

OPINION: Land commissioner playing daredevil politics with state trust lands

By State Rep. Jared Hembree / Roswell Republican – March 17, 2024

New Mexico is fortunate to have millions of acres of state trust lands that generate billions of dollars to benefit our schools, universities, hospitals, and other public institutions.

The State Land Office currently manages 9 million acres of surface real estate and 13 million mineral acres of trust land which generated \$2 billion in fiscal year 2022. The most significant revenue source has been through leases for oil and natural gas development.

The State Land Commissioner, who directs the State Land Office, has a fiduciary responsibility to manage the trust lands in a manner that maximizes the financial return for the many beneficiaries that are guaranteed to receive a specific portion of the revenues.



While the state trust land leasing system has historically been administered with minimal controversy, current Commissioner Stephanie Garcia Richard has recently decided to play political games with this important function.

On March 8, the commissioner announced an indefinite moratorium on lease sales of the state's "best tracts" for oil and natural gas development because the Legislature did not approve her proposal to increase the maximum state royalty rate from 20% to 25%.

This maneuver is unacceptable as the commissioner is placing her own political agenda ahead of the financial needs of the public institutions that depend upon this revenue.

The commissioner states her decision is driven by her fiduciary duty to the beneficiaries. However, she is penalizing numerous public institutions by denying them millions of dollars they would otherwise receive and thereby breaching her fiduciary duty.

By not leasing the “best tracts,” she is depriving the beneficiaries of the bonus monies paid for those tracts at the onset of the lease. The bonuses paid at the January 2024 and February 2024 lease sales exceeded \$21 million and \$13 million, respectively.

Additionally, acreage not leased by the State Land Office is potentially being drained by development on adjacent lands, especially the “best tracts” in highly productive areas. Once the oil and gas has been drained, it is gone, and the state has lost out on that revenue forever.

The decision not to lease also may strand state trust lands, which will prevent that acreage from being developed under current well spacing regulations, depriving the beneficiaries of revenue.

Lastly, beneficiaries are deprived of the time value of the money that would otherwise be earning interest. Because the moratorium will forego immediate revenue, it also foregoes the ability to earn interest on that revenue. It seems that the commissioner knows of these intended consequences and is holding beneficiaries as hostages to get her demands from the Legislature.

This unilateral decision will also have unintended consequences. Oil and natural gas producers will question the State Land Office’s commitment to conducting a fair and consistent leasing process, which could drive down

future leasing bids or result in producers taking their operations to other states, resulting in the loss of high-paying jobs, reduced economic activity, and lower state and local government revenues. This will undermine local communities dependent upon energy exploration for their financial well-being.

It is my hope the commissioner will reverse her ill-advised decision and return to its fiduciary duty of raising essential revenue for our worthy public institutions. Ms. Garcia Richard should end her manipulation of state trust land leases in order to achieve her political agenda and stop trying to destroy New Mexico's highest-revenue producing industry.

She says she is holding out for the difference between 25% and 20%, but what she is doing demonstrates that she is willing to sacrifice 20% to settle for zero.

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