



2011-2012  
ANNUAL  
REPORT

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

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







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**New Mexico  
State Land Office**  
2011-2012  
Annual Report

**New Mexico  
State Land Office**  
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# MESSAGE FROM THE COMMISSIONER

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

## Part of History

New Mexico had an exciting year with the celebration of its 100th birthday. The State Land Office was thrilled to be part of the Centennial when our headquarters building in Santa Fe was the final stop on the route of an historic Centennial Pony Express Rider, who had taken two, long weeks to ride from Hobbs in southern New Mexico to the state capitol in Santa Fe. It was a privilege to hand over to the rider the final piece of mail to deliver to Governor Susana Martinez. That packet contained one of the first land title documents conveying leased Trust Land for the benefit of New Mexico's public schools, dated 1912, when the first State Land Commissioner was Alpheus A. Keen and the state's first governor was William Calhoun McDonald.

### 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.

In 1985, 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 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 first 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.



The Centennial also marked a record year for State Land Office, with more than \$653 million generated for our state's public schools, special schools, universities, and hospitals. It is important that we continue the visionary thinking of our forefathers and thoughtfully lay the groundwork today to ensure we have a foundation for success in place to build a strong, enduring State Land Trust for today and the future. We need to make sure the permanent fund stays strong so it is there for New Mexicans to rely on in years to come.

Working together we can continue to build the Trust. To this end, I have reinstated the Community Partnership Program. This is a program started during my first term as State Land Commissioner that encourages careful assessment of how our Trust Lands and land management decisions can contribute to making this state a better place to live, for people who live in both rural and urban areas. Three objectives of this program are to create jobs, to accommodate affordable housing, and to preserve outstanding recreational opportunities.

One of the major successes this fiscal year was setting the standard for caring for our environment while optimizing our ability to generate revenue. The State Land Office signed a groundbreaking Candidate Conservation Agreement with Assurances (CCAA) with the U.S. Fish and Wildlife Service to protect the Dunes Sagebrush Lizard and Lesser Prairie-Chicken on 247,000 acres of State Trust Lands in the Permian Basin. This allows landowners to enroll land under a voluntary program to advance conservation measures that will benefit habitat while still allowing oil and gas production.

Other highlights of the year included resolving long-standing rights-of-way issues with counties throughout the state, changing our rules for land exchanges as well as planning and development leases on State Trust Land so they are more transparent and streamlined, and signing an agreement with the University of New Mexico to study plants and animals on State Trust Lands and share critical information

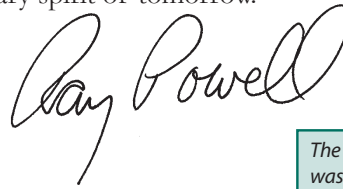
about species.

I will continue to travel around the state to gather input from citizens and community leaders, which gives me an opportunity to hear the public concerns while giving people a forum to voice ideas for partnership opportunities with our agency for best use of Trust Land in their communities.

Our past success was built on the strength of our joint partnerships with federal, state, and local communities, counties, schools, and private businesses. Simultaneously, we will work hard to create strategies that will help with the day-to-day decisions integrally linked with sound land management practices.

I believe the states that take the best care of their natural worlds have the strongest economies and the best quality of life for the future.

My staff at the State Land Office will continue to strive to provide outstanding service to our lessees, beneficiaries, and citizens, while realizing my goal – strategically to make the best use of opportunities for our public lands. Trust Lands must be managed in ways that ensure their long-term health and productivity, while keeping communities strong – providing jobs and business opportunities for our children in a visionary spirit of tomorrow.



## 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

*The State Land Office Headquarters building in Santa Fe was the final stop on the route of an historic Centennial Pony Express Rider's journey – which started in Hobbs and ended in the State Capitol after a two-week ride. Commissioner Ray Powell handed the pony rider the final piece of mail to deliver to Governor Susana Martinez – one of the first land title documents conveying leased Trust Land for the benefit of New Mexico public schools, at a time when the first State Land Commissioner was Alpheus A. Keen in 1912 when New Mexico changed from a territory to a state.*



# EXECUTIVE SUMMARY

**Commissioner**  
Ray Powell, MS, DVM

**Deputy Commissioner**  
Bob Jenks

**Assistant Commissioners**

Greg Bloom  
**Mineral Resources**

Don Britt  
**Commercial Resources**

Mike Anaya  
**Surface Resources**

John Romero, DVM  
**Field Operations**

Elaine Olah  
**Administrative Services**

Karin Stangl  
**Communication**

Christina Cordova  
**Educational Programs,  
Beneficiary Services and  
Tribal Liason**

**General Counsel**  
Harry Relkin

**Special Projects**  
Ralph Gallegos

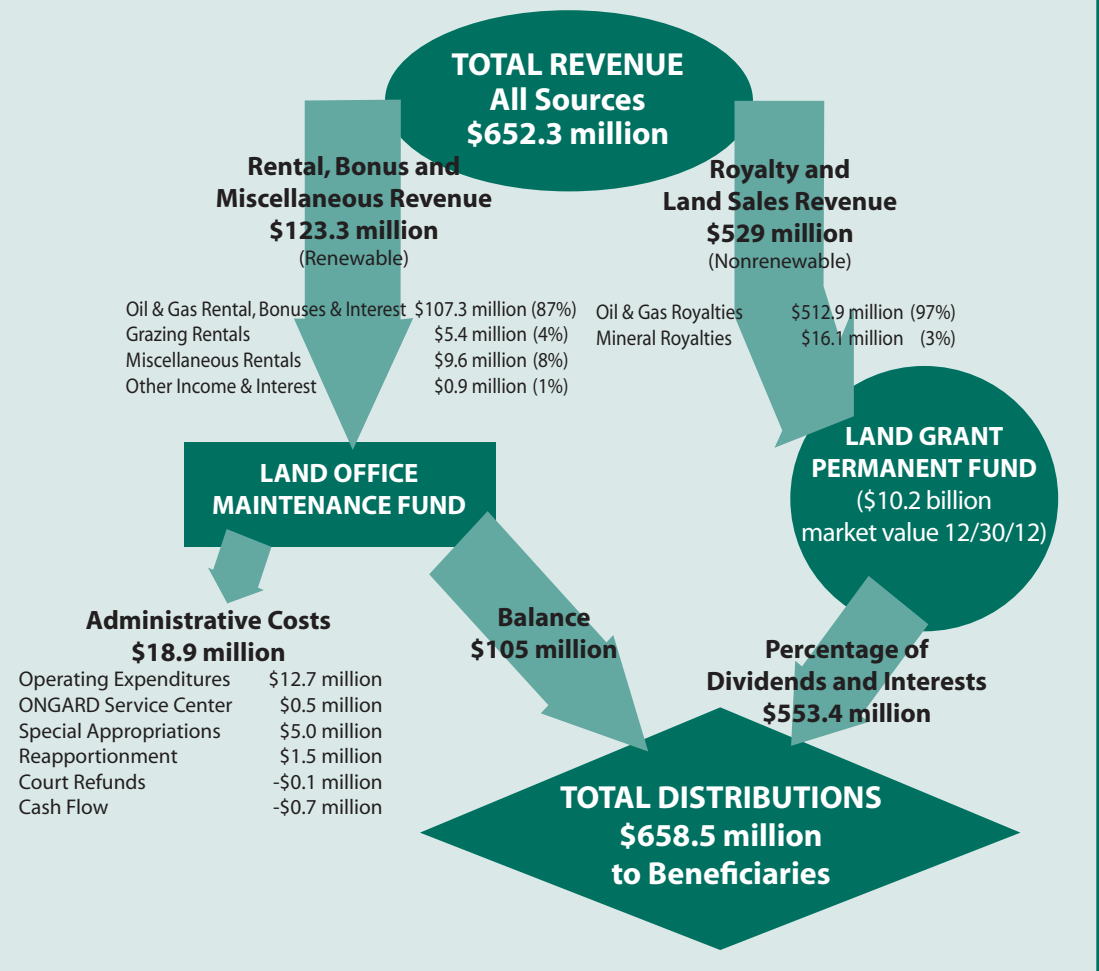
## New Energy

The 2012 fiscal year was a year of setting records for the State Land Office, partly because of strong oil and natural gas production but mostly through the efforts of a re-energized Land Office staff. Following a year of organizational and procedural change aimed at making the office more efficient and effective, the office this year turned its attention to the careful and profitable management of the Trust.

In 2012, Mineral Resources revenue amounted to more than \$600 million — a record for the State Land Office. This record reflects

strong, sustained oil prices, increased oil production, and solid interest in State Land Office oil and gas lease sales. Although oil prices were

### Revenue Flow July 1, 2011 - June 30, 2012



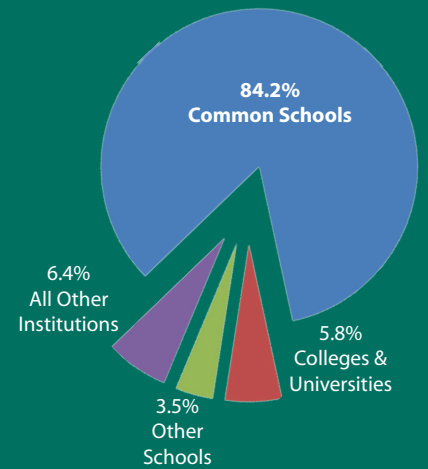
good over the course of the year, low natural gas prices dragged down total royalty revenue. Fiscal year 2012 also saw a record high total bonus income of more than \$102 million from lease sales to the oil and gas industry. Also, there was a slight overall increase in revenues from geothermal resources and the mining of coal, salt, caliche, sand, gravel, potash, and other resources from the previous year, with higher royalties from potash and sand and gravel. These resources generated more than \$14 million in income for the Trust.

