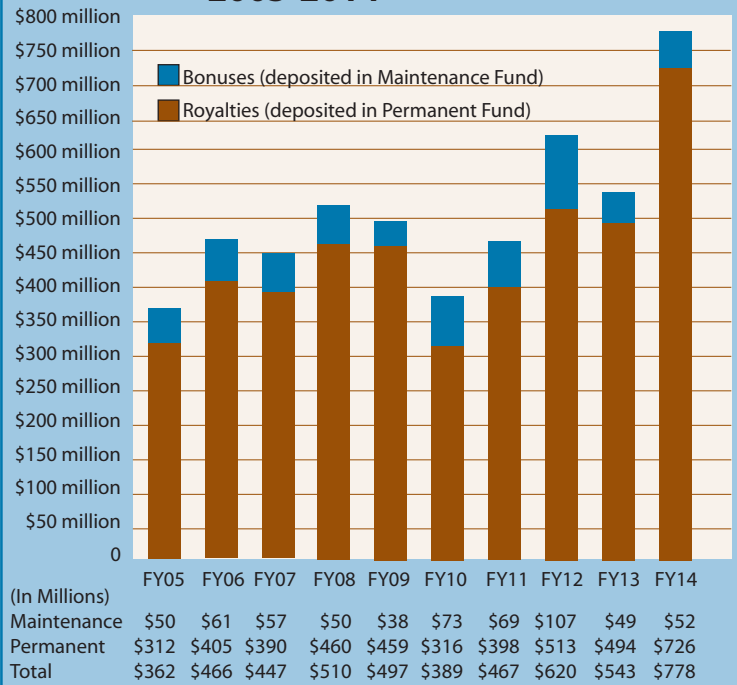
The Compliance Section, with one manager and three accountants, resolves and collects outstanding notices, and clears suspended royalty-return detail lines so that revenues can be distributed to the correct beneficiaries. The section conducts a collections process that requires the analysis of all notices that have not been resolved within 90 days of the date of issuance. The accountants issue compliance letters to oil and gas

royalty filers to resolve these notices either through assessment payments, applying credits to current royalty, or correcting detail lines submitted in error. This requires extensive work with royalty revenue filers to provide them with additional information and instructions on resolving outstanding notices.

More than 3,700 notices were resolved through the collections process. This section also conducts a suspense process. When a royalty filer pays royalty on detail lines with incorrect or incomplete data, the money attributed to those detail lines cannot be distributed to the appropriate beneficiary. Therefore, the royalty is held in suspense until the data is corrected. The suspense process conducted by the Compliance Section involves assisting royalty return filers to make corrections and distribute funds as soon as possible. At the end of 2014, suspended detail lines totaled 1.26 percent of total royalty revenue. The Compliance Section also processes refund requests, manages the advance royalty payment program, and oversees the production unit lease notification process.

*Other Accomplishments.* The Royalty Management Division conducted training in September 2013 that covered all aspects of oil and gas royalty filing and included detailed information regarding return filing, audits and compliance requirements. This training was well attended, with more than 100 attendants representing the oil and gas industry.

## Oil and Gas Revenues 2005-2014



The Royalty Management Division updated the Royalty Filer's Kit, an instructional manual for royalty return filers, to include statutory changes and electronic filing instructions. This updated kit was distributed to royalty return filers at the industry training and published to the State Land Office website.

The Royalty Management Division worked extensively with the ONGARD Service Center to launch a new web filing application for royalty remitters to a select group of royalty filers in November 2013. It was launched to all remitters in January 2014. The design of the new application incorporated changes and enhancements requested by industry, with very favorable industry feedback. The division also created on-line user manuals for all electronic filing options that are accessible within the application rather than an external site, which required leaving the application. These changes were a direct response to customer requests and made the application much more user-friendly.

### **Oil, Gas, and Minerals Division**

Oil and gas lease sales, administered by the Oil, Gas, and Minerals Division, earned total bonus income of over \$46 million for 400 new leases, encompassing 98,100 newly-leased acres. This represents an average of \$472 per acre. While this figure is higher than 2013, figures are lower than some previous years because higher oil prices have prompted lessees to retain them longer. As a result, the Land Office has had fewer quality tracts to offer at auction.

The basis of all Land Maintenance Fund oil and gas revenues generated for beneficiaries is the competitive public sale of tract leases on the third Tuesday of each month. Except for the annual May sale that is held in Roswell to coincide with an oil and gas conference, all lease sales are held in Morgan Hall at the Land Office. The sale is the culmination of work by the division's Oil and Gas Section to accept nominations of tracts, select and evaluate tracts, assign royalty rates, and publish both a hard-copy and online notice of the sale. The division issues leases within 24 hours

of the sale and distributes information packets to new lessees to help them understand the requirements for oil and gas activity on trust lands.

Oil and gas leasing is the single most regulated program in the Land Office. The leases are statutory, the methodology for evaluation of tracts to lease is clearly defined by law, and even elements of the sale notice are prescribed. The Legislature has not changed lease terms and royalty rates since 1985. In Restricted Areas (generally areas of known production like the San Juan and Permian basins), leases are issued for a five-year term at royalty rates of 1/8, 1/6, 3/16 or 1/5. Leases in Frontier Areas are issued for 10 years at a 1/8 royalty rate. New Mexico statutes 19-10-1 through 19-10-70 NMSA and State Land Office Rules 19.2.100 and 19.2.17 NMAC deal specifically with oil and gas activity on state lands.

The Division has two main programs: Oil and Gas, and Minerals. It leases and manages more than 8,300 oil and gas leases and 177 mineral leases, together covering 3.1 million acres of the 13-million-acre trust mineral estate. The division also processes mineral royalty revenue; administers leases for oil, natural gas, carbon dioxide, sand and gravel, caliche, coal, potash, salt, geothermal energy, and other natural resources; manages subsurface resources; and evaluates commodity resources.

The Oil and Gas Group processed 333 lease assignments and 216 miscellaneous instruments in 2014. The group also approved 126 communitizations (a pooling of mineral estate). The Division processed 18 lease reinstatements, 42 lease extensions, 608 lease expirations and 88 lease cancellations due to non-payment rentals. The Reduced Royalty Program processed one lease/pool application with eight new wells. Total production in the Reduced Royalty Program amounted to 100,434 barrels of oil from its 381 wells.

The Minerals Group manages more than 177 leases covering more than 175,000 acres of coal, salt, caliche, sand, gravel, potash, geothermal resources

and general mining. These mineral resources are governed by six different rules. More than \$15 million in royalty and rental income were generated from these resources. Coal mining contributed almost \$6.7 million. However, coal royalty payments are expected to lessen considerably in the future due to mining operations moving out of Trust Lands and general market conditions. Potash is expected to increase because of increased demand. Intrepid Potash will contribute to production through a new solution mine just beginning to produce. The new Intercontinental Potash polyhalite mine is expected to sink a shaft in 2015. Both operations will significantly increase the number of jobs in southeast New Mexico.

The Land Office's sand and gravel leases are the most active and include site-specific stipulations, a mine operations plan, and a reclamation plan. All new mineral leases issued by the Oil, Gas, and Minerals Division require a cultural resources survey for new disturbance, reclamation of disturbed land, and re-seeding with native vegetation when the site is closed. Required mine operations and reclamation plans ensure logical progression of mining and contemporaneous reclamation. Bonds or other surety also are required to protect trust lands and the collection of royalties. Inspections are made on a regular basis, in close coordination with the Field Division.

