



State Land Office
FY 2021 Budget Request
Legislative Finance Committee

November 20, 2019

Commissioner of Public Lands
Stephanie Garcia Richard

**OPEN
FOR
BUSINESS**

**Agriculture
Land Stewardship
Renewable Energy
Outdoor Recreation
Oil, Gas and Minerals
Business Development**





New Mexico State Land Office

- Expenditures (including capital outlay and specials) are paid through State Land Office generated revenue (**not General Funds**).
- The State Land Office Santa Fe building supports up to 175 FTE – 11 District Offices throughout the state (Albuquerque, Carlsbad, Clovis, Farmington, Hobbs, Las Cruces, Logan, Moriarty, Roswell, Silver City, Socorro)





What We Do

- Energy development (oil, gas, wind, solar, geothermal, etc.)
- Agriculture (8.8 million acres)
- Mining (sand and gravel, etc.)
- Science and tech and parks (Sandia, West Mesa)
- Affordable housing (Tierra Madre)
- Recreational uses (golf course, trails, state parks, Bern.co. amphitheater)
- Mixed use planned communities (Mesa del Sol, Rio Rancho, Las Cruces)
- Economic development leases (Spaceport, City of Santa Fe, Sandoval County, Lea County)
- Broad array of commercial activities (Walmart, hotel, telecom, etc.)
- Film (Preacher, Midnight Texas, Better Call Saul, Roswell, Army of the Dead, Only the Brave, etc.)





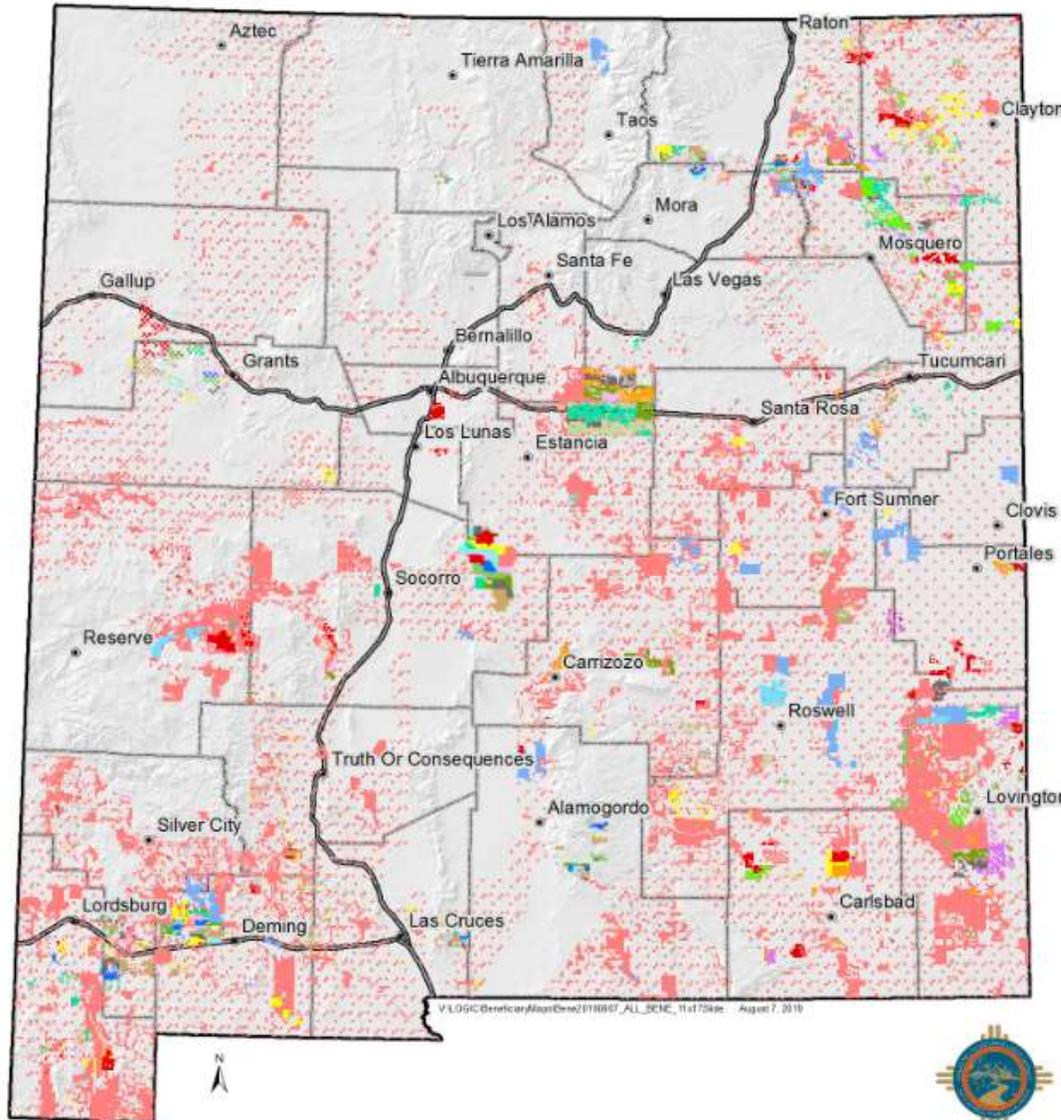
Commissioner Priorities

- Fill key vacancies tied to revenue generation (e.g., royalty auditors)
- Increase capacity to handle southeast NM workload
- Advance renewable energy projects
- Create outdoor recreational opportunities
- Enhance environmental and cultural protections
- Protect taxpayers and beneficiaries from having to cover reclamation and legacy costs (adequate bonding)
- Streamline business operations
- Engage communities; build partnerships
- Diversify and maximize revenue generation





