



State Land Office Venting/Flaring Issues on State Land

Economic and Rural Development
Committee

October 29, 2019

**OPEN
FOR
BUSINESS**

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





Agenda

- State Land Office Overview
- Methane Issues on State Oil and Gas Leases
- Questions?



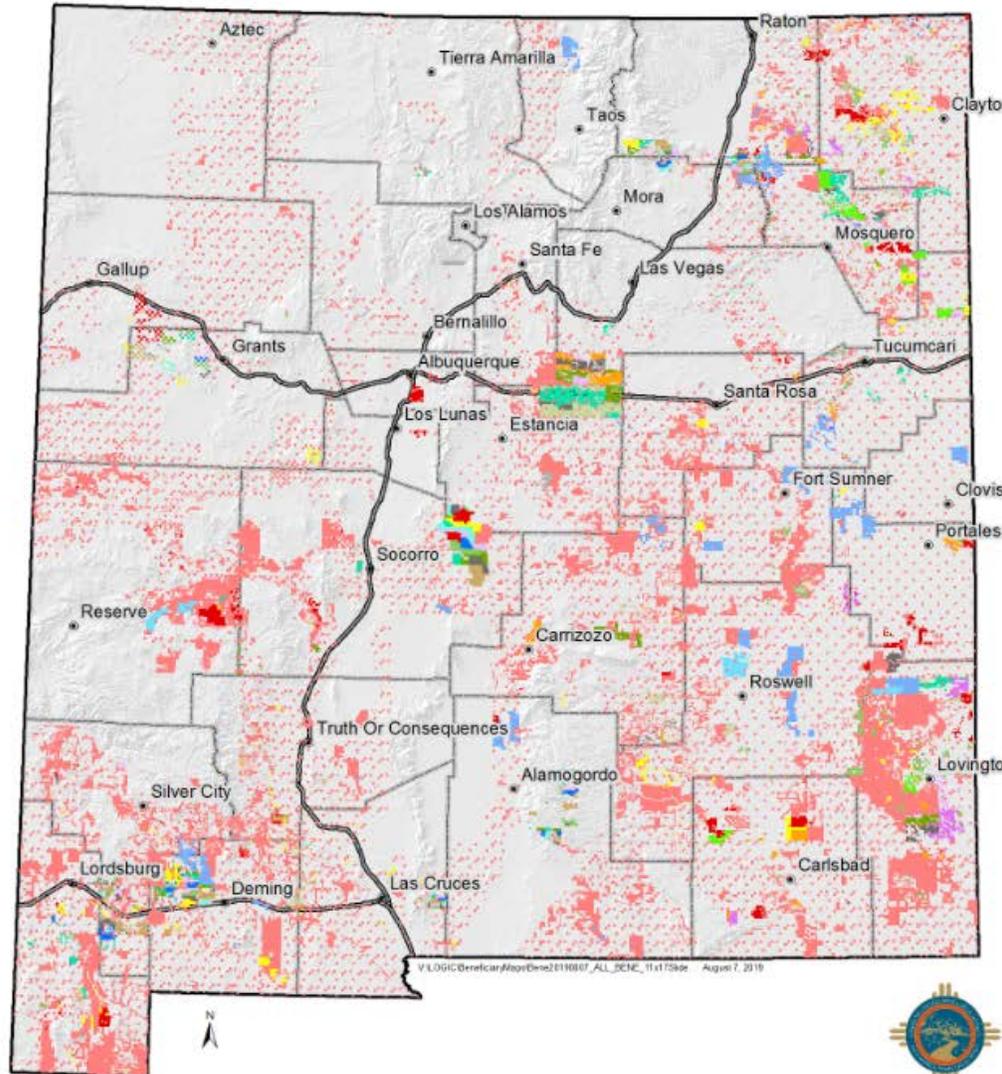
What We Do

- 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.)