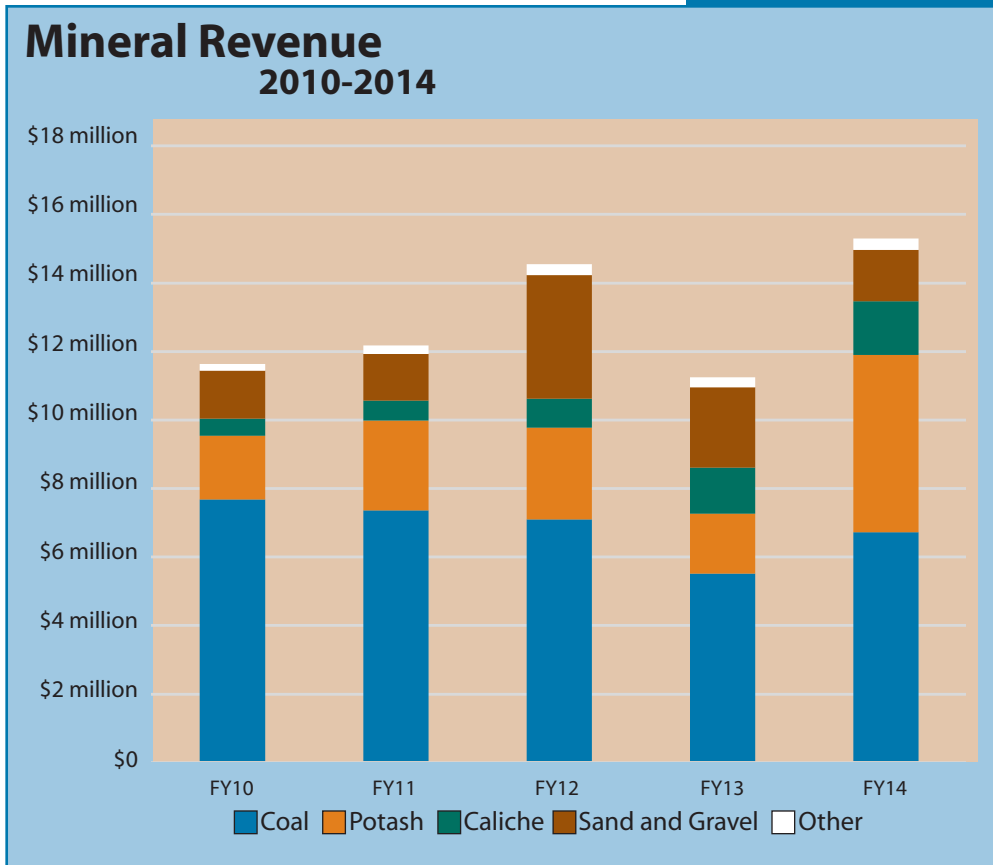
The minerals group processed 33 new sand and gravel leases, 12 renewals, 24 expirations, five withdrawals, three relinquishments, four rejections, and one cancellation and conducted 27 site inspections.

*Other Progress.* An industry training day in September 2013 covered

all aspects of oil and gas leasing, rentals, assignments, communitizations, units and more and was well attended by more than 100 people from numerous companies in New Mexico, Colorado, Texas and other states.

The division took the lead in developing a new business lease for off-lease drill pads that will result in more income for beneficiaries. Previous off-lease drill pads produced an average of \$500 per year but the new lease will average about \$3,700 per year during the first 10 years. While this is a substantial increase, the new price is on par with Texas and helps ensure that New Mexico remains regionally competitive. Although off-lease pads were relatively few until very recently, the Land Office anticipates receiving hundreds of applications in the next two years.

The State Legislature has funded two new oil and gas-related positions at the Land Office in the past two years, ensuring that the Land Office can provide timely service to this important industry during a time of booming oil and gas production.





# COMMERCIAL RESOURCES

**Assistant Commissioner**  
Don Britt

**Director**  
Tom Leatherwood

## Local Focus, Statewide Benefit

Working closely with local communities, the Commercial Resources Division manages leases, exchanges and limited sales of State Trust Land to produce the greatest return for the beneficiaries. At the same time, it preserves resources to the greatest extent possible. The division's Leasing section managed a total of 894 leases for business operations including economic development; mixed-use development projects; billboards; telecommunication sites; renewable energy projects; and surface activities related to oil and gas operations. The Project Management section manages all due diligence for processing long-term and complex leases. Revenue earned from trust land leases is deposited into the Land Maintenance Fund and is distributed immediately to the beneficiaries.

The division uses staff expertise in real estate development, land planning, land conservation, legal and finance disciplines to evaluate potential projects. The Commercial Resources Division works with the private sector, government groups and others to develop leases that facilitate project development and optimize revenue for the Trust. It emphasizes quality planning, open space preservation, and larger community needs.

Commercial Resources leases parcels of Trust Land within urban areas for retail, office and other commercial uses. State Trust Lands that are in the path of growth offer new potential for residential, commercial or industrial development. Planning and development leases allow the State Land Office to partner with the private sector to increase the value of State Trust Lands and generate increased lease revenues. In some cases, the State Land Office joins with local government on economic development leases, recruiting business partners to create base jobs and economic development goals. Because of constitutional restrictions, the State Land Office cannot use revenues generated from leases to reinvest in infrastructure or otherwise create additional value on specific parcels of trust land. The planning and

development lease provides a mechanism for the Trust to benefit from the investment made by the private developer or local government that creates additional value.

### Lease Management

The lease management team oversees nearly 900 business leases on about 400,000 acres of Trust Land and collected more than \$4.9 million in 2014. Commercial Resources enacted a process to reissue expiring leases more efficiently. These process improvements promote customer service and streamline additional lease revenue. The division also contracted with a specialized appraiser to update the telecommunication categories and fee schedule, which had not been updated since 2003. After extensive review with stakeholders, a final schedule that reflected market rates was adopted that will generate revenue from telecommunication site leases based on a fair market value.

### Project Management

The project management team facilitates the due diligence of complex leases, processes long-term leases, resolves planning issues, and manages land exchanges. It also audits leases on a case-by-case basis for compliance, record-keeping and financial accountability. Under the Powell administration, Commercial Resources

has sought opportunities to optimize lease revenues. Commissioner Powell's community partnership program, which incorporates joint planning agreements and economic development strategies, continues to build strong relationships with local governments. The division has identified more than 50,000 acres of State Trust Land in growing urban areas ideally situated for commercial leasing and economic development projects. For example, the division has developed cooperative planning agreements or economic development leases with Doña Ana, Lea, Luna, and McKinley counties, the cities of Las Cruces and Rio Rancho, and the town of Edgewood.

### Unique Challenges – Optimal Results

*Dixon Apple Orchard.* The legal and insurance issues following the destruction of Dixon's Apple Orchard, caused by the Las Conchas wildfire in 2011 and subsequent floods, were resolved. The lessee negotiated with Cochiti Pueblo to relinquish their 75-year lease on the orchard site and the adjacent 8,800 acres. Commercial Resources staff worked with the state General Services Department staff in the Risk Management Division to obtain a fair insurance settlement for the beneficiaries' losses. Insurance proceeds for fire and flood claims totaled about \$2 million. In addition, the State Land Office signed a new five-year business lease with the Pueblo of Cochiti, which borders the site. The property contains significant cultural and historic sites important to the pueblo. During this lease, about 9,200 acres of State Trust Land will be exchanged for Pueblo of Cochiti lands that are better suited for commercial development or leasing.

*Lesser Prairie-Chicken.* Although the lesser prairie-chicken was listed as a threatened species, State Trust Land lessees may continue their activities due to an agreement among the State Land Office, U.S. Fish and Wildlife Service, and the Center of Excellence for Hazardous Materials Management (CEHMM). The agreement allows oil, gas, and agricultural uses to continue in exchange for implementing conserva-

tion measures that promote and protect habitat for the lesser prairie-chicken and dunes sagebrush lizard. More than 400,000 acres of State Trust Land are affected by this conservation agreement. This allows oil and gas development, ranching, and other commercial activities on State Trust Lands to continue, while protecting habitat.

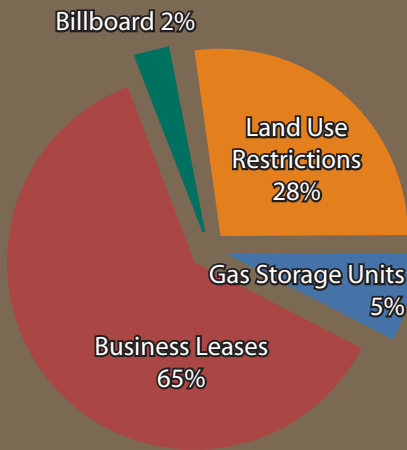
### Renewable Energy

The Macho Springs Solar Project on about 500 acres of State Trust Land in Luna County is the largest solar project in the state and began operating in May 2014. The plant has an electric generation capacity of 50 megawatts. First Solar, the world's largest solar developer, developed the project and created about 300 jobs during the construction phase. The lease payments could generate as much as \$10 million for public schools during the 40-year lease. In June 2014, First Solar sold Macho Springs to a partnership of Southern Company and Turner Renewable Energy while remaining the operations and maintenance provider. This partnership assumed the lease and is providing clean, efficient solar power to El Paso Electric customers in New Mexico and Texas.