In the area of Commercial Resources, Commissioner Powell initiated a program to work cooperatively with communities on economic development strategies. Working with local governments makes it possible for

the State Land Office to support local community goals for housing, mixed-use planned communities, community services and economic development, while ensuring the land is put to its best use and generates the greatest revenue for beneficiaries. In fiscal year 2012, Commercial Resources earned \$4.2 million from leasing. Revenues from renewable energy leases are expected to be the largest growth area for commercial leasing in the near future. 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 State Land Office is also working cooperatively with other government agencies and the private sector

## Beneficiary Share of Distributions



Common Schools	\$554,244,931
Colleges & Universities	\$38,454,187
Other Schools	\$23,322,384
All Other Institutions	\$42,434,834

## Distributions to Beneficiaries

	<u>Maintenance Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
Common Schools	\$92,507,769	\$461,737,162	\$554,244,931
University of New Mexico	\$937,833	\$8,544,465	\$9,482,298
Saline Lands	\$4,403	\$77,067	\$81,470
New Mexico State University	\$240,370	\$2,715,549	\$2,955,919
Western NM University	\$109,040	\$154,351	\$263,391
NM Highlands University	\$109,751	\$153,472	\$263,223
Northern New Mexico School	\$85,364	\$121,322	\$206,686
Eastern New Mexico University	\$154,411	\$475,747	\$630,158
NM Institute of Mining & Technology	\$419,222	\$1,138,851	\$1,558,074
NM Military Institute	\$4,455,862	\$18,638,576	\$23,094,438
Children, Youth and Families Dept.	\$37,797	\$35,699	\$73,496
Miners' Hospital	\$1,845,661	\$5,556,038	\$7,401,699
Behavioral Health Institute	\$1,708,403	\$1,278,267	\$2,986,671
State Penitentiary	\$227,807	\$11,188,571	\$11,416,378
School for the Deaf	\$295,315	\$11,340,180	\$11,635,495
School for the Visually Impaired	\$300,513	\$11,312,880	\$11,613,393
Charitable, Penal and Reform*	\$280,368	\$4,912,713	\$5,193,081
Water Reservoirs	\$1,010,510	\$6,268,303	\$7,278,813
Rio Grande Improvements	\$107,155	\$1,449,966	\$1,557,121
Public Buildings	\$186,273	\$6,309,661	\$6,495,934
Carrie Tingley Hospital	\$14,193	\$9,476	\$23,669
<b>TOTAL</b>	<b>\$105,038,019</b>	<b>\$553,418,316</b>	<b>\$658,456,335</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

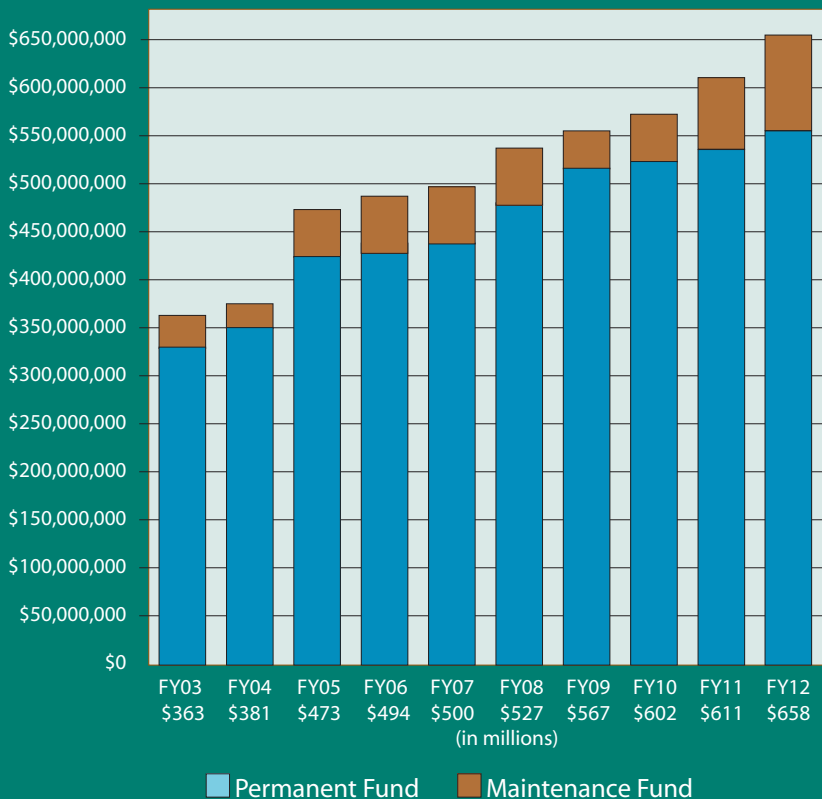
The first Land Commissioner, Alpheus A. Keen, was appointed. The second Commissioner, Robert P. Ervien, held the post both as an appointed official and an elected official.

Ray Powell is in his third term as the Commissioner of Public Lands. He 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)	.....	1907-18
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 2003-2012



to expand the network and capacity of electric transmission lines, which would allow New Mexico-generated power to be exported. Last year income to the Trust from solar, wind, biomass, and transmission leasing amounted to \$634,000.

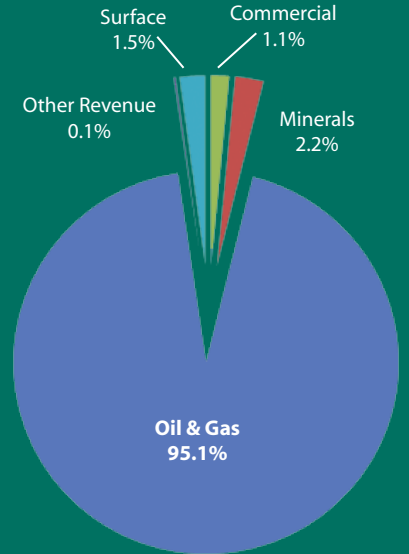
Surface Resources initiatives include working with the New Mexico Association of Counties to help interested counties update county roads that cross Trust Lands, reviewing water leasing procedures and the right-of-way fee schedule, and incorporating historical rights-of-way location information into the State Land Office's existing geographic information system. The total revenue generated by Surface Resources during fiscal year 2012 was \$11.6 million, a slight drop from the previous year because of less activity in the industry.



## Revenues by Source Fiscal Years 2008-2012

	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	2012 over (under) 2011
<b>RENTALS</b>						
Sand & Gravel (M)	17,660	6,373	5,994	9,481	6,095	(3,386)
Sand & Gravel Interest (M)	1,734	359	2,471	33,473	-	(33,473)
SpecialUseAgreements	550	990	1,550	1,205	1,632	427
Potash (M)	14,018	95,623	45,240	130,340	41,652	(88,688)
Grazing (S)	7,082,752	7,427,345	5,216,784	5,918,144	5,429,688	(488,456)
Salt (M)	705	530	190	22,806	1,448	(21,358)
Coal Rental (M)	44,240	40,505	32,014	30,800	37,305	6,505
General Mining (M)	145,505	263,370	98,959	105,277	59,993	(45,284)
Shut-in-Royalty (O/G)	51,995	48,499	66,345	58,118	39,443	(18,675)
Oil & GasRental	2,214,788	2,248,154	2,196,337	2,229,131	2,194,148	(34,983)
Oil & Gas Bounces (O/G)	44,697,821	33,655,610	67,737,163	55,360,518	102,042,763	46,682,245
Oil & Gas Interest (O/G)	2,865,485	1,807,271	3,462,079	12,013,542	3,061,813	(8,951,729)
Seismic Permits	66,720	40,600	25,400	15,140	49,600	34,460
Business Leases (C)	1,769,868	2,659,604	2,166,607	3,107,845	2,609,611	(498,234)
Business Leases Interest (C)	1,679	12,711	4,330	17,547	-	(17,547)
Business Lease Options	-	30,187	-	812,376	112,010	(700,366)
Billboards( C)	89,506	73,263	66,884	142,038	176,155	34,117
Geothermal Rental (M)	1,620	1,774	50	4,002	1,628	(2,374)
Water (S)	689,603	632,588	779,306	906,977	834,243	(72,734)
Salt Water (C)	200,520	782,302	1,554,701	1,710,315	1,957,651	247,336
Right-of-Way (S)	4,604,801	4,270,727	2,220,899	3,782,073	3,159,709	(622,364)
Solar Energy	-	-	-	40,778	1,152	(39,626)
Wind Energy	-	-	-	10,000	219,196	209,196
Biomass	-	-	-	-	-	-
Energy Transmission	-	-	-	29,803	29,811	8
Land Contracts Interest (C)	-	-	-	-	-	-
Land Contracts Penalty (C)	-	-	-	-	-	-
Gas Storage Units (C)	159,936	147,789	140,177	164,719	308,551	143,832
Fuelwood (S)	1,630	20	780	880	2,050	1,170
<b>SUBTOTAL</b>	<b>64,723,136</b>	<b>54,246,193</b>	<b>85,824,259</b>	<b>86,657,328</b>	<b>122,377,347</b>	<b>35,720,019</b>
<b>OTHER</b>						
Fees & Copies (O)	574,120	470,553	493,459	722,183	680,925	(41,258)
Interest on Cash Deposits (O)	5,967,844	1,148,817	176,762	226,205	214,688	(11,517)
Other	30,648	32,702	14,771	109,951	37,224	(72,727)
<b>SUBTOTAL</b>	<b>6,572,611</b>	<b>1,652,072</b>	<b>684,992</b>	<b>1,058,339</b>	<b>932,837</b>	<b>(125,202)</b>
<b>TOTAL RENTAL AND OTHER</b>	<b>71,295,747</b>	<b>55,898,265</b>	<b>86,509,251</b>	<b>87,715,667</b>	<b>123,310,484</b>	<b>35,594,517</b>
<b>ROYALTY</b>						
Sand & Gravel (M)	1,177,750	921,830	1,385,696	1,314,760	3,596,239	2,281,479
Potash (M)	470,700	2,135,650	1,814,816	2,492,553	2,629,627	137,074
Salt (M)	81,509	107,584	66,400	88,001	196,881	108,880
Caliche	404,894	460,447	499,715	573,906	850,285	276,379
Coal (M)	4,631,633	13,596,611	7,652,203	7,335,878	7,064,806	(271,072)
General Mining (M)	-	-	-	-	512,940,790	512,940,790
Oil & Gas (O/G)	459,916,308	459,576,769	316,466,037	398,001,680	9,225	(397,992,455)
Land Contracts (C)	8,181,047	3,736,233	2,317,742	1,506,864	1,567,500	60,637
Water (S)	35,321	34,856	72,640	163,942	500	(163,442)
Geothermal	-	56,294	194	17,925	181,873	163,948
<b>TOTAL ROYALTY</b>	<b>474,899,162</b>	<b>480,626,273</b>	<b>330,275,443</b>	<b>411,495,508</b>	<b>529,037,726</b>	<b>117,542,218</b>
<b>GRAND TOTAL</b>	<b>546,194,909</b>	<b>536,524,539</b>	<b>416,784,694</b>	<b>499,211,175</b>	<b>652,347,910</b>	<b>153,137,035</b>
<b>OIL &amp; GAS REVENUE</b>						
Oil & Gas Rental	2,214,788	2,248,154	2,196,337	2,229,131	2,194,148	(34,983)
Oil & Gas Bonuses (O/G)	44,697,821	33,655,610	67,737,163	55,360,518	102,042,763	46,682,245
Oil & Gas Interest (O/G)	2,865,485	1,807,271	3,462,079	12,013,542	3,061,813	(8,951,729)
Oil & Gas Royalty (O/G)	459,916,308	459,576,769	316,466,037	398,001,680	512,940,790	114,939,110
<b>Total Oil &amp; Gas Revenue</b>	<b>509,694,402</b>	<b>497,287,804</b>	<b>389,861,616</b>	<b>467,604,871</b>	<b>620,239,514</b>	<b>152,634,643</b>
	<b>93.3%</b>	<b>92.7%</b>	<b>93.5%</b>	<b>93.7%</b>	<b>95.1%</b>	