Who We Work For

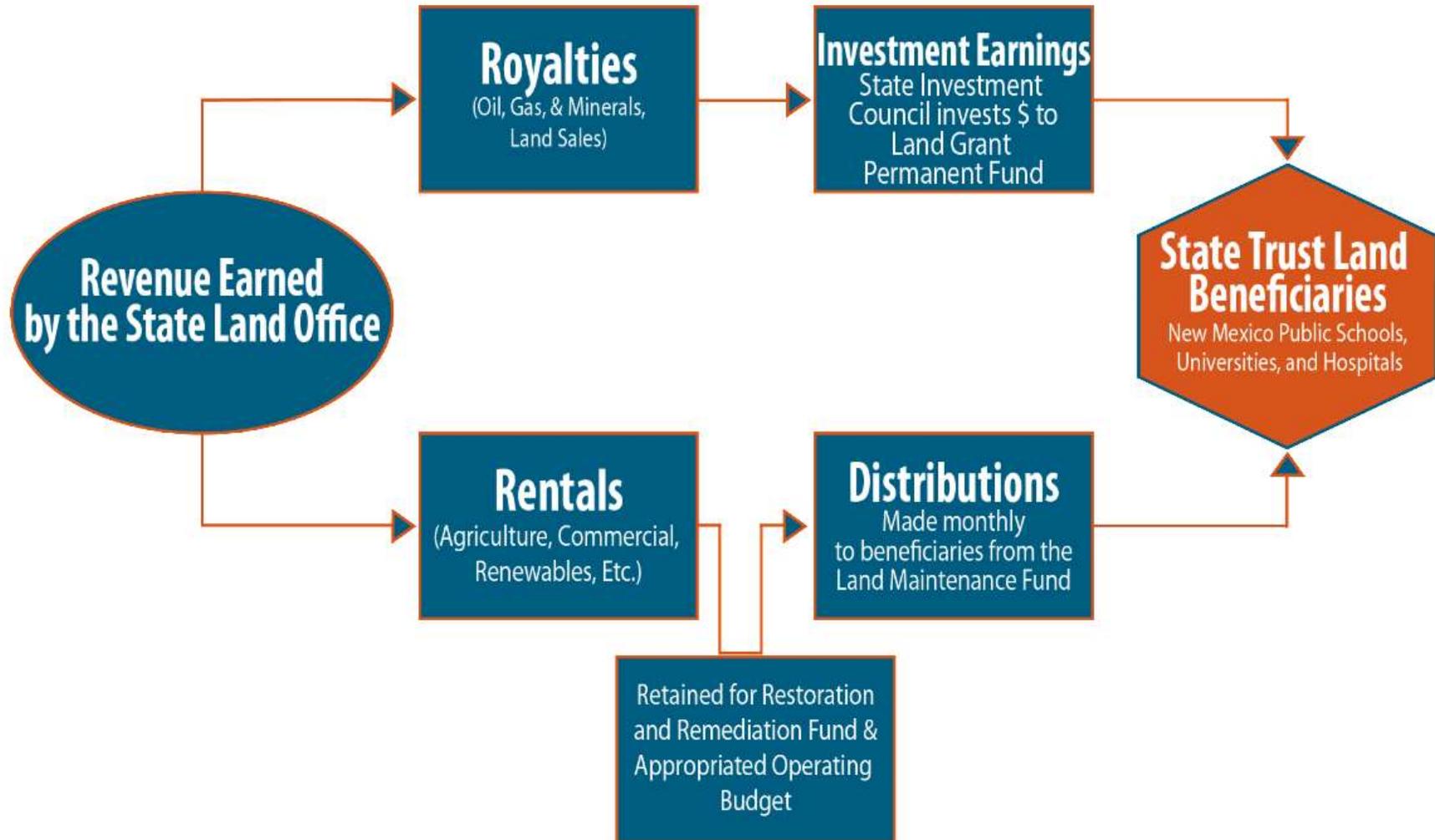


New Mexico Beneficiaries

- Carrie Tingley Hospital
- Charitable, Penal and Reform
- Common Schools
- Eastern New Mexico University
- Improvements to the Rio Grande
- New Mexico Boys School
- New Mexico Highlands University
- New Mexico Institute of Mining Technology
- New Mexico Military Institute
- New Mexico Miners Hospital
- New Mexico Penitentiary
- New Mexico State Hospital
- New Mexico State University
- New Mexico School for the Deaf
- New Mexico Schools for the Deaf/Visually Impaired
- New Mexico School for the Visually Impaired
- New Mexico State Hospital
- New Mexico State Parks Commission
- New Mexico State University
- Northern New Mexico College
- Public Buildings
- University of New Mexico
- Water Reservoirs
- Western New Mexico University
- Western New Mexico University/New Mexico Highlands University
- Western NM University/NM Highlands University

