



2010-2011  
ANNUAL  
REPORT

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







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**New Mexico  
State Land Office**  
2010-2011  
Annual Report

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# MESSAGE FROM THE COMMISSIONER

**Commissioner**  
Ray Powell,  
M.S., D.V.M.

## Legacy of the Land

As the New Mexico Commissioner of Public Lands, I focus all of my efforts on working with our outstanding public employees to help generate more jobs, revenues, and projects that enhance the quality of life of our local citizens while protecting the long-term health of our public lands. That may sound like typical political rhetoric, but I look at the New Mexico Land Office and our \$11 billion permanent fund as our promise to future generations. If we degrade or sell the land, or squander the permanent fund, we have violated our promise to current and future New Mexicans.

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

As an elected state official, Ray Powell acts as trustee and chief fiduciary officer of the trust, managing its assets to optimize income for the trust beneficiaries.

Powell is a veterinarian. In 1985, he 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. Today, the Institute's youth service-learning program, Roots and Shoots, serves young people from preschool through college in more than 140 countries.

Powell served as State Land Commissioner from 1993 to 2002 and was the president and vice-president of the 22-member Western States Land Commissioners Association from 1996 to 1998. He worked closely with federal cabinet members, governors, members of Congress, and tribal leaders to improve public policy on trust lands nationwide.

During his tenure as State Land Commissioner, Powell received numerous accolades and awards from business, agriculture, sportsmen, academic, sovereign tribal governments, and environmental groups. In addition, he 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 policy.

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.

Powell has been a member of the New Mexico Board of Veterinary Regulation and Licensing since 2002 and is currently the chairman, working 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 emeritus 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.



In my previous term, I worked with our local communities to facilitate affordable housing, day care and senior centers, athletic fields, regional recreational facilities, business parks, planned communities, outdoor educational opportunities, and nature preserves. I pledge to work again with our local communities to determine the best uses of state trust land in their local areas.

New Mexico has been blessed in so many ways. We have extensive non-renewable resources on our 13 million acres of public trust lands -- oil, natural gas, coal, and potash. The royalties from these non-renewable resources have helped educate every child in New Mexico while keeping our citizens' tax bills lower. Recently, the contribution from the trust lands and permanent fund to our public schools, universities, and hospitals has been about \$500 million per year.

We have additional great news -- New Mexico trust lands provide lands for the important work of agricultural production. They also have enormous potential to produce renewable energy from wind, solar, geothermal, and biomass. Revenue from these re-occurring resources can eventually bridge and surpass the declining revenues from the non-renewable sources. The energy produced from these renewable resources can also be sold and transmitted to other parts of our country to provide the important energy resources needed for national economic prosperity and a sustained quality of life.

We also have the enormous intellectual capital in our private companies and universities and in the military research facilities and national labs in New Mexico to lead the world in the development of technologies that optimize the development and use of both non-renewable and renewable energy. The State Land Office can play a pivotal role in these efforts by providing lands to locate renewable energy production facilities, transmission lines, and commercial sites for renewable energy technology research and production.

While this all sounds great, we all choose to live in a place that we enjoy and where we feel connected to the land. Therefore, if we don't look at the big picture over a long period of time -- with regard to the health and resilience of our lands -- then we degrade and despoil them. These lands produce the food and water that sustain us. Our public lands also provide our quality of life that makes living in New Mexico such a unique and exciting adventure. Being able to hunt, fish, bird watch, and play on our public lands makes New Mexico a haven for all who love to be outside. Because of these public lands you don't have to be rich to enjoy the outdoors.

Our efforts at the State Land Office to support our people must also provide life for all of nature's species that call New Mexico home. It is this rich diversity of life that attracts most of us to this special place and that will provide future generations with the same quality of life that we have enjoyed.



## Our Mission, Our Vision

To be the nation's model for state trust land management, providing for current and future revenues to our beneficiaries while ensuring the long-term health and productivity of the state trust lands for future generations of New Mexicans.

## Guiding Principles

- ◆ Accountability – Being responsible, knowledgeable, trustworthy
- ◆ Excellence – Possessing skills, professionalism, quality
- ◆ Integrity – Exhibiting ethics, principles, honesty
- ◆ Pride – Showing leadership, ownership, commitment
- ◆ Respect – Encouraging teamwork, communication, collegiality

## First Quarter in Office

- ◆ Issued moratorium on land exchanges
- ◆ Issued moratorium on planning and development leases
- ◆ Called off three White Peak land swaps
- ◆ Generated oil and gas lease sales of \$9.5 million for the state land trust

# EXECUTIVE SUMMARY

**Commissioner**  
Ray Powell, MS, DVM

**Deputy Commissioner**  
Bob Jenks

**Assistant Commissioners**

Don Britt  
**Commercial Resources**

John Romero, DVM  
**Field Operations**

Kurt McFall  
**Mineral Resources**

Mike Anaya  
**Surface Resources**

Christina Cordova  
**Communication**

Ralph Gallegos  
**Special Projects**

**Administrative Services Director**  
Elaine Olah

**General Counsel**  
Harry Relkin

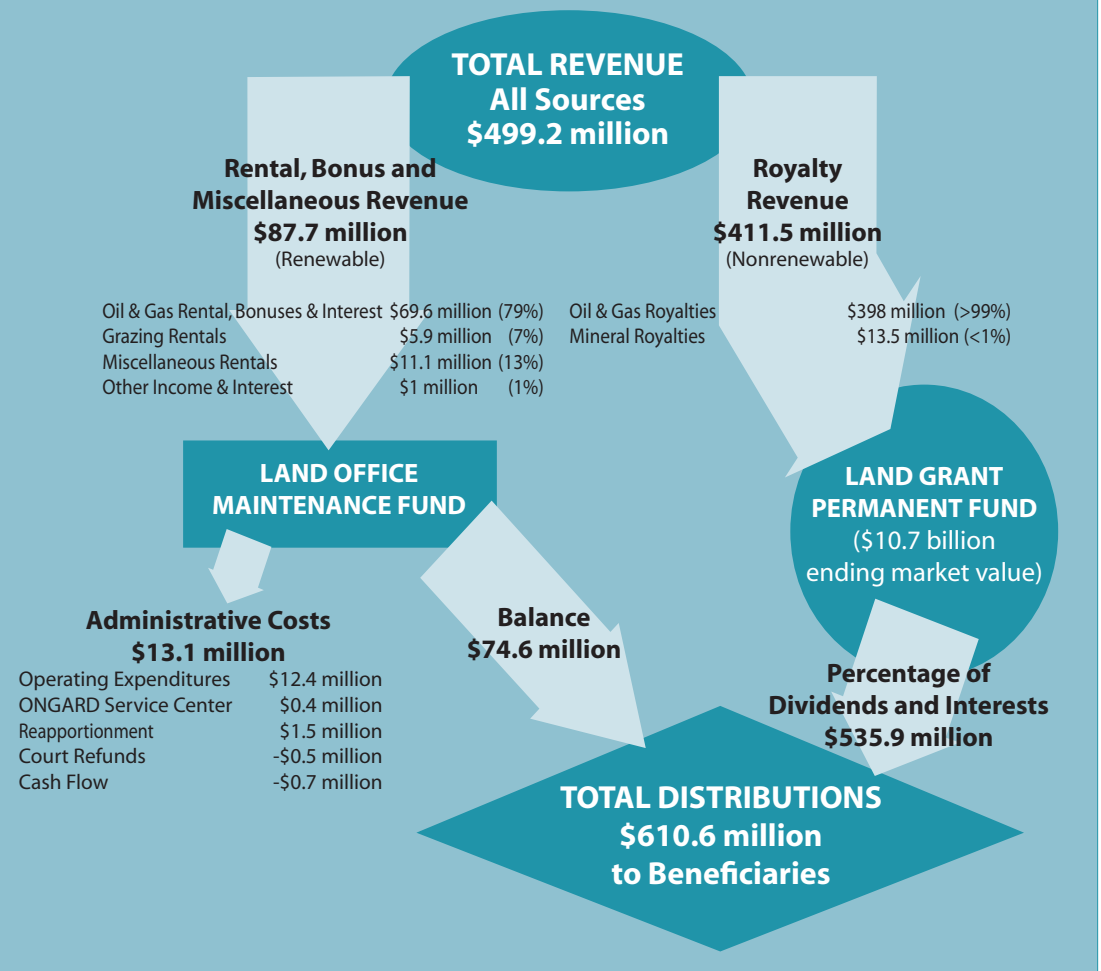
## A Rebuilding Year

For the State Land Office and its beneficiary institutions, fiscal year 2010-2011 was a year focused on renewing and rebuilding. Commissioner Ray Powell's executive team was put in place and organizational changes were made, which afforded better efficiency and focus on the new commissioner's goals and policy direction.

With strong oil and gas prices driving both production and competition for leases, revenue from royalties and oil and gas lease bonuses were robust in the second half of the fiscal

year with lease bonuses reaching record levels. Despite the growth in revenues collected and distributed, the State Land Office's cost of operations reflected a decrease over previous years.

### Actual Revenue Flow July 1, 2010 - June 30, 2011



Some of the highlights of the first six months of the new administration include a memorandum of understanding (MOU) with tribal leaders creating a framework for collaboration and consultation with Native American pueblos, tribes, and nations. The agreement was signed in the spring of 2010.