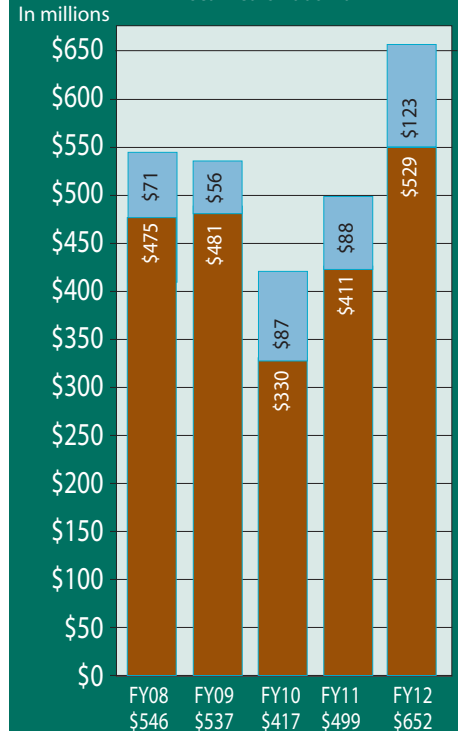
## Revenue by Resource Category



Commercial	\$6,981,637
Minerals	\$14,546,916
Oil and Gas	\$620,278,957
Other Revenue	\$932,837
Surface	\$9,607,563

## Total Revenues

Fiscal Years 2008-2012



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



# 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

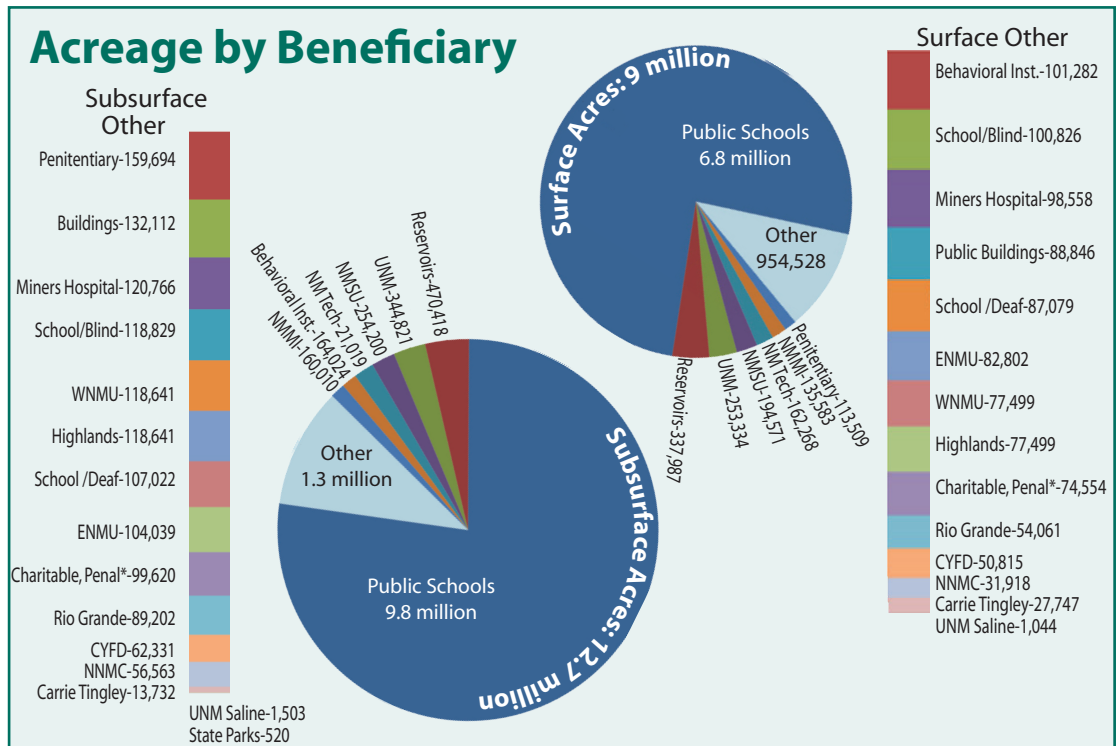
Even before New Mexico was a state, there was the beginning of a land trust. The Office of the Commissioner of Public Lands was created by the passage of the Ferguson Act on June 21, 1898. The appointed Commissioner, along with the territorial governor and the solicitor general of the territory, made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



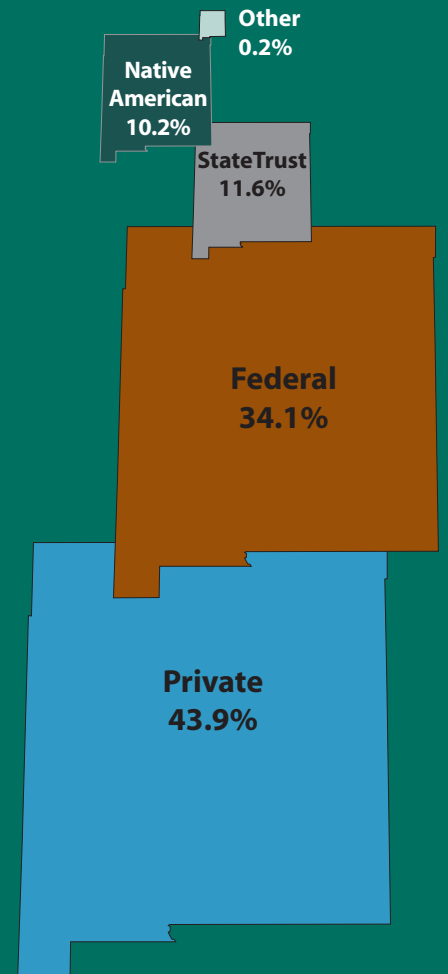
The Commissioner of Public Lands converted from an appointed position to a statewide elected position when New Mexico achieved statehood in 1912. The Commissioner administers New Mexico's State Trust Lands. Money from the uses of State Trust Lands is distributed to the trust beneficiaries directly or 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 2012, the Trust Lands generated \$652.3 million, including \$529 million from nonrenewable sources and \$123.3 million from renewable sources, bonuses and fees.

## New Mexico Land Ownership

77,666,400 Total Acres





# LAND TRUSTS ADVISORY BOARD

## State Land Trusts Advisory Board

Martin A. Suazo  
**Chairman**

William Sauble  
**Vice Chairman  
Agriculture**

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

David Bacon  
**Conservation**

Dr. Constance Falk  
**Beneficiaries**

Lance Sigmon  
**General Public**

Renata Witte  
**Beneficiaries**

## 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

# MINERAL RESOURCES

**Assistant Commissioner**  
Greg Bloom

**Director  
Oil, Gas and Minerals**  
Larry Roybal

**Director  
Royalty Management**  
Kurt McFall

## An Irreplaceable Resource

Mineral Resources comprises activities and programs related to subsurface natural resources – oil, gas, and minerals. The group has two divisions: the Oil, Gas and Minerals Division and the Royalty Management Division. Together these two bring in more than 95 percent of State Land Office revenue. In fiscal year 2012, this revenue amounted to more than \$600 million — a record for the State Land Office. This record reflects strong, sustained oil prices, increased oil production from fiscal year 2011 levels, and solid interest in State Land Office oil and gas lease sales. Although oil prices were good over the course of the year, the price of natural gas decoupled from that of oil, and total royalty revenue was dragged down by low natural gas prices.

The Oil, Gas, and Minerals Division manages subsurface resources, evaluates commodity resources, administers the monthly oil and gas lease sale, processes mineral royalty revenue, and administers leases for oil, natural gas, carbon dioxide, sand and gravel, coal, potash, salt, geothermal energy, and other

natural resources. The division leases, manages, and oversees all mineral exploration and development on New Mexico Trust Lands. Responsibilities include leasing and management of more than 9,600 oil and gas leases and 173 mineral leases, together covering 3.1 million acres of the 13 million acre trust mineral estate. The division has 15 staff members, with three forming the Minerals Group and the others specializing in oil and gas geology, engineering, leasing, and lease management.

The Royalty Management Division administers 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 auditing of royalty data, the management of production unit and 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 19 full-time employees: Revenue



State Land Commissioner Ray Powell signed a conservation agreement with the U.S. Fish and Wildlife Service in March 2012 that protects the Lesser Prairie-Chicken and Dunes Sagebrush Lizard on State Trust Lands, while encouraging the economic viability of oil and gas production in the Permian Basin. The agreement was signed by the Commissioner, Joy Nicolopolous with the U.S. Fish and Wildlife Service, and Douglas Lynn, with the Center for Excellence for Hazardous Materials Management, or CEHMM, a private, nonprofit research organization working on reclamation and remediation.

Processing, Audit, and Compliance. The Royalty Management Division is strongly dedicated to customer service and endeavors to provide all of the information and training necessary to ensure the accurate and timely filing of royalty returns. The Royalty Management Division also works with the Oil and Natural Gas Administration and Revenue Database (ONGARD) Service Center to ensure that oil and gas programs meet the business rules set by the State Land Office.

### Oil and Gas Activity

The basis of all Land Maintenance Fund oil and gas revenues generated for the beneficiaries is the competitive public auction of tracts on the third Tuesday of each month. The sale is the culmination of work by the Oil, Gas and Mineral Division's Oil and Gas section, which selects and evaluates nominated tracts, assigns royalty rates, and publishes both a hard copy and online notice of the sale. 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.

Oil and gas leasing is the most regulated program in the Land Office. The leases are statutory and the methodology for the evaluation of tracts is clearly defined by law as well as the required elements of the sale notice. Lease terms and royalty rates have not been changed by the New Mexico Legislature since 1985. In restricted areas (generally areas of known production like the the San Juan and Permian basins), leases are issued for a term of five years at royalty rates of 1/8, 1/6, 3/16 or 1/5 of revenues. Leases in frontier areas (parts of the state outside the known production areas) are issued for 10 years at 1/8 royalty. New Mexico statutes, sections 19-10-1 through 19-10-70 NMSA 1978, and State Land Office rules, sections 19.2.100 and 19.2.17 in the New Mexico Administrative Code, deal specifically with oil and gas activity on state lands.

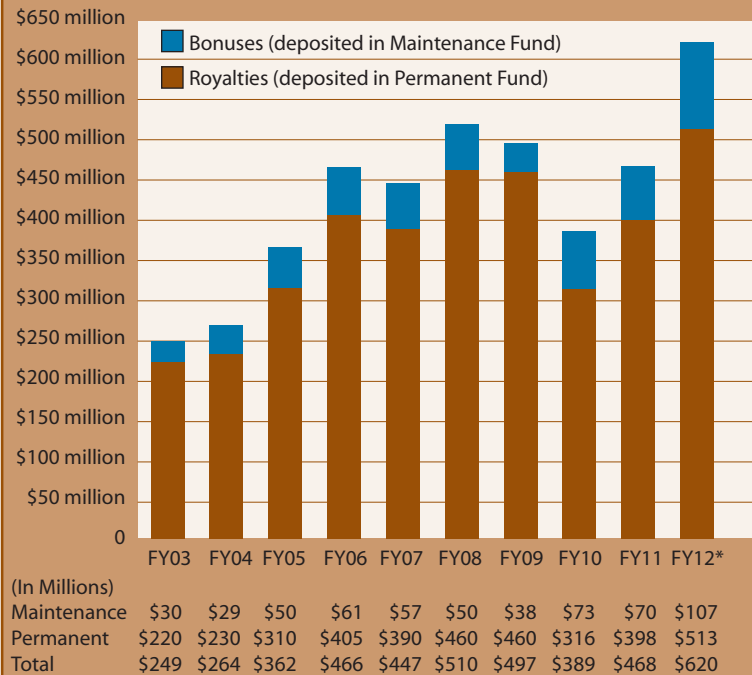
The Oil, Gas and Minerals Division helps forecast revenues from 18 sources

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.

