



**New Mexico State Land Office
LFC FY2024 Budget Presentation
November 14, 2022**

Agenda



State Land Trust Overview



Earnings History



Budget Overview



Fires



Oversight Efforts



Supplemental Materials



Questions

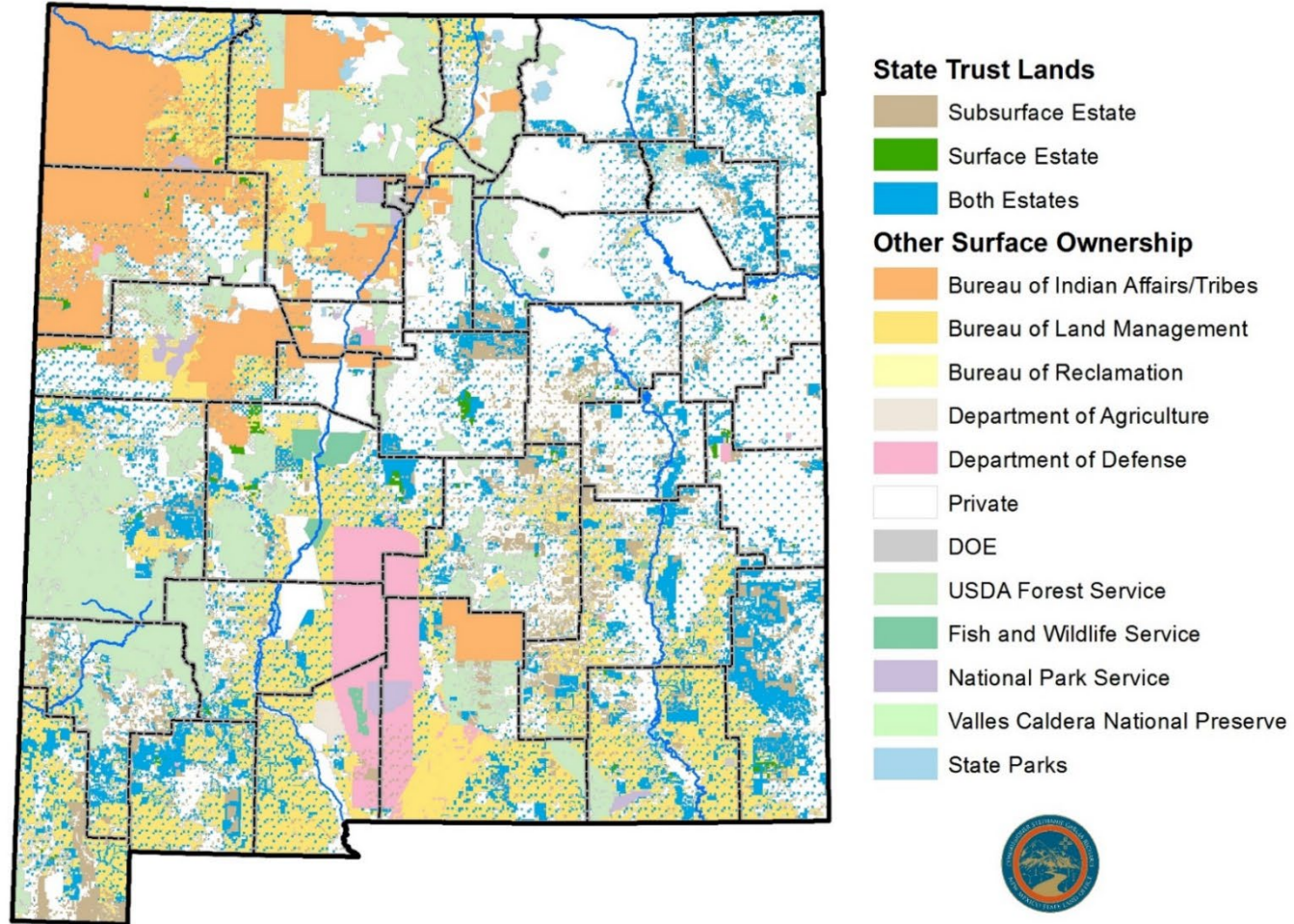


OPEN FOR BUSINESS



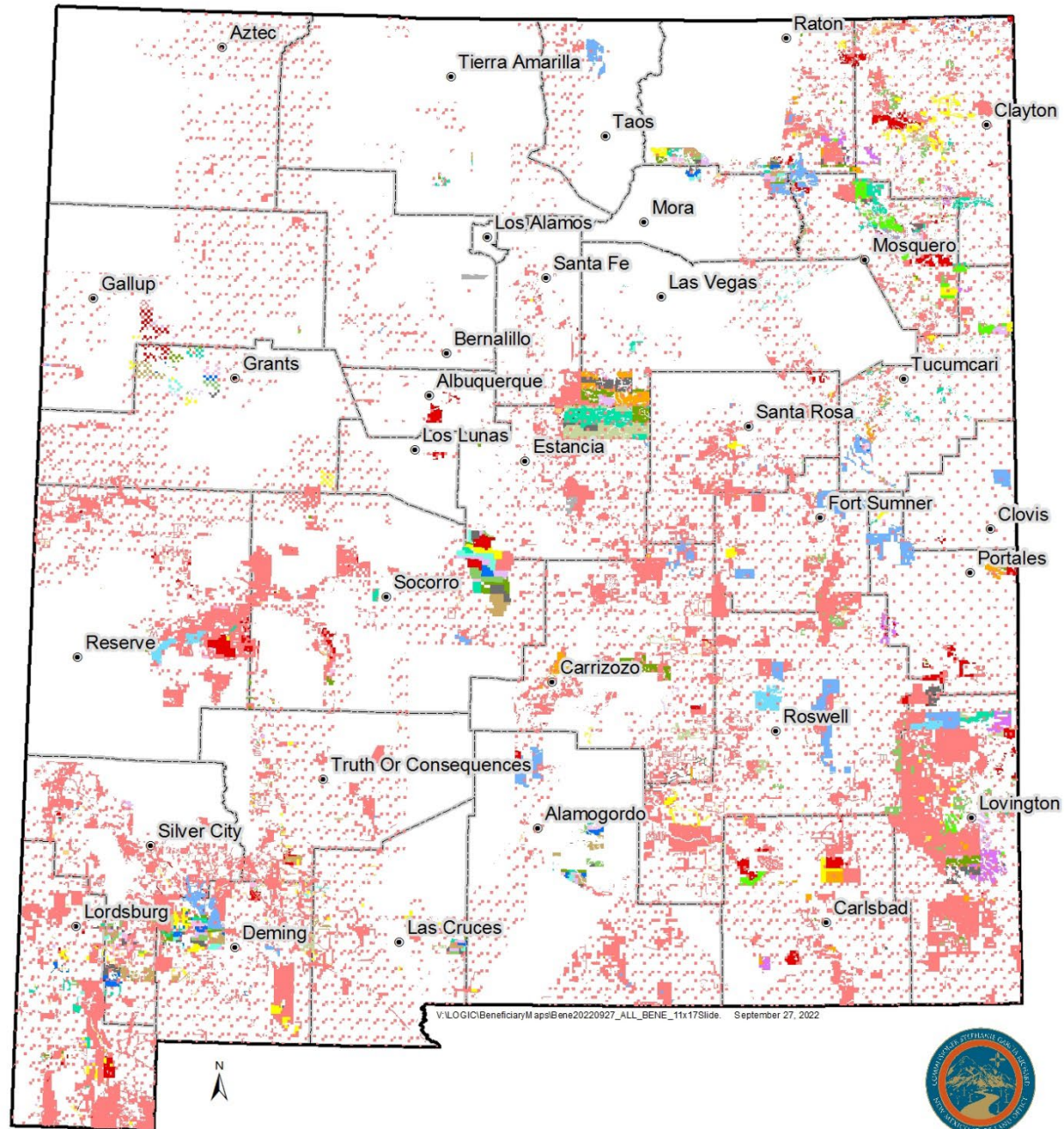
Agriculture
Land Stewardship
Renewable Energy
Outdoor Recreation
Oil, Gas and Minerals
Business Development