The Macho Springs solar power plant will generate enough clean energy to power more than 18,000 homes and displace more than 40,000 metric tons of CO<sub>2</sub> – the equivalent of removing 7,500 cars from the road – and will reduce water consumption by more than 340,000 metric tons annually. The start of power production at Macho Springs marked



## Commercial Resources Revenue by Source, 2014



the end of a two-year process managed by Commercial Resources, which first began negotiations in 2012 with solar developer Element Power. Element Power assigned the lease to First Solar.

A few days before the start of operations at Macho Springs, the division auctioned a lease for about 19,000 acres in Union County for a large wind project to Triangle Gallegos LP, a joint venture between Triangle Cattle Co., Ltd. and Gallegos Wind Farm, LLC. It identified State Trust Land as a crucial part of a larger 50,000-acre wind project area. The lease is estimated to generate \$47 million for State Trust Land beneficiaries during the 45-year project life. The project ultimately could generate about 500 megawatts of electricity via 285 wind turbines – enough electricity to supply up to 200,000 homes. The development will reduce CO<sub>2</sub> emissions by 1.3 million tons and save more than 550 million

gallons of water annually, compared to coal-driven electricity. The project will be built in two phases starting in 2015, creating 400 total construction jobs and about 20 permanent jobs.

These two projects highlight the continued leadership by the Land Office in renewable energy development in New Mexico. State land departments and agencies from neighboring states have sought advice from the New Mexico Land Office for our renewable energy programs. The renewable energy industry has taken note of the innovative thinking by Commercial Resources, which is currently processing six applications for renewable energy projects totaling more than one gigawatt (1,000 megawatts, or one billion watts) of renewable energy power.

The Land Office is building on the experience developed over the past decade, which saw numerous renewable energy projects developed throughout the state. The projects range from the two-megawatt distributive system built by EMCORE in Albuquerque to the 1,000-megawatt utility scale El Cabo wind project in Torrance County. Currently Trust Lands have a potential of about 519 megawatts of renewable energy power, part of a larger public-private partnership total of about 1,957 megawatts. Land Office projects will provide enough power to serve about 186,696 households.

Renewable energy leasing will be the largest growth area for commercial leasing in the near future. The Land Office is working with companies developing transmission lines, such as Lucky Corridor, SunZia, Cleanline, Southline, and Tres Amigas to expand the capacity of electric transmission lines that will allow the export of New Mexico-generated power. As transmission lines develop statewide, revenues from renewable energy will grow substantially.

## Commercial Resources Revenue 2010-2014

	FY10	FY11	FY12	FY13	FY14
Billboards	\$66,884	\$142,038	\$176,155	\$105,552	\$76,442
Business Lease Options	\$0	\$812,376	\$112,010	\$31,914	\$0
Business Leases	\$2,170,938	\$3,125,392	\$2,859,769	\$6,291,452	\$3,234,483
Gas Storage Units	\$140,177	\$164,719	\$308,551	\$159,480	\$253,452
Land Use Restrictions	\$0	\$0	\$0	\$769,675	\$1,383,978
Royalty Land Contracts	\$2,317,742	\$1,506,864	\$1,567,500	\$0	\$0
	\$4,695,740	\$5,751,389	\$5,023,985	\$7,358,073	\$4,948,354



# SURFACE RESOURCES

## Solid Relationships

Surface Resources generates revenues for trust beneficiaries by administering agricultural leases, rights-of-way, and special access. The division's mission provides direct assistance to grazing lessees and those who apply for easements. The staff fosters good relationships and ensures responsible stewardship of State Trust Lands by open communication. Revenue generated within Surface Resources Division's Right-of-Way/Water Bureau and Grazing Bureau has contributed to steadily rising earning on behalf of beneficiaries of the State Land Trust.

During the 2014 fiscal year, Surface Resources generated more than \$17.2 million, a 14 percent increase over revenue generated in 2013. Surface Resources processed 1,351 leases – 505 were processed by Right-of-Way Bureau staff and 846 by Grazing Bureau staff. Specific improvements in the areas of suspense and salt water easements, and internal processes, largely were responsible for this increase.

Surface Resources works daily to resolve any issues that arise relating to trespass, the

prevention of hunter access, conflicts on easements, and illegal dumping. Staff often travel statewide to meet with lessees, hunters, citizen advocacy groups, and other government agencies to work cooperatively to improve conditions, provide access, and facilitate education and understanding on State Trust Lands.

Surface Resources remains an active participant in statewide community events, taking part in events including the New Mexico State Fair, Farm and Livestock Bureau meetings, New Mexico Cattle Grower Association meetings, and Prairie Partner meetings.

Cooperative relationships with government agencies continue to strengthen as Surface Resources staff planned projects with agencies such as the federal Bureau of Land Management, the New Mexico Department of Game and Fish, and the New Mexico Department of Transportation.

Surface Resources maintains an open-door policy toward lessees, who are entrusted with stewardship of our State Trust Lands. That policy also extends to hunters, both in state and out of state, who hunt on State Trust Lands.

**Assistant Commissioner**  
Mike Anaya

**Director**  
Donald Martinez

**Manager,  
Agricultural Leasing  
Bureau**  
Lucille Martinez

**Manager,  
Right-of-Way  
and Water Bureau**  
Lou Baker

## Sportsmen Advisory Committee

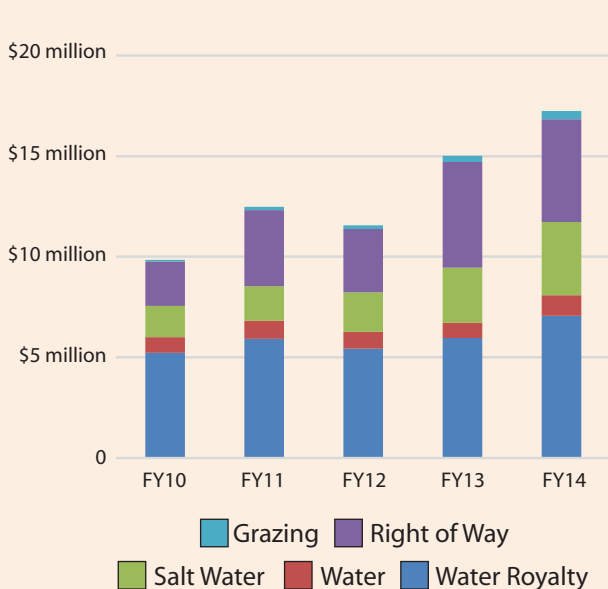
### Issues:

- State Trust Land for hunting
- Feral pigs
- Partnerships to promote the sustainable management of wildlife habitat

### Members:

- Mark Anaya, Stanley
- John Antonio, Albuquerque
- David Coss, Santa Fe
- Brian Miller, Watrous
- John Moen, Mesilla Park
- Bob Nordstrom, Albuquerque
- John Olivas, Holman
- Dutch Salmon, Silver City
- Andrew Sandoval, Chacon
- Sandy Schemnitz, Las Cruces
- Kent Salazar, Albuquerque
- Max Trujillo, Las Vegas

## Surface Resources Revenues 2010-2014





# FIELD OPERATIONS

**Assistant Commissioner**  
John Romero, D.V.M.

**Director**  
Jim Norwick

## Solutions with Integrity

The Field Operations Division oversees programs that promote trust sustainability by providing technical support to the agency’s leasing divisions while optimizing revenue for the trust beneficiaries. To ensure long-term resource integrity, the division manages programs dealing with forest and range ecosystems, wildlife and endangered species resources, and environmental quality to enhance resource health, which is linked to economic health.

