How Land Management Began

• Thomas Jefferson proposed the Public Land Survey System that is used today.

• This system incorporates a land survey that uses a mathematical rectangular grid applied to the land area. The grid designation was based on a standard unit marker placed on the ground.

• This was the basis of the General Land Ordinance of 1785, which established the present land survey system and charted Western history of the U.S.
Trust lands were granted to New Mexico by Congress under the Ferguson Act of 1898 and the Enabling Act of 1910. The latter Act allowed New Mexico’s admission to the United States upon voter approval of the state constitution.

The state was granted four square miles – Sections 2, 16, 32, and 36 – in each 36 section township.
Today, the State Land Office manages 9 million acres of surface estate and 13 million mineral acres held in trust for public schools, universities, hospitals, correctional facilities, water projects and public building construction and repair.

The State Land Commissioner has a fiduciary responsibility to oversee the Trust and to manage the resources and assets of State Trust Lands to maximize revenue for the beneficiaries.
Saline Lands

State Land Trust Beneficiaries

Charitable, Penal & Reform

Common Schools

New Mexico Boys' School

New Mexico State Parks

Water Reservoirs and Rio Grande Improvements

Northern

Water Reservoirs and Rio Grande Improvements

New Mexico Tech

Science, Engineering, Research, University

NMBHI

New Mexico Behavioral Health Institute

Eastern State College

New Mexico

New Mexico State Parks

Common Schools

Charitable, Penal & Reform

State Land Trust Beneficiaries

UNM

Saline Lands

UNM

Carrie Tingley Hospital

WNMU

State of New Mexico

Children, Youth and Families Department

State of New Mexico

Miners' Colfax Medical Center

200 Hospital Drive

Raton, New Mexico 87740
<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>43%</td>
</tr>
<tr>
<td>BLM</td>
<td>34%</td>
</tr>
<tr>
<td>Tribal</td>
<td>10%</td>
</tr>
<tr>
<td>Trust</td>
<td>11%</td>
</tr>
<tr>
<td>State</td>
<td>2%</td>
</tr>
</tbody>
</table>

(NMDGF, NMDOT, EMNRD)
Two Funds: LMF and LGPF

**Land Maintenance Fund**
- This fund is generated by revenue from renewable resources, such as agricultural and commercial leases, rights-of-way and interest. Oil, gas, and mineral bonuses from lease sales also contribute to this fund.
- The Land Office’s operating budget is paid from this fund and the remaining balance is distributed proportionately to the beneficiaries.

**Land Grant Permanent Fund**
- This fund receives royalty payments from non-renewable resources, such as oil, gas, and mineral extraction and land sale proceeds.
- Since 1959, the State Investment Council (SIC) has managed the fund. The SIC, of which the Commissioner is a member, invests the corpus of the fund.
- The SIC also distributes revenue to the beneficiaries monthly, based on Constitutional provisions and the beneficiaries proportionate share.
State Land Office Revenue Flow FY 2017

- **Land Maintenance Fund**
  - Renewable Resources (Leases, Rights-of-Way and Interest)
  - $100,886,829

- **Land Office Operating Expenses**
  - $17,475,833

- **Beneficiary Distribution**
  - $84,882,975

**Total Revenue All Sources**
- $544,863,717

- **Land Grant Permanent Fund**
  - Non-Renewable Resources (Royalties and Land Sale Proceeds)
  - $443,976,888

- **LGPF is managed by the State Investment Council**
  - Value as of 7/30/17
    - $16,111,379,472

- **Beneficiary Distribution**
  - $638,074,458
  - 5% of 5-year average market value

**Total Distributions**
- $722,957,433
## State Land Office – Revenue Sources

<table>
<thead>
<tr>
<th>Resources</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>$ 136,868</td>
<td>$ 519,409</td>
<td>$ 97,382</td>
</tr>
<tr>
<td>Rights-of-Way</td>
<td>$ 6,795,595</td>
<td>$ 12,373,622</td>
<td>$ 9,522,828</td>
</tr>
<tr>
<td>Grazing</td>
<td>$ 7,283,137</td>
<td>$ 8,646,180</td>
<td>$10,761,067</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>$ 554,759</td>
<td>$ 1,016,587</td>
<td>$ 470,262</td>
</tr>
<tr>
<td>Business Leases</td>
<td>$ 10,142,970</td>
<td>$ 10,478,734</td>
<td>$ 7,012,881</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>$ 44,200,957</td>
<td>$ 42,670,364</td>
<td>$70,093,898</td>
</tr>
<tr>
<td>Fees, Interest</td>
<td>$ 1,063,218</td>
<td>$ 1,532,373</td>
<td>$ 2,928,513</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$ 70,177,504</td>
<td>$ 77,237,269</td>
<td>$100,886,831</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Royalty</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>$ 13,434,134</td>
<td>$ 12,600,449</td>
<td>$ 8,500,343</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>$ 653,482,767</td>
<td>$ 406,273,449</td>
<td>$435,017,430</td>
</tr>
<tr>
<td>Water</td>
<td>$ 2,449,425</td>
<td>$ 870,549</td>
<td>$ 459,117</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$669,366,326</td>
<td>$419,744,449</td>
<td>$443,976,890</td>
</tr>
<tr>
<td><strong>Revenue Totals</strong></td>
<td><strong>$739,543,830</strong></td>
<td><strong>$469,981,716</strong></td>
<td><strong>$544,863,721</strong></td>
</tr>
</tbody>
</table>
Revenue Breakdown