Who We Work For

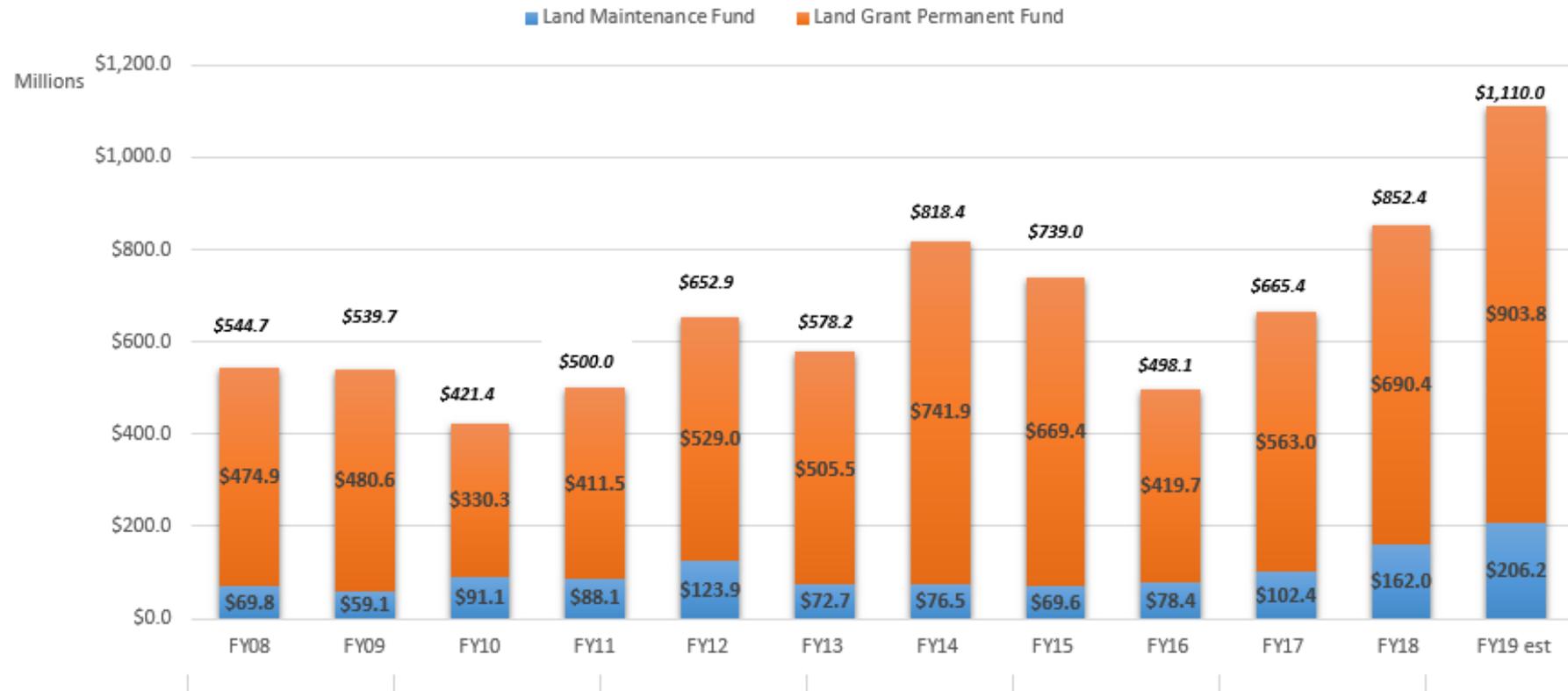


New Mexico Beneficiaries

- 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

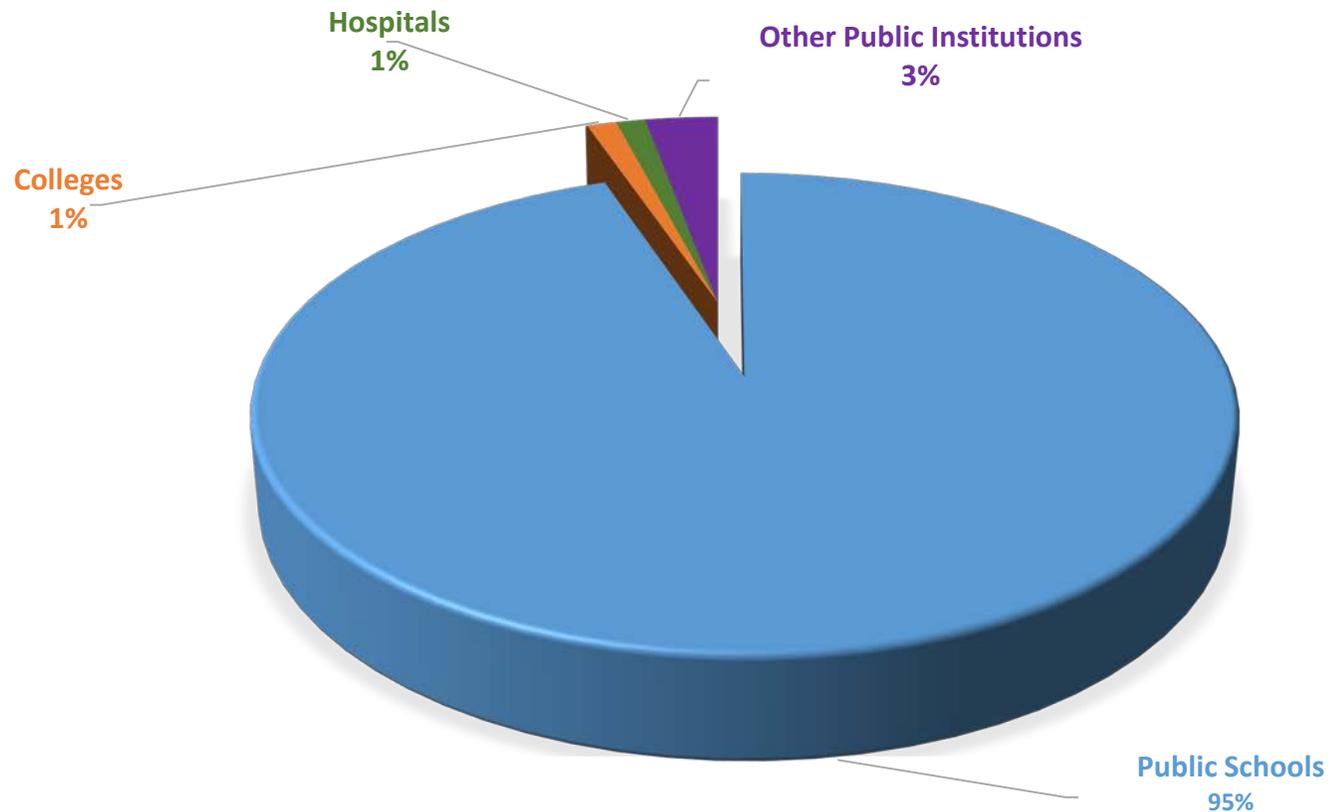


State Land Office Earnings By Year





Distributions by Beneficiary Type





Oil and Gas Development Objectives

- Responsible, efficient oil and gas development
- Prevent and reduce waste of public resources
- Collect what is owed to trust beneficiaries; fair value for Trust land
- Fill key vacancies tied to revenue generation (e.g., royalty auditors)
- Increase capacity to handle Permian workload
- Enhance environmental and cultural protections
- Streamline business operations
- Healthy land and communities