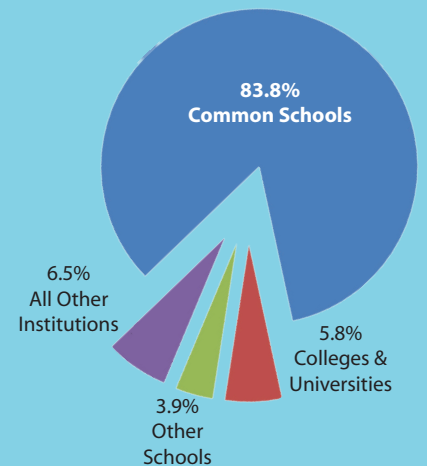
The State Land Office established partnerships with New Mexico counties based on their interest and desire to resolve the question of maintaining county roads on state trust lands.

The State Land Office invested time, effort, and funding to stabilize, preserve, and protect trust assets at the Dixon Apple Farm, near Peña Blanca. The orchard suffered damage from the Las Conchas Forest Fire in June and then was flooded when August rains came.

Commissioner Powell cancelled ongoing land exchanges started by the previous administration in the White Peak area in order to protect lands that have unique historical, cultural, and recreational value. Powell has ensured that sportsmen will continue to have access and lessees will continue to use the trust land for agriculture as a result of a Supreme Court decision and the Commissioner's action. A completed land exchange in the White Peak area was cancelled and patents were voided for this exchange. Commissioner Powell continues to work with sportsmen to insure access will continue in future.

Commissioner Powell suspended two planning and development leases that were out for bid, and he imposed a moratorium on any further action on planning and development leases pend-

## Beneficiary Share of Distributions



Common Schools	\$511,847,345
Colleges & Universities	\$35,499,371
Other Schools	\$23,577,405
All Other Institutions	\$39,627,737

## Distributions to Beneficiaries

	<u>Maintenance Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
Common Schools	\$65,620,178	\$446,227,167	\$511,847,345
University of New Mexico	\$1,173,842	\$8,475,321	\$9,649,163
Saline Lands	\$0	\$30,664	\$30,664
New Mexico State University	\$417,711	\$2,682,251	\$3,099,962
Western NM University	\$67,085	\$153,903	\$220,988
NM Highlands University	\$90,145	\$153,012	\$243,157
Northern New Mexico School	\$41,950	\$120,428	\$162,378
Eastern New Mexico University	\$362,118	\$462,183	\$824,301
NM Institute of Mining & Technology	\$300,201	\$1,111,646	\$1,411,847
NM Military Institute	\$1,823,560	\$18,064,014	\$19,887,574
Children, Youth and Families Dept.	\$26,345	\$35,420	\$61,765
Miners' Hospital	\$448,759	\$5,509,070	\$5,957,829
Behavioral Health Institute	\$455,967	\$1,269,776	\$1,725,743
State Penitentiary	\$332,198	\$10,856,923	\$11,189,121
School for the Deaf	\$691,607	\$11,063,416	\$11,755,023
School for the Visually Impaired	\$724,864	\$11,035,753	\$11,760,617
Charitable, Penal and Reform*	\$571,974	\$4,835,026	\$5,407,000
Water Reservoirs	\$624,135	\$6,153,544	\$6,777,679
Rio Grande Improvements	\$152,381	\$1,445,350	\$1,597,731
Public Buildings	\$687,306	\$6,210,937	\$6,898,243
Carrie Tingley Hospital	\$36,524	\$7,204	\$43,728
<b>TOTAL</b>	<b>\$74,648,850</b>	<b>\$535,903,008</b>	<b>\$610,551,858</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.

## Past Commissioners

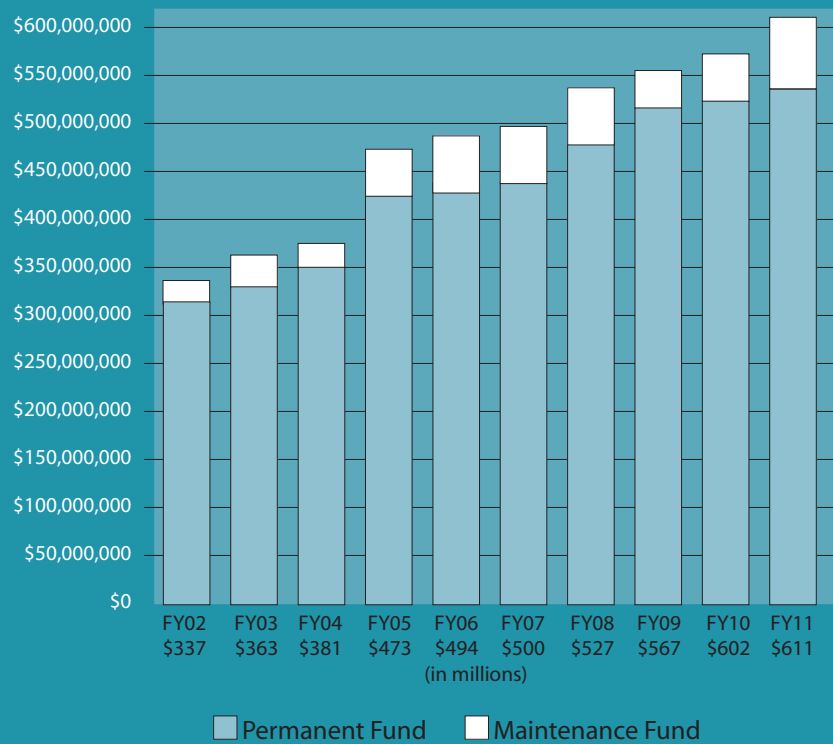
The first land commissioner, Alpheus A. Keen, was appointed. The second commissioner, Robert P. Ervien, held the post both as an appointed official and an elected official.

Ray Powell is in his third term as the Commissioner of Public Lands. He was initially served two back-to-back terms from 1993 to 2002. Powell was barred by the state constitution from running for a third consecutive term. However, he 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) .....	1907-18
Fred Muller (D).....	Oct.-Dec. 1918
N.A. Field (R).....	1919-22
Justiniano Baca (D) .....	1923-25
E.B. Swope (D) .....	1925-26
B.F. Pankey (R).....	1927-29
Austin D. Crile (R) .....	1929-30
J.F. Hinkle (D) .....	1931-32
Frank Vesely (D).....	1933-36
Frank Worden (D).....	1937-40
H.R. Rodgers (D).....	1941-44
John E. Miles (D) .....	1945-48
Guy Shepard (D).....	1949-52
E.S. "Johnny" Walker (D).....	1953-56
Murray E. Morgan (D) .....	1957-60
E.S. "Johnny" Walker (D).....	1961-64
Guyton B. Hays (D).....	1965-68
Alex J. Armijo (D).....	1969-74
Phil R. Lucero (D) .....	1975-78
Alex J. Armijo (D).....	1979-82
Jim Baca (D) .....	1983-86
W.R. Humphries (R).....	1987-90
Jim Baca (D) .....	1991-93
Ray Powell (D) .....	1993-2002
Patrick H. Lyons (R) .....	2003-2010

## Total Distributions to Beneficiaries 2002-2011



ing a thorough review and rule changes that will protect local communities and the trust.

Efforts to develop renewable energy projects on state trust land will continue to be a focus for the next fiscal year.

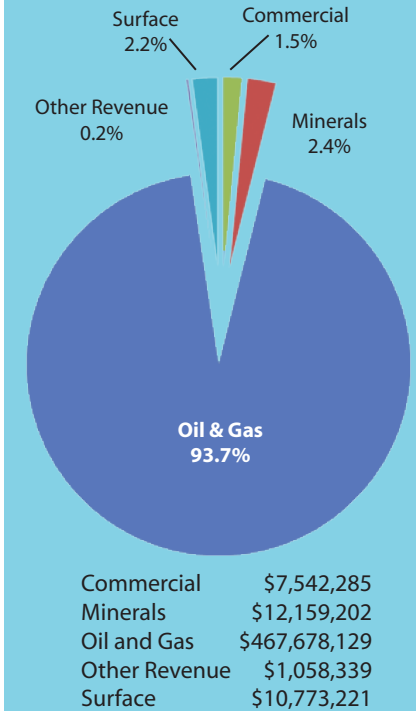
In the 2010-2011 fiscal year, Powell acted on a number of opportunities to ensure the trust is better off in the future than it is today. Optimizing revenues and saving tax dollars ensures that future generations benefit from these important trust lands. Growing revenues and innovative new programs will be the focus of coming years.