FY 2017 Revenues:

- Oil & Gas: $505,111,328
- Minerals: $8,597,725
- Business Leases: $7,471,998
- Rights-of-Way: $9,522,828
- Grazing: $10,761,067
- Renewable: $470,262
- Fees, Interest: $2,928,513

- Total: $545 million
- $444 million was paid from the SLO into the LGPF.
- $719,170,003 to the beneficiaries from LMF and LGPF.
Permian Basin Highlights

• Covers 75,000 square miles in western Texas and southeastern New Mexico

• More than ½ of the rigs added in the Basin are concentrated in five counties
  • Reeves, Loving, Midland and Martin counties in Texas
  • Lea County, New Mexico

• Crude oil production is expected to increase to an estimated 2.4 million barrels per day

• Between January 2016 and March 2017, oil production increased in all but three months, even as domestic crude oil prices fell.

• Rig count in April 2017 was 340 or 40 percent of the total rigs in the United States

• Recoverable reserves exceed
  • 20 billion barrels of oil
  • 16 trillion cubic feet of natural gas
  • 1.6 billion barrels of hydrocarbon gas liquids
Prolific Oil Production

EOG Well - Whirling Wind 11 Fed Com #704H

- Lea County
- Initial Production – 8,990 Barrels Per Day
- Current Production -6,230 Barrels Per Day
- Compared to Average Well Production - 600 Barrels Per Day
## Revenue Processing Section: Royalty Processed Top Ten Producers
### June 2017

<table>
<thead>
<tr>
<th>TOP TEN</th>
<th>ROYALTY</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOG</td>
<td>$ 9,355,517</td>
<td>22.54%</td>
</tr>
<tr>
<td>COG</td>
<td>$ 8,798,923</td>
<td>21.20%</td>
</tr>
<tr>
<td>DEVON ENERGY</td>
<td>$ 3,857,973</td>
<td>9.29%</td>
</tr>
<tr>
<td>MEWBOURNE OIL</td>
<td>$ 2,075,206</td>
<td>5.00%</td>
</tr>
<tr>
<td>OXY</td>
<td>$ 1,939,468</td>
<td>4.67%</td>
</tr>
<tr>
<td>CHEVRON</td>
<td>$ 1,674,315</td>
<td>4.03%</td>
</tr>
<tr>
<td>CONOCOPHILLIPS</td>
<td>$ 1,410,890</td>
<td>3.40%</td>
</tr>
<tr>
<td>XTO ENERGY, INC.</td>
<td>$ 1,326,685</td>
<td>3.20%</td>
</tr>
<tr>
<td>APACHE</td>
<td>$ 1,137,203</td>
<td>2.74%</td>
</tr>
<tr>
<td>CIMAREX</td>
<td>$ 1,070,752</td>
<td>2.58%</td>
</tr>
<tr>
<td>ALL OTHER OGRIDS (211 OGRIDS)</td>
<td>$ 8,861,991</td>
<td>21.35%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$41,508,923</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
When do I need a Business Lease?

- If your well does not perforate and produce hydrocarbon from the lease it sits on
- If your pad is used for on lease drilling, and then is used to drill a well into fed or fee or other state lease
- If your frac pond is used to service another lease other than the one it sits on
Nominating Tracts

- Submit location information two weeks before the sale
- Only response will be acknowledgement of nominations
- Notice of sale will specify which tracts will be in the sale
- Depending on the size of the sale, each nominator is limited to no more than two sections worth of nominated tracts
- If nominations are not included, they must be resubmitted the following month for further consideration
- If nominations are included, nominator must ensure there is at least a minimum bid on the tracts
- If a nominated tract receives no bids, no further nominations will be accepted from that nominator

