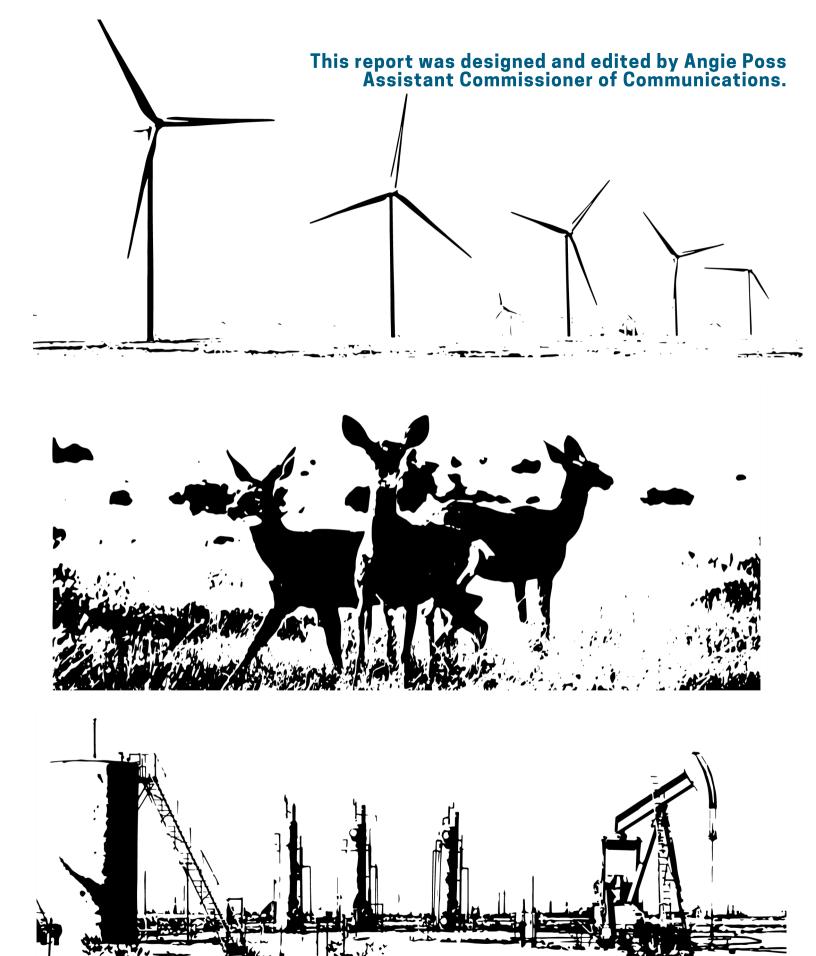


COMMISSIONER STEPHANIE GARCIA RICHARD

NEW MEXICO STATE LAND OFFICE

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MAKING HISTORY...



Stephanie Garcia Richard is the first woman, the first Latina, and the first educator to serve as New Mexico's Commissioner of Public Lands.

Born in Tucumcari and raised in Silver City, Stephanie learned at a young age the importance of serving others. Her father, a WWII veteran, was a teacher; her mother was active in their church and community. Stephanie grew up in a family that operated ranches on the eastern plains and northern mountains of New Mexico, sparking the strong connection to our land that she holds today. After graduating from Silver High School, Stephanie went on to receive her undergraduate degree from Barnard College at Columbia University in New York.

Stephanie was elected to the New Mexico House of Representatives in 2012. During her six years as a State Representative, she championed laws to increase access to a quality education, transparency, and investments in renewable energy, job training, and economic development. She served as Chair of the House Education Committee for two years before being elected Land Commissioner in 2018.



As Land Commissioner, Stephanie is focused on raising as much money as possible while always keeping an eye toward stewardship and preserving the land for generations to come. Stephanie is focused on diversifying the revenue that comes into the State Land Office by tripling the number of renewable energy projects, promoting outdoor recreation, and encouraging new and innovative commercial development on state trust land. With the largest continuous oil and gas resources potential ever assessed in the world sitting in Southeast New Mexico, and land that is prime for wind and solar development, she is committed to working to make more money for New Mexico while protecting the health of our land.

Commissioner of Public Lands Stephanie Garcia Richard

It is an exciting time to be serving as New Mexico's Commissioner of Public Lands!

As you'll see in this report, Fiscal Year 2019 was a historic and record breaking year for the State Land Office. For the first time ever, we saw revenue over \$1 billion. The oil and gas boom in the Permian Basin in Southeast New Mexico means record revenue is coming into state coffers. When revenues are high at the State Land Office, the biggest impact is felt in the place where it counts the most - in our public school classrooms. As a former public school teacher, I understand the direct impact of these funds and am working to assure that our public schools, universities, and hospitals get every dime that they are owed from all activity taking place on state trust land.

After all, I am constitutionally obligated to raise as much money as possible for the beneficiaries while also stewarding the land and assuring its health and conservation for future generations. I know that these two objectives are not mutually exclusive. I believe we can have a healthy, responsible oil and gas industry that pays its fair share while seeking every technology possible to protect our precious land, water, air, and wildlife.

While this boom has been a blessing to our state budget, we need to be realistic as we plan for the future of our state. Oil and gas is a finite resource, and we won't be able to rely on it to pay for our state's needs forever. That is why one of my top goals as Commissioner is to diversify the revenue that comes into the State Land Office by aggressively pursuing renewable energy generation, transmission and storage. The renewable energy future is in sight, and the State Land Office will be at the forefront of assuring that New Mexico is a leader in that future.

None of this work was done alone, and none of the work ahead of us will be either. I've learned in the past year that the State Land Office has some of the most dedicated, hardworking, and talented state employees in New Mexico, and I'm honored to come to work with them every day to make a difference. Thank you for giving me this opportunity.

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NEW MEXICO STATE LAND OFFICE

Since its inception over 100 years ago, the New Mexico State Land Office has remained one of the most vital state agencies in the Land of Enchantment. Charged with managing over 9 million surface acres and 13 million mineral acres to help to fund public schools, universities, and hospitals, our mission is to provide public institutions the money necessary to aid New Mexicans, while also assuring the health of state trust land so that it can benefit future generations.

The endowment of these public lands for educational purposes was a practice established by the General Land Ordinance of 1785 and the Northwest Ordinance of 1787. The United States Congress recognized the importance of public schools to a developing nation, and although there was little money available to support the public needs of newly organizing states, the federal government had one resource in abundance – land. By granting land to newly organized states, the federal government could provide state governments with a source of revenue that could be used to fund public education and other essential public institutions.

Following the Treaty of Guadalupe Hidalgo in 1848, under which most of the lands constituting present day New Mexico became part of the United States, Congress approved the Organic Act for the Territory of New Mexico, establishing New Mexico as a territory, authorizing its civil government, and reserving sections 16 and 36 in each township for the ultimate purpose of being used to support public schools.

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

The Ferguson Act of 1898 gave sections 16 and 36 in every township to the territory for support of its public schools. In the event these sections happened to be mineral lands, or had otherwise been sold or appropriated under the mining or homestead laws, the territory was entitled to make alternative (or "in lieu") selections. Other provisions of the Ferguson Act included land grants designated to support additional beneficiaries, which are known today as University of New Mexico, New Mexico State University, Western New Mexico University, New Mexico Highlands University, New Mexico Institute of Mining and Technology, New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired, New Mexico School for the Deaf, New Mexico Behavioral Health Institute, Miners Colfax Medical Center, Penitentiary of New Mexico, New Mexico Boys' School, Water Reservoirs, Improvements to the Rio Grande, and Public Buildings.