## Revenues by Source Fiscal Years 2007-2011

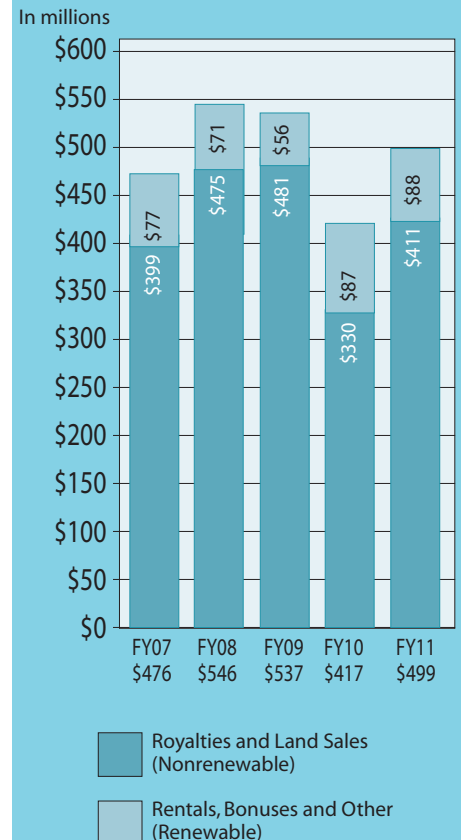
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	2011 over (under) 2010
<b>RENTALS</b>						
Sand & Gravel (M)7,134	7,134	17,660	6,373	5,994	9,481	3,487
Sand & Gravel Int. (M)	1,516	1,734	359	2,471	33,473	31,002
Special Use Agreements	3,431	550	990	1,550	1,205	(345)
Potash (M)	17,794	14,018	95,623	45,240	130,340	85,100
Grazing (S)	7,574,545	7,082,752	7,427,345	5,216,784	5,918,144	701,360
Salt (M)	580	705	530	190	22,806	22,616
Coal Rental (M)	22,695	44,240	40,505	32,014	30,800	(1,214)
General Mining (M)	35,582	145,505	263,370	98,959	105,277	6,318
Shut-in-Royalty (O/G)	63,491	51,995	48,499	66,345	58,118	(8,226)
Oil & Gas Rental	2,257,873	2,214,788	2,248,154	2,196,337	2,229,131	32,794
Oil & Gas Bounces (O/G)	45,312,683	44,697,821	33,655,610	67,737,163	55,360,518	(12,376,645)
Oil and Gas Int. (O/G)	8,869,815	2,865,485	1,807,271	3,462,079	12,013,542	8,551,463
Seismic Permits	19,840	66,720	40,600	25,400	15,140	(10,260)
Business Leases (C)	2,261,437	1,769,868	2,659,604	2,166,607	3,107,845	941,238
Business Leases Int. (C)	4,381	1,679	12,711	4,330	17,547	13,217
Business Lease Options	-	-	30,187	-	812,376	812,376
Billboards (C)	60,168	89,506	73,263	66,884	142,038	75,154
Geothermal Rental (M)	1,620	1,620	1,774	50	4,002	3,952
Water (S)	286,919	689,603	632,588	779,306	906,977	127,671
Salt Water (C)	93,500	200,520	782,302	1,554,701	1,710,315	155,614
Right-of-Way (S)	3,171,618	4,604,801	4,270,727	2,220,899	3,782,073	1,561,174
Solar Energy	-	-	-	-	40,778	40,778
Wind Energy	-	-	-	-	10,000	10,000
Biomass	-	-	-	-	-	-
Energy Transmission	-	-	-	-	29,803	29,803
Land Contracts Int. (C)	-	-	-	-	-	-
Land Contracts Penalty (C)	-	-	-	-	-	-
Gas Storage Units (C)	118,102	159,936	147,789	140,177	164,719	24,542
Fuel wood (S)	519	1,630	20	780	880	100
<b>SUB-TOTAL</b>	<b>70,185,242</b>	<b>64,723,136</b>	<b>54,246,193</b>	<b>85,824,259</b>	<b>86,657,328</b>	<b>833,069</b>
<b>OTHER</b>						
Fees & Copies (O)	612,994	574,120	470,553	493,459	722,183	24,542
Int. on Cash Deposits (O)	6,041,571	5,967,844	1,148,817	176,762	226,205	24,542
Other	337,107	30,648	32,702	14,771	109,951	24,542
<b>SUB-TOTAL</b>	<b>6,991,672</b>	<b>6,572,611</b>	<b>1,652,072</b>	<b>684,992</b>	<b>1,058,339</b>	<b>24,542</b>
<b>TOTAL Rental-Other</b>	<b>77,176,914</b>	<b>71,295,747</b>	<b>55,898,265</b>	<b>86,509,251</b>	<b>87,715,667</b>	<b>857,611</b>
<b>ROYALTY</b>						
Sand & Gravel (M)	1,430,889	1,177,750	921,830	1,385,696	1,314,760	(70,936)
Potash (M)	725,235	470,700	2,135,650	1,814,816	2,492,553	677,737
Salt (M)	82,452	81,509	107,584	66,400	88,001	21,601
Caliche	434,205	404,894	460,447	499,715	573,906	74,191
Coal (M)	2,154,127	4,631,633	13,596,611	7,652,203	7,335,878	(316,325)
General Mining (M)	-	-	-	-	-	-
Oil & Gas (O/G)	390,449,484	459,916,308	459,576,769	316,466,037	398,001,680	81,535,643
Land Contracts ©	3,319,058	8,181,047	3,736,233	2,317,742	1,506,864	(810,879)
Water (S)	7,180	35,321	34,856	72,640	163,942	91,302
Geothermal (M)	-	-	56,294	194	17,925	17,731
<b>SUB-TOTAL</b>	<b>398,602,630</b>	<b>474,899,162</b>	<b>480,626,273</b>	<b>330,275,443</b>	<b>411,495,508</b>	<b>81,220,065</b>
<b>GRAND TOTAL</b>	<b>475,779,544</b>	<b>546,194,909</b>	<b>536,524,539</b>	<b>416,784,694</b>	<b>499,211,175</b>	<b>82,077,676</b>
<b>OIL &amp; GAS REVENUE</b>						
Oil & Gas Rental	2,257,873	2,214,788	2,248,154	2,196,337	2,229,131	32,794
Oil & Gas Bounces (O/G)	45,312,683	44,697,821	33,655,610	67,737,163	55,360,518	(12,376,645)
Oil and Gas Int. (O/G)	8,869,815	2,865,485	1,807,271	3,462,079	12,013,542	8,551,463
Oil & Gas Royalty(O/G)	390,449,484	459,916,308	459,576,769	316,466,037	398,001,680	81,535,643
Total Oil & Gas Revenue	446,889,855	509,694,402	497,287,804	389,861,616	467,604,871	77,743,255
	<b>93.9%</b>	<b>93.3%</b>	<b>92.7%</b>	<b>93.5%</b>	<b>93.7%</b>	<b>94.7%</b>

## Revenue by Resource Category



## Total Revenues

Fiscal Years 2007-2011





# 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

## A Plan for the Future

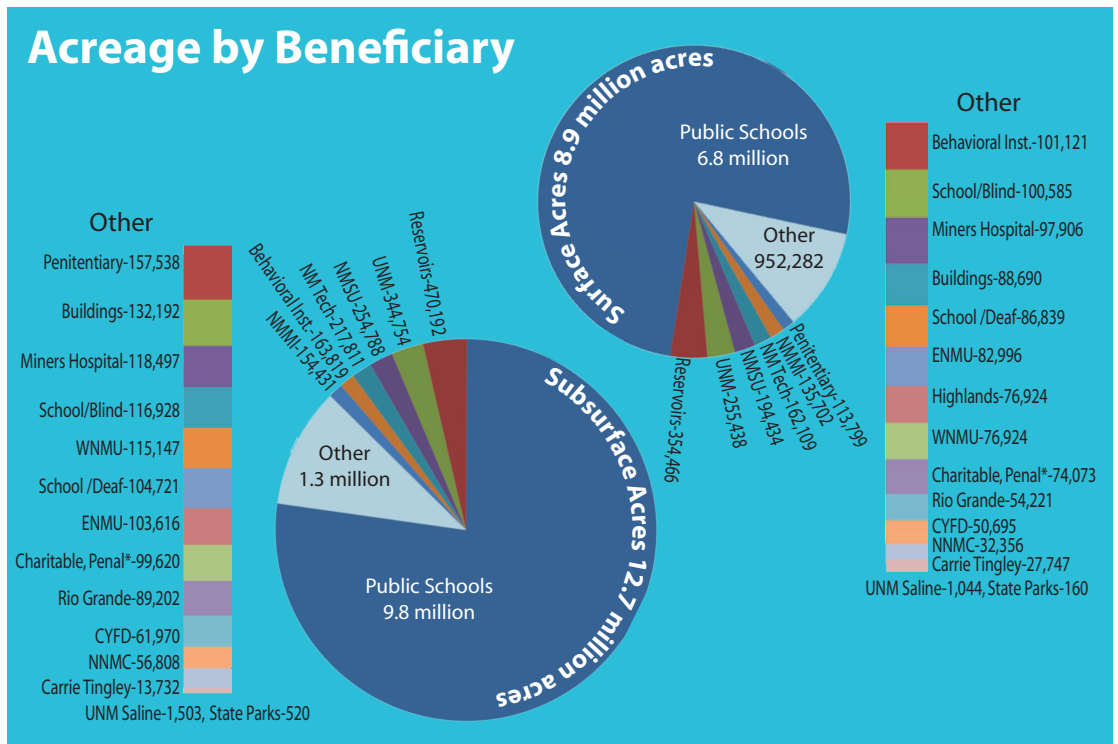
Even before New Mexico was a state, there was the beginning of a land trust. The Office of the Commissioner of Public Lands was created by the passage of the Ferguson Act on June 21, 1898. The appointed Commissioner, along with the territorial governor and the solicitor general of the territory, made 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 Ferguson

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.