Fiscal year 2012 saw a record high total bonus income of more than \$102 million from lease sales to the oil and gas industry. This represents an average of \$1,047 per acre, a 46 percent increase over FY11 and 35 percent over the previous record set in fiscal year 2010. Additionally, the Oil and Gas section issued 380 new oil and gas leases encompassing 96,500 acres, processed 4,200 lease assignments (up from 655 the previous year) and 203 miscellaneous instruments, and approved 113 communitizations (mineral lands pooled together), three unit agreements, 60 unit plans of develop-

## Oil and Gas Revenues 2003-2012



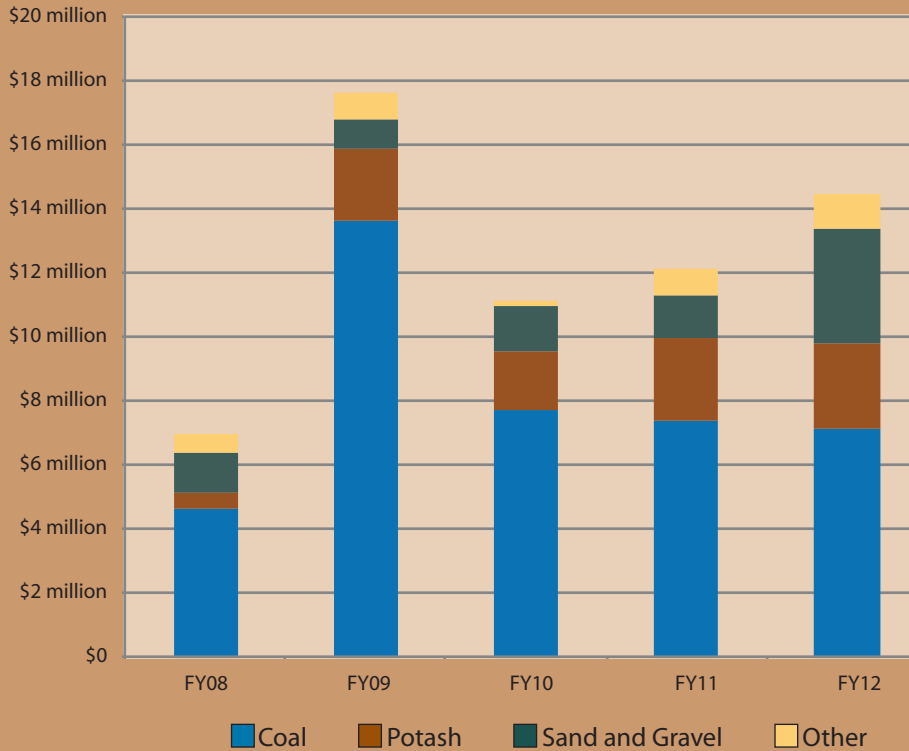
ment, and seven geophysical permits that generated \$52,800.

In March 2012, Commissioner Powell signed a Candidate Conservation Agreement with Assurances (CCAA) with

ing geothermal resources and the mining of coal, salt, caliche, sand, gravel, potash, and other resources. Fiscal year 2012 saw a slight overall increase in revenues from the previous year, with higher royalties from potash and sand and gravel. These resources generated more than \$14 million in income for the Trust.

The Minerals Group was busy this year working on a wide range of projects, such as issuing and overseeing the agency's first lease to mine humate, a type of coal-related deposit used to condition soil. The group worked with an interested party on what may potentially be a new humate operation. The group also worked with Intrepid Potash on a solution mining operation, which broke ground in early June, and continued to work with Intercontinental Potash to get operations started. Currently, work is proceeding for a geothermal lease sale in the near future.

## Mineral Revenue 2008-2012



the U.S. Fish and Wildlife Service and the Center for Excellence in Hazardous Material Management to protect the Dunes Sagebrush Lizard and the Lesser Prairie-Chicken on state land. This agreement insures the agency's ability to lease oil and gas tracts in the Permian Basin should either species be listed under the Endangered Species Act. The agency's 247,000 enrolled acres make this the largest such conservation agreement of its type in the nation's history. This CCAA and similar agreements were lauded by the federal government for their role in having kept the Dunes Sagebrush Lizard from being listed. Agreements of this sort reflect the office's belief that conservation and financial goals can be balanced.

### Minerals Activity

The State Land Office's three-person Minerals Group currently manages more than 173 site-specific leases cover-

The State Land Office's sand and gravel leases are the most active mineral leases 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 any new disturbance, reclamation of disturbed land, and reseeding with native vegetation as appropriate for the area when the site is closed. Required plans for mine operations and reclamation ensure logical progression of mining and simultaneous reclamation. Bonds or other financial guarantees are also required to protect Trust Lands and the collection of royalties. Inspections are made on a regular basis, with close coordination with the Field Division.

Sand and gravel revenues increased significantly over the previous year while revenues from all other minerals were relatively steady.



Seven minerals audits were conducted and while most lessees were in compliance with royalty payments, one audit collected over \$13,000. Additionally, the Minerals Group processed 51 leases and conducted 40 site inspections.

### Royalty Management

The Royalty Management Division in fiscal year 2012 collected, processed and paid into the Land Grant Permanent Fund approximately \$513 million in oil and gas royalty revenue on behalf of beneficiaries—a record sum for the State Land Office. The division paid an additional \$3 million in interest into the Land Maintenance Fund.

### Revenue Processing Bureau

Oil and gas producers report and pay 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 volumes, values, deductions, royalties due from specific production units and leases, and other key data. For fiscal year 2012, 99.6 percent of return detail lines were filed electronically through online applications.

The Revenue Processing Bureau is responsible for evaluating and reconciling royalty returns to accurately distribute royalty revenue to the appropriate

beneficiaries. This evaluation process often involves contacting oil and gas remitters to correct errors, match payments received to the appropriate royalty return, and release the returns for processing through the ONGARD system programs. On completion of each royalty report through ONGARD system processes, the revenue processing analysts are responsible for reconciling the royalty return and validating any notices generated by the program. This analysis includes the verification of all assessments and credits prior to mailing them to the royalty filer.

In fiscal year 2012, the Revenue Processing Bureau evaluated and reconciled 3,925 oil and gas royalty returns containing more than 384,000 detail lines, an increase of over 11 percent in detail lines processed. In addition to the processing of royalty returns, the Revenue Processing Bureau is also responsible for the calculation and notification to remitters of their advance royalty payment requirements on an annual basis. Other tasks include performing account reviews of outstanding notices and the calculation and management of advance royalty deposit requirements.

### Audit Bureau

The Royalty Management Division administers a comprehensive audit program

to ensure that companies are reporting and paying the royalties they legally owe. In fiscal year 2012, the Audit Bureau collected \$5.9 million in underpaid royalties. In addition to conducting audits, the bureau assists in litigation and provides statistics for use in forecasting revenues.



*Humate is being mined on State Trust Land for the first time in many years. Humate, also known as oxidized lignite or leonardite is used to condition soil to provide a concentrated source of natural humus, lacking in some agricultural soils. Humate comes from the decaying remains of tropical rain forests. This humate mine near Torreon has a layer of humate 10 to 12 feet thick.*

Over the past fiscal year, the Audit Bureau worked with the oil and gas industry, the Oil Conservation Division and the Taxation and Revenue Department to better define royalty-reporting elements. This helped improve the performance of the ONGARD database. The bureau recently expanded its Audit Group with the addition of two new auditors for the purpose of enhancing audit coverage.

### Compliance Bureau

The Compliance Bureau is responsible for the management of the royalty suspense process and the collections process. When a royalty return is submitted containing incomplete or incorrect

royalty data, the funds cannot be distributed to the proper beneficiary. This causes such funds to be put into suspense. To distribute the reported royalties, the royalty suspense process involves assisting royalty payers with missing or incorrect property identifiers on royalty returns

Each month, the Compliance Bureau is responsible for sending a list of all suspended royalty detail lines to the filer of those lines to help the filer correct invalid data. To assist with this endeavor, the Compliance Bureau uses a web-based application that allows the royalty filer to correct the invalid data submitted. This application has reduced the need for the royalty payer to

file an additional report to make corrections to submitted data, thus increasing efficiency and reducing the time required to process the additional report. The suspense balance as of June 30, 2012, was \$3.45 million, or 0.67 percent of total royalty revenue, meeting the

bureau's goal of maintaining suspense at less than 1 percent of revenue.

The Compliance Bureau is also responsible for collecting outstanding bills and the management of production unit and lease information commonly called pun/lease data. In fiscal year 2012, the bureau sent out 189 letters to royalty filers who had outstanding notices in an effort to clear these notices through the payment of assessments and the use of credits. In the management of pun/lease data, the Compliance Bureau is responsible for the mailing of pun/lease notices to the appropriate parties on a monthly basis for use in return filing and the maintenance of beneficiary and state net interest verification. During fiscal year 2012, the Compliance Bureau worked closely with the ONGARD Service Center to create an online billing statement application that allows royalty remitters to view all of their outstanding notices.

*The Rainmaker Pit was originally leased in August 2005 and had been mined for rock for various highway projects in the Ruidoso area. In 2009, a high wall was developing and by 2011 it had reached 40 to 50 feet high. Illegally dumped soils on the surface also needed to be addressed. FNF New Mexico, LLC, had taken over the lease from a former lessee and ultimately worked with the New Mexico State Land Office to reclaim the site.*

July 2011



Michael Mariano, Minerals

April 2012



Michael Mariano, Minerals

# COMMERCIAL RESOURCES

## Ventures with a Future

**Assistant Commissioner**  
Don Britt

**Director**  
Tom Leatherwood  
Brian Bingham (until 1/12)

The Commercial Resources Division manages State Trust Land to provide the best financial return for trust beneficiaries, primarily through leasing, but also with strategic planning, land sales, and land exchanges. Commissioner Powell has initiated a community partnership program that entails working with each community through joint planning agreements and economic development strategies. Community partnerships and other programs help build strong relationships with local governments. By working with local governments, the State Land Office assures State Trust Land is developed to support local community goals for housing, mixed-use planned communities, community services and economic development, while at the same time optimizing the land use and revenues for beneficiaries.