New Mexico Land Ownership



State Land Office

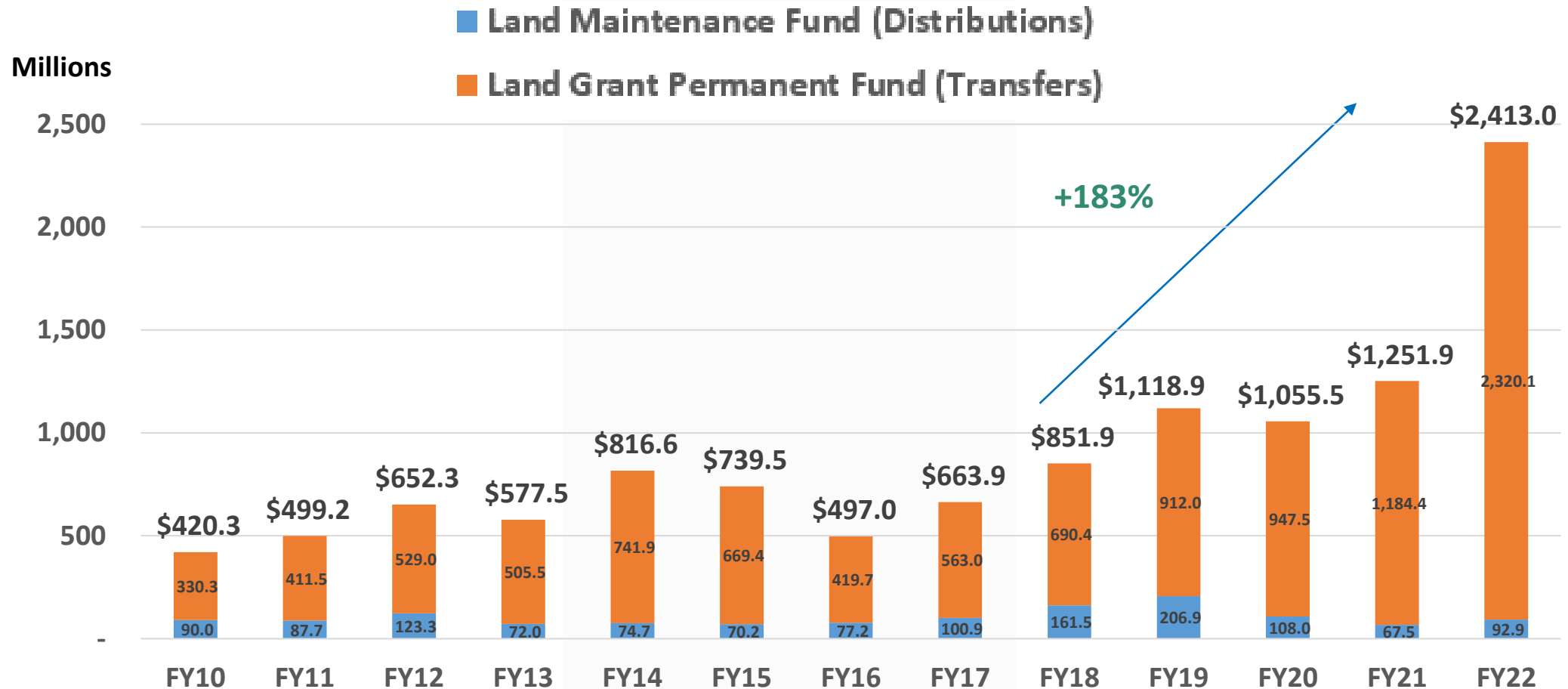




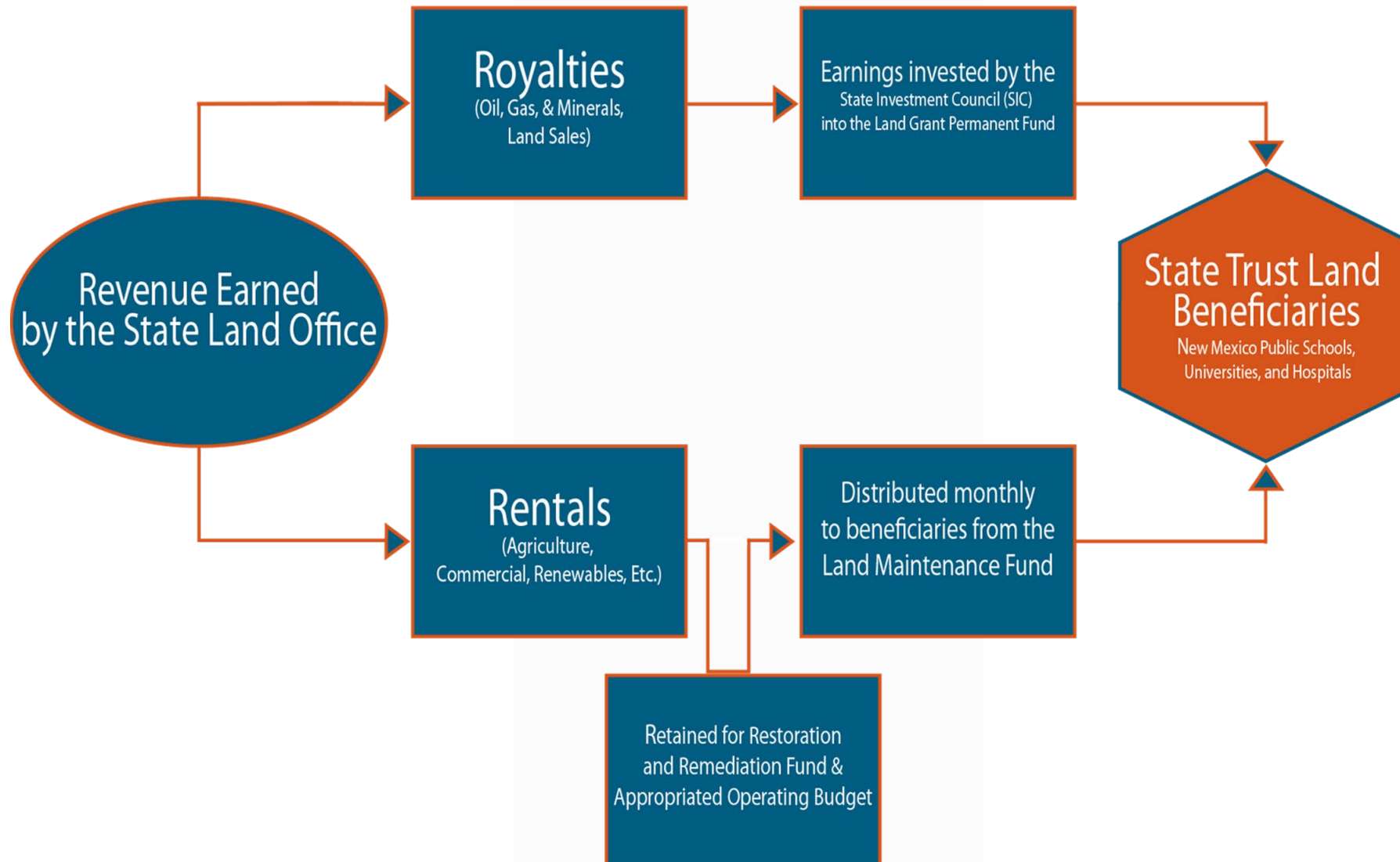
New Mexico Land Trust Beneficiaries

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

State Land Office Annual Earnings



New Mexico State Land Office Revenue Flow



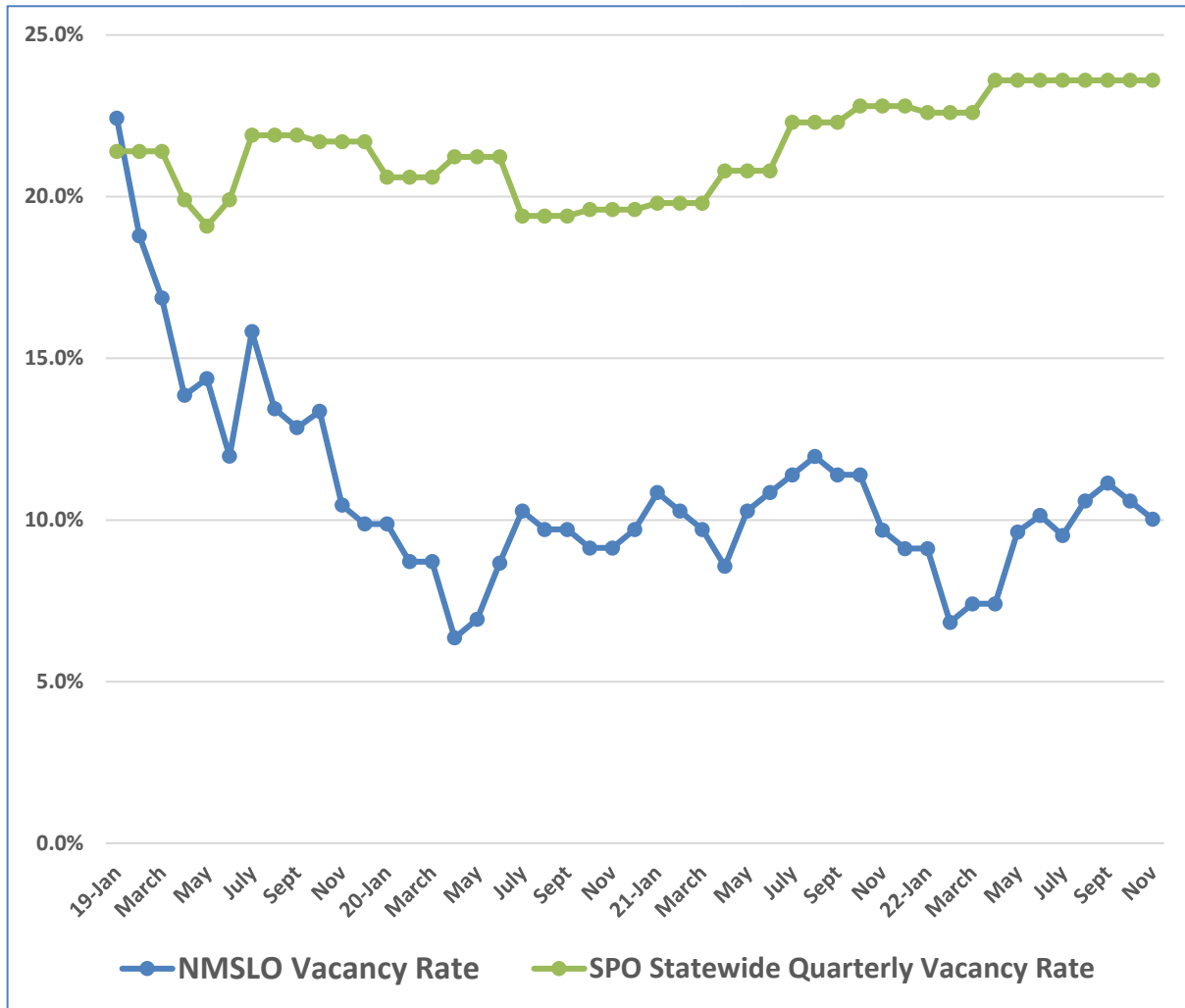
FY22 Accomplishments

- Record \$2.4 billion in earnings
- Record renewable earnings; tripled production capacity under lease
- Record business lease revenue
- Increased rec access permits by 28%
- Finalized Santa Ana Pueblo land exchange
- Treated thousands of acres
- Finalized new Cultural Property protection rule
- Added credit card/ACH payments for agricultural customers
- Reviewed 1,200 O&G leases for environmental and bonding compliance