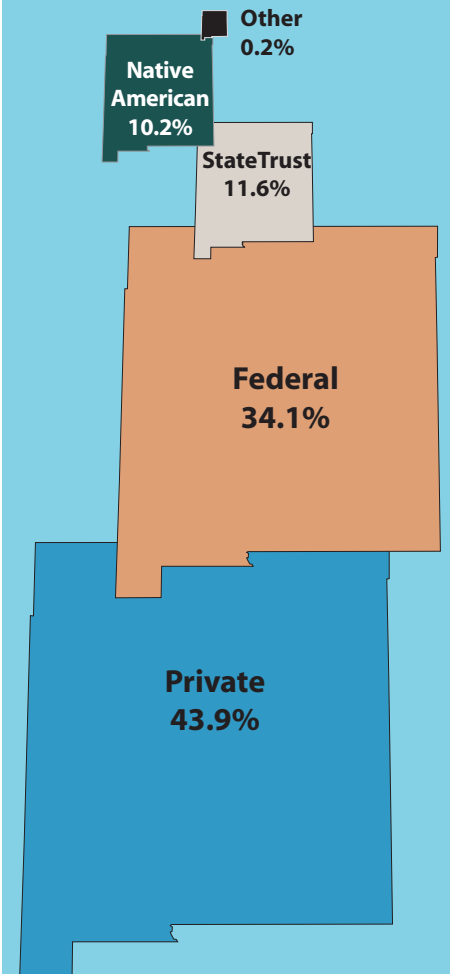
The Commissioner of Public Lands converted from an appointed position to a statewide elected position when New Mexico achieved statehood in 1912. The Commissioner administers New Mexico's state trust lands. Money from the uses of state trust lands is distributed to the trust beneficiaries directly or 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. In fiscal year 2011, the trust lands generated \$333.95 million, including \$200.15 million from nonrenewable sources and \$35.96 million from renewable sources, bonuses and fees.

## New Mexico Land Ownership

77,666,400 Total Acres



# OFFICE OF ADMINISTRATIVE MANAGEMENT

**Assistant Commissioner**  
Elaine Olah

**Directors**

Margaret Sena  
**Accounting**

Sandra Lopez  
**Human Resources**

Martin Davis  
**Information Technology**

Lucille Sisneros  
**Records Management**

## Accountability in Business Practices

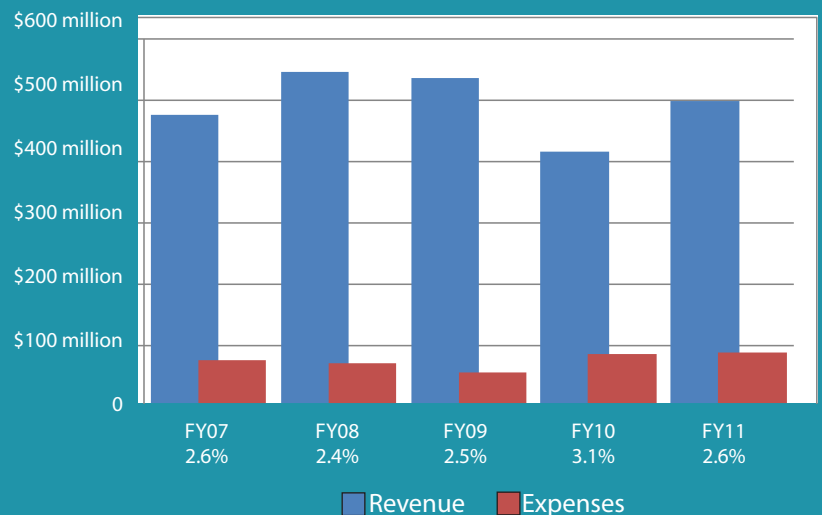
Administrative Services serves the State Land Office in the areas of accounting, budgeting, contracts, fleet management, human resources, information technology, and records management. Accounting staff receives, classifies, and records all generated revenue, which is then disbursed based on the source and the specific beneficiary or group of beneficiaries. In addition, the division procures goods and services, processes professional services contracts, maintains a fleet of 28 vehicles and 11 leased facilities for statewide district offices, and processes the payments for the operational expenses of the agency. Financial statements reflecting activities are produced monthly and audited annually. The 2011 financial audit resulted in an unqualified opinion with no exceptions.

Revenue from renewable and miscellaneous sources is deposited into the Land Maintenance Fund. 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, held and invested by the State Investment Council. Earnings from the fund are invested according to constitutional specifications.

Human Resources manages personnel issues for about 150 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. To assure a common understanding of the employee and management rights and responsibilities, a committee was formed within the agency to evaluate and update agency policies. Fulfilling Commissioner Powell's campaign promise to champion ethics and transparency in state government, every employee at the State Land

**Share of Revenue Spent on Administration 2007-2011**



Office participated in ethics training in spring 2011.

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. 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 initiatives. During 2011, an agency-wide project was launched to develop a Land Information Management System (LIMS). The purpose of the LIMS project is to enhance the existing land management functionality of the ONGARD system and expand business intelligence capabilities in administering surface leasing and state trust land ownership information. The project planning phase will continue into the first half of 2012 with the system completion date estimated to be sometime around the end of 2013.

Records Management provides essential information about the lands held in trust by the Commissioner of Public Lands. The Records Management Division maintains and manages the record-keeping system to ensure that 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 division.

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 rights

and property, ensure accountability, and document the chain of title for each section within a township and range.

In 2011, the division focused on compiling a complete and comprehensive basic 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. The information will account for all acquisitions, as well as losses and gains incurred by the State Land Office through sales, condemnations, and exchanges. Completion of the project will serve as a basis for further automation and efficient management of trust lands. The Imaging Section of the division imaged the conveyance documents and all new activity generated by the leasing divisions. The capture of ownership and land activity information into a digital format will make the documents easily accessible while preserving the original documents, some dating to the early 1900s.

## Top Priority: Ethics Training

Commissioner Powell solicited the help of the New Mexico Ethics Alliance for a series of ethics trainings at the State Land Office that emphasized ethical behaviors and leadership for all agency employees. Training was held in March and was mandatory for all employees and managers at the Land Office.

## Expenditures Fiscal Year 2011

<b>Personal Services/Employee Benefits</b>	
Salaries	7,407,088
Group Insurance	972,602
Retirement	1,092,542
FICA	538,462
GSD Workers Comp Premium	43,026
Unemployment Comp Prem	7,115
Employees' Liability Prem	24,141
Retiree Health Care Contr	119,835
Other Employee Benefits	1,420
Total Pers Svc/Empl Ben	10,206,232
<b>Contractual Services</b>	
Professional Services	51,270
Other Contract Svcs	303,873
Audit Services	26,176
Attorney Services	38,154
IT Services	210,918
Total Contractual Services	630,392
<b>Other Costs</b>	
Emp In-State Mileage/Fares	1,036
Emp In-State Meals/Lodg	25,487
Bd/Comm In-State Travel	2,149
Transp-Fuel And Oil	104,200
Transp Maint/Repairs/Parts	40,759
Transp Insurance	2,146
Other Travel	1,364
Maint Grounds & Roadways	21,061
Maint Furniture/Fix/Equip	5,460
Maint Build And Structures	21,285
Property Insurance	5,242
Maintenance Supplies	15,606
Laundry/Dry Cleaning	7,669
Maintenance Services	597
IT Maintenance	82,615
Supplies Inv Exempt It	186,647
Office Supplies	34,826
Medical, Lab & Pers Supplies	228
Field Supplies	12,266
Cloth/Uniforms/Linen	396
Supplies Inventory Exempt	31,805
Reporting/Recording	2,892
Doit ISD Services	189,208
Doit HRMS Fee	35,416
Printing/Photo Svcs	12,327
Postage And Mail Svcs	29,532
Utilities	92,442
Rent Of Bldngs/Land	37,160
Rent Of Equipment	72,324
Telecommunications	49,991
Doit Telecommunications	147,534
Subscriptions/Dues	42,275
Emp Education/Training	32,242
Board Member Training	340
Advertising	1,983
Miscellaneous Expenses	20,995
Prior Year Expenditures	1,645
IT Equipment	65,354
Other Equipment	12,250
Automotive and Aircraft	72,619
Buildings and Structures	12,752
Emp Out-State Milage/Fares	9,619
Emp Out-State Meals/Lodg	21,245
Bd/Comm O/S Mileage/Fares	461
Total Other Costs	1,565,451
<b>Total Other Financing Uses</b>	<b>546,100</b>
<b>TOTAL EXPENDITURES</b>	<b>12,948,174</b>



# LAND TRUSTS ADVISORY BOARD

## State Land Trusts Advisory Board

Martin Suazo  
**Chairman**

William Sauble  
**Vice Chairman  
Agriculture**

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

David Bacon  
**Conservation**

Dr. Constance Falk  
**Beneficiaries**

Renata Witte  
**Beneficiaries**

Lance Sigmon  
**General Public**

## The Public Interest

The State 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 represent 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, New Mexico. 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.*

### William Sauble, Vice Chairman 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.*

### Robert G. Armstrong Roswell

Mr. Armstrong has worked 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 with headquarters 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.*

### 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 Economics

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

# EDUCATION AND SPECIAL PROJECTS

**Assistant Commissioner**  
Ralph Gallegos

**Educational Coordinator**  
Miranda Miller

## Supporting Education

The State Land Office continues working directly with schools and other interest groups through several special programs. Events, seminars, and other activities are designed to raise public awareness about trust land programs and land conservation issues. A wide range of subject matter is offered. All public schools are eligible to participate in the educational outreach programs.

### Energy for Education

The Energy for Education program educates third, fourth, and fifth graders about state trust land, how revenue is generated, and how money flows to public schools and universities. Then, they are given a lesson about natural resources and they learn the difference between non-renewable and renewable resources through creating posters about energy resources. They learn about wind power and turbine design and how electricity can be generated. The Energy for Education program meets state social studies and science standards. Last year almost 5,500 pounds of aluminum were collected by public school classes involved in

the recycling program, which is part of the Energy for Education Program.

ology, wildlife management, watershed health, and renewable energy. Students rotate through stations learning about various topics relating to the natural environment and are offered field trip opportunities to visit state trust lands throughout the state.