Recent Oil and Gas Initiatives

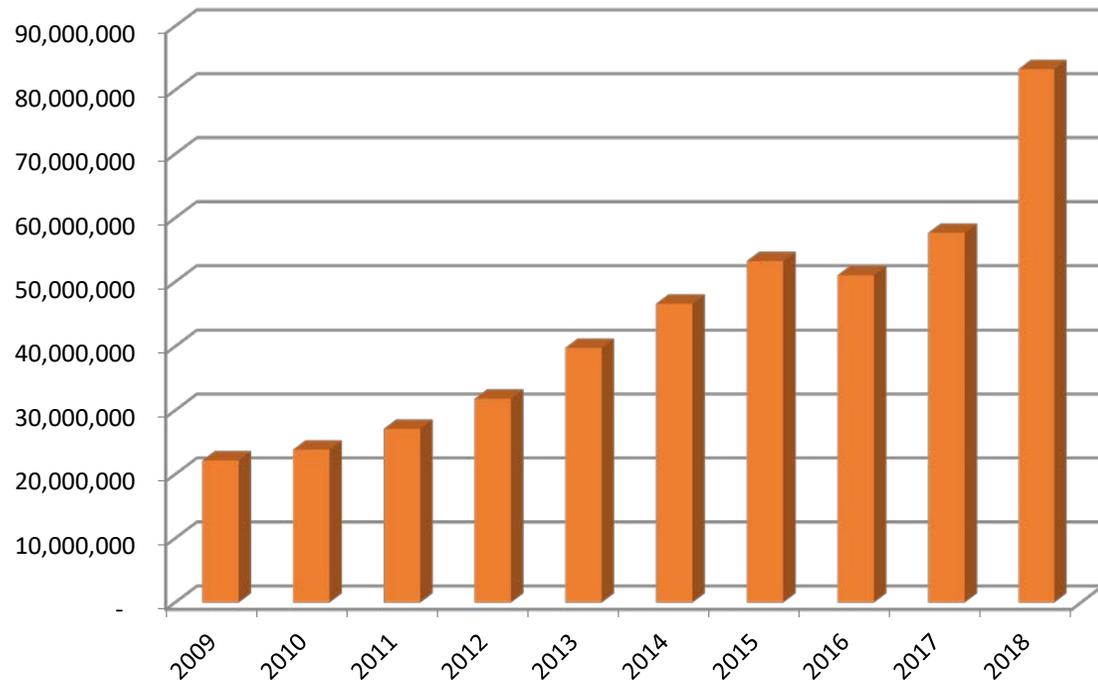
- Established Oil and Gas Advisory Committee
- Created Water Bureau in Oil, Gas, and Minerals Division (3 FTE)
- Issued directive expediting infrastructure necessary to prevent natural gas waste and requiring infrastructure assessment in selecting tracts for lease sales
- Implemented new fair value minimum bids for monthly oil and gas lease sale
- 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.
- Streamlined lease assignment process
- Required public hearings for large-scale projects (SB 458)
- Issued a moratorium on new oil, gas, and mineral leasing around Chaco



State Trust O&G Production 2009-2018

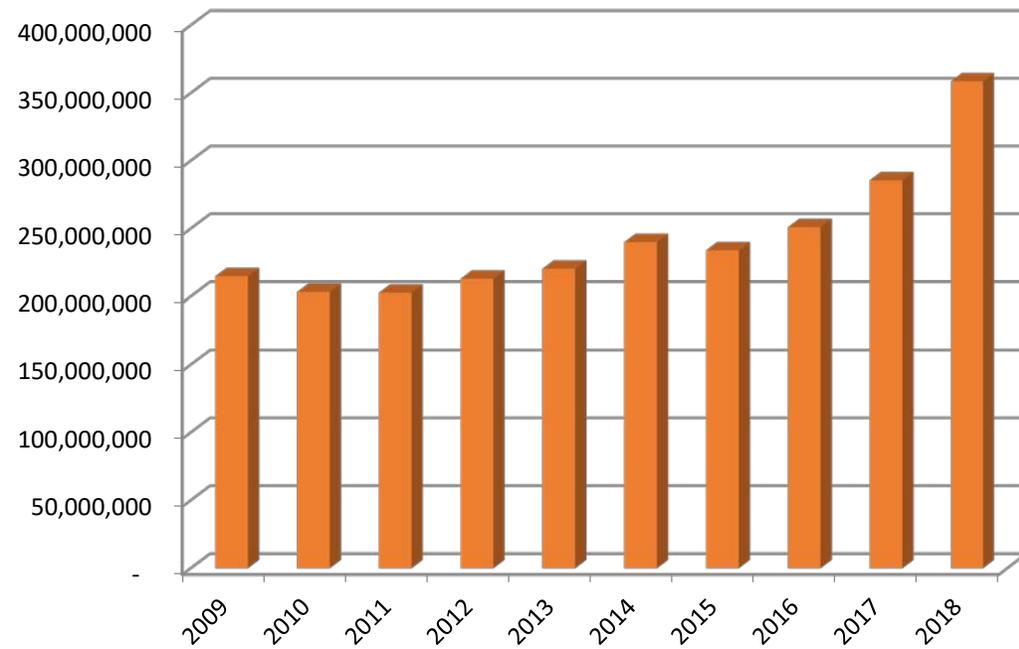
(BBLs)

Oil Production



(MCF)