Staff annually responds to about 1,500 requests for field reviews, including inspections and data analysis for rights of way, agricultural leasing, minerals management, business leases and land exchanges. In addition to the Santa Fe staff, Field Operations employs 14 district resources specialists, each of whom oversees about one million acres of State Trust Land. The district resources specialists are the agency’s links to natural resources management, lessees, and local issues affecting Trust Lands.

### Collaborative Forest Restoration

In 2014, the Legislature provided a \$500,000 special appropriation to the Land Office to reduce the risk of catastrophic wildfire using

prescriptive tree thinning on about 4,000 acres of Trust Lands. The division successfully leveraged those funds and worked collaboratively with government agencies to maximize results and acreage. The objective of this forest restoration program is to reduce the potential for crown fires and restore natural forest processes in these fire-adapted ecosystems. Historically, periodic low-intensity ground fire sustained a healthy tree density and distribution. Fire exclusion has created unhealthy forest conditions. To improve the ecosystem and re-establish a more natural fire regime, tree thinning is paramount. Additional benefits include enhanced wildlife habitat, increased grass and foliage cover, and reduced hazards, such as insect outbreak and disease.

### Riparian Restoration

Riparian areas provide critical biodiversity habitat for numerous plant and animal species in New Mexico. Properly-functioning riparian ecosystems are essential to supporting this biodiversity. The Land Office is continuing a long-term effort on Trust Lands along Albuquerque’s South Valley bosque to replace salt cedar, Russian olive, Siberian elm and other exotic species with native cottonwoods and willows. Staff created side channels and lowered banks along the Rio Grande to allow natural flooding and meandering, improving the bosque’s ecosystem functioning and long-term health. The U.S. Bureau of Reclamation (BOR) granted \$298,000 to expand the project in the future. The New Mexico



*State Land Office staff plant native willows along the Rio Grande in Albuquerque.*

Environment Department also granted \$152,000 for the same effort. The project was a collaboration with the City of Albuquerque, Middle Rio Grande Conservancy District, New Mexico Interstate Stream Commission, University of New Mexico, U.S. Army Corps of Engineers, Albuquerque Metropolitan Arroyo Flood Control Authority and the U.S. Bureau of Reclamation.

The division also restored native flows and habitat to a roughly one-mile stretch of the La Plata River in San Juan County. The grant-funded project reduces erosion and sediment-loading in the river by restoring natural meandering flow and creating side channels. Invasive plant species were replaced with native vegetation for soil stabilization and forage for migrating deer, small mammals and quail.

### One Health

Land Commissioner Powell instituted and funded the One Health Initiative to ensure that agency decision-making is based on sound, land management principles that support resource conservation and sustainable uses. An integral part of the program is to partner with the Trust's beneficiary universities to capitalize on their expertise and unique opportunities for education, research and best management practices. Several One Health projects were completed by Field Operations during 2014, including removal of an obsolete oil and gas infrastructure, restoration of lesser prairie-chicken habitat, and clean-up of illegal trash dumping in abandoned caliche pits near communities.

### Caliche Program

The Field Operations Division also administers the statewide community caliche pit program from its Hobbs district office. Caliche is a valuable mineral material used in road base and well pad construction for oil and gas development and leasing activities. Permits are required for extraction of caliche from

*Caliche mining operators load a truck for transport. Caliche is a valuable mineral material used in road base and well pad construction for oil and gas development and leasing activities.*



established community caliche pits located on State Trust Land. During 2014, the Hobbs district office issued 358 permits for extraction and collected \$17,650 in permit fees. In addition, more than \$1.56 million in advanced and bonded royalties were collected for the Trust.

## Conservation Advisory Committee

### Priorities:

- Access to State Trust Land
- Clean-up of lands in a responsible manner
- Partnerships to promote the sustainable management of livestock, wildlife, and plant habitat

### Members:

Norma McCallan, Santa Fe  
Ken Hughes, Santa Fe  
Nathan Newcomer, Albuquerque  
Carol Finley, Albuquerque  
Michael Casaus, Albuquerque  
Lisa Jennings, Albuquerque  
Steve Cary, Santa Fe  
Chris Catechis, Albuquerque  
Steve West, Carlsbad  
Ernie Atencio, Arroyo Seco  
Scott Wilber, Santa Fe  
Barbara Garrity, Albuquerque

# ADMINISTRATIVE SERVICES

**Assistant Commissioner**  
Elaine Olah

**Directors**

Margaret Sena  
**Accounting**

Sandra Lopez  
**Human Resources**

Martin Davis  
**Information Technology**

Lucille Sisneros  
**Records Management**

Bobby Gallegos  
**Facilities Management**

## Support Service

The mission of Administrative Services is to provide excellent customer service to those earning revenue and working to protect the Trust. Administrative Services provides functions not related to leasing or field operations but necessary for management of the agency. These functions include accounting, budgeting, contract management, facility and fleet management, human resources, information technology, records management, and printing services.

Accounting staff receives, classifies, and records all generated revenues, which is then disbursed to specific beneficiaries based on the revenue source. The division procures goods and services, processes professional services contracts, maintains a fleet of 28 vehicles and 11 leased facilities throughout the state, and processes the payments for the operational expenses of the agency. Financial statements reflecting activities are produced monthly and audited annually. The 2013 financial audit completed in fiscal year

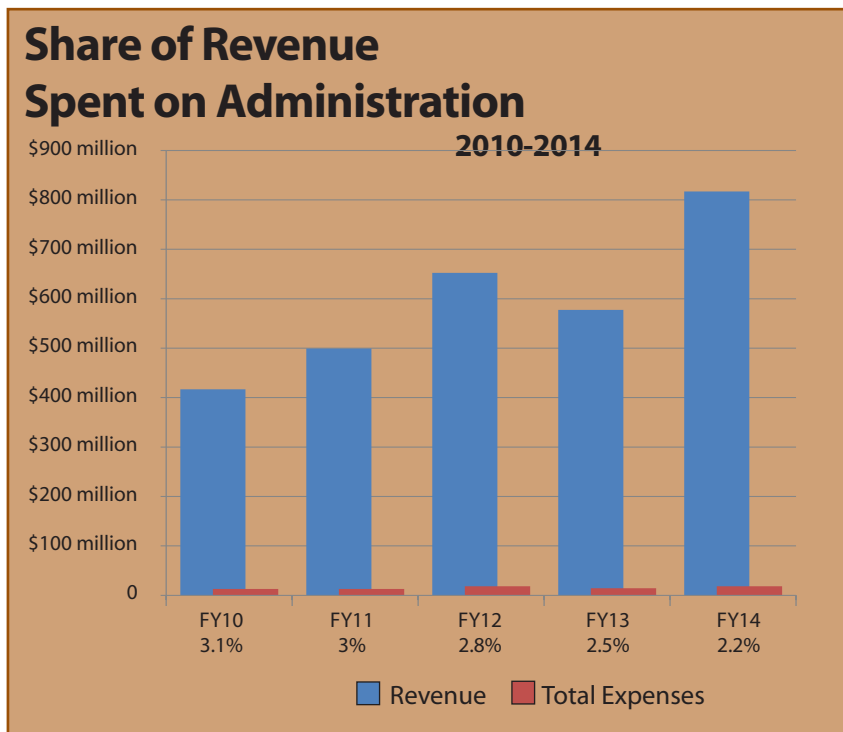
2014 resulted in an unqualified opinion with no exceptions.

Revenue from renewable and miscellaneous sources is deposited into the Land Maintenance Fund. At the end of each month, and after paying for operating expenses, the remaining funds are disbursed to the designated beneficiaries. Revenue generated by royalties from oil, gas, and mineral leases, or land sales, is transferred monthly to the Land Grant Permanent Fund, managed by the State Investment Council, and invested under rules set by the New Mexico Constitution. The agency in 2014 used about 1.7 percent of total State Trust Land revenue for operations, and 0.5 percent for capital and special projects.

### Human Resources

Human Resources manages personnel issues for 156 full-time employees, including payroll and benefits. The office helps agency managers maximize the agency's return on its investment in human capital by providing advice on State Land Office and State Personnel Board personnel policies and procedures. Human Resources' staff updated the agency policies to ensure a common understanding of employee and management rights and responsibilities.