### Adult Tour Program

Each year from May through October, the State Land Office offers adult tours designed to provide first-hand opportunities for the public to learn about cultural and natural resources on state trust lands. Over the years, the office offered several adult tours and hosted visits to six archeological sites. More than 100 community leaders participated in this program. In addition to archeological sites, natural history hikes and visits to wind farm sites can be arranged.

### Outdoor Classrooms

The Outdoor Classroom Program offers students hands-on opportunities to visit state trust lands and learn about natural sciences from experts in their respective fields, including biology, geology, archae-



*Energy for Education Program Instructional Coordinator Miranda Miller works with school children throughout the state. Energy for Education Program is directed to third, fourth and fifth graders throughout New Mexico. The program teaches students about the overall operation of the State Land Office and how critical it is for us to use our natural resources wisely. The curriculum includes topics such as petroleum, natural gas, coal, wind, solar, bio mass, renewable and nonrenewable energy. Miller encourages students to participate in a statewide contest to collect aluminum cans for the recycling program. The class with the most cans wins a pizza party with the funds generated by the recycling project.*



# COMMUNICATION

## Reaching Out

**Assistant Commissioner**  
Christina Cordova

Communication and Outreach staff in the 2010-2011 fiscal year spearheaded the creation of a new agency website and redesign of the agency logo. The new logo captures the essence of the land, color palette of New Mexico skies, and familiarity of New Mexico's vast landscapes and vistas. The new design instantly connects people to the Southwest.

Creating the new website was a joint effort of the communication and information technology staff, which made the agency's online home more user friendly and easier to navigate. Users are able to access all sites that describe what the State Land Office does to generate millions of dollars in revenues and royalties for public schools, universities, hospitals, and other important beneficiaries. The website also describes how to pursue agricultural, commercial or mineral leases with the State Land Office, seek rights of way, and communicate with field staff.

In addition, the newly designed website features interactive land status maps to improve recreational access to the 9 million acres of trust land open to hunting and fishing. The maps include highlights and links to the New Mexico Game and Fish Department website.

Other features of the website are media and events updates, photo galleries, features highlighting public/private working partnerships with local entities, and a trust stewardship page that encourages public participation in preserving and protecting our state trust lands. The events calendar includes a registration form and information for upcoming free archeological site and nature tours offered by geologists, archeologists and instructional coordinators from the State Land Office.

Reaching out to communicate and build relationships with trust beneficiaries will be a prime area of focus for next fiscal year.



*The communication staff held a media event in June 2011 to celebrate a license agreement signed with Sandia Science and Tech Park, the City of Albuquerque, and the State Land Office to promote further development at the tech park, which houses private industry largely based on spin-off technology developed at Sandia National Laboratories. To date, the tech park has created 2,300 high-paying jobs for New Mexicans.*



# MINERAL RESOURCES

Assistant  
Commissioner  
Kurt McFall

## Careful Use

Mineral Resources manages nonrenewable resources, evaluates commodity resources, administers the monthly oil and gas lease sale, processes and audits mineral royalty revenue, and administers leases for oil, natural gas, carbon dioxide, sand and gravel, caliche, coal, potash, salt, geothermal energy, and other natural resources. The program leases, manages, and oversees all mineral exploration and development on New Mexico trust lands and contributes 95 percent of all revenue generated by the State Land Office. Mineral Resources includes the Oil, Gas, and Minerals Division and the Royalty Management Division.

The two sections of the Oil, Gas and Minerals Division – the Oil and Gas section and the Minerals section -- are responsible for the management of more than 9,600 oil and gas leases and 165 mineral leases, together covering 3.1 million acres of the 13 million acre trust mineral estate. The 16 employees of the division include specialists in oil and gas geology, engineering, leasing, and lease management.

The Oil, Gas and Minerals Division assists in forecasting revenues from 18 sources of income for the institutional beneficiaries of the trust. Other state agencies, legislators, and trust beneficiaries use the forecasts in budget planning and appropriations. Other responsibilities include evaluation of all leasable mineral acreage and identification of more than 400,000 acres per year for other types of leasing and development. Internally, the division must also provide fair and accurate mineral assessments for senior State Land Office management decisions regarding state trust lands proposed for trade or lease, demonstrate knowledge of each industry's business practices, be fully knowledgeable in all applicable rules and regulations, and provide accurate and on-time service to all customers.

### **Oil and Gas Activity on State Trust Lands**

The foundation of all oil and gas revenues generated for trust beneficiaries each year is the competitive public auction of tracts on the third Tuesday of each month. Sales are normally held

at the State Land Office and attended by landmen and other industry representatives. Leases are issued within 24 hours after the sale and packets of information are distributed to new lessees to help them understand the requirements for oil and gas activity on trust lands.

The sale is the culmination of work by the division's Oil and Gas section to accept nominations, select and evaluate tracts, assign royalty rates, and publish both a hardcopy and online notice. Other tasks related to leasing of oil and gas include, maintaining proper notice and chain of title, billing lessees, expiring or canceling previous leases, managing miscellaneous instruments for public notice, and benchmarking our sale with those conducted by other land management agencies west of the Mississippi. Evaluation of production and oversight of legal agreements for the combining of tracts or wells through unitization and communitization are also performed. Bonding and the reduced royalty rate programs require the special expertise of division employees.

Oil and gas geologists also provided technical assistance related to land exchange proposals with the federal Bureau of Land Management for the protection of the Lesser Prairie-Chicken and Sand Dune Lizard.

Oil and gas leasing is the single most regulated program in the State Land Office. These

leases are statutory; the methodology for evaluation of tracts to lease is clearly defined by law; even elements of the sale notice are prescribed. Lease terms and royalty rates have not been changed by the Legislature since 1985. In restricted areas (generally areas of known production) leases are issued for a term of five years at royalty rates of 1/8, 1/6, 3/16 or 1/5.

Leases in frontier areas are issued for 10 years at 1/8 royalty. 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.

Fiscal year 2011 saw a record high of \$17,230,720 in bonus income for a one-month period for a total of \$54,820,235 in bonus income or \$480 per acre. Total contribution to the Maintenance Fund, which includes bonuses, rentals, and interest, was \$69,661,309.

Additionally, the Oil and Gas group issued 540 new oil and gas leases encompassing 114,302 acres, processed 655 lease assignments and 197 miscellaneous instruments effecting 580 leases, approved 206 communitization and 10 unit agreements; approved 60 unit plans of development, and approved three geophysical permits, which generated \$13,340.

### Mineral Activity

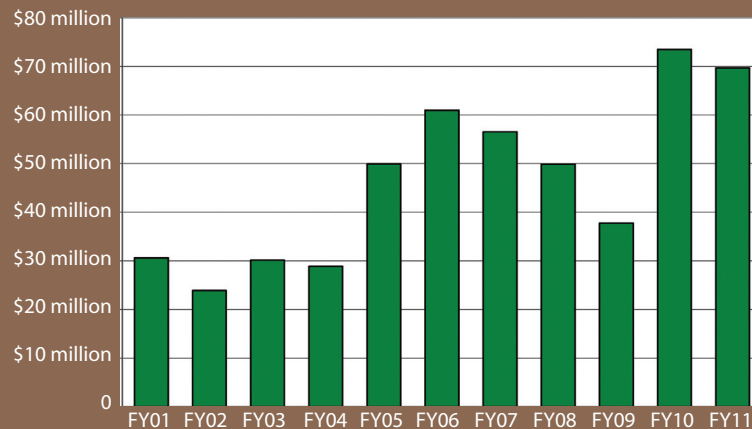
Considering general economic conditions, the Minerals program continues to show strength with \$12 million of revenue generated from mineral leases in the 2011 fiscal year. Mineral royalties are paid only when mining is actually occurring on trust land.

The four-person Minerals group manages 165 site-specific leases for all commodities other than oil and gas: coal, salt, caliche, sand, gravel, potash, geothermal resources, and general mining. Each commodity is regulated by a different rule, therefore minerals personnel work with State Land Office Rules 2, 3, 4, 5, 6, and 7, and leases are developed specific to rule requirements and site conditions. The one-man Minerals auditing section conducted 13

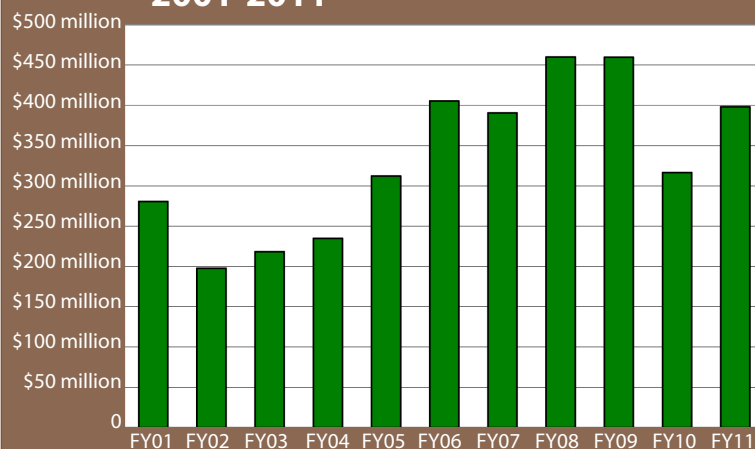
mineral audits during the fiscal year and brought in an additional \$166,231 in late payments and royalties owed. A total of 80 mineral leases were processed this fiscal year.