The division's staff of 11 is divided into two sections: the lease management section and the project management section. The lease managers oversee the day-to-day management of more than 800 business leases on about 375,000 acres of Trust Land. The leases include uses such as retail, office and industrial; telecommunication sites; oil- and gas-related surface uses; underground gas storage units; real estate planning and development; renewable energy (solar, wind, and biomass); and billboards. As fiscal year 2012 closed, the division earned \$4,162,077 from leasing.

The project management section consists of professional staff continually working with lease applicants and local and federal governments to facilitate the due diligence of complex leases, process long-term leases, resolve planning issues and manage land exchanges. The project management staff is also responsible for auditing leases on a case-by-case basis for compliance, record-keeping and financial accountability. The revenue earned from commercial leasing is deposited into the maintenance fund for immediate distribution to trust beneficiaries.

The Commercial Division has identified more than 50,000 acres of Trust Land in the path of growing urban areas and is in the process

of identifying land ideally situated for renewable energy projects. As part of this initiative, the State Land Office is creating partnerships directly with local government to jointly plan and lease land that supports local goals for community development and economic development. The division also encourages partnerships with the private sector to develop Trust Lands. Because the State Land Office cannot reinvest revenues to develop its land we



*Assistant Commissioner Don Britt visited the Dixon Apple Orchard with New Mexico State University fruit tree expert Shengrui Yao to assess the health of the trees.*

partner with the private sector through planning and development leases, which allows for various types of disposition. Private developers who make creative investments under a planning and development lease through joint planning, infrastructure development, and marketing may be rewarded

ries. These exchanges occur on a limited basis with the private sector but are more frequent with local governments and the federal government.

In response to a recent Supreme Court decision a revised Rule 21 was adopted for processing private land exchanges. Also in response to an opinion by the

State's Attorney General, a new revised Rule 22 was implemented for planning and development leases. The new Rule 22 promotes transparency in the planning and development lease process and helps assure long-term income for trust beneficiaries. Both rules have been subjected to multiple public meetings for review and input throughout the state. These new rules can be found online on the

*A signing ceremony to lease about 11,000 acres of State Trust Land in Roosevelt County to the U.S. Air Force took place in January. The lease allows the U.S. Air Force to expand territory for training in the Melrose area. Governor Susana Martinez and Assistant Secretary of the Air Force Terry Yonkers joined Commissioner Powell in signing the documents for the lease.*



through the added value created from actual development of the Trust Land. The goal is quality development for local communities and significant income for beneficiaries.

The division also manages all land sales and exchanges. Commissioner Powell believes the sale of Trust Land is rarely the best option, and the land should

be preserved as an asset and leased for the benefit of both current and future generations. When land is sold, proceeds are deposited into the Land Grant Permanent Fund and subsequently generate revenue for trust beneficiaries from investment income. Land exchanges often provide good opportunities for the State Land Office to consolidate holdings for better land management or to acquire lands that present income opportunities for trust beneficia-

agency's website.

Renewable energy leasing – primarily solar and wind – represents a relatively new and growing source of income to the Trust. Revenues from renewable energy leases are expected to be the largest growth area for commercial leasing in the near future. New Mexico is a leader in the nation in terms of potential

## Map of Partnerships Projects

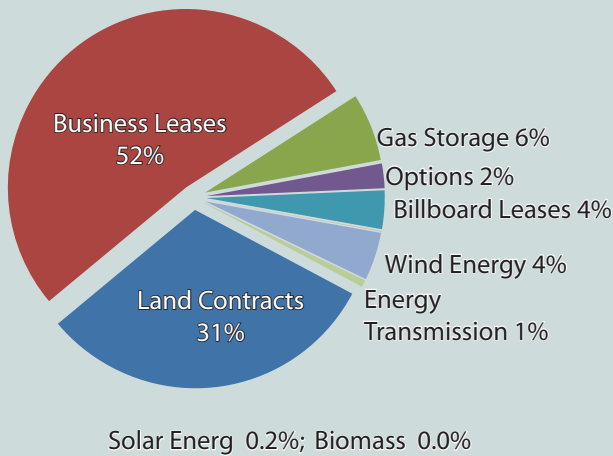


wind-generated electric power production capacity and second in the nation for solar-generated electric power production capacity. The State Land Office is also working cooperatively with other government agencies and the private sector to expand the network and capacity of electric transmission lines, which would allow New Mexico-generated power to be exported. Last year income to the Trust from solar, wind, biomass, and transmission leasing amounted to \$633,916. It is estimated that, as transmission lines are developed throughout the state, trust revenues from the production of renewable energy will grow substantially.

## Commercial Resources Revenue 2008-2012

	FY08	FY09	FY10	FY11	FY12
Land Contracts	8,181,047	3,736,233	2,317,742	1,506,864	1,567,500
Business Leases	1,771,548	2,672,316	2,170,937	3,125,392	2,609,611
Gas Storage Units	159,936	147,789	140,177	164,719	308,551
Options Agreements		30,187		812,376	112,010
Billboard	89,506	73,263	66,884	142,038	176,155
Solar Energy				40,778	1,152
Wind Energy				10,000	219,196
Biomass				0	0
Energy Transmission				29,803	29,811
<b>Totals</b>	<b>10,202,036</b>	<b>6,659,788</b>	<b>4,695,741</b>	<b>5,831,970</b>	<b>5,023,986</b>

## Commercial Resources Revenue by Source



# SURFACE RESOURCES

**Assistant Commissioner**  
Mike Anaya

**Director**  
Donald Martinez

**Acting Director**  
Mary Dubose  
(retired 9/11)

**Manager  
Rights of Way Bureau/  
Water Leasing Bureau**  
Anna Villa  
(retired 9/11)

## Cooperative Efforts

Surface Resources is responsible for generating revenue for trust beneficiaries through the administration of agricultural leases, rights-of-way, and special access. Surface Resources works cooperatively with lessees, local communities, public businesses, and government agencies. Staff strives to be knowledgeable, professional, and ethical while ensuring all leases are in the best interest of the Trust.

In addition to strengthening a partnership with the agricultural community, Surface Resources initiatives include the following:

- **County Road Project:** Surface Resources worked in partnership with the New Mexico Association of Counties to help interested counties update county roads that cross Trust Lands.
- **Water Leasing Policy:** Surface Resources continued to review water leasing procedures, fees, and royalties.
- **Right-of-Way Fee Schedule:** Staff assessed appraisal data to update the right-of-way fee

schedule, which will include directional drilling fees and updated bonding requirements.

- **Digitizing Historical Rights-of-Way:** Staff made progress on efforts to digitize historical rights-of-way parcel location information and incorporate it into the existing geographic information system framework.

The total revenue generated by Surface Resources during fiscal year 2012 was \$11,565,214. Oil and gas production activity will impact the performance of the Salt Water and Water Royalty Programs.

During fiscal year 2012, staff processed 1,272 leases with 620 in Agricultural Leasing and 652 in Rights-of-Way/Water Leasing. The new right-of-way easements are expected to be incorporated into the Land Management Information System (LIMS) in pre-production. Digitizing the rights-of-way will increase the efficiency of processing applications and will provide more accurate information to staff and clients on rights-of-way locations using the geographical information system available on the agency website.

Surface Resources staff visited sites throughout the state to investigate issues and ensure any violations were brought into compliance. Surface Resources also assisted Field Operations with a restoration project in the Rio Grande bosque as an agency initiative of promoting sound land stewardship.



*At the Association of Counties meeting in Las Vegas in June 2012, a ceremony celebrated the signing of a memorandum of understanding between statewide counties and Commissioner Powell that resolved a long-standing dispute about rights-of-way to county roads through State Trust Lands. Individual agreements were also signed for rights-of-way to county roads with Guadalupe, Harding, McKinley, Mora, Sandoval, San Miguel, Santa Fe, and Taos counties.*

## Agricultural Leasing

The Agricultural Leasing Bureau manages activities related to the leasing of State Trust Lands for livestock and crop-land production. The State Land Office supports protecting the long-term health of rangelands while also promoting a multiple use concept. Agricultural leases co-exist with other types of leases and land uses such as renewable energy production, oil and gas development, and recreational activities. Agricultural Leasing manages about 3,500 leases covering more than 8.8 million surface acres.

Thoughtful management of rangelands becomes increasingly important in areas experiencing drought. Agricultural Leasing maintains a close relationship with lessees and strives to meet their needs to continually improve leasing activities and promote stewardship of Trust Lands. The bureau works with the federal Farm Services Agency, federal Natural Resources Conservation Service and others to help lessees participate in the Conservation Reserve, Environmental Quality Incentive, and Ogallala Aquifer Recharge programs and other conservation and environmental programs that promote managing lands more efficiently and effectively.

Every year, one-fifth of agricultural leases are renewed. Agricultural Lease Renewal Workshops were held in Artesia, Clayton, Quemado, and Santa Rosa to directly help lessees and gather public comment on the process.

Rentals assessed on agricultural grazing leases are calculated through a formula that 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. Fiscal year 2012 rates were consistent with the trend from fiscal year 2011.

Unauthorized use of Trust Land is a significant issue that takes priority in

this administration. Trespass and depredation of the land exposes the agency to liability and loss of revenue. The bureau is working with lessees on concerns of trespass and illegal dumping.

For example, the division is continuing the work on the “river of tires” cleanup in Mora County and has taken steps to ensure the total cleanup of 8,900 cubic yards of chicken feces on Trust Land in Doña Ana County. Surface Resources works with hunters who have a valid hunting permit to ensure they

are able to use the land with exception of land withdrawn as unsuitable for hunting. Every effort is made to inspect and mitigate compliance issues in early stages proactively instead of reactively.

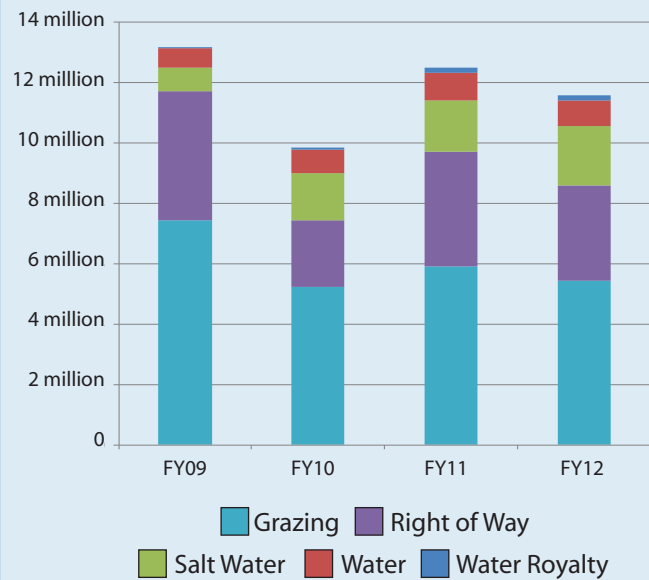
## Rights of Way/Water Resources

The Rights of Way/Water Resources Bureau administers more than 18,000 active leases for right-of-way easements, right-of-entry permits, outfitting and guiding permits, water easements, water rights agreements, water exploration and development easements, and archaeological surveys. Right-of-way easements are granted for pipelines, telecommunication lines, electrical lines and roadways.