A major focus of Human Resources in 2014 was to reduce the overall vacancy rate for the agency. Legislative funding and process barriers were overcome to reduce the vacancy rate to an average of 6.2 percent for the year, down from 8.2 percent in 2013. Additionally, several



classifications were studied and revised to better reflect the requirements of the positions. Human Resources prepared the 2014 Workforce Report to provide management with a look at the makeup of the agency and employee demographics and comparisons with State Personnel-gathered statistics. This is the first report of its kind for the agency.

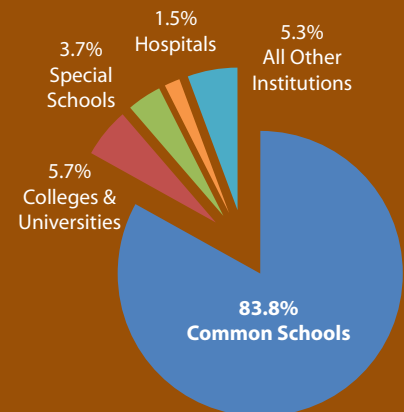
### Information Technology

Information Technology (IT) 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 IT. In addition to managing the agency network, equipment and software, IT develops applications and oversees projects to automate agency records and record-keeping systems. Information Technology supports the daily needs of the agency for all forms of technology.

Staff is involved in ongoing projects to update and maintain the Oil and Natural Gas Administration and Revenue Database (ONGARD) and provide data integration capabilities for online web-based reporting and geographic information systems mapping (GIS), spatial analysis and plat verification for all divisions.

During 2014, IT issued a request for proposals to develop the Land Information Management System (LIMS) and awarded a contract for the LIMS database. The project began in March 2014 and will be completed in four phases. Additionally, ONGARD efforts to stabilize and modernize, with stabilization completed on June 30, 2014. Modernization efforts began by issuing a request for proposals in April 2014 to evaluate business processes and conceptualize the system design for a

## Beneficiary Share of Distributions Five-Year Average, 2010-2014



Common Schools	\$510,808,751
Colleges & Universities	\$34,595,193
Special Schools	\$22,810,370
Hospitals	\$9,093,330
All Other Institutions	\$32,318,944
<b>TOTAL</b>	<b>\$609,626,588</b>

## Distributions to Beneficiaries

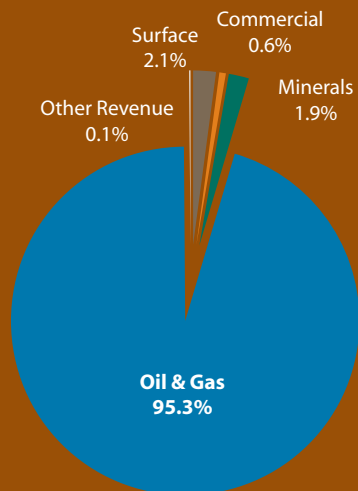
### Fiscal Year 2014

	<u>Maintenance Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
PUBLIC SCHOOLS	\$47,480,532	\$450,133,473	\$497,614,005
UNIVERSITY OF NM	\$896,538	\$7,616,652	\$8,513,190
SALINE LANDS	\$631	\$211,577	\$212,207
NM STATE UNIVERSITY	\$434,581	\$2,437,292	\$2,871,873
WESTERN NM UNIVERSITY	\$52,650	\$140,617	\$193,268
NM HIGHLANDS	\$52,902	\$139,862	\$192,764
NORTHERN NM SCHOOL	\$28,096	\$112,250	\$140,346
EASTERN NM UNIVERSITY	\$166,106	\$437,378	\$603,483
NM INST OF MIN & TECH	\$391,2883	\$1,057,010	\$1,448,299
NM MILITARY INST.	\$708,018	\$17,375,721	\$18,083,739
NM BOYS SCHOOL	\$21,937	\$31,095.24	\$53,032
MINERS HOSPITAL	\$1,283,676	\$5,031,803.28	\$6,315,479
STATE HOSPITAL	\$2,014,119	\$1,500,904.20	\$3,515,024
STATE PENITENTIARY	\$1,269,490	\$10,516,158.12	\$11,785,648
SCHOOL FOR THE DEAF	\$398,966	\$10,546,312.32	\$10,945,279
SCHOOL FOR VISUAL HD	\$419,890	\$10,522,849	\$10,942,739
CHARITABLE PENAL & REFORM	\$1,136,131	\$4,505,642	\$5,641,773
WATER RESERVOIRS	\$619,418	\$5,679,660	\$6,299,079
RIO GRANDE IMPROV	\$123,167	\$1,279,653	\$1,402,820
PUBLIC BLDG	\$565,951	\$5,872,554	\$6,438,506
CARRIE TINGLEY	\$17,863	\$8,146	\$26,009
<b>TOTAL</b>	<b>\$58,081,952</b>	<b>\$535,156,608</b>	<b>\$593,238,560</b>

\*Charitable, Penal and Reform is shared equally by seven beneficiaries, five that receive separate distributions – Carrie Tingley Hospital, CYFD, Miners Colfax Medical Center, NM Behavioral Health Institute and the Penitentiary of NM – and two that receive only a share of the Charitable, Penal and Reform distribution – the Youth Diagnostic and Development Center and Los Lunas Community Program. The State Constitution identifies these beneficiaries as “the penitentiary at Santa Fe, the miners’ hospital at Raton, the New Mexico state hospital at Las Vegas, the New Mexico boys’ school at Springer, the girls’ welfare home at Albuquerque, the Carrie Tingley crippled children’s hospital at Truth or Consequences and the Los Lunas mental hospital at Los Lunas.” Names have changed since this State Constitution section was last amended in 1960.

## Revenue by Resource Category

2014

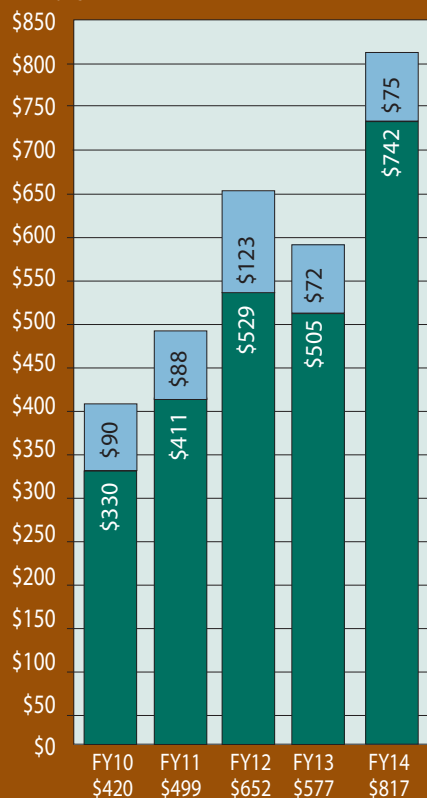


Commercial	\$4,948,354
Minerals	\$15,298,625
Oil and Gas	\$778,242,935
Surface	\$17,237,552
Other Revenue	\$921,712

## Total Revenues

Fiscal Years 2010-2014

In millions



■ Royalties and Land Sales (Nonrenewable)  
■ Rentals, Bonuses and Other (Renewable)

replacement system. Both projects have required significant resources from IT.