Gas Production

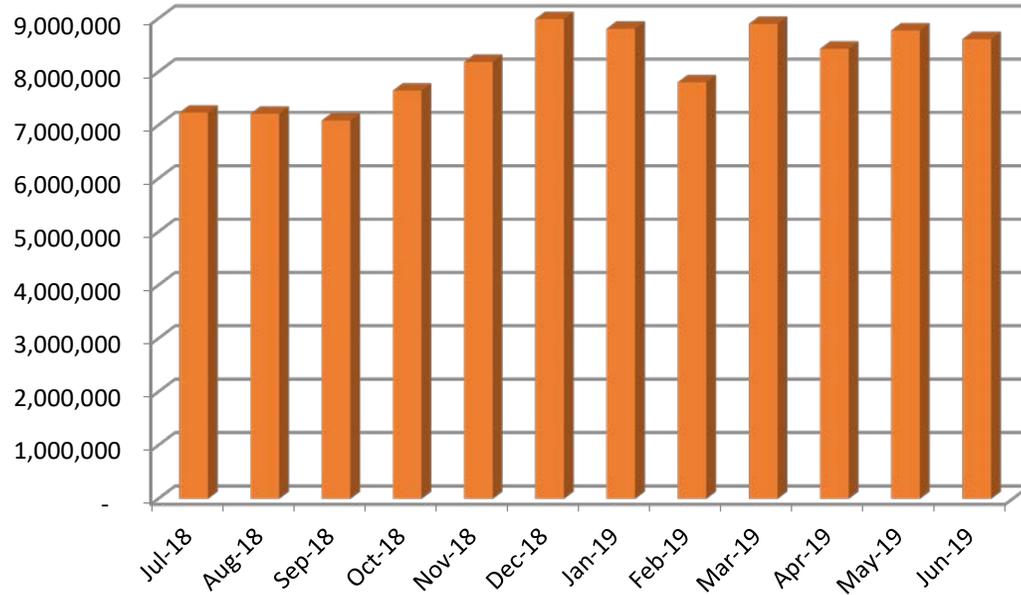




State Trust O&G Production FY19

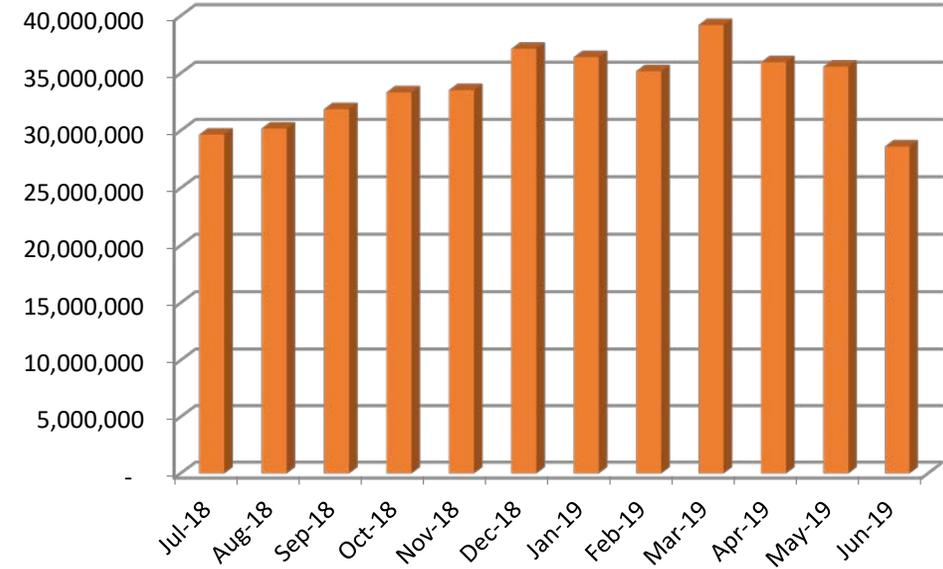
(BBLs)

Oil Production



(MCF)

Gas Production





Venting and Flaring on State Trust Land

Permian Basin: July 2018 – Sept 2019

Venting and Flaring on State Trust Lands

Thousands of cubic feet

- 1.0 - 964.0
- 964.1 - 3,080.0
- 3,080.1 - 6,393.0
- 6,393.1 - 12,255.0
- 12,255.1 - 55,341.0