A large percentage of the rights-of-way are issued for oil and gas development. Rights-of-way are issued for well pads as well as 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.

Water easements are issued for commercial water wells, exploratory wells,

## Surface Resources Revenue 2009-2012



# 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

water monitoring wells, and salt water disposal wells. The State Land Office is reviewing leasing procedures for deep water drilling on Trust Land, the process of extracting and producing water from depths exceeding more than 2,500 feet.

Right-of-entry permits are issued for a variety of special uses. These permits are issued based on individual need such as film production or for renewable energy companies to perform suitability studies on sites for renewable energy leases.

Commissioner Powell and the New Mexico Association of Counties signed a memorandum of understanding to establish a cooperative working relationship between the State Land Office and New Mexico counties to identify roads that do not have an executed right of way and to bring county roads into compliance with state rules and regulations. Counties will continue to maintain roads as part of the agreement. Individual agreements were also signed for rights-of-way to specific county roads that cross Trust Lands for Guadalupe, Harding, McKinley, Mora, Sandoval, San Miguel, Santa Fe, and Taos counties.

Surface Resources was part of the first meeting of the State Land Office Sportsmen's Advisory Committee. At the meeting, the committee proposed designating parts of Game Management Unit 48 in Colfax and Mora counties as off-limits to allow these areas to redevelop vegetation and wildlife and reduce the effects of off-road vehicles scarring the land. Surface Resources supported the effort in addition to helping establish camping areas in the unit.



# FIELD OPERATIONS

## Field Support

**Assistant Commissioner**  
John Romero, DVM

**Director**  
Jim Norwick

Field Operations manages programs dealing with forest, range ecosystem and wildlife health. In addition, Field Operations supports the agency's leasing staff to facilitate appropriate leases that benefit the Trust. 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. 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 1 million acres of State Trust Land.

As drought and devastating fires continue to plague New Mexico, Commissioner Ray Powell intensified the division's effort to reduce risk of catastrophic fire and authorized an additional \$249,000 in funding for the task. By work-

ing collaboratively and pooling resources with other state and federal agencies, the division treated 1,884 acres in areas highly susceptible to catastrophic fire. The partner agencies and organizations included the State Forestry Division, state Department of Game and Fish, U.S. Bureau of Land Management, U.S. Forest Service; New Mexico Association of Counties, and Santa Fe County Fire Department. The majority of the projects occurred near communities at risk for catastrophic fire, with the balance of the projects focusing on forest health and vital habitat where prescriptive thinning increased resiliency to fire and insect outbreaks.

The State Land Office focused significant agency funding and resources at efforts to mitigate expected post-fire flooding at the Dixon Apple Orchard. The division expended substantial contract funds and personnel hours to reseed and stabilize burned slopes, re-contour the channel to manage higher flows, place concrete jersey barriers and sandbags, and remove hazard trees. Despite the massive effort, cataclysmic flooding originating from burned National Forest land sent a 25-foot wall of water through the orchard, causing devastation and destroying mitigation efforts. This risk of devastating flooding will persist at the orchard for years to come.



*Commissioner Ray Powell approved a pilot program to allow a limited distribution of firewood harvested on State Trust Land to people who were most in need of fuel for the winter. The Commissioner suspended the previous administration's Free Public Fuel Wood Program because it was both expensive and ineffective in getting wood to the most needy, and it did not reduce fuel loads or protect the land. Wood cutting was only allowed in areas that were designated according to strict standards that benefitted the forest, so the health of the land and this renewable resource could be protected.*

# 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

River restoration projects continued this fiscal year. 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 salt cedar, Russian olive, Siberian elm, and other invasive species. Catastrophic fires along the river corridor have also increased due to higher fuel loads, presenting a danger to nearby homes. The State Land Office is continuing 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 State Land Office received a grant for \$298,000 from the Bureau of

Reclamation to expand the restoration project in the future, in addition to the \$152,000 grant from the New Mexico Environment Department, which initiated the project.

Much like with the bosque restoration project, staff worked to achieve many of the same goals along the La Plata River in San Juan County. This river system is classified as impaired due to high sediment input, low dissolved-oxygen levels, and a high proportion of invasive plants. During spring 2012, work was done to improve the hydrologic connection with the floodplain through the mechanical lowering of banks to reconnect oxbows and side channels were created to increase the quality of soils for beneficial and wetland indicator plants, thus decreasing the frequency of non-native plants. Lastly, tributaries in the area that typically serve as the vectors of high sediment input into the river were rerouted to deposit this sediment onto the floodplain rather than the river. This will eventually aid in increased water quality for aquatic invertebrates and vertebrates alike.

# ADMINISTRATIVE SERVICES

## Supporting the Mission

The mission of Administrative Services is to provide excellent customer service to those earning revenue and working to protect the Trust. Those functions not related to leasing or field operation but necessary for management of the agency include: accounting and financial management, human resources, information technology, records management and printing and facilities management.

Administrative Services provides the State Land Office with 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 revenue, which is then disbursed to a specific beneficiary or a group of beneficiaries based on the revenue source. In addition, 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 2012 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, managed by the State Investment Council and invested under rules set out in the state constitution.

Record earnings allowed the agency to leverage emergency funds acquired through an Executive Order to address fire mitigation work at the Dixon Apple Orchard, a commercial lease on State Trust Land. Additionally, funding was redirected and increased to allow the agency to spend \$248,000 on thin-

ning forests and clean-up to mitigate fire risk. Additional funds were budgeted to address information technology needs. Some fiscal year 2013 planned expenditures were accelerated to fiscal year 2012 to allow the agency to focus on filling vacancies in fiscal year 2013.

Human Resources managed personnel issues for 153 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

**Assistant Commissioner**  
Elaine Olah

### Directors

Margaret Sena

#### Accounting

Sandra Lopez

#### Human Resources

Martin Davis

#### Information Technology

Lucille Sisneros

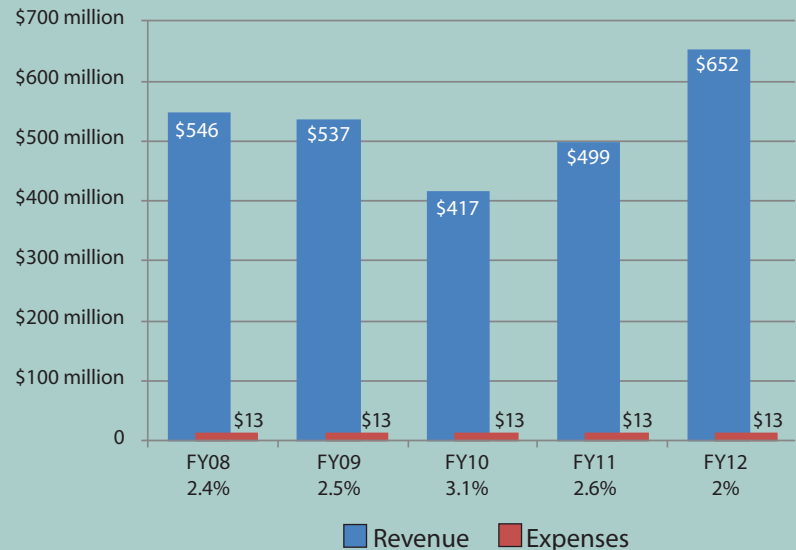
#### Records Management

Stephen Trujillo

#### Facilities Management

## Share of Revenue Spent on Administration

2008-2012



# Expenditures

## Fiscal Year 2012

### Personal Services/Employee Benefits

Salaries	7,121,404.72
Group Insurance	927,344.38
Retirement	929,814.21
FICA	517,773.47
Workers Comp Assessment	42,244.20
GSD Workers Comp Premium	328.90
Unemployment/Comp Prem	2,422.31
Employees' Liability Prem	13,760.00
Retiree Health Care Contr	127,186.76
Other Employee Benefits	193.78
<b>Total Pers Svc/Empl Ben</b>	<b>9,682,472.73</b>

### Contractual Services

Medical Services	-
Professional Services	60,034.41
Other Contract Svcs	775,395.51
Audit Services	27,327.99
Attorney Services	27,200.35
IT Services	162,422.49
<b>Total Contractual Services</b>	<b>1,052,380.75</b>

### Other Costs

Emp In-State Mileage/Fares	2,410.14
Emp In-State Meals/Lodg	39,091.08
Bd/Comm In-State Travel	2,984.72
Transp-Fuel And Oil	98,563.95
Transp Maint/Repairs/Parts	41,074.68
State Transportation Pool	522.38
Maint Grounds & Roadways	19,738.56
Maint Furniture/Fix/Equip	17,047.23
Maint Build And Structures	40,826.95
Property Insurance	13,508.00
Maintenance Supplies	13,991.73
Laundry/Dry Cleaning	6,771.56
Maintenance Services	607.24
It Maintenance	145,066.89
Supplies Inv Exempt It	165,806.20
Office Supplies	38,633.18
Medical, Lab & Pers Supplies	612.36
Field Supplies	15,289.17
Educ/Rec. Supplies	818.06
Supplies Inventory Exempt	82,542.33
Reporting/Recording	8,633.93
DoIT ISD Services	125,270.88
DoIT HRMS Fee	37,750.00
Printing/Photo Svcs	11,749.73
Postage And Mail Svcs	23,781.11
Utilities-Sewar/Garbage	3,203.80
Utilities-Electricity	60,738.15
Utilities-Water	12,176.84
Utilities-Natural Gas	12,447.51
Rent of Bldngs/Land	38,600.25
Rent of Equipment	76,210.77
Telecommunications	54,265.48
DoIT Telecommunications	130,648.18
Subscriptions/Dues	47,800.83
Emp Education/Training	28,875.46
Advertising	640.07
Miscellaneous Expenses	3,591.41
Prior Year Expenditures	876.10
Furniture And Fixtures	54,411.36
IT Equipment	282,664.27
Other Equipment	15,700.00
Automotive And Aircraft	140,331.92
Emp Out-State Milage/Fares	10,087.03
Emp Out-State Meals/Lodg	18,529.17
Bd/Comm O/S Meals/Lodging	739.85
<b>Total Other Costs</b>	<b>1,945,630.51</b>
<b>Total Other Financing Uses</b>	<b>498,900.00</b>

**TOTAL EXPENDITURES 13,179,383.99**

to ensure a common understanding of employee and management rights and responsibilities. Fulfilling Commissioner Powell's strategy to create a work environment that sets a standard for public service and creative problem-solving, every employee at the State Land Office participated in mediation training in 2012.