Despite having two major projects underway, the division was able to design

## Revenues by Source

Fiscal Years 2010-2014, as of 6/30/14

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	5-year Average
<b>RENTALS</b>						
Sand & Gravel (M)	8,465	42,954	6,095	5,179	13,354	15,209.40
Special Use Agreements	1,550	1,205	1,632	2,750	5,530	2,533
Potash (M)	45,240	130,340	41,652	48,440	55,124	64,159
Grazing (S)	5,216,784	5,918,144	5,429,688	5,968,412	7,074,653	5,921,536
Salt (M)	190	22,806	1,448	1,215	1,388	5,409
Coal Rental (M)	32,014	30,800	37,305	23,900	12,905	27,385
General Mining (M)	98,959	105,277	59,993	52,366	60,086	75,336
Shut-in-Royalty (O/G)	66,345	58,118	39,443	48,553	71,666	56,825
Oil & Gas Rental (O/G)	2,196,337	2,229,131	2,194,148	2,149,594	2,140,406	2,181,923
Oil & Gas Bounces (O/G)	67,737,163	55,360,518	102,042,763	44,046,175	46,297,892	63,096,902
Oil & Gas Int. (O/G)	3,462,079	12,013,542	3,061,813	2,509,395	3,345,845	4,878,535
Seismic Permits (O/G)	25,400	15,140	49,600		11,540	20,336
Business Leases (C)	2,170,937	3,125,392	2,859,769	6,291,452	3,234,483	3,536,407
Business Lease Options (C)		812,376	112,010	31,914		191,260
Land Use Restrictions (C)				769,675	1,383,978	430,731
Billboards (C)	66,884	142,038	176,155	105,552	76,442	113,414
Geothermal Rental/Income (M)	50	4,002	1,628	1,620	84	1,477
Water (S)	779,306	906,977	834,243	743,995	1,018,421	856,588
Salt Water (S)	1,554,701	1,710,315	1,957,651	2,743,712	3,628,726	2,319,021
Right-of-Way (S)	2,220,899	3,862,653	3,159,709	5,251,352	5,109,539	3,920,830
Land Contracts Int. (C)						
Gas Storage Units (C)	140,177	164,719	308,551	159,480	253,452	205,276
Fuel wood (S)	780	880	2,050	470	4,590	1,754
<b>SUB-TOTAL RENTAL INCOME</b>	<b>85,824,259</b>	<b>86,657,328</b>	<b>122,377,346</b>	<b>70,955,201</b>	<b>73,800,102</b>	<b>87,922,847</b>
<b>OTHER</b>						
Fees & Copies (O)	492,818	722,183	680,925	679,066	739,391	662,877
Interest Earnings	3,648,530	226,205	214,688	327,878	142,341	911,928
Other	14,771	109,951	37,224	46,922	39,979	49,769
<b>SUB-TOTAL OTHER INCOME</b>	<b>4,156,119</b>	<b>1,058,339</b>	<b>932,837</b>	<b>1,053,866</b>	<b>921,712</b>	<b>1,624,574</b>
<b>TOTAL RENTAL-OTHER</b>	<b>89,980,378</b>	<b>87,715,667</b>	<b>123,310,183</b>	<b>72,009,067</b>	<b>74,721,814</b>	<b>89,226,123</b>
<b>ROYALTIES</b>						
Sand & Gravel (M)	1,385,696	1,314,760	3,596,239	2,339,419	1,485,860	2,024,394.74
Potash (M)	1,814,816	2,492,553	2,629,627	1,692,007	5,116,461	2,749,093
Salt (M)	66,400	88,001	196,881	227,909	249,535	165,745
Caliche	499,715	573,906	850,285	1,347,871	1,567,624	967,880
Coal (M)	7,652,203	7,335,878	7,064,806	5,496,992	6,719,135	6,853,803
General Mining (M)	-	-	500			100
Oil & Gas (O/G)	316,466,037	398,001,680	512,940,790	494,082,929	726,387,126	489,575,712
Land Contracts (C)	2,317,742	1,506,864	1,567,500			1,078,421
Water (S)	72,640	163,942	181,873	298,102	401,623	223,636
Geothermal (M)	194	17,925	9,225	3,075	(Now LMF)	6,084
<b>SUB-TOTAL ROYALTY</b>	<b>330,275,443</b>	<b>411,495,508</b>	<b>529,037,726</b>	<b>505,488,304</b>	<b>741,927,363</b>	<b>503,644,869</b>
<b>GRAND TOTAL</b>	<b>420,255,821</b>	<b>499,211,175</b>	<b>652,347,909</b>	<b>577,497,371</b>	<b>816,649,177</b>	<b>593,192,291</b>
<b>OIL &amp; GAS REVENUE</b>						
Shut-in-Royalty (O/G)	66,345	58,118	39,443	48,553	71,666	56,825
Oil & Gas Rental (O/G)	2,196,337	2,229,131	2,194,148	2,149,594	2,140,406	2,181,923
Oil & Gas Bounces (O/G)	67,737,163	55,360,518	102,042,763	44,046,175	46,297,892	63,096,902
Oil & Gas Int. (O/G)	3,462,079	12,013,542	3,061,813	2,509,395	3,345,845	4,878,535
Oil & Gas Royalty(O/G)	316,466,037	398,001,680	512,940,790	494,082,929	726,387,126	489,575,712
<b>Total Oil &amp; Gas Revenue</b>	<b>389,927,961</b>	<b>467,662,989</b>	<b>620,278,957</b>	<b>542,836,646</b>	<b>778,242,935</b>	<b>559,789,898</b>
<b>Percent of Total Revenue</b>	<b>92.8%</b>	<b>93.7%</b>	<b>95.1%</b>	<b>94.0%</b>	<b>95.3%</b>	<b>93.6%</b>

and implement several other significant improvements. Staff updated the Arc-GIS geographic information software and a variety of important data sets. The program management staff also developed and implemented two important policies on information technology and e-mail management.

### Records Management

Records Management provides essential information about the lands held in trust by the State Land Commissioner. The Records Management Bureau ensures records are accurate and accessible to both agency staff and the public. In addition to preserving valuable paper records, the division provides ready access to records transferred to the bureau. Records have increased in volume by about 20 percent in the last four years. Records are assets to be managed like other property assets. State Trust Land records document ownership, land encumbered through leasing activity, and land available for leasing. Records must be accurate, authentic, and available when needed and for as long as needed. Records are preserved as long as necessary to protect property rights, ensure accountability, and document the chain of title for each section within a township and range.

In 2014, the bureau completed 99 percent of the inventory of all lands acquired by the State Land Office by verifying and documenting the land survey description for both surface and subsurface estates in every parcel of land granted to New Mexico during territorial days and statehood under various acts of Congress. Staff completed a two-year project that entailed scanning the permanent land records and transferring the digital image to microfilm for preservation. The original documents

will be transferred to the State Archives, while images and microfilm will be retained and made available to the public. Work progressed on digitizing frequently used records to make them more easily accessible. Currently, 99 percent of active leases and associated files have been digitized and are accessible.

### Facilities Management

Facilities Management provides a range of support services for the State Land Office building and maintains an in-house print shop. The facility and grounds are maintained by staff of maintenance workers, custodians and security guards. The cost of repairs, renovations and maintenance, including staff, represents 5.7 percent of agency expenditures. Included in the costs were several office remodels, security upgrades, repair of major equipment to facilitate printing and graphics, window treatments for priority areas and installation of a healing garden and heritage garden with legacy seeds from Tesuque Pueblo. Several cost- and energy-saving initiatives were also implemented, including improving the recycling program by purchasing appropriate recycling receptacles, replacing traditional lighting with LED lights, replacing appliances with energy efficient models, and purchasing waterless urinals and filtered water fountains.

A five-year capital improvement plan was developed to address needed facility repairs that include ceiling and wiring replacements in preparation for an Internet-based telephone system and funding was acquired to complete the renovation of Morgan Hall. Previous funding was used to initiate repairs to the entrance, install security enhancements, upgrade electrical panels, and design the renovation of Morgan Hall.