- Over 100 wells plugged at company cost under Accountability & Enforcement Program
- Held O&G industry trainings averaging over 100 participants per session
- Hosted workshops on drought and wildlife management with partner organizations
- Installed new parking lot with electric charging station
- And more...

Agency Challenges

- Increased workload in almost every division
- Recruitment and retention of skilled employees
- Challenge in overseeing 13 million acres with limited staff
- Lack of upfront “working capital” for federal grants allocated on a reimbursement basis
- Personnel to focus on more proactive, job-creating deals while still efficiently processing a high-volume of routine applications

NMSLO v. Statewide Vacancy Rate



Current Vacancies	
Total Positions	179.5
Classified Vacancies	18
GOVEX Vacancies	0
Total Vacancies	18
Filled FTE	161.5
Current Vacancy Rate	10.03%

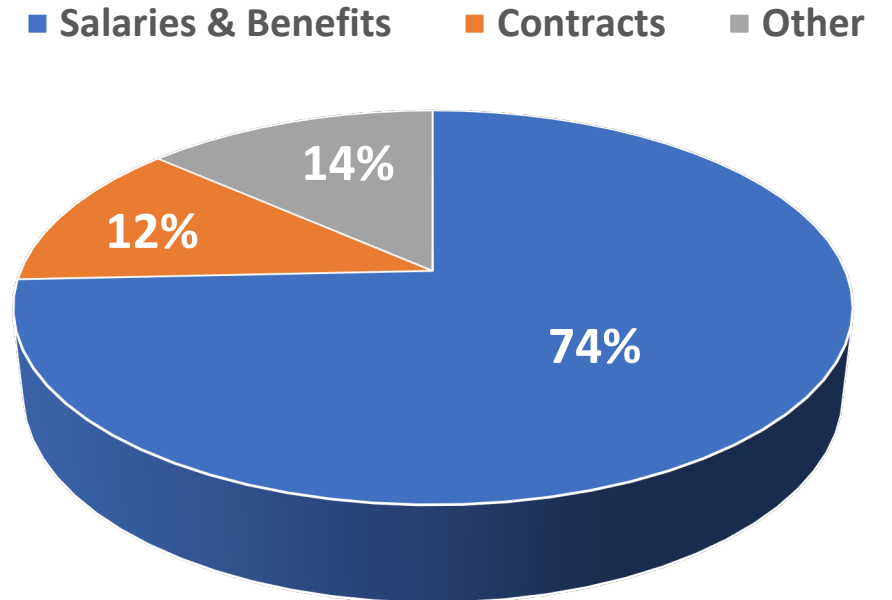
Status of Vacant Positions		18
Advertised		8
In the Interview Process		3
Pending SPO/DFA Approval		0
Pending SLO Action		7

As of 11/9/2022

FY24 Request Overview

- \$23,517,500 (Other State Funds)
 - Budget paid from % of agency earnings (\$2.4 billion FY22)
 - 7% increase over FY23 (\$1,651,300)
- Requested Increases By Category
 - S&B
 - \$717,900
 - 5% vacancy rate, two new FTE
 - Contractual Services
 - \$138,400 (Technical assistance, security)
 - Other
 - \$795,000 (Satellite imagery, training)

FY24 Budget by Category



FY24 Request Overview (Cont.)