The 55 sand and gravel leases under Rule 5 are the most active but are not issued without site-specific stipulations, a mine operations plan and a reclamation plan. Minerals staff has worked to streamline and standardize the forms for the above plans to ensure all appropriate information is considered and to ensure mine site operations and reclamation requirements are met. These efforts have also sped up the lease issuance process. During fiscal 2011, 10 new plans were completed and seven

## Oil and Gas Bonuses Deposited into the Maintenance Fund 2001-2011



## Oil and Gas Royalties Deposited into the Permanent Fund 2001-2011



existing plans were updated. Additionally, staff conducted 25 site inspections, an increase over previous years.

Post-mining land use determines reclamation goals. Required mine operations and reclamation plans ensure logical progression of mining and contemporaneous reclamation. Bonds or other surety are also required to protect trust lands and the collection of royalty.

This year's sand and gravel revenues were \$1,358,919, slightly below the previous year's \$1,395,700

The next most numerous types of leases are the 50 general mining leases. Currently, no trust land is being mined. The \$105,280 generated through general mining is due to lease rentals. Rentals generated \$ 98,960 the previous year.

Coal revenues amounted to \$7,366,680, a slight decrease from the previous year, but revenues are expected to increase as mining moves onto state trust lands again.

Potash and caliche revenues amounted to \$2,622,890 and \$574,000, respectively, a significant increase over previous years.

Salt and geothermal collectively brought in \$132,700. Revenues are expected to increase in the future due

to projects currently being proposed on state trust lands.

The Royalty Management Division (RMD) manages the royalty revenue from oil, natural gas and carbon dioxide produced from state trust lands. The division's duties include the evaluation and processing of royalty returns, the audit of royalty data submitted, the management of production unit and lease data commonly called pun/lease data, the provision of royalty data for use in forecasting and budgeting and the administration of a collections program. To accomplish these duties, the Royalty Management Division is organized into three bureaus operated by 16 full-time employees: Revenue Processing, Audit, and Compliance.

### **Oil and Gas Royalty Revenue**

Oil and gas royalty revenue of approximately \$398 million was collected and processed by the Royalty Management Division and paid into the Land Grant Permanent Fund on behalf of 18 beneficiaries in fiscal year 2011. Most – 85 percent – of the distribution to beneficiaries goes to the public schools. An additional \$12 million in interest was paid into the Land Maintenance Fund.

### **Revenue Processing Bureau**

Oil and gas royalties are reported and paid on a monthly basis through the submission of an oil and gas royalty report. This report details the royalty due on state trust lands by providing key data, including the volumes, values, deductions and royalties due from specific production units and leases. The Revenue Processing Bureau is responsible for evaluating and reconciling these royalty returns to accurately distribute royalty revenue to the appropriate beneficiaries. In fiscal year 2011, the bureau evaluated and reconciled 3,785 returns containing more than 346,000 detail lines. As a result of agency efforts to



*The State Land Office completed an exchange with the U.S. Bureau of Land Management that should result in greater revenue for public schools. The State Land Office traded acreage in northwestern New Mexico and in and near the Bisti Wilderness and the Ah-Shi-Sle Pah Wilderness Study area for BLM lands in San Juan County appropriate for the extraction of oil and gas.*

encourage remitters to file electronically, electronically filed royalty returns and detail lines make up the majority of the returns and detail lines filed. Electronic filing save time and paper and reduces key-entry errors.

**Audit Bureau**

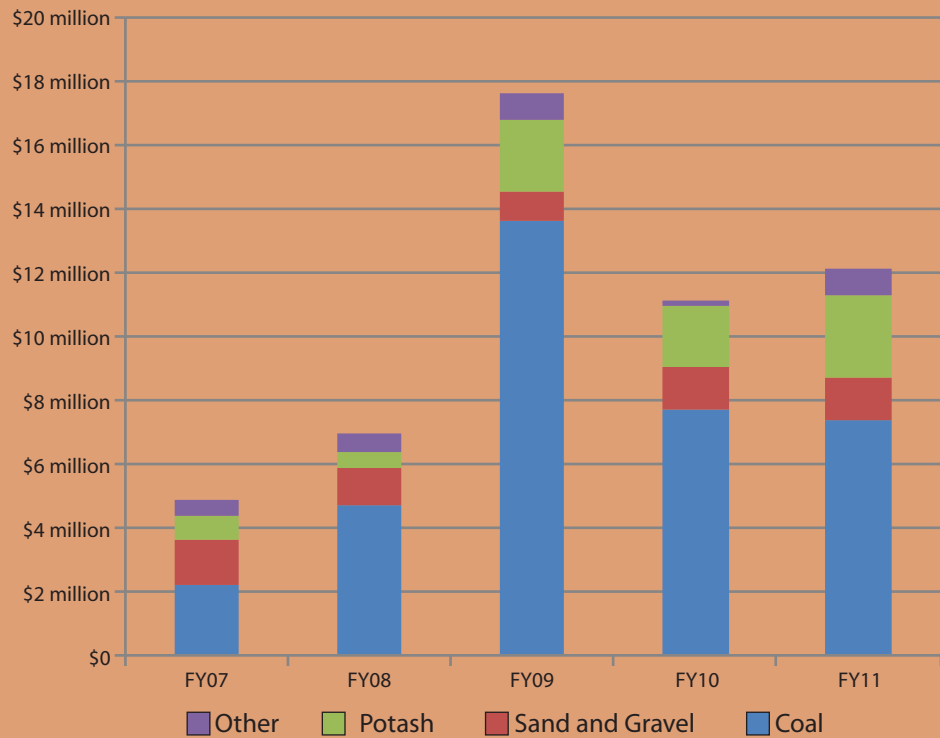
The Royalty Management Division administers a comprehensive audit program to ensure that companies are reporting and paying royalties in accordance with requirements set forth in their lease agreements, rules and regulations. This fiscal year, the Audit Bureau collected \$24.9 million in underpaid royalties. In addition to conducting audits, the bureau assists in litigation and provides statistics for use in forecasting revenues.

**Compliance Bureau**

The Compliance Bureau is responsible for assisting royalty payors with missing or incorrect property identifiers on royalty returns. Missing data results in sending royalty payments into suspense, thus delaying the distributions of royalty. The suspense balance as of June 30, 2011, was \$2.8 million. In addition, the Compliance Bureau also manage the royalty invoice collection process and the management of pun/lease data . In fiscal year 2011, the bureau was able to clear more than

100 outstanding billing accounts and collect more than \$250,000 in additional royalty and interest through its collections process. The bureau also ensured that pun/lease notices were mailed to the appropriate parties on a monthly basis. During fiscal year 2011, staff also worked closely with the ONGARD Service Center to create an online royalty outstanding billing statement application that will allow our royalty remitters to view all of their outstanding notices at any time. This online access is expected to be completed during the first half of fiscal year 2012.

**Mineral Revenue  
2007-2011**





# COMMERCIAL RESOURCES

**Assistant Commissioner**  
Don Britt

**Director**  
Brian Bingham

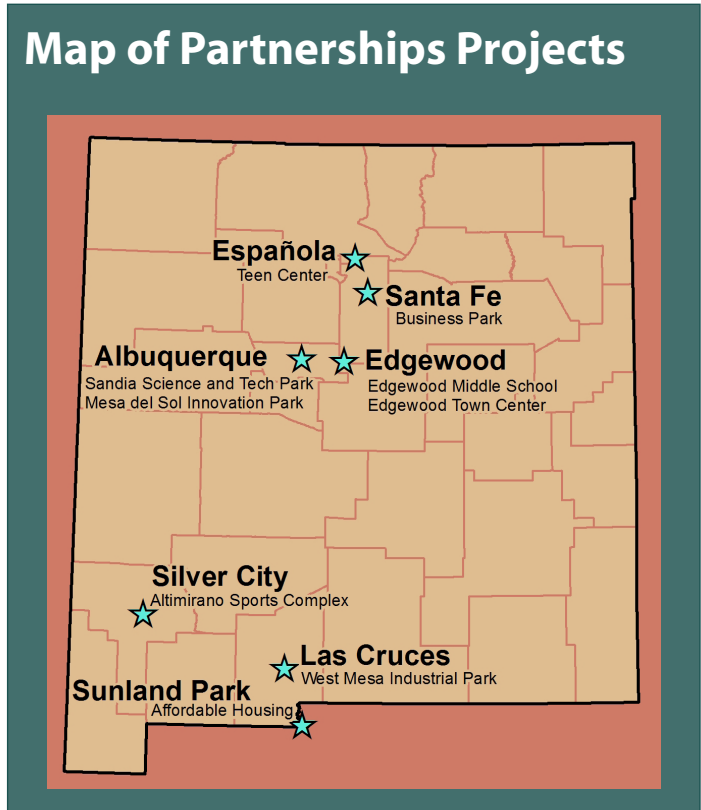
## Partnerships for Development

Commercial Resources manages the use of state trust land to produce the greatest financial return from the land as support for the trust beneficiaries. The division pursues this objective through land leasing, land exchanges, and limited land sales while preserving the trust asset to the maximum extent possible. In addition, the division planning staff consults and collaborates with counties, cities, local communities, and other stakeholders to build a consensus towards the development of state trust land in the path of growth to ensure the health and economic vitality of local communities.

The division leases the land for a wide variety of businesses, renewable energy projects, billboard advertisement, underground gas storage units, and telecommunications sites. As fiscal year 2011 closed, the eight staff members shared responsibility for a total portfolio of 781 leases of all types on 377,976 acres that had earned \$4.194 million producing an \$11.10/acre return. The revenue earned from commercial leasing is deposited into the maintenance fund for immediate distribution to the trust beneficiaries.