## Expenditures Fiscal Year 2014

SALARIES	\$7,688,605
BENEFITS	\$3,065,595
<b>PERSONAL SERVICES/ EMPLOYEE BENEFITS</b>	<b>\$10,720,272</b>
PROFESSIONAL SERVICES	\$7,531
OTHER CONTRACT SVCS	\$345,733
AUDIT SERVICES	\$26,964
ATTORNEY SERVICES	\$20,404
IT SERVICES	\$158,854.04
<b>TOTAL CONTRACTUAL SERVICES</b>	<b>\$559,487.26</b>
EMP IN-STATE MILEAGE/FARES	\$1,856
EMP IN-STATE MEALS/LODG	\$42,147
BD/COMM IN-STATE TRAVEL	\$2,307
TRANSP-FUEL AND OIL	\$90,932
TRANSP MAINT/REPAIRS/PARTS	\$35,828
TRANSP INSURANCE	\$2,600
MAINT GROUNDS & ROADWAYS	\$33,392
MAINT FURNITURE/FIX/EQUIP	\$16,588
MAINT BUILD AND STRUCTURES	\$100,720
PROPERTY INSURANCE	\$105,700
MAINTENANCE SUPPLIES	\$20,692
LAUNDRY/DRY CLEANING	\$3,776
MAINTENANCE SERVICES	\$597
IT MAINTENANCE	\$68,372
SUPPLIES INV EXEMPT IT	\$184,097
OFFICE SUPPLIES	\$42,739
FIELD SUPPLIES	\$11,379
CLOTH/UNIFORMS/LINEN	\$4,635
EDUC/REC. SUPPLIES	\$150
SUPPLIES INVENTORY EXEMPT	\$86,826
REPORTING/RECORDING	\$2,914
DOIT ISD SERVICES	\$199,074
DOIT HRMS FEE	\$53,900
PRINTING/PHOTO SVCS	\$11,272
POSTAGE AND MAIL SVCS	\$28,450
UTILITIES	\$960
UTILITIES-SEWAR/GARBAGE	\$3,607
UTILITIES-ELECTRICITY	\$61,945
UTILITIES-WATER	\$12,037
UTILITIES-NATURAL GAS	\$12,255
RENT OF BLDNGS/LAND	\$56,392
RENT OF EQUIPMENT	\$79,128
TELECOMMUNICATIONS	\$80,242
DOIT TELECOMMUNICATIONS	\$118,250
SUBSCRIPTIONS/DUES	\$61,359
EMP EDUCATION/TRAINING	\$32,400
ADVERTISING	\$1,155
MISCELLANEOUS EXPENSES	\$206,186
PRIOR YEAR EXPENDITURES	\$1,191
FURNITURE AND FIXTURES	\$26,830
IT EQUIPMENT	\$31,206
OTHER EQUIPMENT	\$29,104
AUTOMOTIVE AND AIRCRAFT	\$121,707
EMP OUT-STATE MILAGE/FARES	\$17,078
EMP OUT-STATE MEALS/LODG	\$38,623
<b>OTHER COSTS</b>	<b>\$2,142,600</b>
<b>OTHER FINANCING USES</b>	<b>\$505,800</b>
<b>TOTAL EXPENDITURES</b>	<b>\$13,928,159</b>

# COMMUNICATION

Assistant Commissioner  
Karin Stangl

## Reaching Out

The State Land Office continued proactive outreach efforts to communicate with the public in 2014.

Habitat restoration work in Albuquerque was celebrated with a tree planting for Earth Day along the Rio Grande bosque. Commissioner Powell and other state and local officials, as well as more than 20 grade school students, planted a native cottonwood in the restoration area of the bosque.

Newsletters were emailed to constituents, interests groups, and beneficiaries to better inform them about State Land Office policies and initiatives to promote a greater awareness

of the role the agency plays in funding education. The agency promotes the philosophy that good public policy requires an informed citizenry.

Communication staff took the lead in preparing materials for numerous news conferences, including a signing ceremony to exchange State Trust Land in Sandoval County for land with high commercial development potential at Mesa del Sol in Albuquerque. Sandoval County will use the former State Trust Land

property for a landfill site. The County purchased the Mesa del Sol property for the exchange, so the Land Office acquired commercial property at the Innovation Park at Mesa del Sol, near the Fidelity Investments Business Center. Officials attending the signing ceremony included: State Land Commissioner Ray Powell, Mesa del Sol President Mike Daly, Sandoval County Manager Phillip Rios, Sandoval County Commissioners, Bernalillo County Commissioners, State Senators, as well as others.

Communication staff supported a series of public meetings in Edgewood to initiate community planning efforts. This followed a Joint Planning Agreement (JPA) which was signed by Commissioner Powell and Town of Edgewood Mayor Brad Hill at a signing ceremony last July.

A news conference was held in June to sign an agreement with the New Mexico Museum of Natural History and Science in Albuquerque.



Grade school students plant a cottonwood tree along the Rio Grande bosque as part of an Earth Day celebration organized by the State Land Office. The students were joined by Commissioner Powell and other state and local officials.





The museum will serve as the repository for valuable paleontological finds on State Trust Lands.

A celebration for the completion of New Mexico's largest solar array – the Macho Springs facility in Luna County – was held with a site tour and news conference on June 18. The event was held jointly with First Solar, Southern Company, and El Paso Electric.

Continuing to communicate and build relationships with statewide news media, trust beneficiaries, lessees, and others will be a prime focus for next fiscal year.



*Commissioner Powell holds a dinosaur fossil during a news conference in June 2014 to sign an agreement with the New Mexico Museum of Natural History and Science in Albuquerque. The museum will serve as the repository for valuable paleontological finds on State Trust Lands.*



# EDUCATIONAL PROGRAMS, BENEFICIARY SERVICES AND TRIBAL LIAISON

Assistant Commissioner  
Christina Cordova

## Coordination and Collaboration

The Educational Programs, Beneficiary Services, and Tribal Liaison Program coordinates collaborative opportunities among the State Land Office and the private sector, local, state, federal, and tribal agencies and beneficiary institutions.

The agency promotes the mission, vision and goals of the Land Office through public education and outreach programs designed to educate a broad constituency and build community support for the Land Office's mission. It fosters partnerships for sound stewardship, conservation and sustainable use of natural resources on State Trust Land.

The agency works closely with pueblo governors, tribal councils and coalitions to enhance relations between the Land Office and Native Americans in New Mexico. This landmark collaboration helps tribal leaders make informed decisions when considering projects that might affect surrounding State Trust Lands.

During 2014, the Commissioner of Public Lands has upheld his commitment to consult with the sovereign nations to look for ways the Land Office can collaborate with the pueblos. The Land Office has hosted several pueblo governors and their tribal council members at the Land Office for roundtable discussions on issues of mutual importance

Working with several nonprofit organizations, the Land Office this year organized and promoted the

Children's Outdoor Bill of Rights as a memorial in the State Legislature. Observing wildlife, wading in a river or a lake, camping under the stars, or hiking a trail are just a few examples of how New Mexico children could experience nature, according to the memorial.



*School children make a seed mural and plant native corn and squash seeds at Land Office headquarters.*

The Land Office works with educators, students and constituencies on special projects that benefit the Trust. Several memoranda of understanding have been signed with universities across the state to share critical information about flora and fauna on Trust Land and to work cooperatively on forest thinning in northern New Mexico. Under the memoranda, the universities share information collected by graduate students and researchers on State Trust Land.

In 2014, the Land Office partnered with Tesuque Pueblo's plant geneticist and agriculture director to plant heirloom seeds from the Pueblo of Tesuque Farm and Seed Bank. During an Earth Day event held at the Land Office, school children learned the benefit and heritage of the seeds, leaving them with an understanding about their significance. About 75 fourth graders from Santa Fe's Acequia Madre and Carlos Gilbert elementary schools planted ancient corn, beans, squash and medicinal herb seeds. The seeds were planted in garden plots for a special planting celebration during the spring.

# LEGAL DIVISION

**General Counsel**  
Harry Relkin

**Associate Counsel**  
John L. Sullivan

## The Trust's Representative

The Legal Division provides counsel to the Commissioner on matters affecting State Trust Lands and provides a full range of legal services to help the State Land Office manage the Trust Lands, generate revenues and preserve the assets of the Trust.

During 2014, some of the division's top priorities included the ongoing resolution of Dixon's Apple Orchard lease, the development of major new energy leases, and the creation of a new lease for an off-site well pad.

The Legal Division resolved a complicated dispute over Dixon's Apple Orchard lease after the Las Conchas fire and flooding largely destroyed its income potential. The lessee voluntarily relinquished the lease while the State Land Office issued a new lease to the Pueblo of Cochiti and executed a land exchange agreement to better serve the trust's interests. The Pueblo of Cochiti will acquire more than 9,200 acres of land with significant cultural interest to the Pueblo in exchange for land of equal value with substantially more revenue potential for the beneficiaries.

The Legal Division assisted the Commercial Resources Division in negotiating and drafting major new renewable energy leases, including the state's largest solar, wind, and distributive solar projects.