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 Bureau. In addition to managing the agency network, equipment and software, the division develops applications and 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 2012, the division launched the initial planning and design phase for a digital tract book – the primary tool for tracking ownership and leasing of State Trust Lands. A production ownership database is in the final development phase, which will provide users with an intuitive interface for ongoing maintenance and serve as the foundation to both the Land Information Management System (LIMS) and tract book applications. LIMS development continued with the systems requirements defined and the development of a request for proposals from private contractors, to be issued in September 2012. The appropriation for LIMS was extended and increased. In

addition, funding was appropriated to stabilize and modernize ONGARD.

Records Management provides essential information about the lands held in trust by the Commissioner of Public Lands. The Records Management Division ensures

## Top Priority: Ethics Training

Commissioner Powell solicited the help of a professional facilitator to bring mandatory mediation training to State Land Office employees that emphasized managing and diffusing conflict. Training was held in June 2012 and was mandatory for all employees and managers at the Land Office.

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 2012, the division focused on completing 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. The division updated master title and departmental tract books to reflect conveyance of lands between the State Land Office for the Bureau of Land Management Bisti land exchange. All new activity generated by the leasing divisions was posted to reflect the chain of title for each land section within a township and range. Staff also began work on microfilming the inactive permanent records that comprise the archives of the State Land Office. Additionally, work progressed

toward digitizing frequently accessed records to make them more easily accessible and updating the records vault.

In 1960, the State Land Office opened the State Land Office Building, now named the Edward J. Lopez State Land Office. The facility is operated and maintained by the staff of the State Land Office — most other state-owned offices are operated and maintained by the state General Services Department. A staff of maintenance workers, custodians and security guards operate the facility. The cost of repairs, renovations and maintenance, including staff equals 4.2 percent of the agency's expenditures. Included in the fiscal year 2012 costs was a remodel of the existing ground floor break area, an underused space that was redesigned to include a training room as well as functional break area for staff. Other initiatives included an extensive upgrade to landscaping around the facility that featured xeric native New Mexico plants. These plants use less water and will provide for wildlife around the facility. The landscaping will become part of the outdoor education program for New Mexico students.



*State Land Office held a Planting Day in June 2012. Staff planted xericape plants around the office building.*

# COMMUNICATION

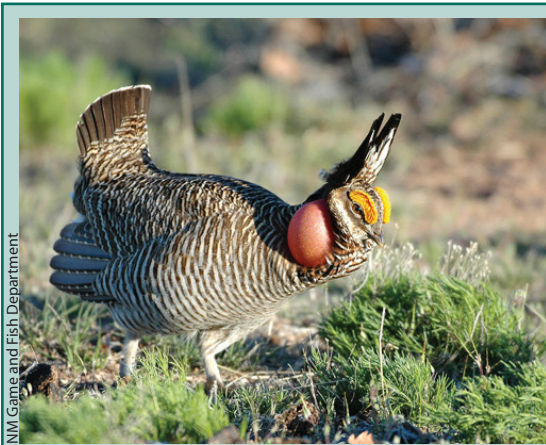
Assistant Commissioner  
Karin Stangl

## Engaging the Public

The State Land Office expanded outreach efforts to communicate with the public in fiscal year 2012. Newsletters were e-mailed to constituents, interests groups, and beneficiaries to better inform them about State Land Office policies and initiatives. These newsletters served not only to promote a greater awareness of the role of the agency in funding education but also helped generate feedback to develop successful strategies for expanding contributions in the future. 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 the event in January announcing the Melrose Training Range lease and the March announcement of the signing of the conservation agreement with U.S. Fish and Wildlife Service and the Center of Excellence for Hazardous Materials Management to protect habitat

in the Permian Basin for the Lesser Prairie-Chicken and the Dunes Sagebrush Lizard. The staff also took the lead in preparing for news conferences on Earth Day in April announcing an agreement with the University of New Mexico to study plants and animals on State Trust Lands, in June announcing an agreement with numerous New Mexico counties



Communications staff held numerous press conferences throughout the year, including one in March 2012 announcing an agreement among the State Land Office, the U.S. Fish and Wildlife Service and the Center for Excellence for Hazardous Materials to protect habitat in southeast New Mexico for the Lesser Prairie-Chicken and Dunes Sagebrush Lizard.

A special Earth Day news conference was held to celebrate the signing of an agreement between the State Land Office and the University of New Mexico Biology Department to share critical information about the species of plants and animals on State Trust Land. Under the memorandum of understanding, the university will share information collected by faculty, staff, and students who will be allowed to perform research on State Trust Land. The agreement was signed by Commissioner Powell and UNM's Dr. Julia Fulghum, Dr. Richard Cripps, and Dr. Joseph Cook.



to resolve long-standing disputes over rights of way to county roads through State Trust Lands, and in July announcing a cooperative effort with the City of Las Cruces to promote development of state lands.

The agency participated in a multi-agency “Wildfire Awareness” news conference in March, where Commissioner Powell expressed the need for fire prevention when it comes to preserving the state’s valuable Trust Lands. The news conference included participants from the Governor’s Office and State Forestry Division of the Energy, Minerals and Natural Resources Department, as well as federal land and forestry agencies and fire teams from the City of Albuquerque and Bernalillo County. Commissioner Powell in April announced fireworks, open fires, and smoking on State Trust Lands were banned until further notice. In 2011, forest fires such as the Las Concha Fire and the Track Fire, which both burned on State Trust Lands, demonstrated a trend of increasingly large and severe fires in New Mexico. More than 3,000 acres of forest on State Trust Land

burned and about 140,000 acres of State Trust Land were impacted by fires during 2011 with a majority of the acreage in grasslands.

Numerous public meetings were organized statewide by the agency’s communication team. They included meetings on Rule 21 Land Exchange changes in Las Cruces and Las Vegas followed by a public hearing in Santa Fe, as well as meetings on Rule 22 Planning and Development Lease changes in Las Cruces and Albuquerque followed by a public hearing in Santa Fe. There was also meeting in Las Vegas to deliver an update on access to the White Peak road.

Reaching out 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 joined Smokey Bear at a multi-agency federal-state Wildfire Awareness Week news conference in March 2012 at Albuquerque’s Tingley Beach to urge state residents and lessees to be prepared for wildfires and help prevent human-caused wildfires. Fireworks, open fires, and smoking were banned on State Trust Lands in April through the summer months.*

# EDUCATIONAL PROGRAMS, BENEFICIARY SERVICES AND TRIBAL LIAISON

**Assistant Commissioner**  
Christina Cordova

**Educational Coordinator**  
Miranda Miller

## Beneficiaries and Beyond

The Commissioner created the Educational Programs, Beneficiary Services and Tribal Liaison with responsibility for coordinating collaborative opportunities between the State Land Office and the private sector, local, federal, and tribal agencies and our beneficiary institutions.

The agency provides an education program to promote the mission, vision and goals of the State Land Office by developing and delivering public education and outreach programs. The program and associated initiatives are designed to effectively inform and educate a broad constituency of all age groups, build awareness and community support for the State Land Office's mission, and foster partnerships to help practice sound stewardship, conservation and sustainable use of natural resources on State Trust Land.

Education outreach initiatives link New Mexicans to the natural world and increase awareness about the State Land Office's role in generating revenues for public education. A wide range of subject matter is offered, and curriculum is age-appropriate and tailored to

meet the needs of the respective students. Subject matter includes archaeology, biology, botany, energy education, geology, range and forest management, watershed restoration, and wildlife habitat improvement. All public education institutions are eligible to participate in these 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. The students then learn about natural resources and the difference between non-renewable and renewable resources through creating posters about energy resources. They also 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.

### Outdoor Classrooms

The Outdoor Classroom Program offers students hands-on opportunities to visit State Trust Lands and learn about natural sciences from experts in biology, geology, archaeology, wildlife management, watershed health, renewable energy and other fields. Students rotate through stations learning about various topics relating to the natural environment and are offered field trips to visit State Trust Lands throughout the state.

### Adult Tour Program

From May through October, the State Land Office offered 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 has

*State Land Office staff helped students learn about native trees and plants that grow near rivers and streams in March 2012 as part of a restoration project on State Trust Land in the Albuquerque bosque. Students from the Bernalillo County Youth Services Center, a beneficiary of trust funds, helped cut and install beaver fence around young plantings side by side with agency field personnel. Volunteers planted native plants along the Rio Grande like wolfberry, sumac, New Mexico olive and golden currant.*





offered several adult tours and hosted visits to six archaeological sites. More than 100 community leaders participated in this program. In addition to archaeological sites, State Land Office arranged natural history hikes and visits to wind farms.

### Beneficiary Services

The State Land Office works side-by-side with educators, faculty, students, administrators and constituencies on special projects that benefit the state Trust. A memorandum of understanding (MOU) was signed on Earth Day 2012 between the State Land Office and the University of New Mexico Biology Department to share critical information about the species of plants and animals on State Trust Land. Under the agreement, the organizations will regularly exchange information gleaned by faculty, staff, and university students performing research on State Trust Lands.

### Tribal Liaison

The Tribal Liaison works closely with pueblo governors, tribal councils and coalitions to better enhance communications and relations between the State

Land Office and Native Americans in New Mexico. This landmark collaboration among the 19 pueblos, the Navajo nation, Apache tribe and the State Land Office fosters important, carefully crafted associations that help tribal leaders make informed decisions when contemplating action and enterprise that might affect surrounding State Trust Lands.

The State Land Office is committed to consulting and working with members of the tribes on issues of mutual importance, such as fostering economic development. The signing of memorandums of understanding with multiple pueblos has been valuable in preserving the cultural traditions and practices of the pueblos and enhancing collaborative opportunities with the State Land Office.

## Outreach in the Schools

### 2011-2012

#### Energy for Education

**3rd-5th graders**

Schools: 23  
Teachers: 79  
Students: 1816

#### Wind Class

**7th-8th graders**

3 classes  
Field trips  
Teachers: 6  
Students: 117

#### Rolling River Presentation

**4th-5th graders**

21 classes

#### Nature Explorers

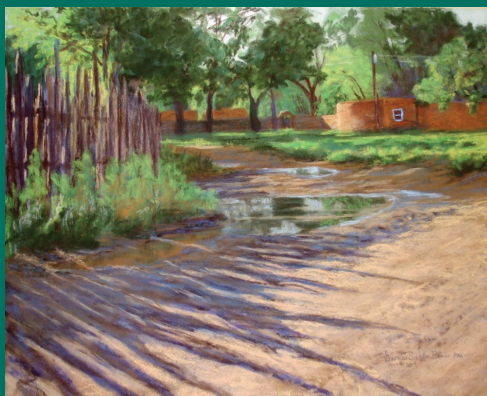
**After School Program**

Students: 7

#### Schools Reached

7 Bar  
Acalde  
Annunciation School  
Aspen  
Atalaya  
Bandelier  
Cochiti  
Corrales International School  
Enos Garcia  
Georgia O'Keeffe  
Hillrise  
Holy Ghost  
Kirtland  
North Star  
North Valley Academy  
Painted Sky  
Rio Grande Charter School  
Stapleton  
Sunset Mesa  
SY Jackson  
Taos Charter School  
Whittier  
Wood Gormley

Commissioner's Gallery exhibited works of art by a variety of artists throughout the year, with exhibits changing monthly. In January 2012, a Centennial exhibit was featured titled, "Good Morning New Mexico," by artist Georgie Bemis, which celebrated original landscape oil paintings from each of New Mexico's 33 counties. Also a unique brick face sculpture called, "Hope" by artist James Tyler was on display in fall 2011.