HISTORY

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

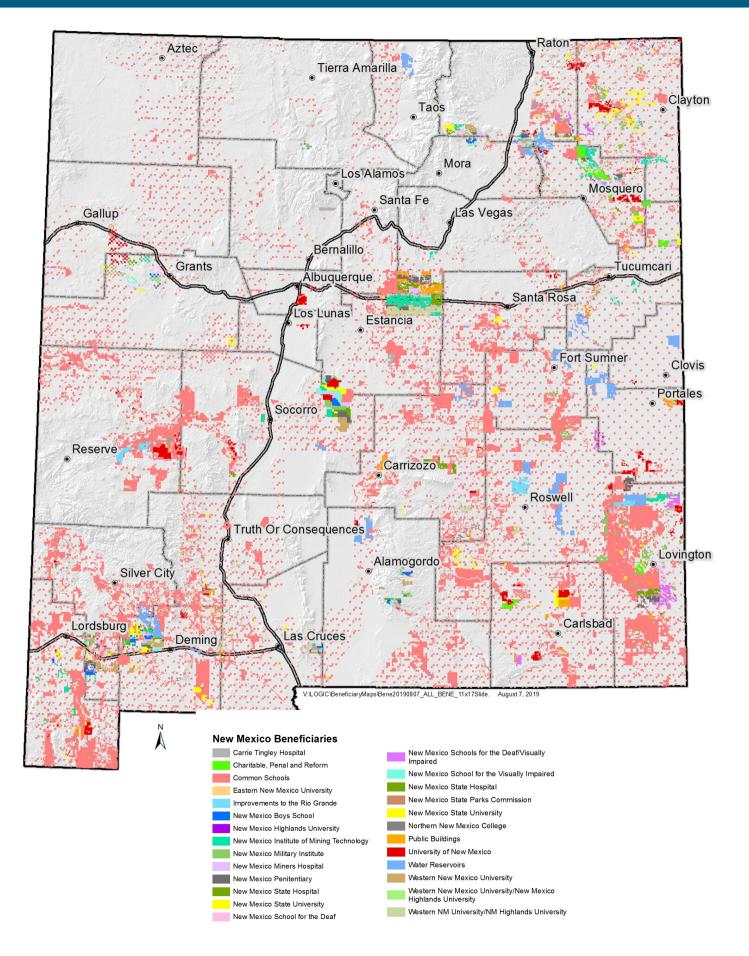
The Ferguson Act stipulated that more land grants would be forthcoming when statehood was granted. Therefore, when the Enabling Act of 1910 was approved it paved the way for statehood and provided that, in addition to sections 16 and 36, sections 2 and 32 in every township were to be held in trust by the state for support of its public schools. For townships where the public land survey had not yet been completed, actual state ownership of these numbered school sections was delayed pending completion of the public land survey. Again, if these lands were already appropriated, or within a National Forest, "in lieu" lands were selected.



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

One of the articles of the new constitution provided that the Commissioner of Public Lands shall exercise custody, control, and the power of disposition of the trust lands as agent for the state. The State Land Office issued its first oil and gas lease in 1916 and received its first royalty payment in 1924. Over time, four million acres of surface estate were sold but the mineral rights were reserved to the Trust, resulting in "split estate" ownership.

STATE TRUST LAND BENEFICIARIES Land Status Map



BENEFICIARY ACREAGE

BENEFICIARY	SURFACE ACREAGE	MINERAL ACREAGE
Common Schools	6,805,370	9,767,525
University of New Mexico	253,140	344,864
Saline Lands	1,044	1,502
New Mexico State University	194,571	254,200
Western New Mexico University	77,500	118,642
New Mexico Highlands University	77,500	118,642
Northern New Mexico College	31,918	56,563
Eastern New Mexico University	82,802	104,039
New Mexico Tech	162,588	219,019
New Mexico Military Institute	135,578	160,011
New Mexico Boys School	50,814	62,331
Miners Colfax Medical Center	98,557	120,766
Behavioral Health Institute	101,242	164,024
State Penitentiary	113,509	159,695
School for the Deaf	87,079	107,022
School for the Blind	100,827	118,830
Charitable Penal & Reformatory	74,551	99,620
Water Reservoirs	341,626	470,417
Rio Grande Improvement	54,221	89,202
Public Buildings	88,846	132,112
Carrie Tingley Hospital	18,799	13,692
State Park Commission	0	520
TOTAL	8,952,082	12,683,238

NEW MEXICO STATE LAND OFFICE

EXECUTIVE





Executive Assistant & Constituent Services Liaison Alysha Shaw



Deputy Commissioner of Operations Sunalei Stewart

• Administrative Services

- Oil, Gas, and Minerals
- Royalty Management
- Commercial Resources
- Surface Resources
- Legal (Office of the General Counsel)

Deputy Commissioner of Public Affairs Tarin Nix



- Communications
 - Engagement
- Legislative Affairs
- Constituent Services
- Special Projects

ORGANIZATIONAL CHART **OPERATIONS**



Deputy Commissioner of Operations Sunalei Stewart



Assistant Commissioner of Administrative Services Donna Sandoval

- Human Resources
- Accounting
- Records Information Technology
- Facilities
- Business Operations



Assistant Commissioner of Mineral Resources Jordan Kessler

- Oil, Gas, and Minerals Division
- Royalty Management Division Water Bureau



Assistant Commissioner of **Commercial Resources Division** Craig Johnson

- Commercial Leasing
- Rights of Way Office of Renewable Energy
- Land Exchanges



Assistant Commissioner of Surface Resources Division Howard Gross

- Agricultural Leasing Environmental & Cultural Protection
- Outdoor Recreation
- Field Offices



General Counsel Ari Biernoff

• Legal Support

NEW MEXICO STATE LAND OFFICE

ORGANIZATIONAL CHART

PUBLIC AFFAIRS



Deputy Commissioner of Public Affairs Tarin Ńix



Assistant Commissioner of Communications Angie Poss

- Strategic CommunicationMedia Relations
- Annual Report



Assistant Commissioner of Engagement & Tribal Liaison Rachael Lorenzo

- Constituent Services
- **Beneficiary Relations**
- Tribal Liaison
- Advisory Committees



Director of Special Projects Steve Vierck

- Economic Development
- County and Municipal Partnerships



2019 State Land Office Leadership Retreat

FY 2019 PUBLIC SERVICE HONOREES



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FISCAL YEAR 2019 FINANCIAL OVERVIEW

FY 2019 Income by Source

RENTALS

ILEITINE O	
Sand & Gravel	. \$15,521
Special Use Agreements	.\$1,952
Potash	\$130,849
Grazing	
Salt	
Coal Rental	
General Mining	
Shut in Royalty	
Oil & Gas Rental	
Oil & Gas Bonuses	
Oil and Gas Interest	
Seismic Permits	
Business Leases	
Business Lease Options	
Land Use Restrictions	
Billboards	
Geothermal	
Water	
Salt Water	
Right-of-Way	
Caliche	
Solar Energy	
Wind Energy	
Energy Transmission	
Land Contracts Interest	
Gas Storage Units	
Fuelwood	
	<i>v</i> 0,000

SUB-TOTAL RENTAL INCOME...... \$198,004,129

OTHER

Fees and Copies	\$2,382,906.30
Interest Earnings	
Other	

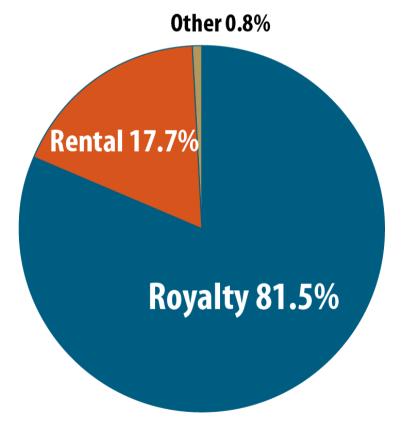
SUB-TOTAL OTHER INCOME...... \$8,917,581.86