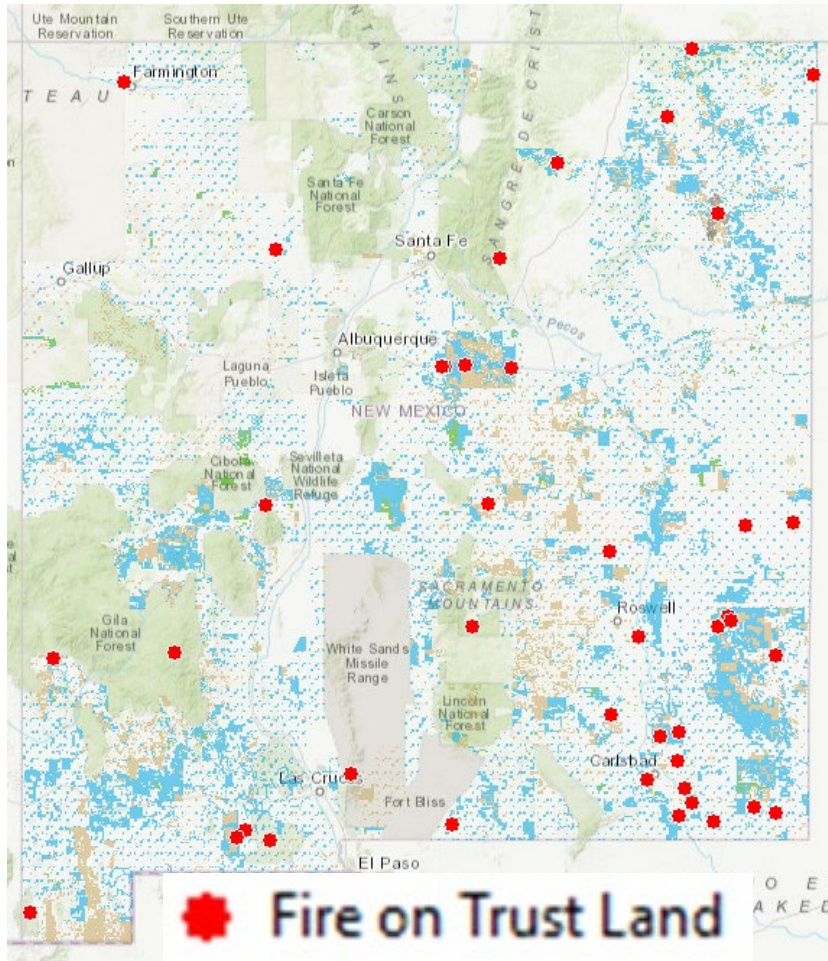
Requested Positions

- *Economic Development Representative (Commercial)*
 - Focus on more complex, high-value deals (e.g., Netflix vs. cell tower application)
 - Long-term lease community partnerships, economic development projects (e.g., Prewitt Industrial Park, Bernalillo County Recreational Complex, Luminaria senior housing, Hatch Dam flood control, WSMR, Spaceport, Las Cruces Waterfalls P&D lease, Santa Fe South Meadows, School for the Blind expansion, etc.)
 - Labor-intensive deals take months of dedicated project staff time
- *Management Analyst (O&G Units)*
 - Handles unit/commingling applications (about 80% of revenue comes from wells within fed/state units)
 - Only 1 existing FTE to process applications and review well royalty allocations (workload has increased over 40% over last two years)
 - Backlog results in more \$ going into suspense, delays in unit approvals & expansions (which in turns delays drilling)

FY24 Request Overview (Cont.)

- No Capital Outlay requests
- No Special requests
- New BAR language
 - *“The commissioner of public lands may request budget increases from other state funds or federal funds received from other state agencies up to three million dollars (\$3,000,000) for fire-related prevention and response activities;”*
 - Federal grants provided on a reimbursement basis
 - Provides the agency the ability to use its own earnings for upfront project costs

2022 Wildfires on State Trust Lands



42 Wildfires Impacted 43,285 Acres of State Trust Lands

Incident Name	Acres of Trust Land
Cook's Peak	25,534.26
Mitchell	9,912.15
Biggs	1,345.33
Hermits Peak	790.60
380 May	664.18
Skiles 406	588.63
Overflow	537.87
Potrillo	502.92
Arch	418.30
Clines Corner / 216 Grass	400.06
McBride	399.42