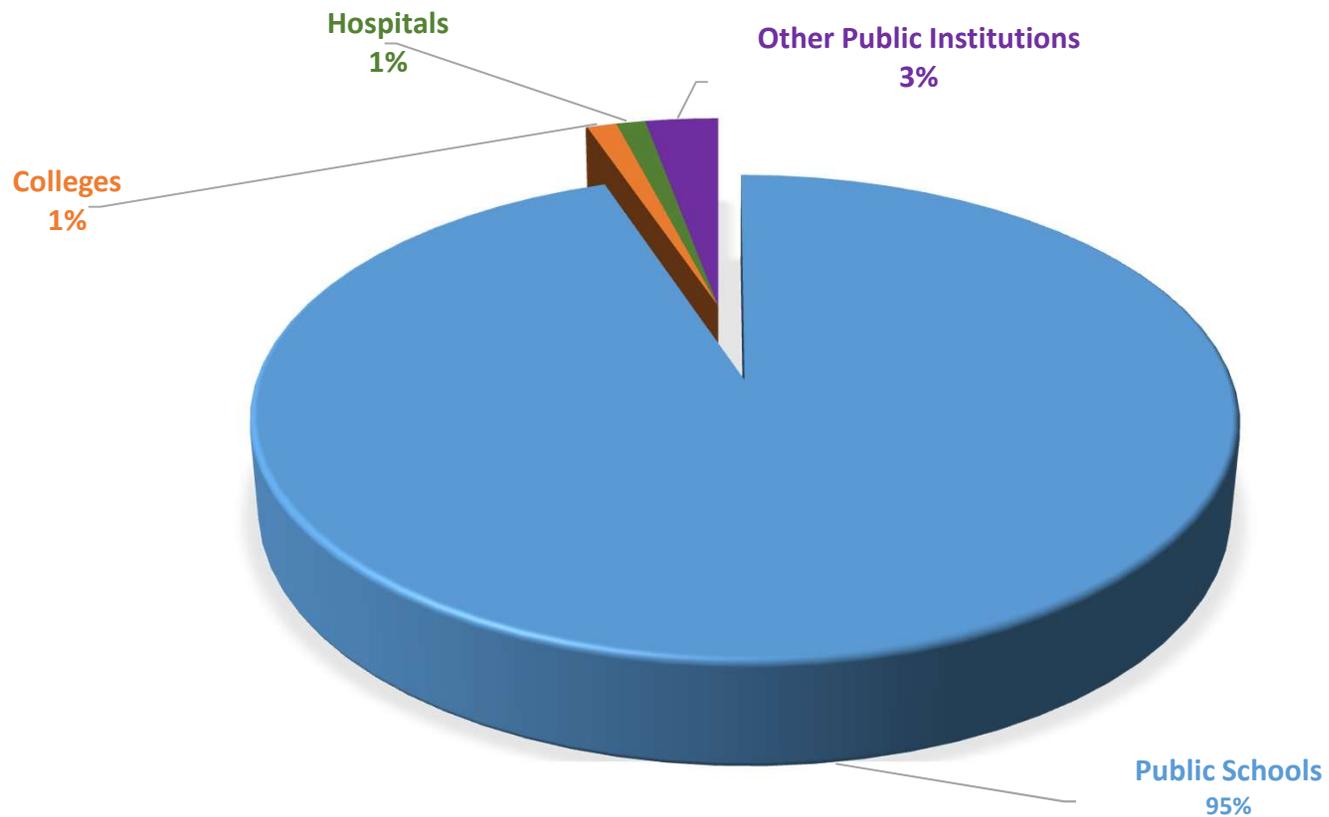


Revenue Distribution





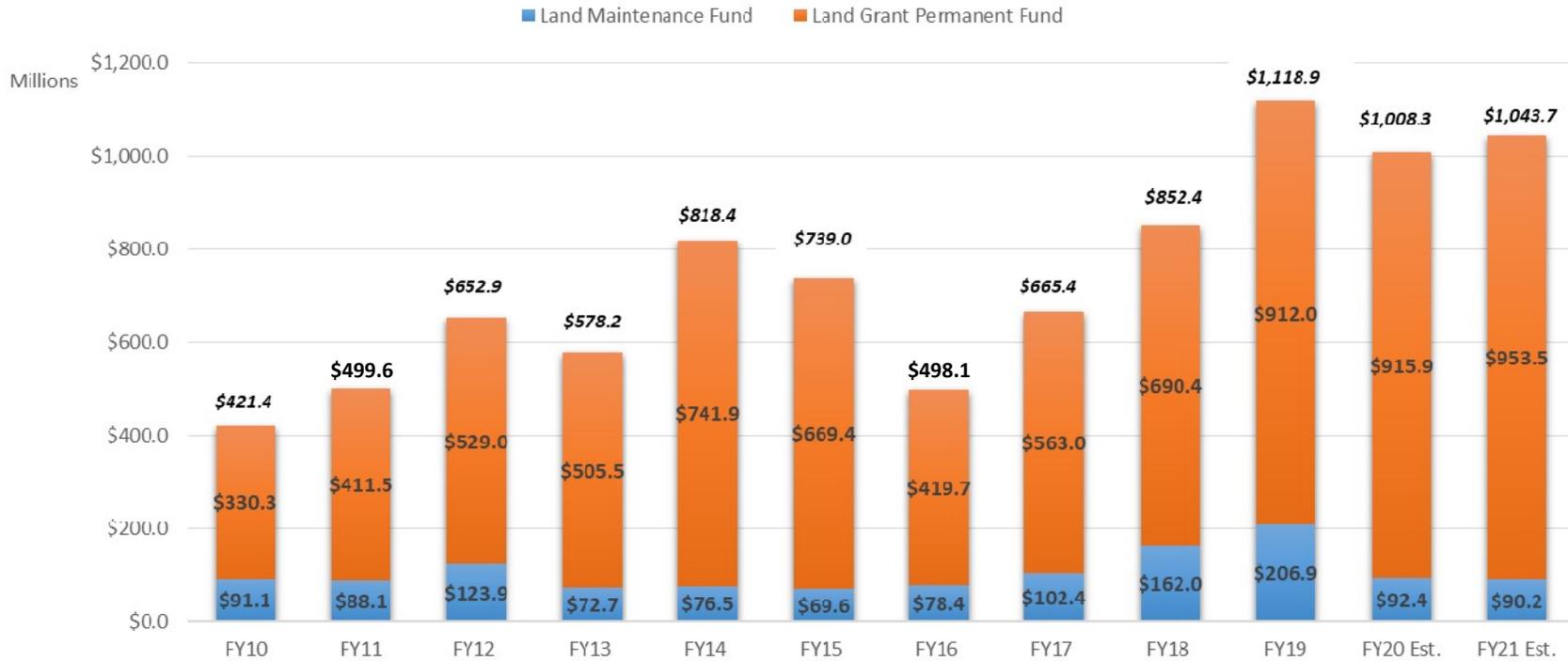
Distributions by Beneficiary Type





State Land Office Earnings By Year

State Land Office Earnings by Year



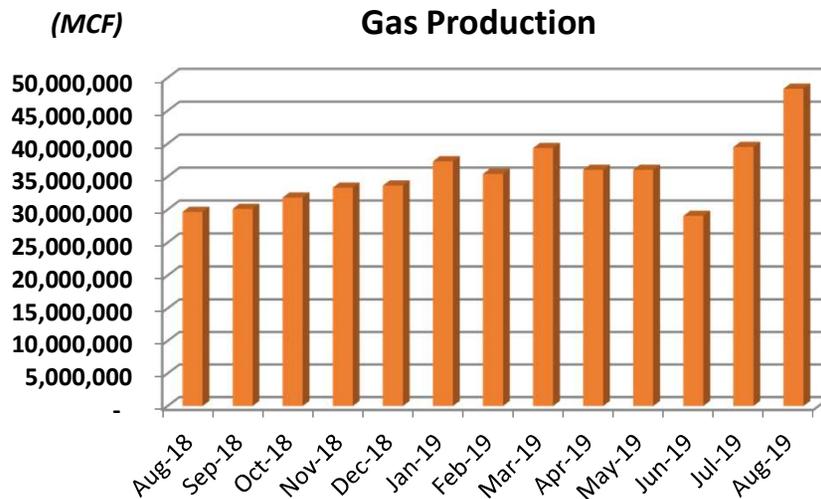
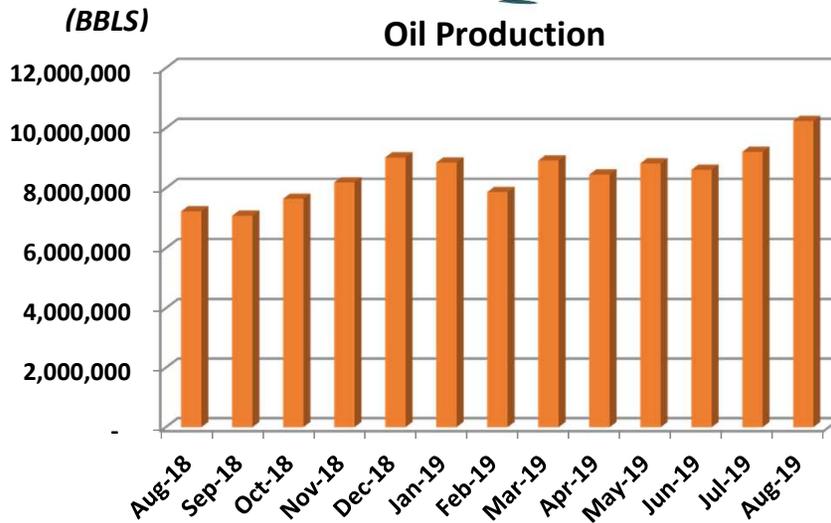


