



Stephanie Garcia Richard
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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December 15, 2020

Dear Grantee,

As Commissioner of Public Lands, I am committed to employing policies and business practices that not only raise revenue for our trust beneficiaries but also ensure long-term stewardship of state trust lands and natural resources.

This letter is to notify you that effective December 15, 2020, the State Land Office will not issue any new easements for the purpose of commercial sales of fresh water for oil and gas development, and will no longer re-issue/renew existing easements for such use once they expire. Fresh water is an ever-scarcer resource, and it's crucial that the State Land Office lead the way in shifting the industry toward more responsible alternatives. You are receiving this letter because you have an easement that may be affected by this decision. Deep non-fresh water easements are not affected by this policy, nor are fresh water easements issued for other purposes of use, such as municipal use or agriculture.

To allow grantees time to adjust their business plans and operations, I am providing a grace period until December 31, 2021 to grantees in good standing with expired easements who have already submitted renewal applications, and to grantees in good standing whose easements will expire before that date. Easements for commercial sales with a term ending on or after January 1, 2022 will expire on the date stated in the easement.

Grantees subject to this grace period may continue to operate under the terms and conditions of their existing water easements. All regular payments (base annual rental, and any applicable per-barrel or percent-of-sales rental) continue to apply, but additional Holding Over charges will be waived during the grace period. All other easement provisions remain in effect, and a grantee's failure to abide by other terms of its easement may subject the easement to cancellation. Grantees must continue to submit any required volume/sales reporting and payments due to the State Land Office during the grace period, and must maintain water rights in good standing with the Office of the State Engineer (OSE), including submitting to the OSE any metering reports as required in their OSE permit.

Upon closeout of operations, easement sites should be responsibly reclaimed, in accordance with easement provisions.

Please note that the water rights agreement associated with your water easement may require consent of the Commissioner to transfer or otherwise change the water rights being diverted

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under the water easement. A State Land Office attorney has conducted a review of the water rights associated with each easement and will be contacting you soon with a determination of which water rights are subject to a water rights agreement. We are committed to working with grantees and the Office of the State Engineer to ensure that any water rights not subject to a water rights agreement can be properly and efficiently transferred.

Thank you in advance for working with the State Land Office to ensure that our natural resources are properly protected. If you have any questions about the implementation of the State Land Office's approach to fresh water easements in general or the status of your easement in particular, please contact the Water Bureau at (505) 827-5849.

Sincerely,

Stephanie Garcia Richard
Commissioner of Public Lands