Fire Prevention & Response Efforts

- Inter-agency collaboration and NGO, tribal, ag lessee, and conservation district partnerships
- Wildland Urban Interface treatments (e.g., Apple Valley (Tijeras), Maude's Canyon (Silver City), Black Lake (Angel Fire), Moon Mountain (Ruidoso))
- Federal grants / budget flexibility
- Livestock relocation assistance



Cook's Peak Post-fire Treated Area

McBride Fire

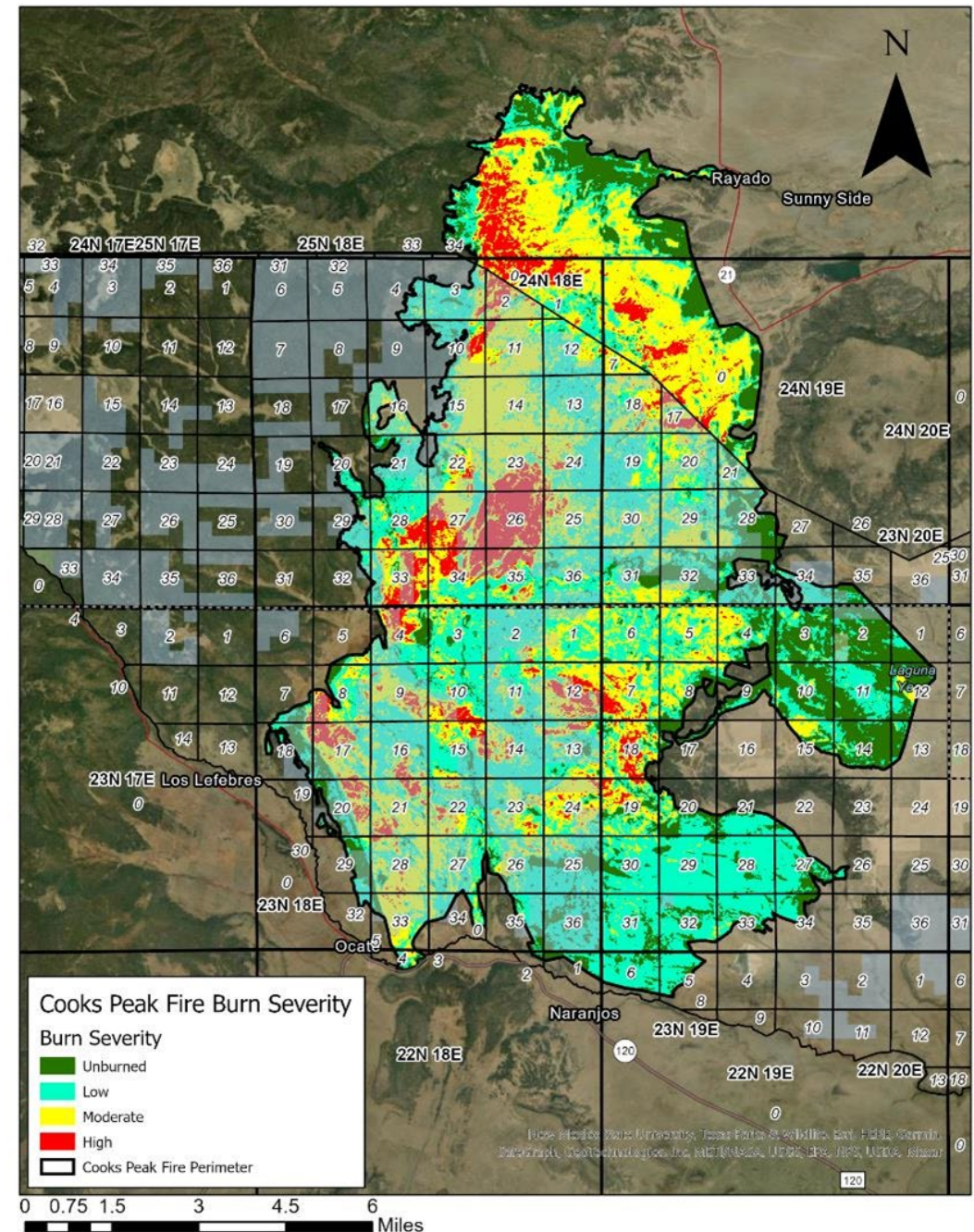
- Moon Mountain
- NMSLO forest thinning projects aided McBride fire suppression
- Low-intensity burn, prevented further expansion to south and west into Village of Ruidoso



Cook's Peak Fire

State Trust Land Burn Severity

Burn Severity Level	Acres	Proportion of Total Area
Low	11685	45.2
Moderate	9204	35.6
High	2525	9.8