Revenue Projections

- In FY19 SLO generated a record **\$1,118.9 billion**, an increase of 31% from the previous fiscal year (\$852 million)
 - Steady oil prices along with significant increase in oil production in the Permian Basin contributed to the increase in revenue (oil production increased from 7.1 million bbls to about 8.6 million bbls per month with WTI averaging between \$60 - \$65)
- FY20 (**\$1,008.3 billion**) and FY21 (**\$1,043.7 billion**) revenue estimates are conservatively based on 8.6 and 9 million bbls of monthly oil production (\$55 WTI) respectively and 30 million mcf of monthly gas production (\$1.75)
- Overall revenue projected to remain strong due to production levels; “bonus” Land Maintenance Fund revenue projected to decline as less Premium tracts are available for leasing



State Land Office Oil & Gas Royalty Production



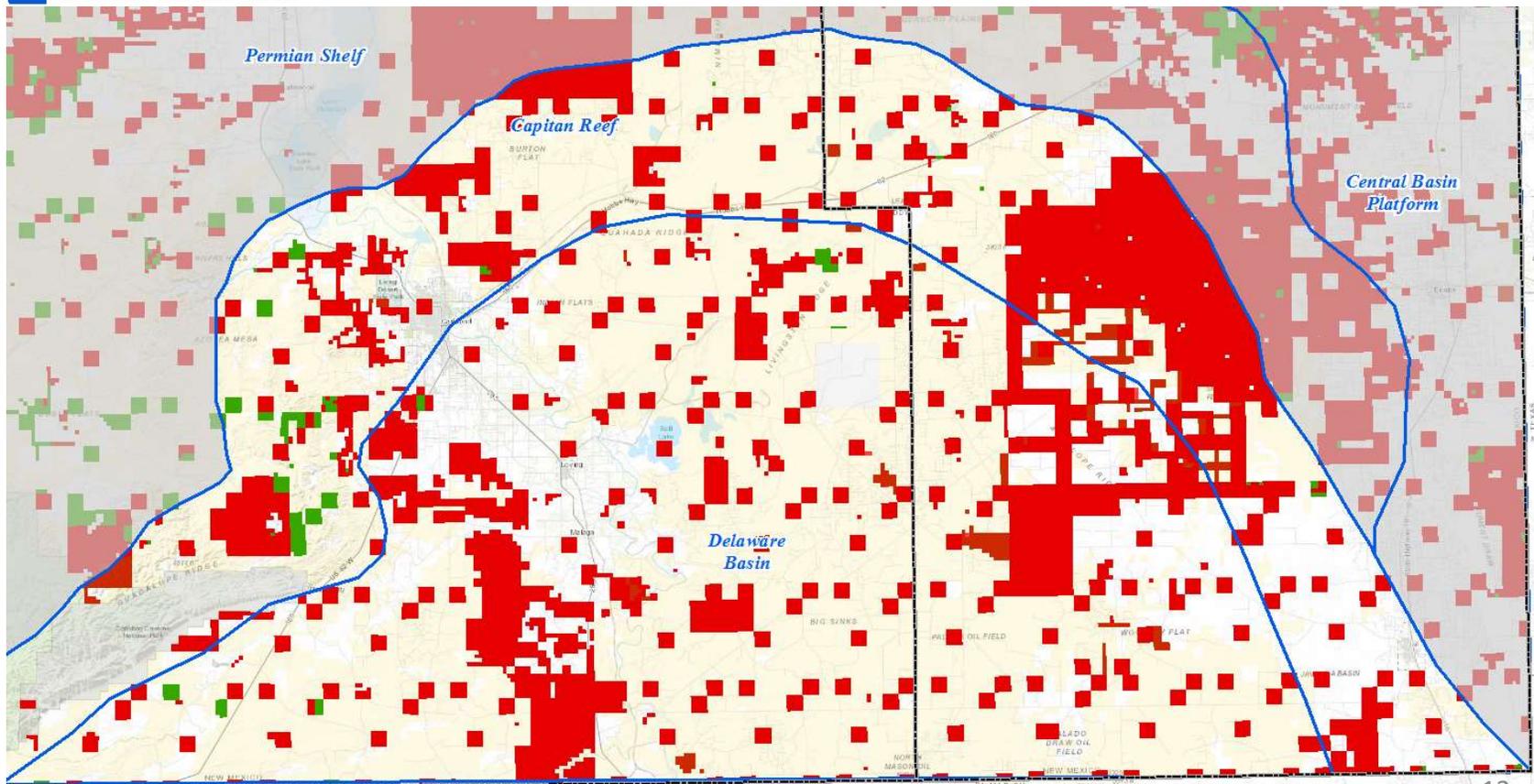
- Production reported 3 months in arrears
- Both oil and gas current production levels are higher than those used for revenue projections