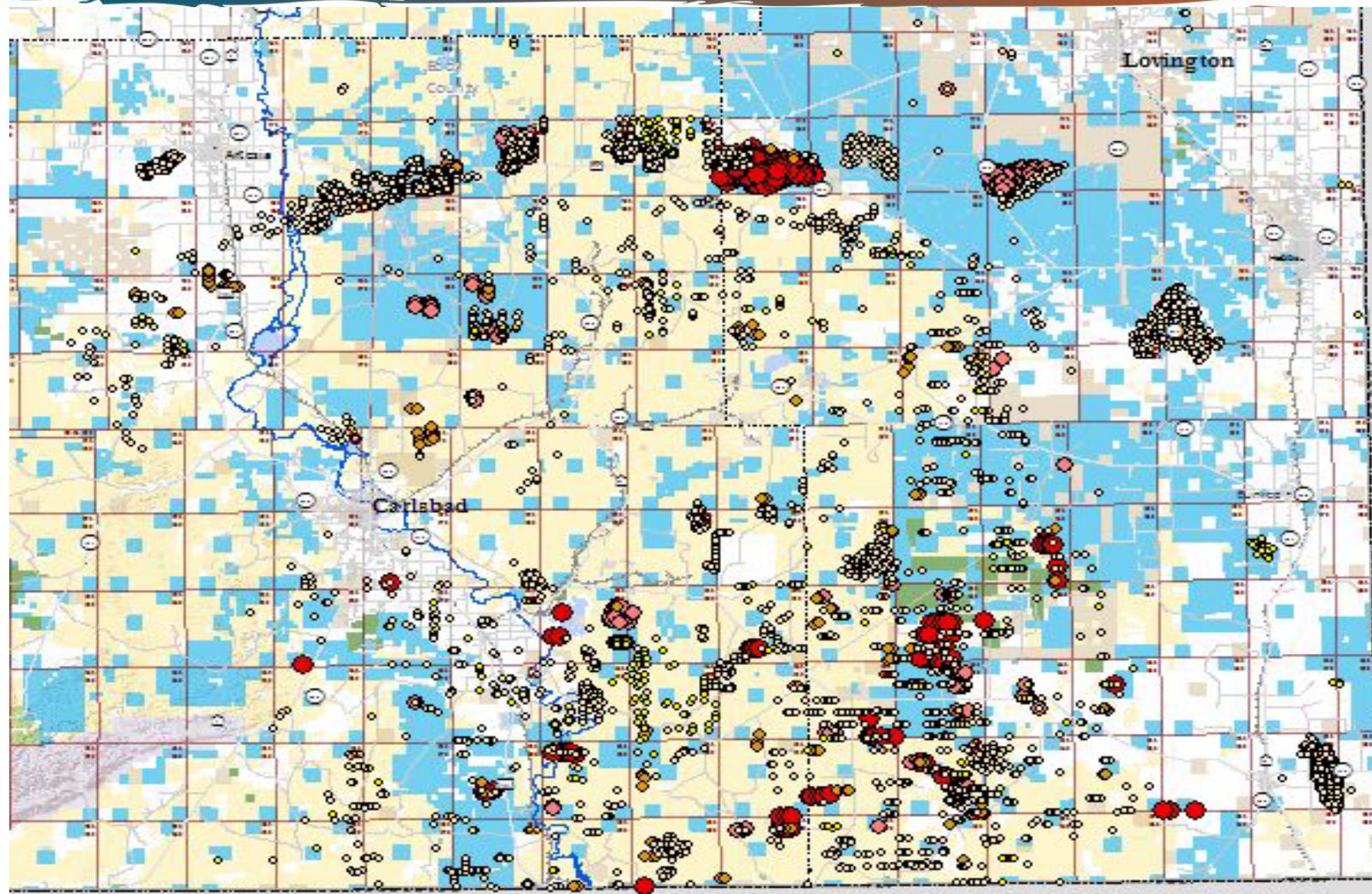
County Lines

New Mexico State Trust Lands

- Subsurface Estate
- Surface Estate
- Both Estates

Federal Surface Ownership

- Bureau of Indian Affairs/Tribes
- Bureau of Land Management
- Bureau of Reclamation
- Department of Agriculture
- USDA Forest Service
- Fish and Wildlife Service
- National Park Service