As urbanization encroaches ever closer to state trust lands, and grazing and mining move away from growing communities, Commercial Resources staff have recognized the potential of residential, commercial, or industrial development on trust lands. The staff identifies parcels ideally suited for the Commissioner. However, planning and development leases have been suspended pending a revision of existing regulations. Commissioner Powell is committed to public involvement and will reach out to public and private stakeholders in making decisions that affect neighborhoods and communities.

The division is also involved in land exchanges. State trust lands are often adjacent to or intermingled with privately owned and federally held lands – often without access. Exchanges allow the State Land Office to essentially reposition trust lands so they are contiguous and can more feasibly optimize earnings for the trust. All land exchanges are designed to benefit state trust



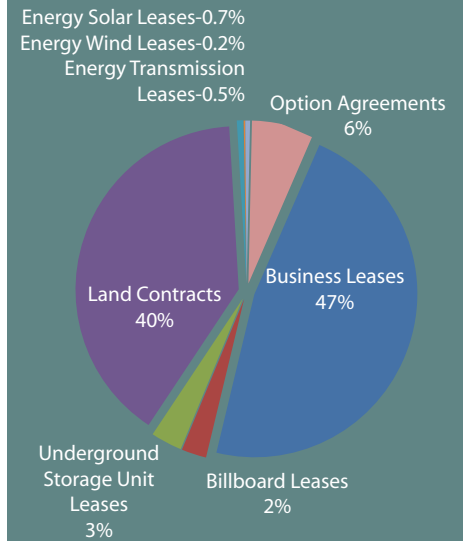
land holdings. Land Exchanges have been suspended pending a revision of existing regulations.

In addition, the Commissioner, at his discretion, may sell land in response to interest expressed by outside private and public entities poised to develop projects that offer the potential for significant positive economic impact to adjacent communities. Commissioner Powell has chosen to use this discretion sparingly because public lands represent a legacy for future generations. Once sold, proceeds are deposited into the Land Grant Permanent Fund and only generate revenue for trust beneficiaries from investment income.

Finally, the state trust land's potential in the development of clean renewable energy supplies is increasing as the

United States attempts to wean itself away from its dependence on foreign fossil fuels and other unsustainable energy sources. New Mexico is a leader in the nation in terms of potential wind-generated electric power production capacity and second in the nation for solar-generated electric power production capacity. The capacity and condition of existing electricity transmission lines play an increasingly important role in opening markets and making renewable energy viable for developers. Only four new renewable energy leases were issued in fiscal year 2011 as a result of concerns over the relative lack of transmission capacity. Renewable energy leases produced \$779,200 thousand in the fiscal year and the division projects declining revenues in the next few years.

## Commercial Resources Revenue by Source



## Commercial Resources Revenue

2003-2011

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Land Contracts	682,469	1,551	5,130,452	3,430,872	3,319,058	8,181,047	3,736,233	2,317,742	1,506,864
Business Leases	1,290,186	2,081,646	1,546,264	2,581,774	2,265,818	1,771,548	2,672,316	2,170,937	3,125,392
Gas Storage Unites	132,038	115,326	64,245	156,612	118,102	159,936	147,789	140,177	164,719
Options Agreements							30,187		812,376
Billboard	113,069	57,082	24,246	138,310	60,168	89,506	73,263	66,884	142,038
Solar Energy									40,778
Wind Energy									10,000
Biomass									0
Energy Transmission									29,803
<b>Totals</b>	<b>2,217,762</b>	<b>2,255,605</b>	<b>6,765,207</b>	<b>6,307,568</b>	<b>5,763,146</b>	<b>10,202,036</b>	<b>6,659,788</b>	<b>4,695,741</b>	<b>5,831,970</b>

**GRAND TOTAL \$50,686,389**

# SURFACE RESOURCES

**Assistant Commissioner**  
Mike Anaya

**Director**  
**Agricultural Leasing**  
Mary Dubose

**Manager**  
**Rights of Way Bureau**  
Anna Villa

## Resource for the Future

The Surface Resources Division strives to be excellent state trust land stewards to provide resources and revenue for the state's future generations. The division's mission is to minimize the footprint of land use while optimizing revenues for the beneficiaries. The goal is to ensure that all leases are in the best interest of the state trust. Division staff attempts to provide prompt and respectful customer service while collaborating with the citizens of New Mexico, federal, state, tribal, county and city governments, as well as other organizations. The division works closely with internal divisions to ensure it is pursuing innovative land management opportunities and techniques that will benefit the trust and our local communities.

The Rights-of-Way and Water Resources Bureau and the Agricultural Leasing Section prioritizes their efforts by focusing on customer service and responsible land stewardship. The Rights-of-Way and Water Resources Bureau manages easements for pipelines, telecommunications lines, electrical lines, roads, outfitting guide permits, rights of entry, and educational easements, commercial water wells, water exploration, water monitoring wells, and salt-

water disposal wells. The Agricultural Section manages 3,500 leases. The terms of most of the leases are for five years. In addition, 600 to 900 leases are renewed each year. The grazing rental revenues vary year by year due to a formula that tracks the variable land lease rates by western live-

stock ranchers, beef cattle prices, and the cost of livestock production.

The Surface Resources Division's new initiatives include the following:

- **Directional Drilling Policy** – A study is currently underway to determine the best policies for administering directional drilling leases while also protecting the trust's mineral income estate and the surface estate.
- **Water Leasing Policy** – The State Land Office is in the process of reviewing our water leasing procedures, fees, and royalties.
- **County Road Project** – The division has taken an active role in assisting the counties in obtaining legal rights-of-way on existing county roads.
- **Right-of-Way Fee Schedule** – The division is in the process of updating our right-of-way fee schedule.

### **Agricultural Leasing Division**

The State Land Office supports long-term health of rangelands while also promoting a multiple use concept of the surface estate. Agricultural lessees co-exist with other types of leases and land uses, such as renewable energy production, oil and gas development, and recreational activities.

Agricultural leases brought in \$5,918,144 for fiscal year 2011. Although this total is more



*Commissioner Powell signed a memorandum of agreement with tribal government leaders to resolve previous litigation over the use of sacred sites on Mount Taylor. The agreement ensured clear lines of communication and resolved the dispute between the sovereign tribal governments and the State Land Office. It will open a process of consultation on proposed activities on trust lands within the boundaries of the Mount Taylor cultural landscape.*



than 13 percent higher than revenues brought in last year, this amount still is below the yearly average for agricultural lease revenues because of economic factors affecting the agriculture industry.

Annual grazing rentals are based on a fee formula. The fee formula 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 assure that fair market values are assessed for grazing rentals. The fee formula includes a variable adjusted annually according to three economic indices gathered for the 10 western states.

### Rights-of-Way and Water Resources Division

The Rights-of-Way and Water Resources Division of the State Land Office administers more than 17,000 existing right-of-way easements across state trust lands, as well as right-of-entry permits, water easements, salt-water disposal easements, education easements and outfitter guide permits.

Right-of-way easements are granted for pipelines, telecommunication lines, electrical lines and roadways. A large percentage of the rights-of-way issued are for oil and gas development. Rights-of-way are issued for well pads as well as for the pipeline infrastructure to transport the product. Salt-water easements are issued for the disposal of the salt water used in the oil and gas extraction process.

In fiscal year 2011, rights-of-way generated revenues totaling \$3,782,073.00. This is a significant increase from the previous fiscal year due mainly to the increased drilling activities in the oil and gas industry.

Water easements are issued for commercial water wells, exploratory wells, water-monitoring wells, and salt-water disposal wells. For FY2011, water resources leases brought in \$1,070,920.00 in water rental and royalty and \$1,710,315.00 in salt-water disposal fees, rental and interest. Leasing procedures

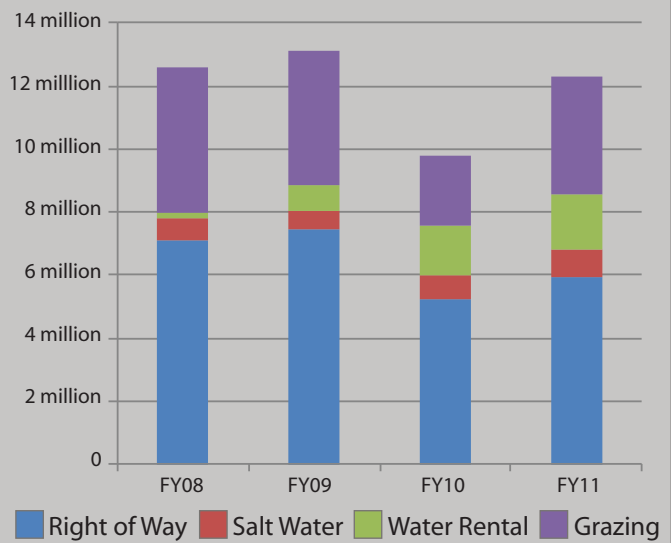
are being implemented for deepwater drilling on state trust land. Deepwater drilling is the process of extracting and producing water from depths exceeding more than 500 feet.

Right-of-entry permits are issued for a variety of special uses. The right-of-entry permit has been recently revised to maximize revenues for the trust and to better accommodate film production on state trust land. Right-of-entry permits are also used for renewable energy companies to investigate and perform studies on sites to determine suitability for renewable energy leases.

The rights-of-way, water easement and salt-water disposal easements have all been imaged to provide quicker access for staff in processing files. The division has implemented a new project to digitize all active rights-of-way. The digitization of the rights-of-way will increase the efficiency of processing rights-of-way applications and will also provide more accurate information to staff and to clients on right-of-way locations using our geographical information system available on the New Mexico State Land Office website.