INCOME GRAND TOTAL= \$1,118,916,705.00

ROYALTY

Sand & Gravel	\$1,736,636
Potash	\$2,353,213
Salt	\$61,283
Caliche	\$2,636,268
Coal	\$2,218,996
Oil & Gas	\$898,875,775
Land Contracts	.\$4,096,932
General Mining	\$15,892

SUB-TOTAL ROYALTY INCOME...... \$911,994,994



FISCAL YEAR 2019 Beneficiary Earnings



BENEFICIARY	LAND MAINTENANCE FUND	LAND GRANT PERMANENT FUND	TOTAL FY 2019 TRANSFERS*
Common Schools	\$132,454,205.96	\$858,775,563.03	\$991,229,768.99
University of New Mexico	\$5,347,008.26	\$3,287,348.68	\$8,634,356.94
Saline Lands	-	\$96,474.00	\$96,474.00
New Mexico State University	\$1,217,672.49	\$353,587.32	\$1,571,259.81
Eastern New Mexico University	\$104,968.69	\$37,939.00	\$142,907,69
New Mexico Highlands University	\$105,232.02	\$37,939.00	\$143,171.02
Northern New Mexico University	\$52,215.19	\$38,043.00	\$90,258.19
Western New Mexico University	\$232,889.52	\$41,649.00	\$274,538.52
New Mexico Tech	\$354,728.63	\$341,556.00	\$696,284.63
New Mexico Military Institute	\$836,271.00	\$13,237,004.12	\$14,073,275,12
New Mexico Boys School	\$66,296.69	-	\$66,296,69
Miners Colfax Medical Center	\$2,227,668.36	\$1,099,690.00	\$3,327,358.36
Behavioral Health Institute	\$784,096.10	\$3,020,662.00	\$3,804,758.10
State Penitentiary	\$34,165,126.54	\$5,487,463.00	\$39,652,589,54
School of the Deaf	\$515,011.65	\$6,099,855,00	\$6,614,866.65
School for the Blind	\$522,813.56	\$6,099,890.96	\$6,622,704.52
Charitable Penal & Reformatory	\$811,605.72	\$945,136.49	\$1,756,742.21
Water Reservoirs	\$988,105.85	\$819,913.70	\$1,808,019.55
Rio Grande Improvement	\$221,007.60	\$159,086.00	\$380,093.60
Public Buildings	\$3,388,864.24	\$12,016,193.65	\$15,405,057.89
Carrie Tingly Hospital	\$27,162.12	-	\$27,162.12
State Park Commission	-	-	-
SUB-TOTAL	\$184,422,950.19	\$911,994,993.95	\$1,096,417,944.14*

* NOTE: TRANSFERS AFTER OPERATING COST AND 1% WITHHELD FOR THE RESTORATION AND REMEDIATION FUND



OIL, GAS, AND MINERALS DIVISION

Assistant Commissioner Jordan Kessler Oil and Gas Director Allison Marks Minerals Manager Jack Yates

The Commissioner has worked hard to maximize revenue while protecting Trust assets and the environment. To effectuate the Commissioner's goals, the Oil, Gas, and Minerals Division has continued to enhance its lease sale processes in FY19. In addition to reviewing each tract per law for five required factors, the Division now includes an environmental and wildlife assessment of each tract. Further, the Division has enhanced its review process by analyzing all drilling, production, and leasing patterns using GIS tools.

After implementing such enhancements, the Division sought to obtain the best return possible for the tracts it put up for lease sale by scrutinizing the minimum bids for each tract put up for lease. This was done in collaboration with EnergyNet, an online auction site utilized for oil and gas lease sales, in determining minimum bids and analyzing trends in the oil and gas industry. This process has resulted in tracts selling for over 50 times an original offer prior to setting minimum bids, thereby working to truly realize the State Land Office's constitutional mandate of maximizing returns for the beneficiaries.

WATER BUREAU

Commissioner Garcia Richard has established a Water Bureau within the Division. The Water Bureau reviews all water disposal easements on state trust land and also works to review any off-lease water-related activity that may negatively impair resources. The Bureau puts various environmental stipulations in its easements and proactively holds lessees accountable for any violations of those easements, including environmental violations or persons trespassing without an easement. Finally, the bureau has appeared in over 60 Oil Conservation Division cases and over 10 Texas Railroad Commission cases on behalf of the Commissioner working to protect Trust assets.

MINERALS BUREAU

Continuing the work of responsible development, the Minerals Bureau put forth a re-mining and reclamation initiative within the sand and gravel program. Under this initiative, we identify all inactive surface mining locations on state trust land. The Bureau then focuses prospective lessees' new mining activities on these previously mined locations and incentivizes such mining of previously mined locations with a competitive royalty rate. Not only does this initiative limit the mining of undisturbed areas, the initiative also requires new lessees to reclaim previously mined areas to today's standards, thereby increasing the value of the Trust's assets.

OIL, GAS, AND MINERALS DIVISION

Assistant Commissioner Jordan Kessler

MINERALS BUREAU

1. Continuing Digital Orthophoto Evaluation:

Minerals staff have continued to routinely review state trust land mineral estate utilizing digital orthophotos from sources such as Google Earth, ESRI, USDA NAIP, Landsat and Planet. In FY 2019, these reviews led to the discovery of:

- Mineral Trespass
 - Five trespass sites were discovered and \$203,520 in lost revenue recovered. Two former trespass sites were subsequently leased and will provide additional royalty earnings into the future.
- Potential Spills
 - 40 potential water/brine/produced water/petroleum spills were identified.

2. Caliche Remining/Reclamation

41 previously mined and unreclaimed caliche pits were leased for re-mining and reclamation in FY 2019. Since August of 2017 a total of 110 existing and unreclaimed caliche pits have been leased for remining and reclamation which will result in a savings of over \$4.6 million dollars in reclamation costs. 12 former pits have already been reclaimed.



OIL, GAS, AND MINERALS DIVISION

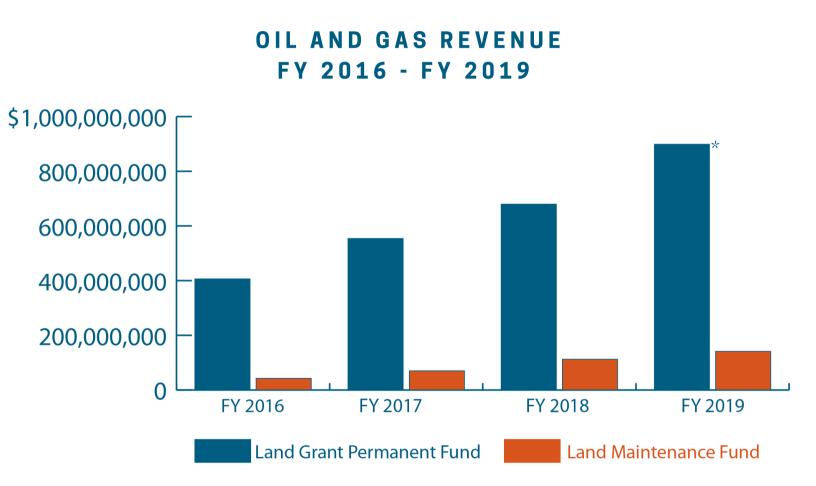
Assistant Commissioner Jordan Kessler

FY 2019 LEASING

	New Leases	Misc. Instruments	Title Assignments	Bonds Processed
Oil & Gas	245	64	477	81
	Extensions	Expirations	Cancellations	Shut-Ins Received
	27	430	24	25
	New Leases	Renewals	Assignments	Expirations
Minerals	55	11	7	29