Venting and Flaring

Northwest Corner: July 2018 – Sept 2019

Venting and Flaring on State Trust Lands

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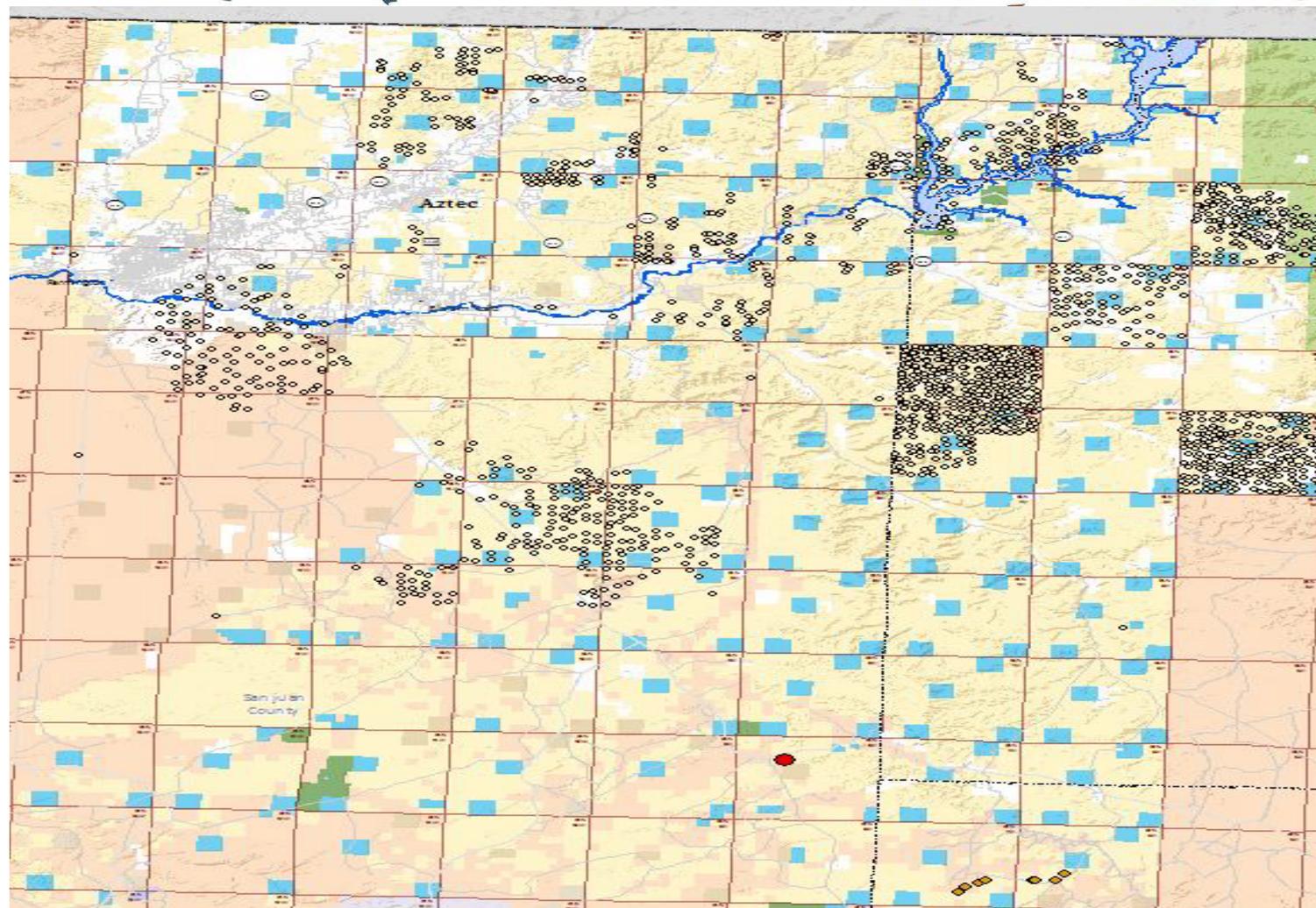