Due to industry advances, policies, procedures and fee schedules for rights-of-way, water easements, deep-water leases, directional drilling easements are under review for update and revision.

**Surface Resources Revenue  
2008-2011**



# FIELD OPERATIONS

**Assistant Commissioner**  
John Romero, DVM

**Director**  
Jim Norwick

## On Location

Field Operations manages programs dealing with forest and range conservation, ecosystem health and wildlife habitat management. The staff supports other State Land Office divisions with field reviews and data analysis for rights-of-way, agricultural leasing, minerals management, oil and gas frontier nominations, business leases, land exchanges and other activities.

Collectively, Field Operations staff responds to more than 1,000 requests for field reviews each year. The division maintains advanced geographical information analysis capabilities. In all areas of responsibility, Field Operations pursues conservation and development of trust resources in a cooperative and collaborative manner with lessees. In addition to staff in Santa Fe, Field Operations employs 13 district resource managers, each managing about one million acres of state trust land.

River restoration projects were a focus this fiscal year for the division. Historically, the Middle Rio Grande experienced natural dynamic flow that included flooding and meandering. This resulted in self-sustaining cottonwood forests that provided habitat for birds and animals. Currently, the river ecosystem of the Rio Grande has experienced a disconnect between the river and the floodplain, with a resulting decline in native species, reduced habitat quality, and increased presence of invasive species of plants such as salt cedar, Russian

olive, and Siberian elm. Catastrophic fires have also increased due to higher fuel loads, presenting a danger to nearby houses. The State Land Office is expanding a long-term effort along the river in Albuquerque's South Valley bosque to eliminate exotic species as well as recreate

side channels and lower banks to allow natural flooding and meandering to occur. The project – a partnership with the city of Albuquerque, Middle Rio Grande Conservancy District, New Mexico Interstate Stream Commission, the University of New Mexico, U.S. Army Corps of Engineers, and the U.S. Bureau of Reclamation – will improve the long-term sustainability and resilience of the native riparian cottonwood bosque. The Land Office received a grant for \$298,000 from the Bureau of Reclamation to expand the restoration project in the future.



*Field Operations focused on river restoration projects during the year. Working in partnership with the Middle Rio Grande Conservancy District, New Mexico Interstate Stream Commission, University of New Mexico, U.S. Army Corps of Engineers and U.S. Bureau of Reclamation, the division worked to eliminate exotic species, rebuild banks and recreate side channels along the Rio Grande south of Albuquerque.*

# LEGAL DIVISION

## On Behalf of New Mexico

General Counsel  
Harry Relkin

The Legal Division provides counsel to the Commissioner on matters affecting state trust lands while providing a full range of legal services to help the State Land Office manage the trust lands and preserve the assets of the trust.

Since Commissioner Powell entered office at the beginning of 2011, the top priorities for the legal office have been the following:

- Prosecuting a lawsuit against the offending party that dumped used tires on trust lands;
- Providing advice on the legal issues surrounding the illegal dumping of thousands of cubic yards of chicken manure on trust lands and effectuating the removal of the feces;
- Identifying the need for, and initiating the revision of Rule 21 (19.2.21 NMAC) on land exchanges in response to the Supreme Court decision that reversed a private land exchange completed by the prior land commissioner and prohibited further action on certain private land exchanges already in progress;
- Initiating the revision of Rule 22 (19.2.22 NMAC) on planning and development leases to ensure the trust receives a more beneficial share of the increase in value created by the development while assuring the trust is not put at risk.
- Developing a memorandum of agreement with tribal government leaders creating a consultation process for actions that might affect lands near Mount Taylor, a significant cultural and religious area for the Acoma, Lagun and Zuni pueblos and the Hopi tribe. The agreement was signed on April 19, 2011.
- Representing the Commissioner in hearings before the Oil Conservation Division to assure the remediation of surface land damaged by the spill of 10.5 million gallons of saltwater leaked from oil and gas production.

The legal staff is also representing the Land Office in several administrative proceedings and lawsuits that have resulted from disputes regarding decisions of the prior administration.

Additionally the legal division continued to work with the federal Bureau of Land Man-

agement to complete two phases of a large exchange in areas where the bureau wishes to consolidate wilderness study areas. The consolidation will allow the bureau to manage these holdings at a lower cost to taxpayers while providing the opportunity for the Commissioner to acquire lands more suitable for earning revenues for the beneficiaries.

Another notable project is the Legal Division's involvement in the exchange of a small area of trust lands to the Navajo Nation pursuant to a Senate Memorial passed during the 2010 legislative session.

A top priority for the division continues to be increasing activity in renewable energy projects around the state while respecting the traditional land uses and visions of local communities.

Finally, to better serve the needs of the agency, the General Counsel reorganized the legal division by assigning an attorney to each assistant commissioner, assuring that each division receives individual, knowledgeable and undivided legal advice and counsel.



*The Legal Division in 2011 targeted two separate polluters who dumped chicken manure and tires on trust land. The threat of legal action led to the cleanup of more than 8,900 cubic yards of chicken manure dumped on state land in southern Doña Ana County. The highly concentrated manure posed a public health risk and potential groundwater and run-off water contamination. The division is pursuing a court case against the party that dumped a river of used tires on trust land near Wagon Mound.*



# LEGISLATION AND POLICY

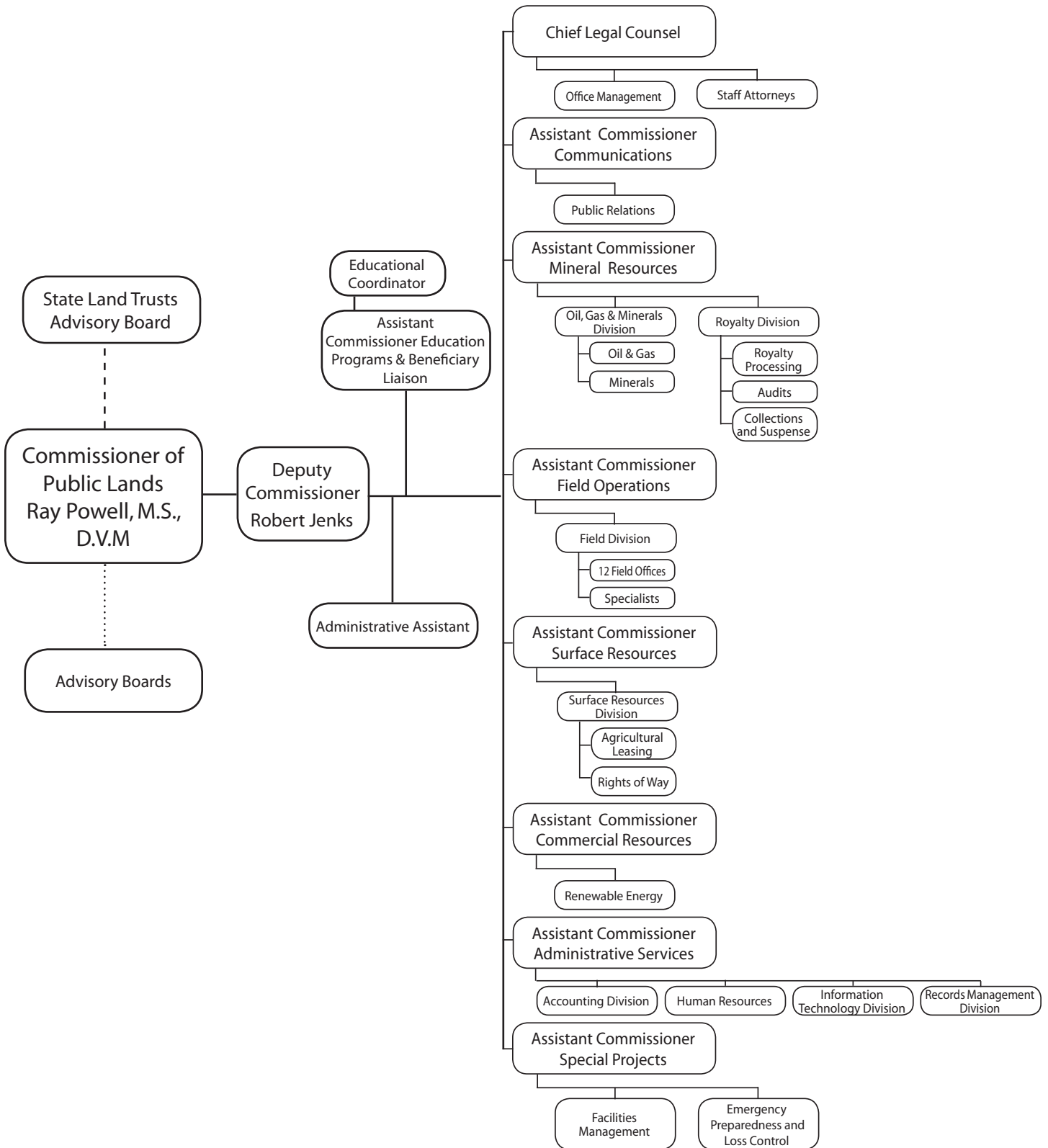
**Deputy Commissioner**  
Bob Jenks

## **Moving Forward**

More than 140 bills related to land issues were introduced in the 2011 state legislative session. These bills were followed closely by the State Land Office staff.

Budget deliberations resulted in a 5 percent cut in the agency's operating budget for the 2010-2011 fiscal, constraining the agency's ability to continue certain programs associated with revenue generation, manage some resources, and retain staff. Budget issues will continue to be a focus in upcoming legislative sessions.

# ORGANIZATIONAL CHART





2010-2011  
ANNUAL  
REPORT