Relinquishments	Amendments
4	130

Assistant Commissioner Jordan Kessler



*MORE ON PAGE 25

Assistant Commissioner Jordan Kessler

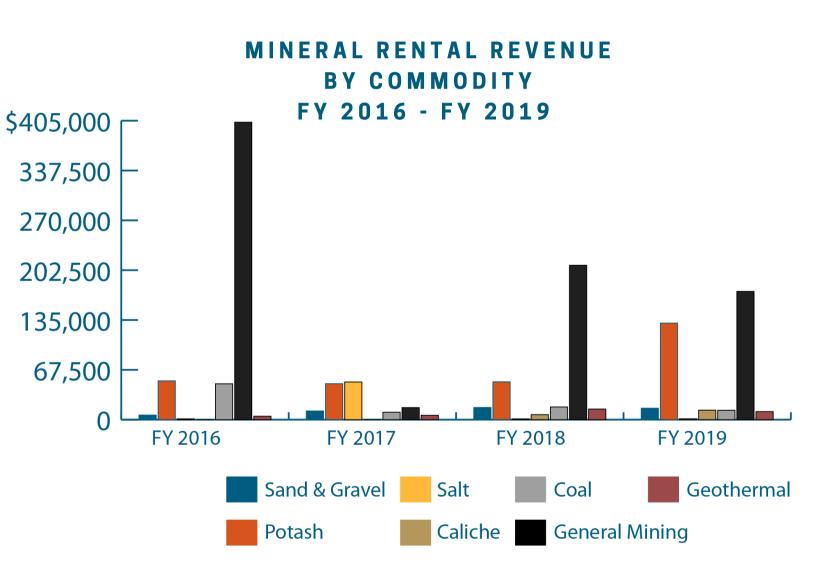
The Oil, Gas, and Minerals Division holds oil and gas lease sales on the third Tuesday of every month. Companies holding an OGRID number can bid on the available tracts, and the tracts are then awarded with results posted online after being approved by the Commissioner. Nominations for tracts can be made to the Division Director. The income generated from lease sales is internally referred to as bonus income.

TOTAL FY 19 OIL AND GAS BONUS INCOME GAS \$ 1 4 2, 0 7 4, 3 5 1.00 FY 19 OIL AND GAS BONUS = \$ 11, 8 3 9, 5 2 9.3 5

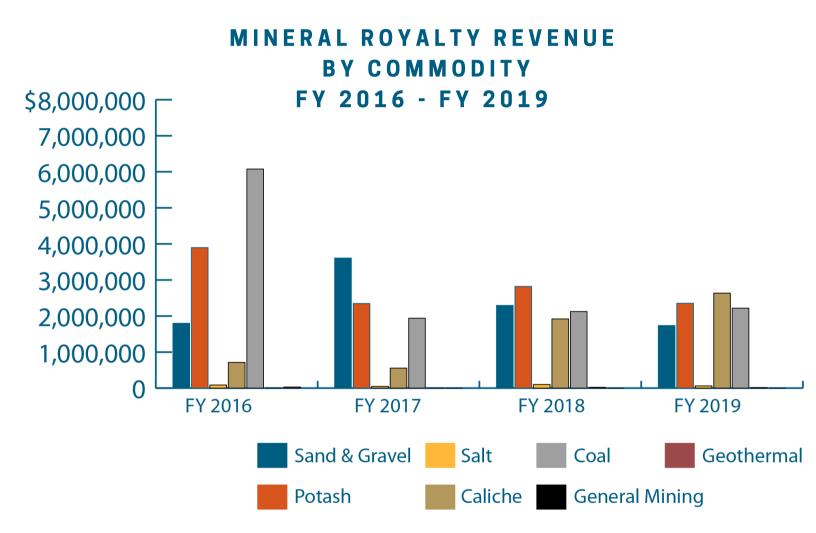
FUN FACT!

In February 2019, the State Land Office received the largest amount of money EVER for a single tract of land in the monthly oil and gas lease sale. The amount, **over \$12 million,** was so large it required a programming fix to the database to accommodate so many digits.

Assistant Commissioner Jordan Kessler



Assistant Commissioner Jordan Kessler



ROYALTY MANAGEMENT DIVISION

Assistant Commissioner Jordan Kessler Director Danny Martinez

The Royalty Management Division processes oil and gas royalty revenue and executes related audit and compliance programs to maximize revenue for the beneficiaries.

The Revenue Processing Bureau is responsible for the monthly collection processing and distribution of all revenue derived from the production and sales of oil, natural gas, and CO2. This area is also responsible for the validation of all assessments and credit notices.

The Compliance Bureau is responsible for the resolution of company suspense accounts and the collection of outstanding billings. The Compliance Bureau also addresses refund requests, bankruptcy, and trespass issues.

The Audit Bureau is responsible for conducting field and desk audits of state lessees' royalty reports and remittances.



This team ensures royalty calculations are in compliance with the statutory lease, agency regulations, and policies, and court decisions and rulings. The Royalty Management Division is also responsible for accounting for Section 29 royalty.

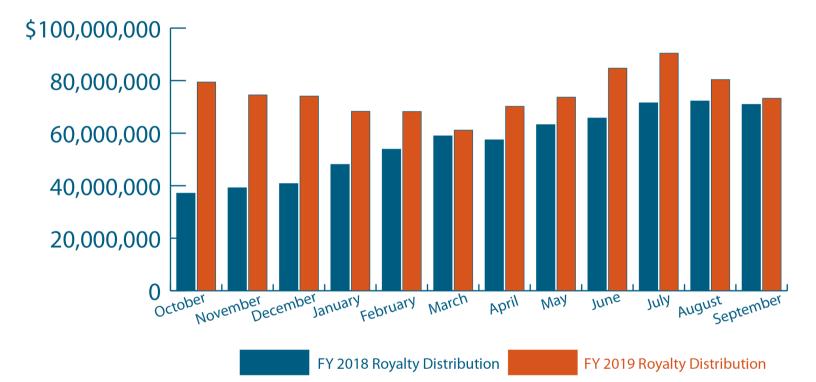
This program was implemented over thirty years ago to monetize federal coal seam tax credits by selling state trust land mineral interests. The Royalty Management Division also administers an advanced payment program which requires royalty remitters maintain an average monthly royalty balance that is computed annually.

Through the first nine months of calendar year 2019, Commissioner Stephanie Garcia Richard has surpassed audit collections of the entire calendar year 2018 by approximately 47%.

ROYALTY MANAGEMENT DIVISION REVENUE COMPARISON

Assistant Commissioner Jordan Kessler

OIL AND GAS ROYALTY REVENUE COMPARISON FY 18 VS FY 19



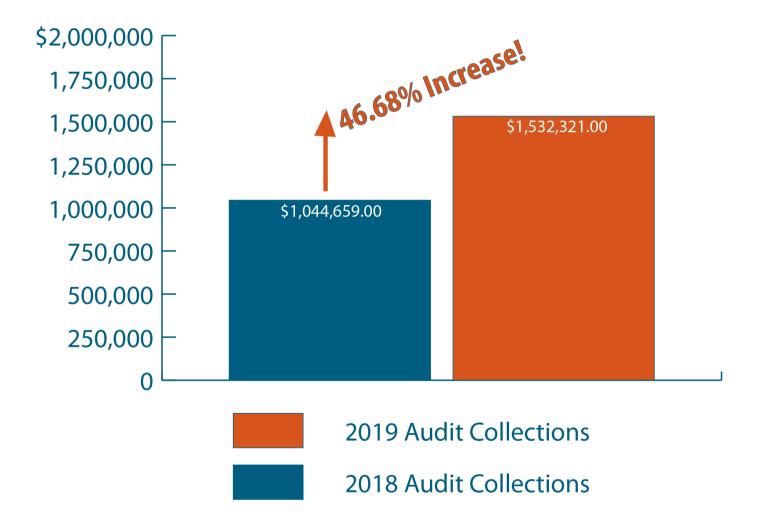
FY 18 TOTAL = \$679,420,057.00 FY 18MORTHLY FY 18MORTHLY FY 19 TOTAL = \$898,726,740.00 FY 19MORTHLY\$74,893,895