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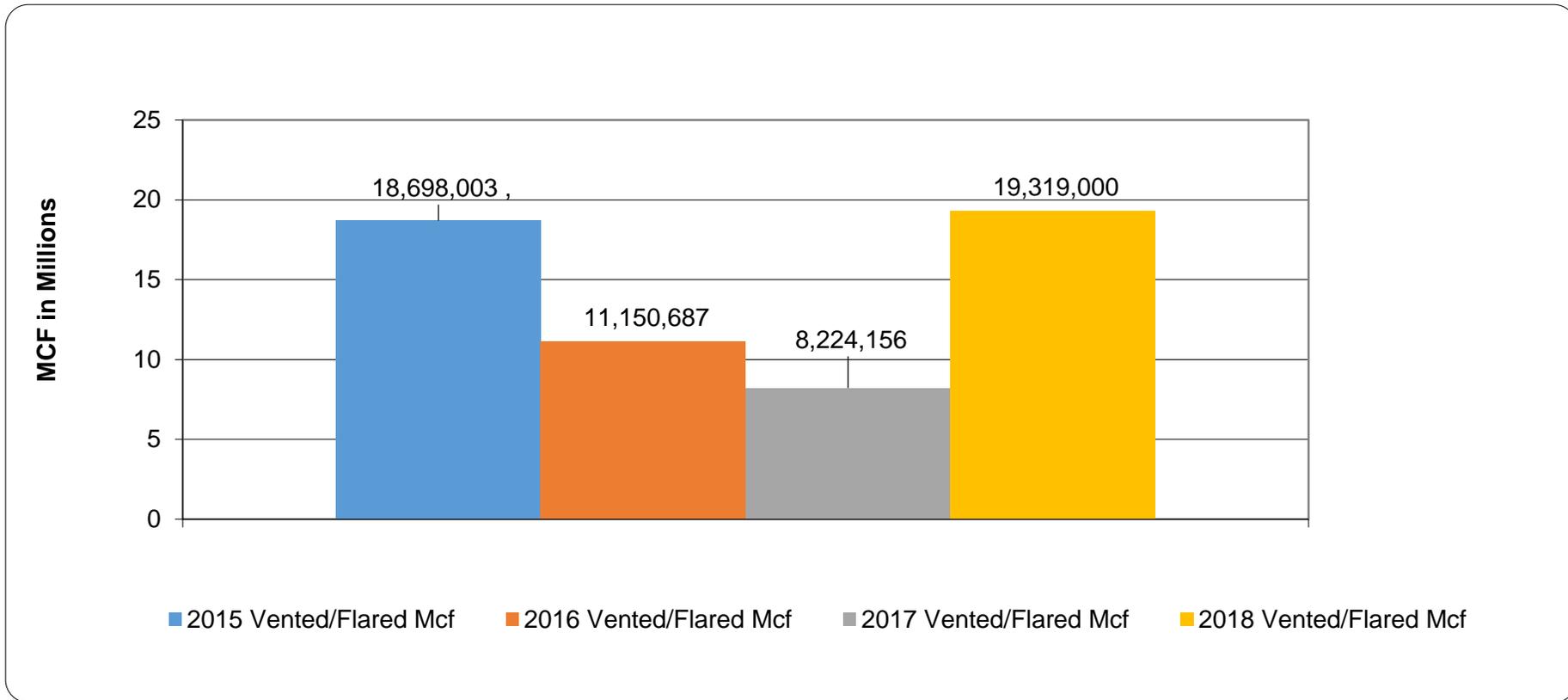
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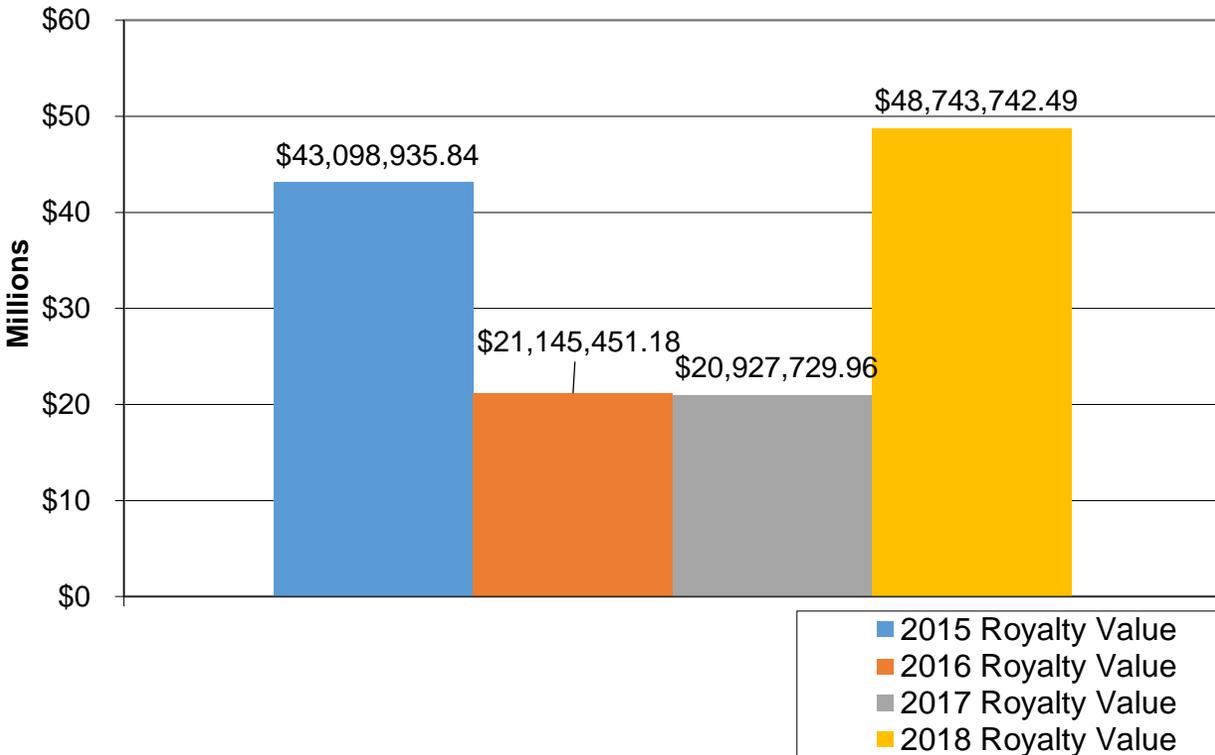
2015-2018 Estimated Vented/Flared Production on State Trust Land