Bidding and Payment
- All bidding through EnergyNet
- Successful bidders must submit payment on the day of the sale
- Payment = Copy of notification to bank to make payment to SLO
- Submit bidder and lessee form (from EnergyNet) to SLO

- $30 million bonus sales in July
- 82 tracts
- 20,814 acres in Chavez, Eddy, Lea and Roosevelt counties
Renewable Energy Projects

Solar - Active: 6
Pending: PNM
Invenergy Solar

Wind - Active: 5
Pending: GLL (Gladstone)
Orion Wind
Cowboy Mesa
Viento Loco
Enchanted Winds
Mesa Canyons
Sagamore

Total Megawatts: 10,595
Total Acres: 173,518
Transmission Line Projects:

**Active**
- China Draw
- Kiowa
- Lucky Corridor North
- Lucky Mora
- Western Interconnect

**Pending**
- 96 Ranch
- Sunzia
- Southline
- SPS – Hobbs to Stateline
- Western Spirit (Cleanline)
State Trust Lands Restoration and Remediation Fund

- House Bill 24 – the State Trust Lands Restoration and Remediation Fund
  - Overwhelming support, unanimously passed both chambers and signed by the governor

- 1% of the LMF will divert to the Fund and pay for:
  - Rangeland, forest and watershed remediation
  - Wildlife habitat improvement
  - Illegal dumpsite cleanups
  - Cultural resource stabilization

- Restoration and remediation projects in fiscal year 2018 could reach $2.4 million
Moon Mountain Flood Mitigation

Rio Nutrias Mastication Project

Before

After
Caliche Trespass

- 10 Caliche Pit Trespass Sites Resolved
- 10 Restitution Settlements Received
  ($108,912, $280,526, $35,000, $320,559, $115,974, $33,190.50, $5,000, $3,300, $15,000 and $11,133)
- Total Restitution Value = $928,594 (Plus 5 leases going forward with additional monthly earnings)
- Numerous other sites currently under investigation
Garrett’s Desert Inn

- 2.72 acres ~ downtown Santa Fe
- Property acquired by way of a land exchange with Cochiti Pueblo
- Minimum base rent $20,834/ mo. which will escalate by 2% annually, for 20 years ~ two optional 20-year renewal periods
- UNM is the beneficiary of revenues earned from the lease
- Sealed bids will be open on October 10th at 10:00 am
ONGARD Replacement

- Current System – ONGARD [Oil and Natural Gas Administration and Revenue Database]
- Currently a RFP is being considered for distribution
- Communication with our industry partners to provide schedules for any changes, and anticipated roll out dates
Ogallala Aquifer

- Located beneath the Great Plains, in eight states, including eastern New Mexico.
- Provides nearly all the water for residential, industrial, and agricultural use.
- Ogallala Aquifer is being both depleted and polluted.
- The aquifer could be depleted in a few decades.
- Could take over 6,000 years to replenish
- Effective July 1, 2017, the State Land Office will not approve new or renewal water easements that involve the use of fresh water from the Ogallala aquifer for oil and gas production and related activities.
289 Active Water Easements
78 Applications in house
$2,723,720 Year to date Water revenue

232 Active Salt Water Disposal Easements
73 Applications in house
$3,708,384 Year to date SWD revenue
• 5 native aquatic species are state-listed threatened or endangered species.
• The Texas hornshell mussel has been proposed for federal Endangered Species Act protection.
• The SLO manages 90,000 acres of State Trust Lands within hornshell habitat.
• The CCAA is voluntary and provides lessees an opportunity to implement conservation measures that address specific threats with assurances that, if the hornshell is listed:
  1. They can continue to manage their land as outlined in their lease.
  2. They will not be subject to overreaching land use restrictions.
  3. They will not be subject to criminal penalties should habitat damage occur.
• Field Operations Division can assist lessees with enrolling in the CCAA and help determine which conservation measures will address specific threats.
• Lessees can enroll at any time until the hornshell is listed as endangered.
• If the hornshell is listed, lessees will have 30 days from the date of listing to enroll in the CCAA.
• Enrollment can be transferred to subsequent lessees.
Endangered Species – Texas Hornshell Mussel
Game and Fish Hunting Access Easement

- Three year easement at $1 million per year
- 141 new access points in 14 counties
- Two new campsites in Eddy County
- Total of 345 access points and 11 campsites on Trust lands
Cultural Property Policy

• Estimated 250,000 archaeological sites on Trust lands

• Less than 5,000 sites have been identified

• Current policy

• Applicants and lessees who conduct activities without a site evaluation could be fined $100,000 and be held liable for site remediation

• Since 2015, 3 claims for site damage occurred resulting in payments of $316,000
THANK YOU