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ROYALTY MANAGEMENT DIVISION AUDIT COLLECTIONS

Assistant Commissioner Jordan Kessler

ROYALTY AUDIT COLLECTIONS CALENDAR YEAR COMPARISON

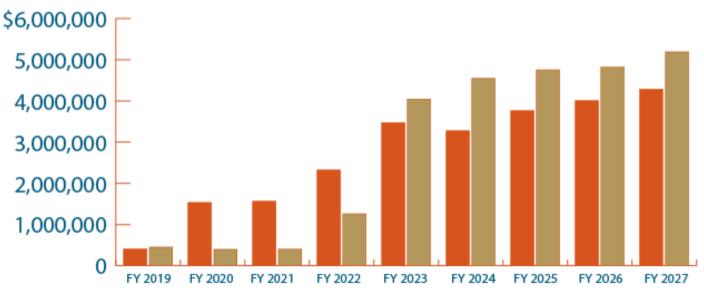


Assistant Commissioner Craig Johnson Director Jim Bordegaray

The Commercial Resources Division manages the use of state trust land to produce the greatest financial return to the beneficiaries. This is accomplished through the issuance of business leases, permits, and rights-of-way while preserving and protecting natural resources to the greatest extent possible. The Division has three sections: the Office of Renewable Energy, Rights-of-Way, and Business Leasing.

THE OFFICE OF RENEWABLE ENERGY

The first ever Office of Renewable Energy has been created under the leadership and vision of Commissioner Garcia Richard. This office manages all due diligence required for the processing of long term renewable energy leases and major electrical transmission lines. There are more renewable energy lease applications than ever before, all of which require public notice and an open bidding process. The office will provide the necessary resources to market state trust land, negotiate leases, properly vet project siting and design, facilitate and monitor transmission line development, prepare public notices, and manage the open bidding process. This new focus, combined with synergistic policies such as an increased Renewable Portfolio Standard (RPS), will provide the State Land Office with the opportunity to generate millions in additional income for the beneficiaries, with the projected revenue increasing every year.

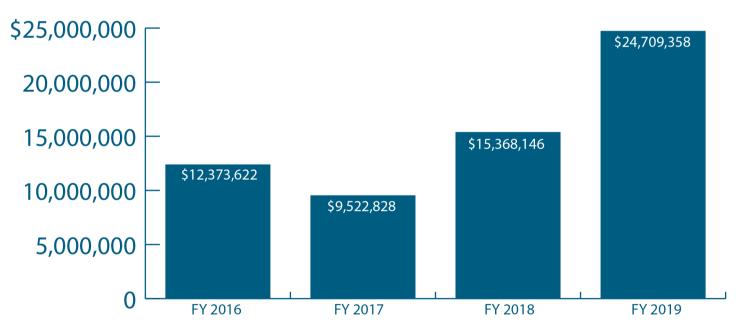


PROJECTED RENEWABLE ENERGY REVENUE

Assistant Commissioner Craig Johnson

RIGHTS-OF-WAY

Rights-of-Way administers over 22,000 active rights-of-way including those for electricity transmission, pipelines, roads, and telecommunications lines. They also issue right of entry permits and outfitting or guide permits which provide temporary access to state trust land. The rights-of-way price schedule represents the fair market value for specific uses of state trust land. Rights-of-way staff strive to not only increase the revenues generated for the beneficiaries, but also lead the agency's land management approach by establishing rights-of-way corridors and minimizing surface disturbance and impacts to sensitive habitats. In FY 2019, 765 rights-of-way leases were executed by the department.



RIGHTS-OF-WAY REVENUE COMPARISON FY 16 - FY 19

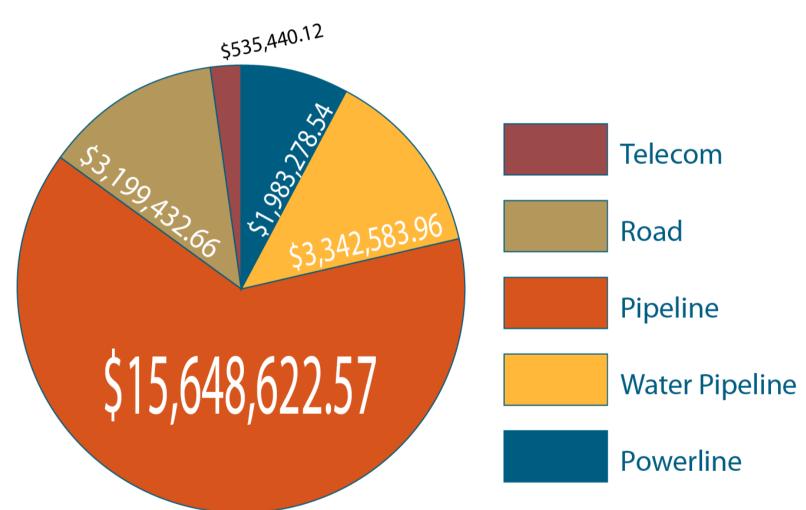
Fun fact...

Since FY 2011, rights-of-way revenue has seen a **553**% increase!

Assistant Commissioner Craig Johnson

RIGHTS-OF-WAY

RIGHTS-OF-WAY REVENUE BY SOURCE



FY 19 ROW REVENUE TOTAL =

\$24,709,357.84

Assistant Commissioner Craig Johnson

BUSINESS LEASING

Business Leasing manages business leases. billboards. planning and development leases, recreational leases, telecommunications sites, and surface activities associated with the oil and gas industry. Nearly 1,000 leases are managed by Business Leasing. Recurring revenue earned from leasing state trust land is deposited into the land maintenance fund and can be immediately distributed to the beneficiaries. Business Leasing works with the private sector, local governments, and other interested parties to develop leases designed to facilitate and incentivize proper development while optimizing revenue for the State Land Office, emphasizing quality planning, preserving open space, and meeting larger community needs. Consultation and collaboration with the local communities and other stakeholders regarding land uses is key when pursuing these efforts. With a variety of leasing arrangements, including economic development leases, Business Leasing generates income for our beneficiaries while helping to create economic base jobs, provide recreational opportunities, and enhance community amenities. In FY 2019, 137 business leases were executed.



SURFACE RESOURCES DIVISION

Assistant Commissioner Howard Gross Director Dana Vackar Strang Deputy Director Will Barnes

The Surface Resources Division manages programs addressing watershed health, prescribed fire, site remediation, illegal dumping, wildlife management, cultural resources, agricultural leasing, and outdoor recreation. The staff supports other State Land Office divisions with field reviews and data analysis for programs including rights-of-way, minerals management, oil and gas frontier nominations, business leases and land exchanges. Collectively, Surface Resources staff responds to over 2,000 requests for field reviews each year.

In addition to staff in Santa Fe, the Surface Resources Division employs sixteen District Resource Managers (DRMs) in eleven field offices. The DRMs are supervised by three Assistant Division Directors. In 2019, the New Mexico Legislature approved four new field office positions in southeast New Mexico. SLO has actively recruited to fill these new positions and other vacancies. As a result, by October 2019, the Surface Resources Division hired seven new DRMs.

Illegal dumping is a persistent problem that degrades state trust lands, poses a health hazard, and increases the risk of liability to the State Land Office. Through our **Site Reclamation** program, we identify areas of illegal dumping and/or contaminated property for aggressive remediation, often through collaborative partnerships.

Through our **Biological Resources** program, we work to protect New Mexico's ecological resources, species abundance, and diversity by assessing each lease application to minimize long-term biological impacts, assure compliance with state and federal species protection laws, and protect our most critical species from harmful activities.