Trust Lands Available for Oil and Gas Leasing – Permian Basin

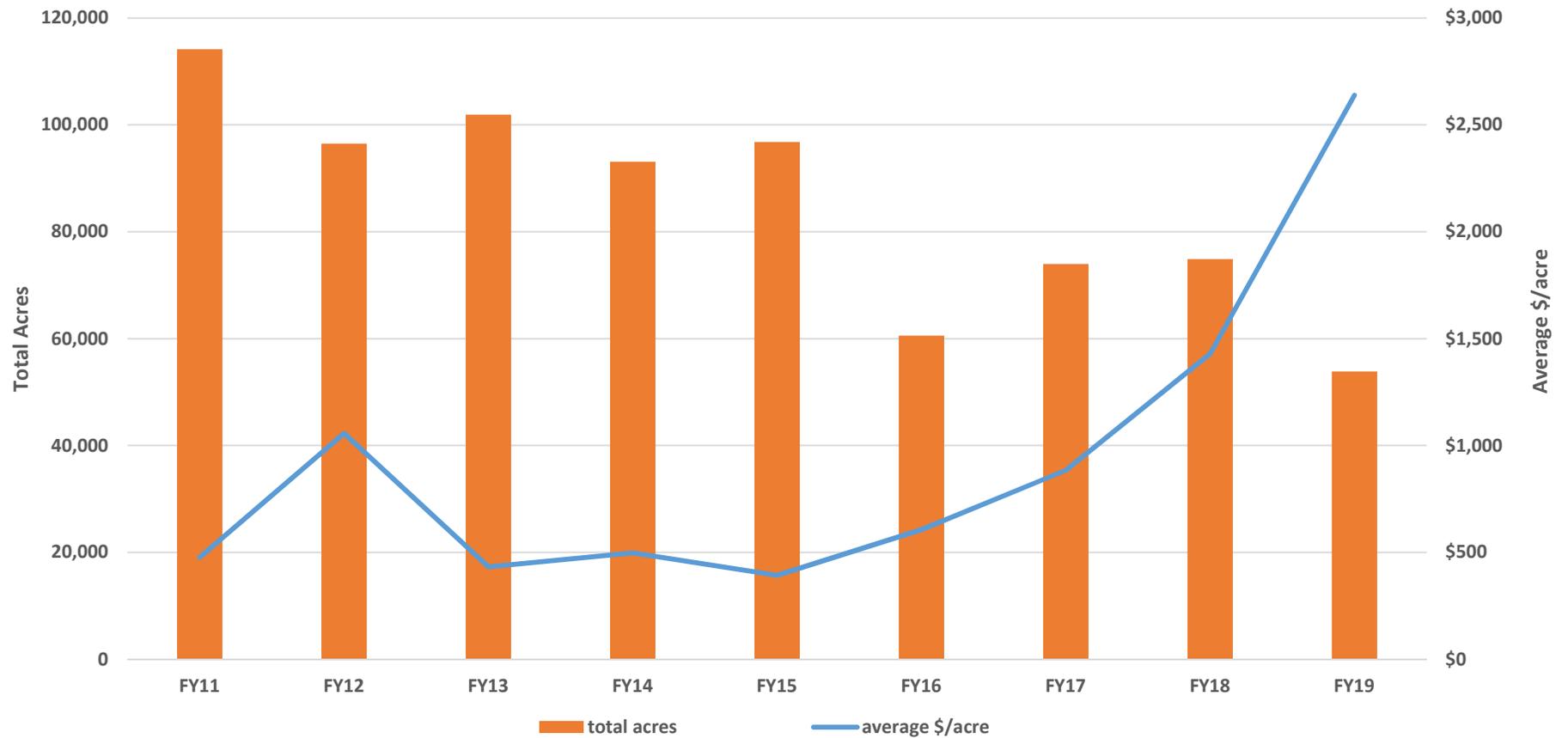
-  Trust Lands Available for Leasing
-  Trust Land Unavailable for Leasing
-  Oil and Gas Geologic Regions





Increasing Value Per Acre

Acres Offered at Oil and Gas Lease Sale & Average Price Received per Acre





Recent Efforts

- **Record \$1.1 billion** year (both renewable and non-renewable up)
- **Decreased vacancy rate** from 22% to 10%
- Established an **Office of Renewable Energy**
- **Rebuilding audit capacity** (royalty audit collections already 47% over 2018)
- **Increased the number of field staff** dedicated to covering the SE by over 50%
- **Secured satellite imagery of Permian** to help identify trespass, spills, conduct reviews, etc.
- Created a **Water Bureau**
- Issued directive expediting infrastructure necessary to **prevent natural gas waste**
- Required **public meetings** for large-scale projects (SB 458)
- Signed **Fort Bliss agreement**
- Created **advisory committees** (ag, oil & gas, sportspeople, conservation, Chaco)
- Revised ag leasing rule to **cut red tape**; re-established in-person workshops
- Implemented new **fair value minimum bids** for monthly oil and gas lease sale
- **Treated about 50,000 acres**; 20 projects in 18 counties
- **Removed antiquated gender specific rules**
- **Revamped recreational access permits** (online credit card payments)
- **Promulgating cultural properties rule**
- **Signed joint planning agreement** with City of Gallup and McKinley County
- **Chaco moratorium**
- **Prohibited coyote killing contests**



FY19 Remediation & Land Maintenance Projects

- Implemented 20 projects that treated 48,610 acres in 18 counties
- Many of these projects were collaborative, leveraged other funds, and worked across multiple land jurisdictions

<u>Project Type</u>	<u># of Projects</u>	<u>Acres</u>	<u>Cost</u>
Forestry/Prescribed Burn	1	20,000	\$42,825.00
Forestry/Mechanical	7	3,332	\$636,751.54
Habitat: Noxious & Invasive Weeds	5	22,416	\$930,844.59
Illegal Dump Cleanup	1	1.77	\$9,730.99
Riparian Restoration	1	9.2	\$8,596.25
Archaeological Services	5	2,852	\$143,078.48
TOTAL	20	48,611	\$1,771,826.85

Sources of funds: Contractual Service \$1,411,252.43

Restoration & Remediation Fund \$360,574.42



Agency Challenges

- **Increased volume of applications and activities on state trust lands**
 - Rights-of-way submission increased by almost 30% over last two years
 - Increased field staff reviews necessary to clear projects
 - Renewable energy applications up dramatically (14 active leases; 45 applications in pipeline)
- **Hiring and maintaining necessary staff with specialized skill set**
 - SE District Managers (competing with O&G)
 - Auditors (rebuilding audit capacity)
- **97% of Permian leased** – “bonus” revenue will decrease / must ensure all royalties due are collected from leases in production
- **Ability to identify trespass, spills, waste on 9 million acres of surface / 13 million acres mineral estate**
 - Leveraging satellite technology to provide critical oversight
 - Strong relationships with ag lessees