# LEGAL DIVISION

General Counsel  
Harry Relkin

## In New Mexico's Interest

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.

During the 2012 fiscal year, the top priorities and focus for the legal staff were the following:

- The office continued to prosecute the lawsuit filed April 18, 2011, against the party that dumped used tires on Trust Lands.
- Legal staff successfully settled the matter of illegal dumping of thousands of cubic

development, while assuring the Trust is not put at risk and mandating local community involvement.

- The Legal Division, in consultation with Commercial Resources, drafted a joint planning agreement between the State Land Office and the City of Las Cruces and helped shepherd its adoption by the city.



*Legal Division attorneys prepared for a hearing scheduled in December 2012 on the Dixon Apple Orchard lease. Commissioner Powell denied the Mullane Family's request to assign their lease to San Felipe Pueblo, which would give them \$2.8 million to compensate them for losing their Dixon Apple Orchard business to the Las Conchas Fire and subsequent flooding in 2011. Lease terms, set by the previous Land Commissioner, restrict assignments to people who "can demonstrate at least 20 years' experience in the successful management of an apple farm." San Felipe Pueblo did not meet this requirement and stated the same. San Felipe Pueblo has acknowledged that operating the apple orchard was not their objective; rather it is the protection of cultural and religious assets in the adjoining 8,500 acres of land, which is part of the lease. The family did not purchase business insurance, which makes it difficult to rebuild.*

The JPA promotes transparency and cooperation with local governments for the benefit of the Trust and local communities. The division is working on adoption of a similar agreement with Doña Ana County and

yards of chicken manure on Trust Lands with the removal of the feces.

- The office completed revisions of State Land Office Rule 21 (19.2.21 NMAC) on land exchanges in June 2012, after a repeal and redraft of the prior rule following a public participation process, to fully comply with the state Supreme Court decision regarding private exchanges.
- Staff continued to work on revisions of State Land Office Rule 22 (19.2.22 NMAC) on planning and development leases, scheduled to be in the final stages of the public participation process in August 2012. Final adoption is targeted for fall 2012. Initiating the revision of Rule 22 on planning and development leases was to ensure the Trust receives a more beneficial share of the increase in value created by the

is in the process of developing agreements with numerous communities throughout the state.

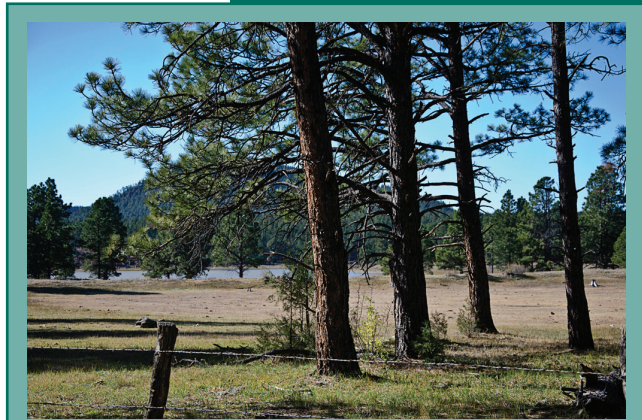
- Legal staff, in collaboration with the Commercial Resources Division, developed comprehensive renewable energy lease templates, continuing the Commissioner's active involvement in energy projects around the state, while respecting the traditional land uses and visions of local communities. The division providing legal for the bidding of a 50 megawatt solar lease in Luna County, expected to be ready in fall 2012.
- During 2012, the State Land Office actively participated in the Oil Conservation Commission hearings on revisions to New Mexico's "pit rule" regulating the disposal of oil and natural gas production waste. The Commissioner designated the

head of Mineral Resources to sit on the Commission and directed legal counsel to enter an appearance on the Commissioner's behalf. This commitment of staff resources reflects the Commissioner's commitment, not only to the best practices for New Mexico's oil and gas industry, but also to the long-term health of the land and striking the right balance between current returns and protection of the land and groundwater.

- Legal staff created a legal structure to enable forest thinning for fire prevention. In place of the State Land Office and the public conducting non-scientific wood cutting projects, wood-cutting projects now are tied to fire protection and health of the forest. The State Land Office has partnered with the National Guard to take the waste wood to the needy to provide them a needed fuel source for home heating.
- The Legal Division also assisted the Commissioner and the Field Operations Division on a Candidate Conservation Agreement with Assurances (CCAA) with the U.S. Fish and Wildlife Service regarding the Sand Dune Lizard and the Lesser Prairie-Chicken and the Trust Lands within their habitats. By signing the CCAA, the Commissioner played an important role in influencing

the decision of the Wildlife Service in its recent decision not to list the Sand Dune Lizard as an endangered species. This agreement helps ensure the protection of these species while allowing responsible oil and gas production, assuring revenues for the Trust and jobs for New Mexicans.

Of additional note is the successful and quick resolution of the two administrative contest proceedings to resolve disputes with grazing lessees, facilitating the lease to the U.S. Air Force adjacent to Canon Air Force Base and the Melrose Bombing Range. This action will help preserve and expand those important military missions, which in turn, helps preserve and grow New Mexico jobs. Also of importance was the success in defending on appeal of the Commissioner's decision to cancel the patent issued as part of a land exchange in the White Peak area, in accordance with a Writ of Mandamus issued by the state Supreme Court.



*District Court Judge Sarah Singleton issued a final order in January that Commissioner Powell took correct action in cancelling an exchange of State Trust Land in the White Peak area with the Stanley Ranch. The judge also determined the action was in accordance with an order issued by the New Mexico Supreme Court in January of 2011. David Stanley of the Stanley Ranch near Ocate filed an appeal of Commissioner Powell's ruling cancelling the land exchange. The exchange involved 7,205 acres of State Trust Land in the White Peak area and 3,327 acres of land on the Stanley Ranch in northern New Mexico. The exchange was initiated by former Land Commissioner Patrick Lyons. Commissioner Powell is committed to future land exchanges being done in an open, transparent manner.*

# LEGISLATION AND POLICY

Deputy Commissioner  
Bob Jenks

## Looking Forward

Almost 150 bills related to land issues were introduced in the 2012 state legislative session. All of these bills were closely monitored by the State Land Office legislative team.

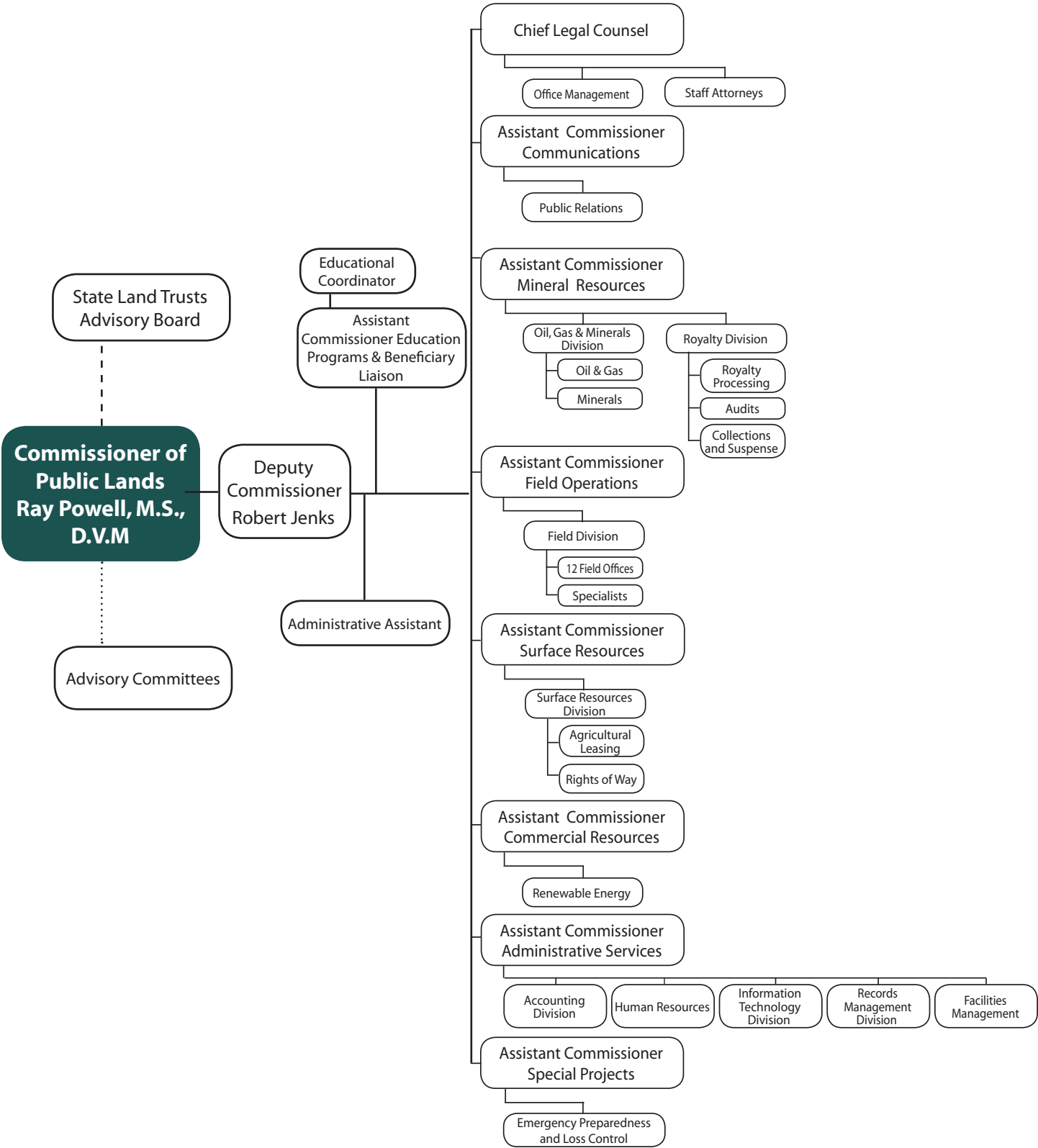
The State Land Office requested \$890,000 in legislative funding for tree-thinning programs to continue over the next two years. The request did not pass. Since then, increased oil and gas lease revenues have helped the agency's revenues to exceed original projections. About \$200,000 was set aside from the Land Maintenance Fund to cover

three thinning efforts this year. Because fuel reduction treatments will need to continue, the agency will again ask the Legislature during the 2013 session for money to fund tree-thinning programs.

The agency's budget remained flat this year. Budget issues will continue to be a focus for upcoming legislative sessions.



# ORGANIZATIONAL CHART





2011-2012  
ANNUAL  
REPORT