Through our **Cultural Resources** program, we strive to protect irreplaceable cultural properties on state trust lands. Prior to approvals for certain activities proposed by lease applicants, cultural resource inventory reviews are submitted and reviewed by the State Land Office's archaeologists, who consult with the State Historic Preservation Officer and other impacted agencies, as needed.

In addition, for the first time in its history, in 2019 the State Land Office began developing a **Cultural Properties Rule.** If adopted, the rule would require project applicants to complete an archaeological review and survey prior to any surface disturbing activity and include avoidance and mitigation measures to help ensure the responsible siting of development. The rule would also require notification to affected tribes and formalize the role of the State Land Office tribal liaison.

SURFACE RESOURCES DIVISION LAND STEWARDSHIP PROJECTS

Assistant Commissioner Howard Gross

Surface Resource Division's stewardship of state trust lands includes projects addressing watershed health, site remediation, prescribed fire, wildlife and habitat management, invasive species control, and protection of cultural resources. In FY19, Surface Resources implemented 20 projects that treated 48,610 acres. These projects cost \$1,771,826 and were funded through the

State Land Office's contractual services (CS) budget and Restoration and Remediation Fund (RR). Many of these projects were collaborative, leveraged other funds, and worked across multiple land jurisdictions.

PROJECTS BY TYPE AND COST

Forestry/Prescribed Burn: 1 project, 1 county, 20,000 acres, \$42,825.00

Forestry/Mechanical:

7 projects, 7 counties, 3,332 acres, \$351,978.17 RR \$284,773.37 CS

Habitat: Noxious weeds/invasive:

5 counties, 22,416 acres, \$930,844.59 CS

Illegal Dump Cleanup:

1 project, 1 county, 1.77 acres, \$9,730.99 CS

Riparian Restoration:

1 project, 1 county, 9.2 acres, \$8,596.25 RR

Archaeological Services:

5 projects, 5 counties, 2,852 acres, \$143,078.48 CS

Total acreage treated: 48,610

Total amount spent per fund:

Contractual Service (CS) \$1,411,252.43 Restoration/Remediation Fund (RR) \$360,574.42

Total amount spent: \$1,771,826.85



SURFACE RESOURCES DIVISION LAND STEWARDSHIP PROJECTS

Assistant Commissioner Howard Gross



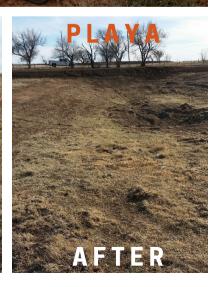
BEFORE





AFTER

BEFORE



SURFACE RESOURCES DIVISION OUTDOOR RECREATION

Assistant Commissioner Howard Gross



The Open for Adventure program strives to expand high-quality outdoor recreation opportunities on state trust lands that: provide revenue for the beneficiaries; engage partners including local communities, entrepreneurs, other agencies, non-profit groups, and philanthropy; allows for visitor management that protects Trust resources and strives for compatibility with existing lessees; promotes outdoor education and outdoor equity. In addition, through an easement issued to the New Mexico Game Commissioner, the State Land Office provides access to state trust land to holders of New Mexico Department of Game and Fish hunting, fishing, or trapping licenses to pursue those activities when in season.

MELROSE TRAP, ROOSEVELT COUNTY

An island of cottonwood trees in a sea of dry grasslands.



Melrose Trap boasts a huge variety of birds in a tiny area, especially during spring and fall migration. The Trap is well known amongst birders around New Mexico and draws visitors from around the country. During migration, 40-70 species of birds can be observed.

SURFACE RESOURCES DIVISION OUTDOOR RECREATION

Assistant Commissioner Howard Gross

SIERRA GRANDE, UNION COUNTY

Rising to over 8,700 feet, northeastern New Mexico's Sierra Grande is an extinct shield volcano that provides opportunities for hiking, hunting, wildlife viewing, and studying geology.



Working with the New Mexico Department of Game and Fish, the State Land Office provides a campsite for sportspeople on Sierra Grande's east side. The strenuous hike to the top of Sierra Grande provides sweeping views of the surrounding high plains and Raton-Clayton volcanic field.

SURFACE RESOURCES DIVISION OUTDOOR RECREATION

Assistant Commissioner Howard Gross

LOWER GILA BOX, GRANT COUNTY



The Gila River's Lower Box is a robust riparian area encircled by high desert terrain, providing habitat to over 170 species of birds. The Gila Box is a great place to hike and offers other activities that recreational are typically limited to small windows in spring, such as fishing for the smallmouth bass and several species of catfish or floating in a kayak or inner tube. So whether you're looking for a leisurely or more strenuous outing, the Gila Box has something for recreation enthusiasts of all abilities. A high-clearance, 4WD vehicle is needed to access this area.

CONTINENTAL DIVIDE NATIONAL SCENIC TRAIL

The Continental Divide National Scenic Trail stretches 3,100 miles along our nation's spine from Mexico to Canada, traversing 57 miles of state trust land in New Mexico along the way, including diverse desert and mountain terrain. Through an agreement signed in 2019, the State Land Office and the Continental Divide Trail Coalition are collaborating to ensure that all trail hikers crossing state trust land purchase the recreation access permit required by the State Land Office. This effort has generated over \$6,000 in new revenue for the State Land Office so far.

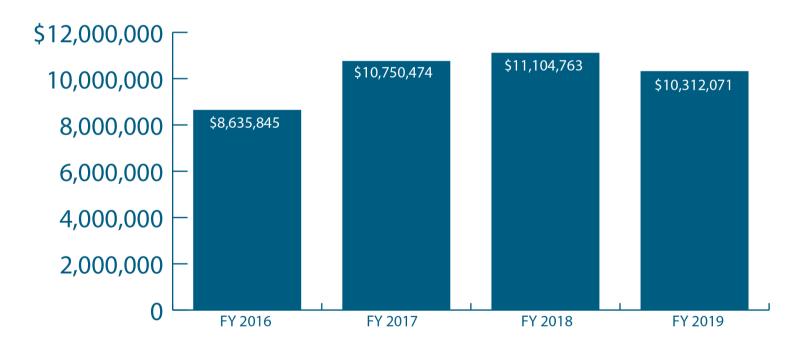


SURFACE RESOURCES DIVISION AGRICULTURAL LEASING BUREAU

Assistant Commissioner Howard Gross Manager Lucille Martinez

The Agricultural Leasing Bureau manages activities related to the leasing of state trust lands for livestock and cropland production in order to optimize revenue for the beneficiaries while simultaneously protecting land resources. Over 3,500 agricultural leases are administered, covering more than 8.8 million surface acres. In an effort to arrive at a fair market value for leased lands, rentals assessed on livestock agricultural leases are calculated through a formula that takes into account the previous year's economic conditions. The formula is managed by an outside entity and has been in place since 1988.

Agricultural Leasing Revenue FY 16 - FY 19



FY 19 AG LEASING REVENUE TOTAL =

\$10,312,071.00

Assistant Commissioner Donna Sandoval

ACCOUNTING DIVISION

Director Margaret Sena

The Accounting Division provides support services, financial control and reporting activities. Accounting is responsible for ensuring compliance with rules and policies from the Department of Finance and Administration (DFA), the State Treasurer's Office and the Office of the State Auditor.

In FY 2019, the Division managed an \$18.8 million budget and distribution of a record breaking \$1.118 billion in revenue to beneficiaries. All revenue generated from over 35,000 active leases is received, classified and recorded by the Accounting Division. Revenue is then disbursed in accordance with the source of funding collected and beneficiary associated with the land generating income.