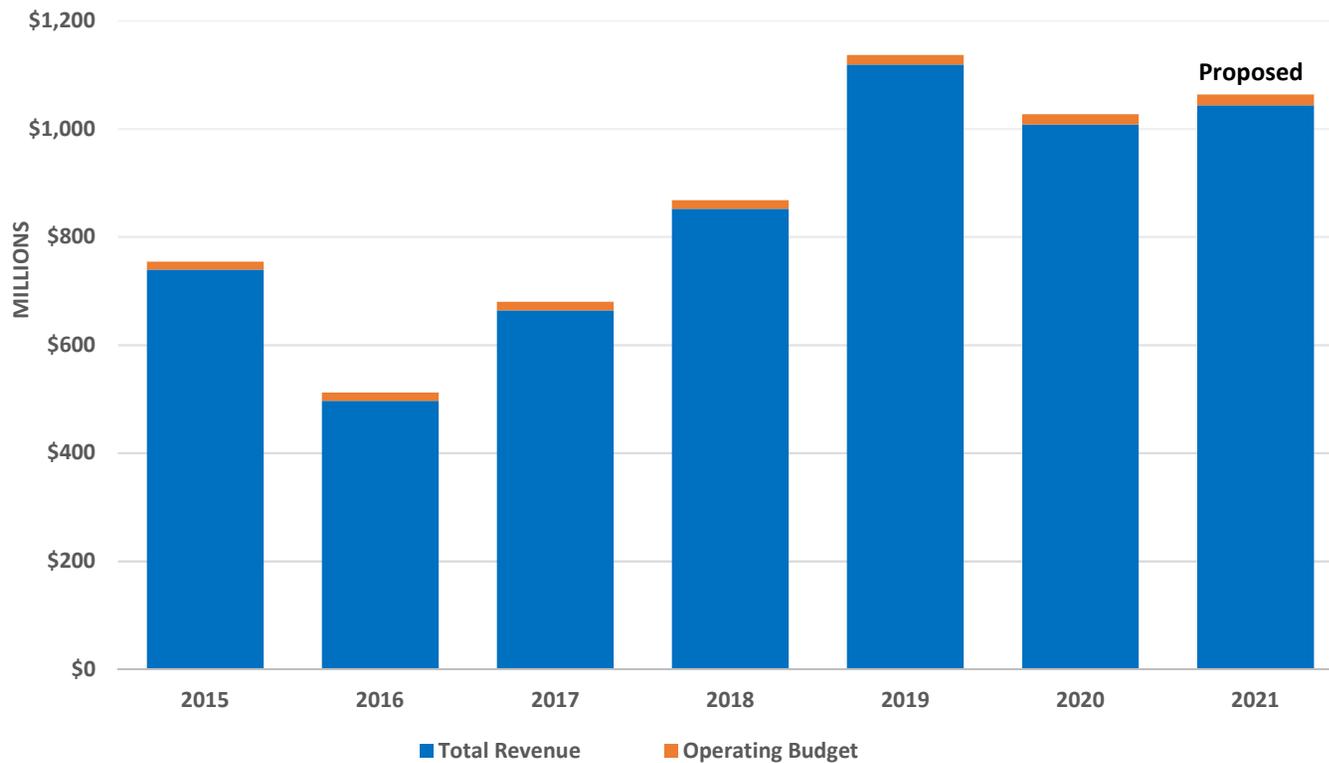
Budget Request Overview

- SLO operations are funded by the revenue the agency generates (non-General Fund)
- \$19,773,400 request, a modest 5.44% increase over FY20 (base plus expansions)
- The personal services & employee benefits category request is an increase of 5%; focused on filling vacancies and staffing necessary to generate revenue (est. \$1,043 billion for FY21)
 - Decreased budgeted vacancy rate of 3%
- The increase in Contractual category is almost offset by the decrease in Other category.
- Expansion request of \$161,800 (Rights-of-Way Analyst; Surface Deputy Director)





Annual Receipts Compared to Operating Budget

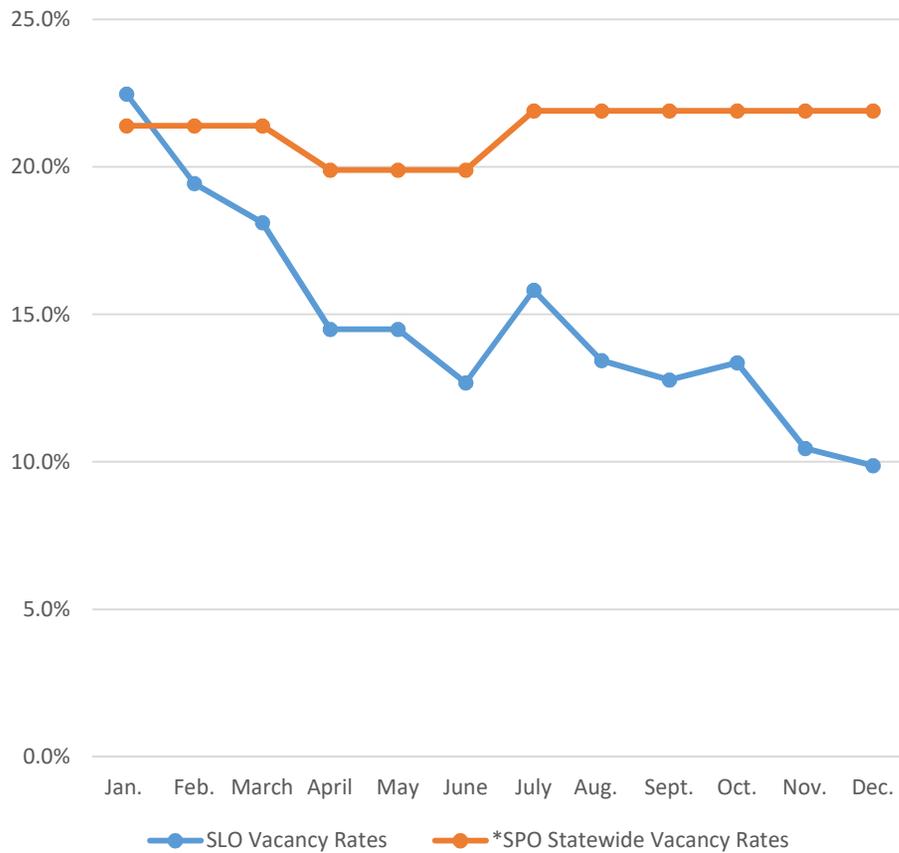


The FY21 Operating Budget Request is 1.8% of the total receipts collected by the Land Office