Working closely with industry and agency professionals, the Legal Division created a new off-site well pad lease that creates a new revenue source and initiates new environmental protections.

The office disposed of all but one administrative contest proceedings. Court appeals are pending on three contest dispositions.

The Legal Division assisted the Commissioner in negotiating and drafting seven memoranda of understanding for various collaborative projects with several government agencies to:

- Manage State Land Office and U.S. Bureau of Land Management (BLM) lands in New Mexico to promote mutually beneficial and responsible trust stewardship and collaborative actions. Under an access permit, BLM will collaborate on projects on State Trust Lands to implement vegetation treatments, prescription fire restoration, habitat improvement, biological and cultural resource surveys, fencing and noxious weed management.



Commissioner Powell and representatives of Cochiti Pueblo sign the agreement that resolved the complicated dispute over the Dixon Apple Orchard, largely destroyed in the flooding that followed the Las Conchas fire. The orchard operator relinquished the lease on the property and the State Land Office issued a new lease to the pueblo, then executed a land exchange with the pueblo for property with greater earning potential.



- Share wildlife and habitat datasets compiled by the New Mexico Department of Game and Fish with New Mexico Highlands University.
- Forecast oil and gas revenues for the University of New Mexico Institute for Applied Research Services/Bureau of Business and Economic Research.
- Determine the impact of the Macho Springs renewable energy project on the Nutt Grasslands with New Mexico State University.
- Conserve the Pecos pupfish with Texas Parks and Wildlife; New Mexico Interstate Stream Commission; BLM; U.S. Fish and Wildlife Agency; and the New Mexico departments of Game and Fish, Agriculture, and Energy, Minerals and Natural Resources.
- Develop a cooperative project in the Rio Grande Bosque with the Albuquerque Metropolitan Area Flood Control Authority (AMAF-CA) to restore bosque health through flood management and species protection for the silvery minnow and Southwestern willow flycatcher.
- Design a water supply agreement with the Interstate Stream Commission for the bosque project of the Albuquerque Metropolitan Arroyo Flood Control Authority and State Land Office.

The Legal Division has responded to more than 22 Inspection of Public Records Act (IPRA) requests, following the Commissioner's decision to make transparency and accountability a part of the agency's strategic plan.

The Legal Division represented the Commissioner before the Oil Conservation Division (OCD) to prevent further contamination of the Capitan Aquifer near the water supplies in and around Carlsbad. The OCD had received an application to convert an abandoned and plugged oil well situated over the aquifer into a salt water disposal well. As recommended by the Land Office, the application was denied by the OCD.

# LEGISLATION AND POLICY

Deputy Commissioner  
Sunalei Stewart

## Progress

The State Land Office legislative team monitored more than 100 bills during the 2014 legislative session. To appropriately respond to enhanced activity in the energy sector, including renewable and non-renewable projects, as well as strong demand for commercial and agricultural leasing, the agency's fiscal year 2015 base budget was increased by 5.2 percent above fiscal year 2014. The agency's total expenses, as a percentage of total revenue generated, was 2.2 percent for 2014 and 2.1 percent for 2015.

The Legislature authorized the creation of a new Oil and Gas Division supervisor position and a new Field Division administrative support position. Both of these positions are critical in enabling the agency to handle the workload resulting from the dramatic increase in oil and gas production.

State legislators were asked to fund a study in the amount of \$250,000 for the feasibility of acquiring, through exchange or purchase, certain disposal lands from the federal Bureau of Land Management to generate additional revenue for early childhood education. Senate Bill 1, sponsored by Sen. Michael Sanchez (D-Valencia), received overwhelming bipartisan support and was incorporated into Senate

Bill 313. However, funding for the study was vetoed by the governor.

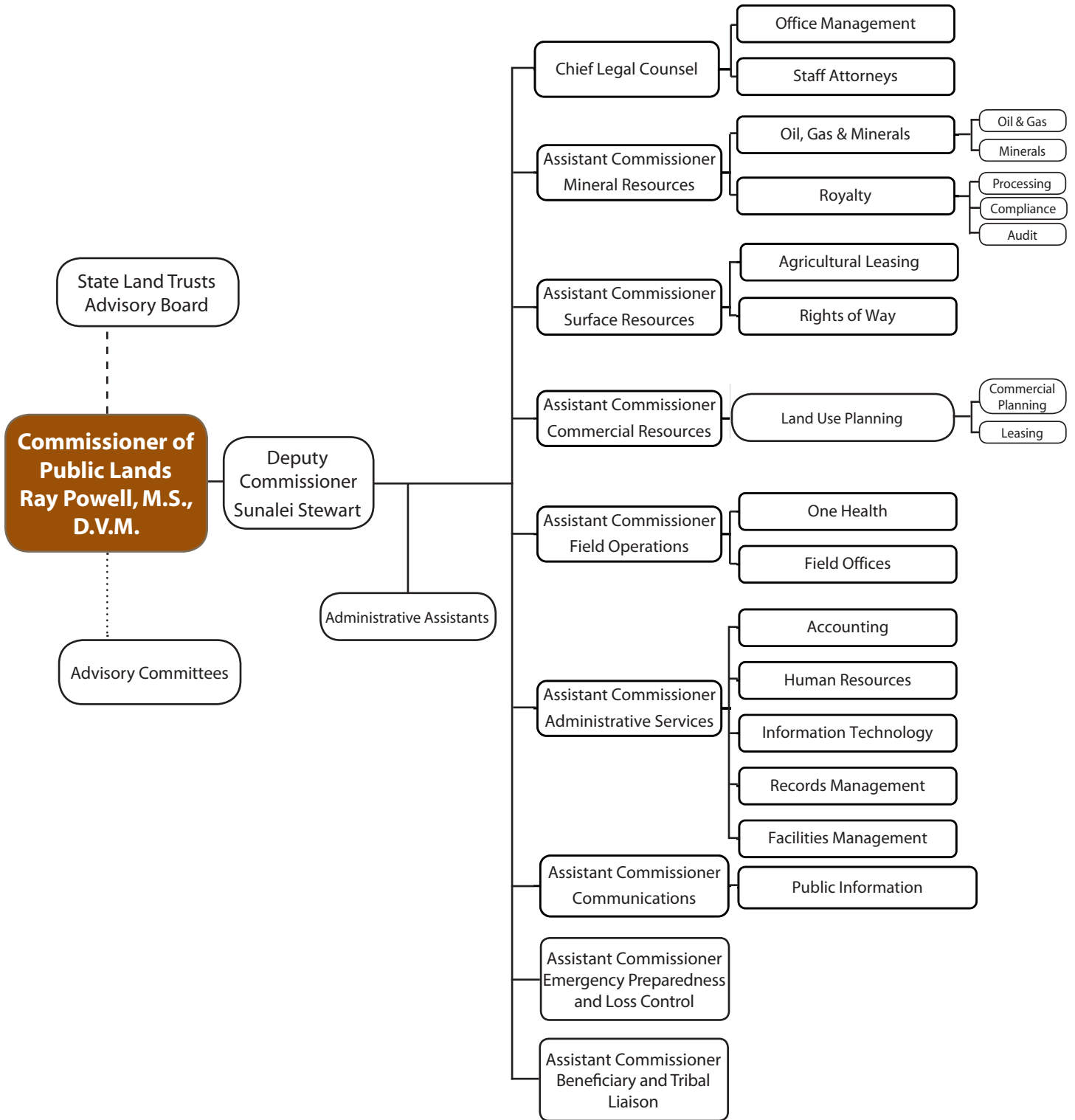
The Field Division received an additional \$200,000 for forest thinning and illegal dumping cleanup and the State Land Office received another \$2.8 million to continue work on the Land Information Management System (LIMS), a system designed to improve surface leasing. In addition, a rights of way digitalization project for the Surface Resources Division aimed at improving the timely processing of applications received \$250,000.

Capital outlay funds were garnered for the renovation of Morgan Hall and replacement of the ceiling at the Santa Fe offices to install a fire suppression system and to upgrade wiring in the building for an improved telecommunications system.



The state capitol building (Photo courtesy Legislative Council Service)

# ORGANIZATIONAL CHART





2013-2014  
ANNUAL  
REPORT