Internal controls implemented by accounting ensure revenue is recorded accurately. The revenue recorded in the **Land Maintenance Fund** is from renewable sources such as oil and gas rentals, renewable energy land rentals, grazing rentals and any other income that doesn't deplete a resource. After paying for operating expenses, the remainder of renewable revenue is disbursed to the designated beneficiaries of state trust land. The revenue recorded in the **Land Grant Permanent Fund** is from non-renewable sources such as royalties earned from oil, gas and mineral leases or the sale of land. Revenue from nonrenewable revenue sources is transferred monthly to the Land Grant Permanent Fund, managed by the State Investment Council.

Financial statements are prepared monthly and revenue reports are posted and available on the State Land Office website. The financial statements provide the monthly and year-to-date amounts collected by revenues source; net distributions from the Land Maintenance Fund to beneficiaries and contributions to beneficiary accounts in the Land Grant Permanent Fund.

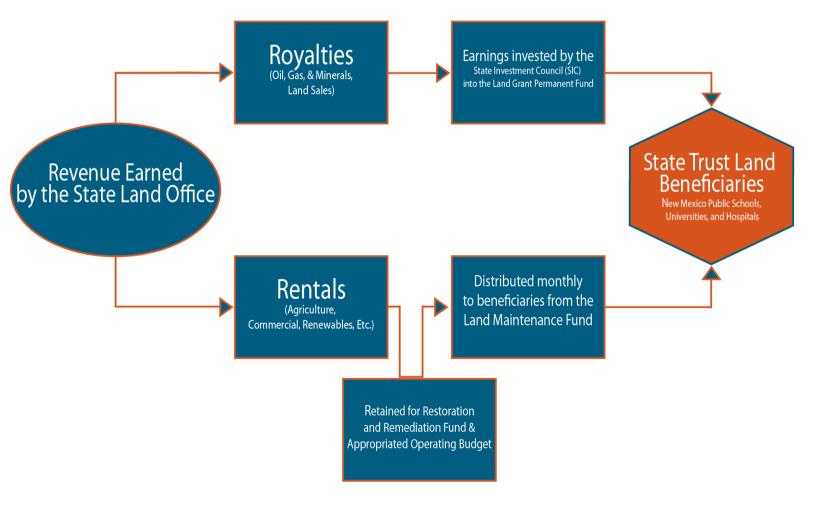
FUN FACT!

An external audit of FY 2019 revenue showed **ZERO** accounting issues even though the Division managed over \$1 billion dollars!

Assistant Commissioner Donna Sandoval

ACCOUNTING DIVISION Director Margaret Sena

New Mexico State Land Office Revenue Flow



Assistant Commissioner Donna Sandoval

INFORMATION TECHNOLOGY DIVISION

CIO Tony Hoffman

The Information Technology Division supports all desktop devices, all network components and network infrastructure, and all software required for the dayto-day operations of the State Land Office. This software ranges from basic desktop productivity packages to custom developed, web-based customer facing revenue reporting modules. The Division also manages the four large data management systems that handle the core functions of the agency: the Land Information Management System (LIMS), the Oil and Natural Gas Revenue Administration Database (ONGARD) system, the Online Geographic Information System, and the File Net system.

LIMS

LIMS is a system that helps the State Land Office manage state owned land and related legal instruments (contracts, leases, etc.). The State Land Office brought the maintenance and support functions of the LIMS system in-house in March of 2019. The LIMS system encompasses 43 databases consisting of over 500 tables and consists of well over 2,000,000 lines of production code. Since taking over the maintenance and support duty in March 2019, ITD has developed and migrated to production three releases resolving 40 issues.

ONGARD

The ONGARD system is a 25+ year old mainframe system, and is the system of record for the State Land Office Oil, Gas, and Minerals and Royalty Management Divisions. This system consist of over 1,500,000 lines of production code with another 3,000,000 lines of code support public facing reporting, web based return submission functionality, and over 150 SLO internal reports. The ONGARD system manages all monetary distributions and supports all aspects of oil and gas royalty collections and auditing.

Due to the age of the ONGARD system, and the limitations of the Mainframe platform on which it is built, a project is underway to migrate the ONGARD system to a modern server-based architecture called the Royalty Administration Processing system (RAPS). In FY 19 the RAPS project was initiated and as of June 2019 the RAPS project was on schedule with a go-live date of March 2020.

Assistant Commissioner Donna Sandoval

Geographic Information Systems (GIS)

The State Land Office Geographic Information Center (LOGIC) provides access to spatial data for both internal staff as well as the public. Interactive maps allow users to view land status (ownership), active leases, in place restrictions, well locations and a multitude of additional datasets important to the daily operations of the State Land Office. This system also allows field staff to take data offline for use with mobile devices in a disconnected environment.

IBM File Net

The IBM File Net system a standalone system, even though it is tightly integrated into LIMS. The File Net system alone consists of 6 terabytes of data managing over 9,000,000 documents, and is used to manage the various documents needed to support the SLO leasing activities.

Information Technology Division Major Accomplishments for 2019

- Continued operation of the ONGARD system, collected over \$900 million in royalty revenue and distributed a record \$1.1 billion in total FY19 revenue
- Transitioned Land Information Management System (LIMS) maintenance to State Land Office
- Completed significant digitization of maps and data for ESRI GIS system
- Completed 1528 Parcel boundaries for Rights-of-Way
- Expanded backup/storage profiles in main computing center and disaster recovery site
- Initiated the Royalty Administration and Revenue Processing System (RAPS) project
- Executed initial agreement with Planet Labs for satellite imagery for the Permian Basin

FACILITIES MANAGEMENT Director Bobby Gallegos

The State Land Office building opened in 1960 and supports up to 175 FTE. Unlike other state owned properties, the building is operated and maintained by the facilities staff of the State Land Office. Facilities manages all the maintenance for the buildings and grounds, custodial services, security, as well as the Business Operations Center which includes a print shop, graphic design, mail services and agency fleet management.



Assistant Commissioner Donna Sandoval

HUMAN RESOURCES DIVISION Director Selena Romero

The State Land Office employs over 160 staff around New Mexico, with most of those employees based in Santa Fe. The dedicated, talented, and hardworking staff reflect the diversity of New Mexico. The Human Resources Division is comprised of three staff: a Director, a Recruitment and Training Specialist and a Payroll and Benefits Specialist. The Division assists the leadership team by providing counseling, guidance and direction on agency and State Personnel Board policies and procedures, as well as state and federal laws. Human Resources manages all payroll and benefit transactions as well as personnel and position requests and approvals. Human Resources manages all recruitment efforts from advertising to overseeing the interview and hiring process. When Commissioner Garcia Richard began her term, the Land Office had a vacancy rate near 25%. Due to record activity in the Mineral, Commercial, and Surface Resources Divisions, the Land Office is rapidly hiring to assist staff with workloads. As of June 2019, the vacancy rate was at 12%.

The Division offers customized training to afford staff opportunities to develop appropriate skills, knowledge, and aptitudes to perform their jobs to the best of their ability. In FY19 Human Resources held 26 training sessions with 77 attendees. Training sessions included new employee orientation, training on the state's Human Capital Management system and Human Resources 101 for managers and supervisors.



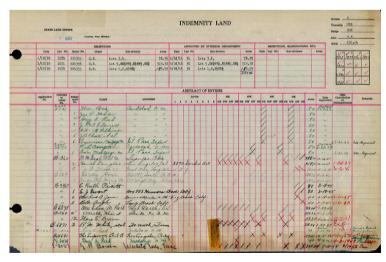
Assistant Commissioner Donna Sandoval

RECORDS MANAGEMENT DIVISION Director Lev Schimoler

Records Management is the repository for all the original legal documents relating to land ownership, along with all the original, legal land title interest documents, such as lease contracts, rights-of-way, easements, etc., along with all the documents relating to any update of ownership or title interest. These original documents, dating from as far back as the early 1900s, are held in a climate controlled vault. Over one million active and inactive lease files and related documents and correspondence are managed by the Division.