Vacancy Rate Reduction

SLO Vacancy Rates by Month



Current Vacancies	
Total Positions	172.1
Classified Vacancies	16
GOVEX Vacancies	2
Total Vacancies	18
Filled FTE	154.1
Vacancy Rate	10.46%

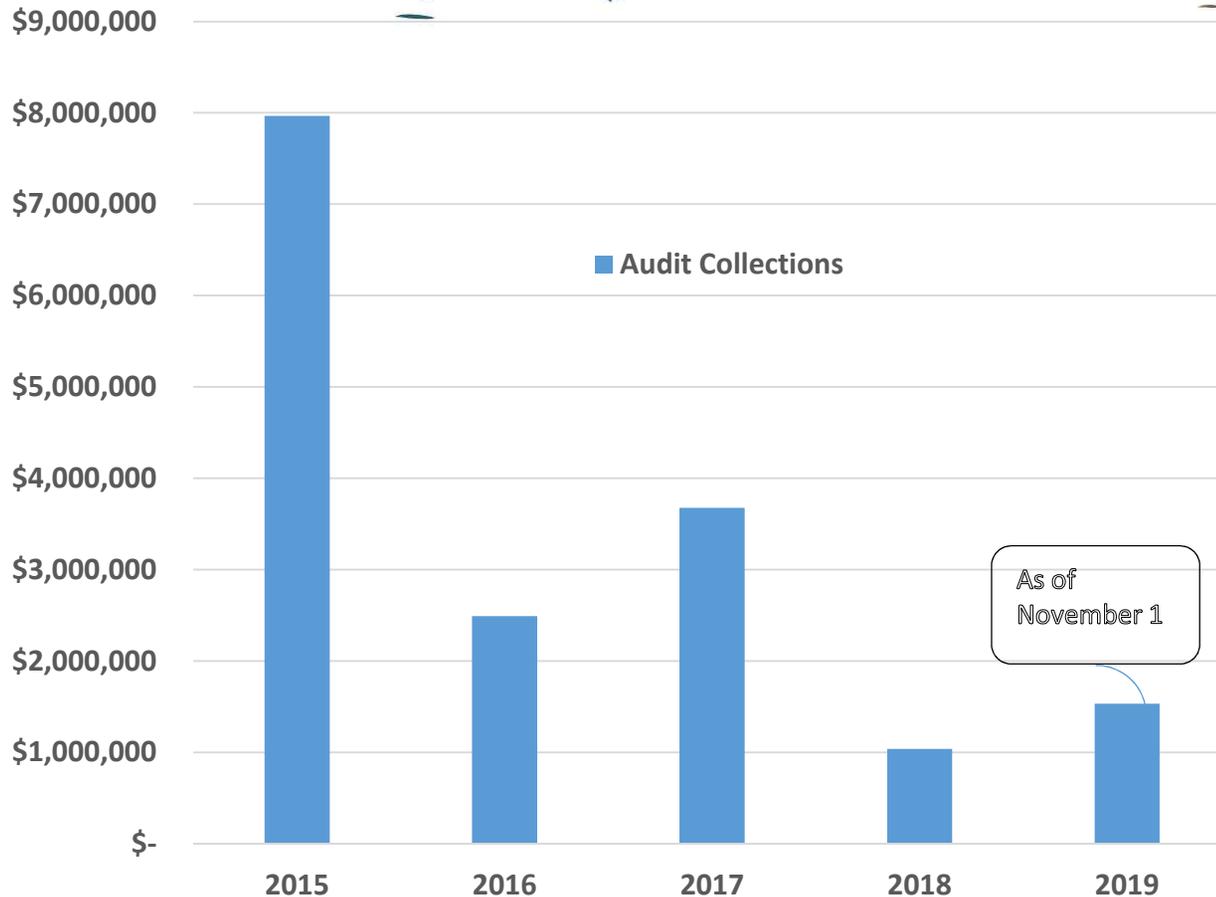
Status of Vacant Positions	
Total Vacant Positions	18
Currently Advertised	2
Interview Process (includes 5 continuous postings)	6
Pending SPO/DFA Approval	3
Pending SLO Action	7