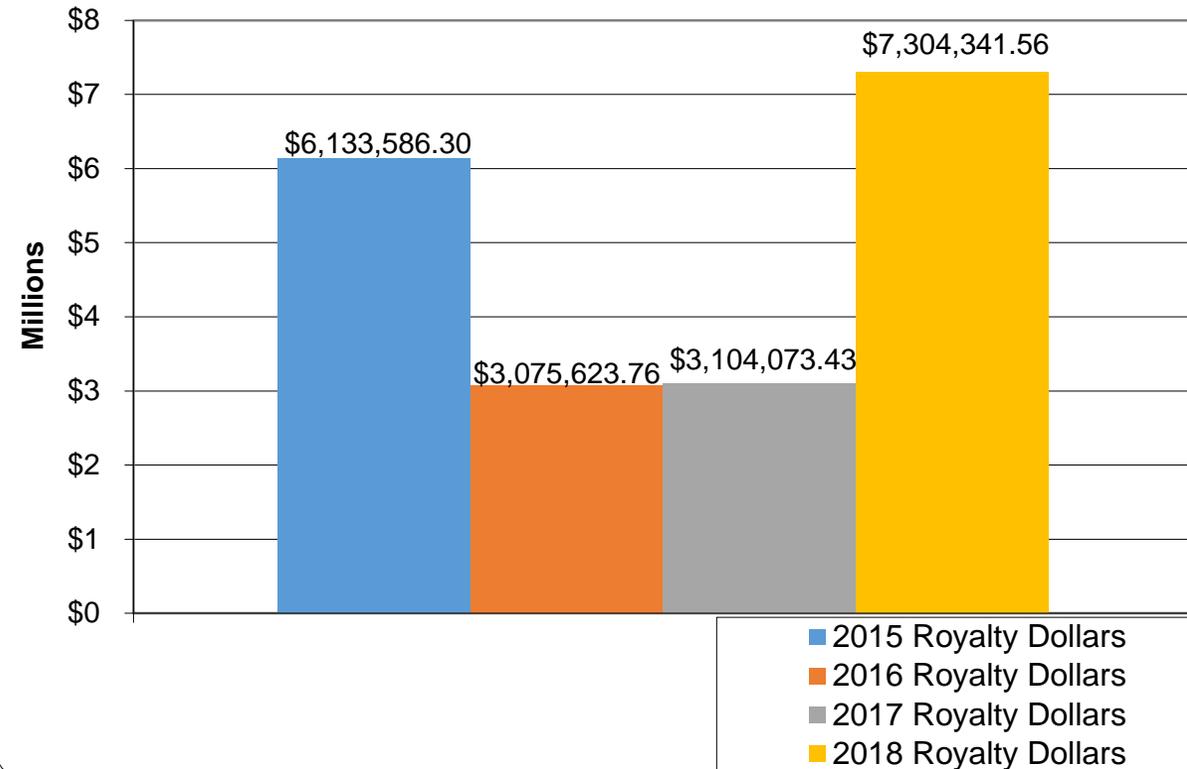


2015-2018 Estimated Vented/Flared Production on State Trust Land

Total Value of State Trust Vented/Flared Production



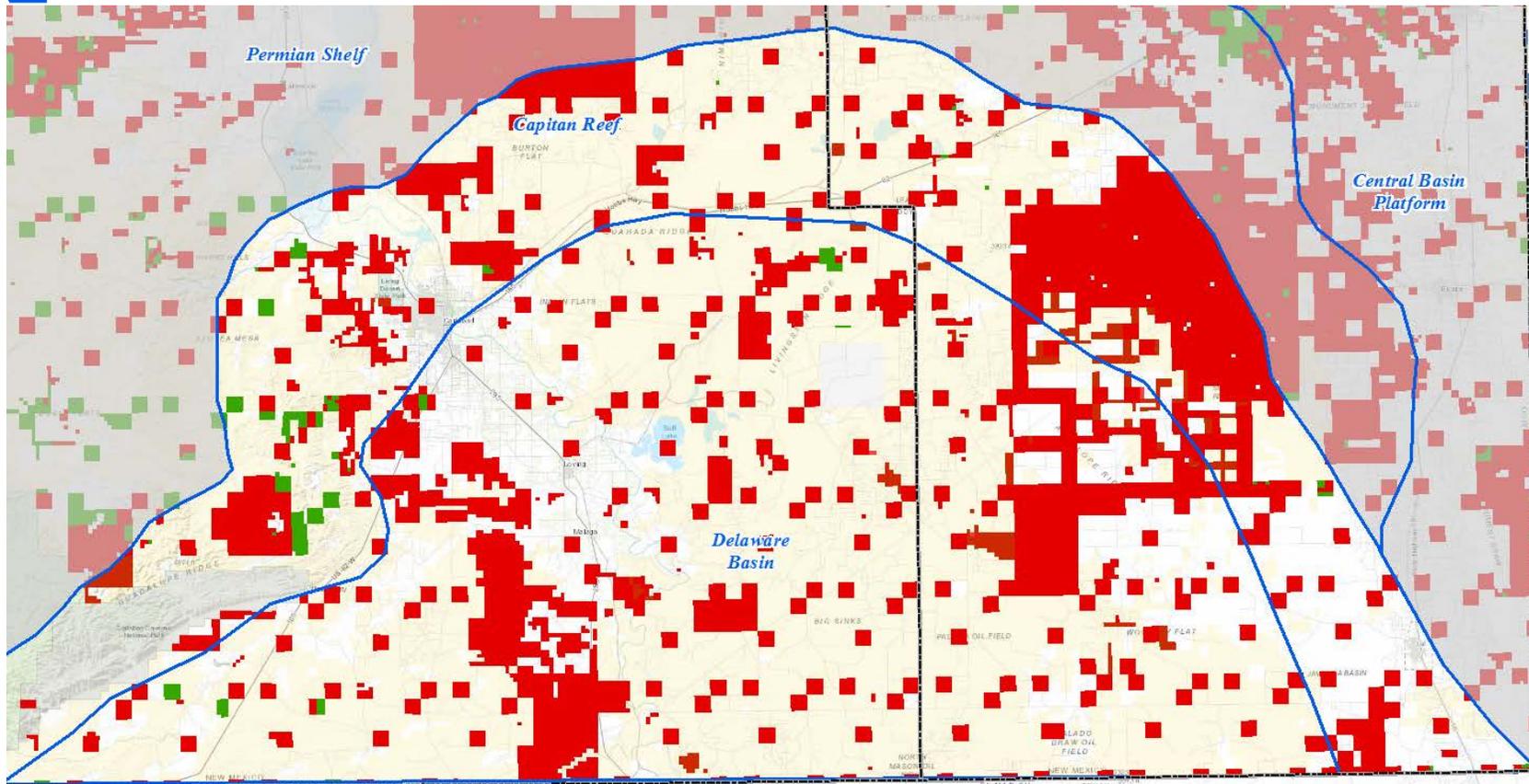
Royalty Amount of Vented/Flared State Trust Production





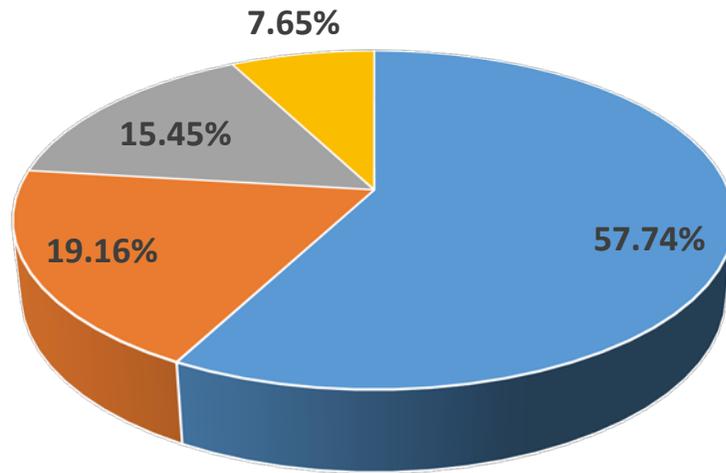
Trust Lands Available for Oil and Gas Leasing – Permian Basin

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





Active Leases by Royalty Rates



■ 1/8th ■ 1/6th ■ 3/16th ■ 1/5th

Royalty Rate	# of Active Lease	% of Total
1/8 th (12.5%)	4,146	57.74%
1/6 th (16.667%)	1,376	19.16%
3/16 th (18.75%)	1,109	15.45%
1/5 th (20%)	549	7.65%

The average royalty rate on active leases is about 14%



Path Forward

- Work with BBER (UNM) to assess fiscal impact of venting and flaring on state trust lands
- Active participation in Methane Advisory Panel / OCC rulemaking
- Review tracts prior to lease sale to determine proximity to existing infrastructure
- Prioritize consideration of Rights of Way necessary to reduce the likelihood of venting/flaring
- Legislation clarifying oil and gas lease language



Questions?

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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