Division staff transfer all of the ownership and title interest information contained in these documents by posting entries daily into the State Land Office tract books, which provide a complete picture of each section of state trust land. The same information is also entered into the Land Information Management System (LIMS).

In FY 2019 title examiners and management analysts completed almost 6,000 title recordings. In aid of Commissioner Garcia Richard's renewable energy initiative, Records Dvision staff performed 31 title search reports covering over 132,000 aces of state trust land providing valuable title and encumbrance information to assist the Commissioner and prospective lessees to select the most appropriate land for the lessee's intended use.



First Oil and Gas Tract Book Entry May 17, 1922

Records Division The oversees received requests under the Information for Public Records Act (IPRA) that are delivered to the agency. The Division responded to over 350 such requests during FY 19. The public room located in the Division provides terminals for nonstaff members to view all documents available to the public electronically and to produce copies needed. Overall the IPRA as requests and public room copies generated approximately \$60,000 in copy fees in FY19.

LEGAL DIVISION OFFICE OF THE GENERAL COUNSEL

Ari Biernoff, General Counsel

The Legal Division (Office of General Counsel) advises the Commissioner on all matters affecting State Land Office operations, and provides a full range of legal services to the entire State Land Office staff in furtherance of the agency's statutory mission to manage and preserve state trust lands for the benefit of the Trust. Annually, the Division receives and fulfills hundreds of requests from throughout the agency to provide legal advice, assistance, and representation on all aspects of the agency's activities, including preparing and reviewing contracts, memoranda of understanding, and other legal instruments; drafting and reviewing proposed State Land Office rules for inclusion in the New Mexico Administrative Code; providing legal analysis and guidance on policy issues; negotiating and drafting leases for complex business ventures, including renewable energy projects, as well as land exchange agreements; analyzing proposed and enacted legislation, including the preparation of Fiscal Impact Reports requested by the Legislative Finance Committee: and assisting with the processing of numerous requests for inspection of public records. Division attorneys and staff are presently handling approximately 100 open requests for legal services.

The Legal Division also appears in court and in administrative proceedings on behalf of the Commissioner and the State Land Office, in both affirmative and defensive capacities. Land Office attorneys are presently engaged in representing the Commissioner and the agency in around a half-dozen active matters in New Mexico state district courts and the New Mexico Court of Appeals, as well as three administrative contest proceedings.

Commissioner Garcia Richard preparing to sign a rule change with legal staff. The rule change made all State Land Office documents that refer to lessees or the Commissioner use gender neutral terms.



PUBLIC AFFAIRS communications

Assistant Commissioner Angie Poss

FOR IMMEDIATE RELEASE:

PUBLIC AFFAIRS TEAM SETS OUT TO INFORM PUBLIC OF THE MISSION OF THE NEW MEXICO STATE LAND OFFICE.

To further the priorities and initiatives of Commissioner Stephanie Garcia Richard, the Assistant Commissioner of Communications works to get strategic messaging out to New Mexicans across a dynamic array of mediums including:

- digital and social media
- newspaper and print media (local, statewide, and national)
- radio (digital/blog/podcast)
- televised news (local, statewide, and national)
- community and public appearances



PUBLIC AFFAIRS Photos















PUBLIC AFFAIRS Photos



PUBLIC AFFAIRS Photos



HANIE GARCIA RICIER



PUBLIC AFFAIRS ENGAGEMENT & TRIBAL LIAISON

Assistant Commissioner Rachael Lorenzo

Commissioner Garcia Richard is committed to constantly engaging our beneficiaries, lessees, Tribal communities, and the public in order to conduct our business effectively and transparently.

The State Land Office has **created five advisory committees** in order to inform decision making with feedback from communities and experts most impacted by those decisions.

- Conservation
- Oil and Gas
- Sportspeople
- Agriculture
- Chaco Canyon Working Group

Rachael Lorenzo (Mescalero Apache and Laguna Pueblo) serves as the Tribal Liaison at the State Land Office as well as the Assistant Commissioner of Engagement. In this role, they work to assure New Mexico's Pueblos, the Navajo Nation, and Apache Tribes have a seat at the table when decisions are made. Commissioner Garcia Richard is committed to fostering true government-togovernment relationship with sovereign Tribes.



The 22 beneficiaries of state trust land receive vital funding from the Land Office, and are therefore our most important stakeholders. We engage with public schools, universities, and hospitals to create educational opportunities and more.

Through the Engagement Division, the Land Office has been working with universities across the state to offer paid internships to students interested in learning about and working to further the mission of raising vital funds for public schools, universities, and hospitals. This program will have limited internships available in Fall, Spring, and Summer semesters.

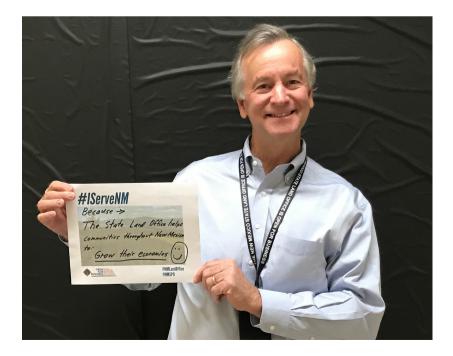
SPECIAL PROJECTS

Director Steve Vierck ^{ruce}

Commissioner Garcia Richard is strongly committed to furthering the economic development of communities throughout New Mexico. The Special Projects function was established to proactively assist communities by expanding their real estate options while also expanding State Land Office revenues.

Assets of the State Land Office can be increasingly utilized to address the shortage of well-located sites and buildings which is a pervasive challenge for much of the state. Economic development and commercial leases and rights of way are among the primary mechanisms to help connect communities and businesses to appropriate State Land Office real estate options. Special Projects works closely with the Commercial Resources Division to increase awareness of state trust land as an underutilized economic development resource and to advance solutions to help address community real estate needs and generate employment opportunities for New Mexicans.

Special Projects is also actively engaged in exploring and pursuing long range opportunities to further the state's economic development while expanding agency revenues. Specific initiatives include assistance on land exchanges through identification of lands possessing substantial economic development and revenue generating capabilities. Special Projects also monitors and provides input into comprehensive land use plans impacting state trust land.



STATE LAND TRUSTS ADVISORY BOARD

The State Land Trusts Advisory Board assists the State Land Commissioner 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 Land Commissioner and confirmed by the New Mexico State Senate to serve six-year terms.

MEMBERS:

Patricia L. Quintana (Current Board President) was appointed to represent the agricultural community and has vast experience in farming, ranching, and rural land and water issues.

Samuel T. Smallidge represents the beneficiaries and serves as the Wildlife Specialist for the Cooperative Extension Service at New Mexico State University (NMSU). He also serves as the Coordinator of the Range Improvement Task Force (RITF) at NMSU.

Anthony Casados represents the beneficiaries. Mr. Casados has been an educator for 30 years and always has the best interest of New Mexico's school children at heart.

Hobbs oilman and community leader **Mark Veteto** was appointed to the State Land Trusts Advisory Board representing the extractive industry.

Mountainair conservationist **Dierdre "Dee" Tarr** was appointed to the State Land Trusts Advisory Board in early 2018 to represent conservation interests.

Royce "Pancho" Maples represents the general public. He served as an Air Defense officer in the U.S. Army and New Mexico Army National Guard. His last assignment was as Commander, 1st Bn (Avenger), 200th ADA.

Randal "Randy" Rabon was appointed to represent the general public. Mr. Rabon is a lifelong resident of Alamogordo where he owns and operates several businesses.





NEW MEXICO COMMISSIONER OF PUBLIC LANDS