50 Positions Advertised Since January 2019





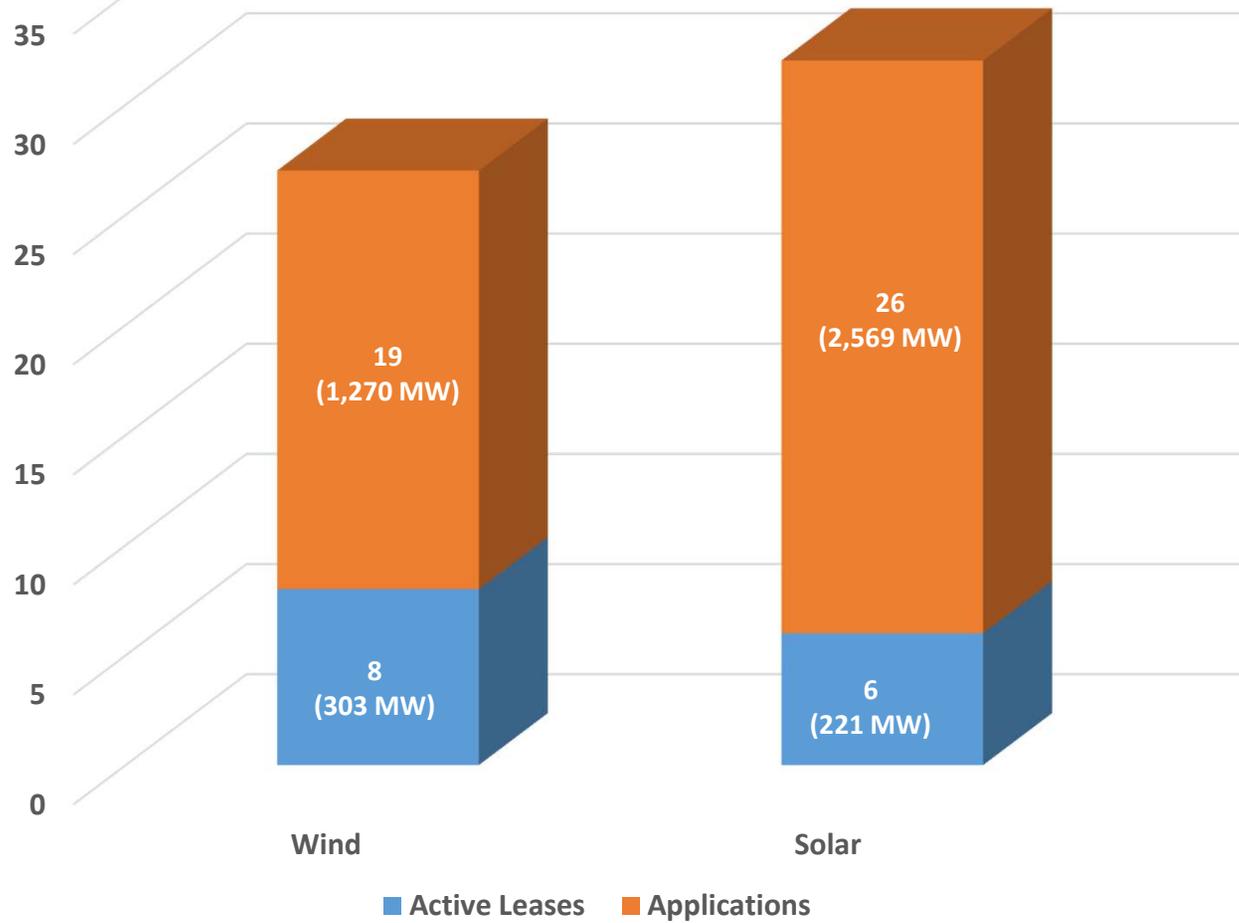
Audit Collections by Calendar Year



Royalty Audit Division vacancy rate was 45% as of January 2019; collections are already up 47% over last year (with 26% current vacancy rate)



Renewable Energy Projects





Expansion Requests

- **Surface Division Deputy Director \$101,300**
 - To better manage the high volume of project clearance requests that must be completed before leases and other business activities can be approved
 - The Division handles approximately 2,000 requests annually; managing them efficiently is directly tied to the ability to generate revenue
- **Rights-of-Way Management Analyst – Operational \$63,600**
 - The Commercial Division administers 22,000 active rights-of-way for electric transmission and distribution, oil and gas pipelines, roads and telecom lines
 - In FY19 the Commercial Division executed 758 rights-of-way, a 27% increase over the last two fiscal years and generated \$24.7 million in revenue, an increase of 39% since FY17





Special Requests

GIS Satellite Imagery and Analytics - \$1,450,000

- To leverage daily satellite imagery and data analytics to improve management and oversight of trust lands
- Identify spills, trespass, and assist with application processing
- Since January 65 spills identified with imagery (pilot Planet program has brought in about \$250,000 in trespass since July)
- Could be of value to multiple agencies



Pre-spill



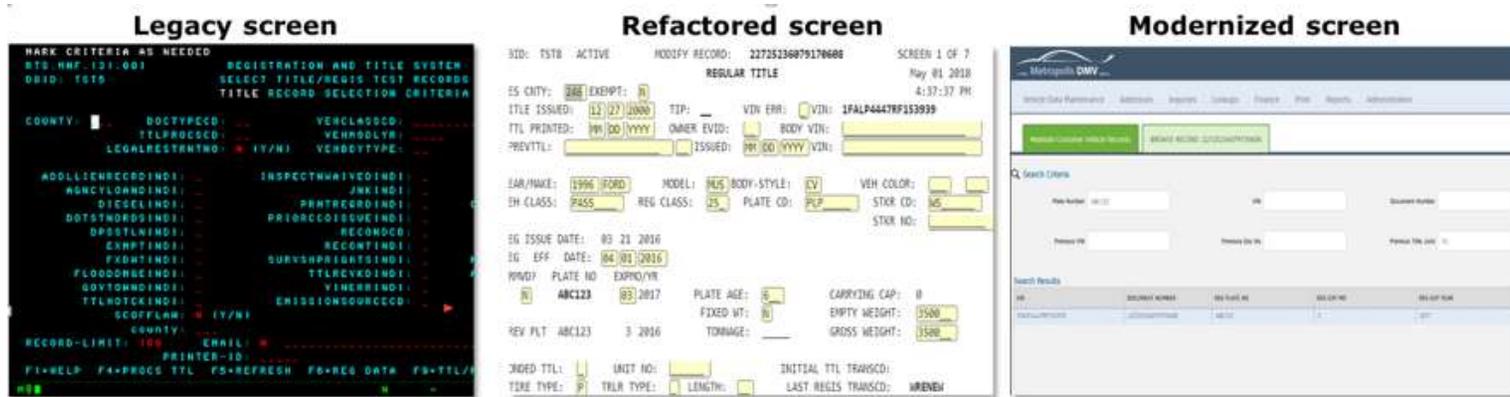
Post-spill



Special Requests

Revenue Accounting and Royalty Processing System (RAPS) - \$1,850,000

- Phase I ONGARD to RAPS transition / architecture modernization on schedule to take system off the mainframe (1.5 million lines of code being converted)
- Request is to enhance system functionality to improve business practice (auditing, revenue tracking, accounting, efficiency enhancements)





Capital Outlay

- **Lighting & Ceiling Replacement \$650,000**
 - To plan, design and install energy efficient LED fixtures & occupancy sensors
 - Replacement of the hard lid ceiling with new removable grid, ceiling, which will result in less costly maintenance of the HVAC system and other infrastructure
- **Solar Panels \$700,000**
 - To plan, design and install rooftop solar panels at the State Land Office
 - Feasibility study planned for FY20 will provide detailed cost-savings assessment





NEW MEXICO COMMISSIONER OF PUBLIC LANDS

In 2019, the State Land Office raised over

\$1,000,000,000

for New Mexico public schools, universities, and hospitals!

STEPHANIE GARCIA RICHARD