Burn Severity Level

Low



High



Treated v. Untreated



Protecting the Trust

- Accountability & Enforcement Program
- Satellite Trespass & Spill Detection
- New Environmental Compliance Office
- Fresh Water Policy
- Enhanced Royalty Auditing
- Lease Assignment Compliance Checks
- Bonding Compliance & Reform



Accountability & Enforcement



Abandoned Wells Plugged: 132



Leases Reclaimed: 14



Enforcement Lawsuits Filed: 21



Non-bonded Leases Identified & Corrected: 800 +

Satellite Detection Efforts

Pre-Spill



Post-Spill



Satellite Detection Efforts

Spill



Post-Remediation



Satellite Detection Efforts

Mining Trespass

Jan. 2019



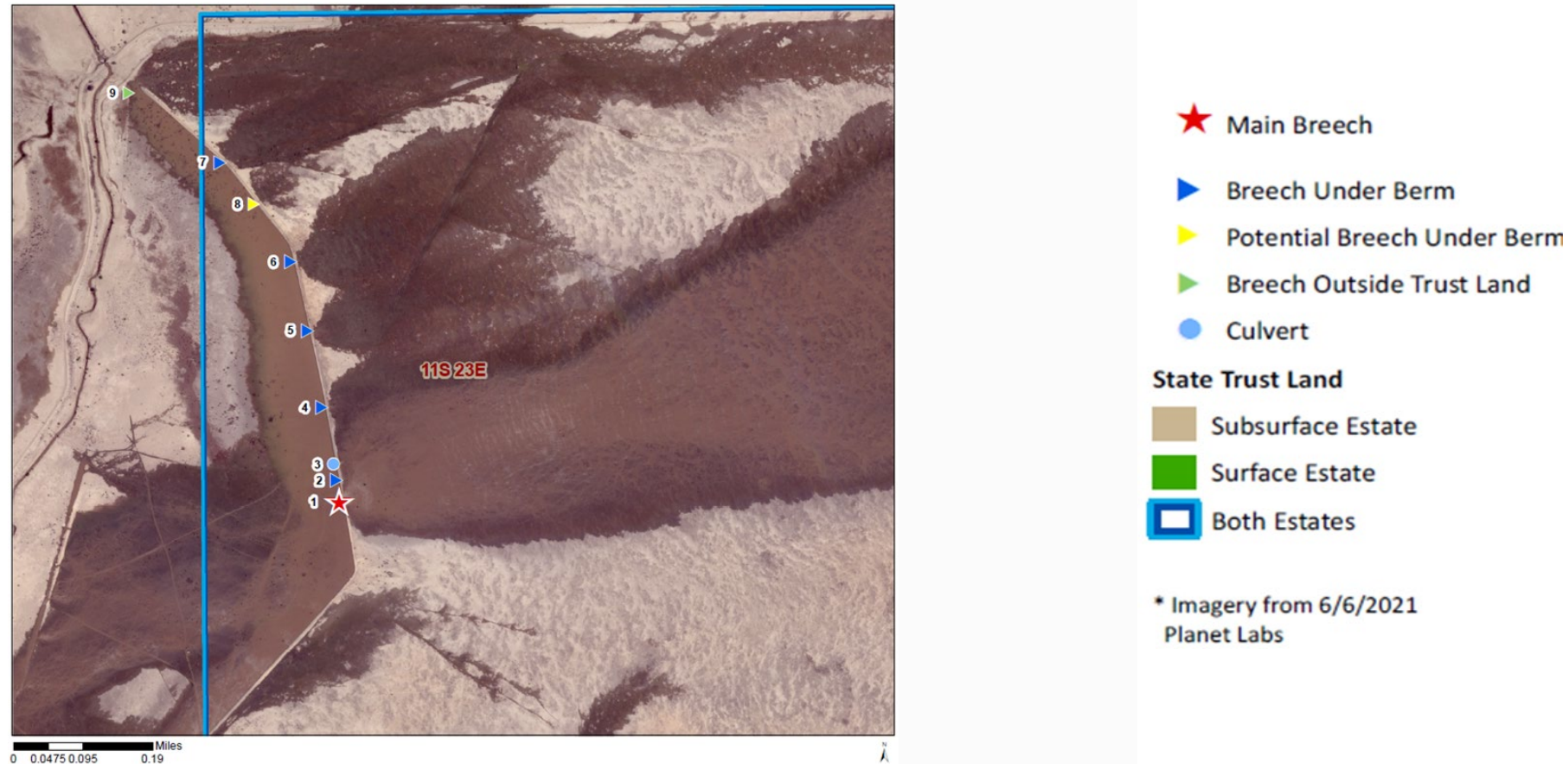
Jan. 2020



Eddy County

Satellite Detection Efforts

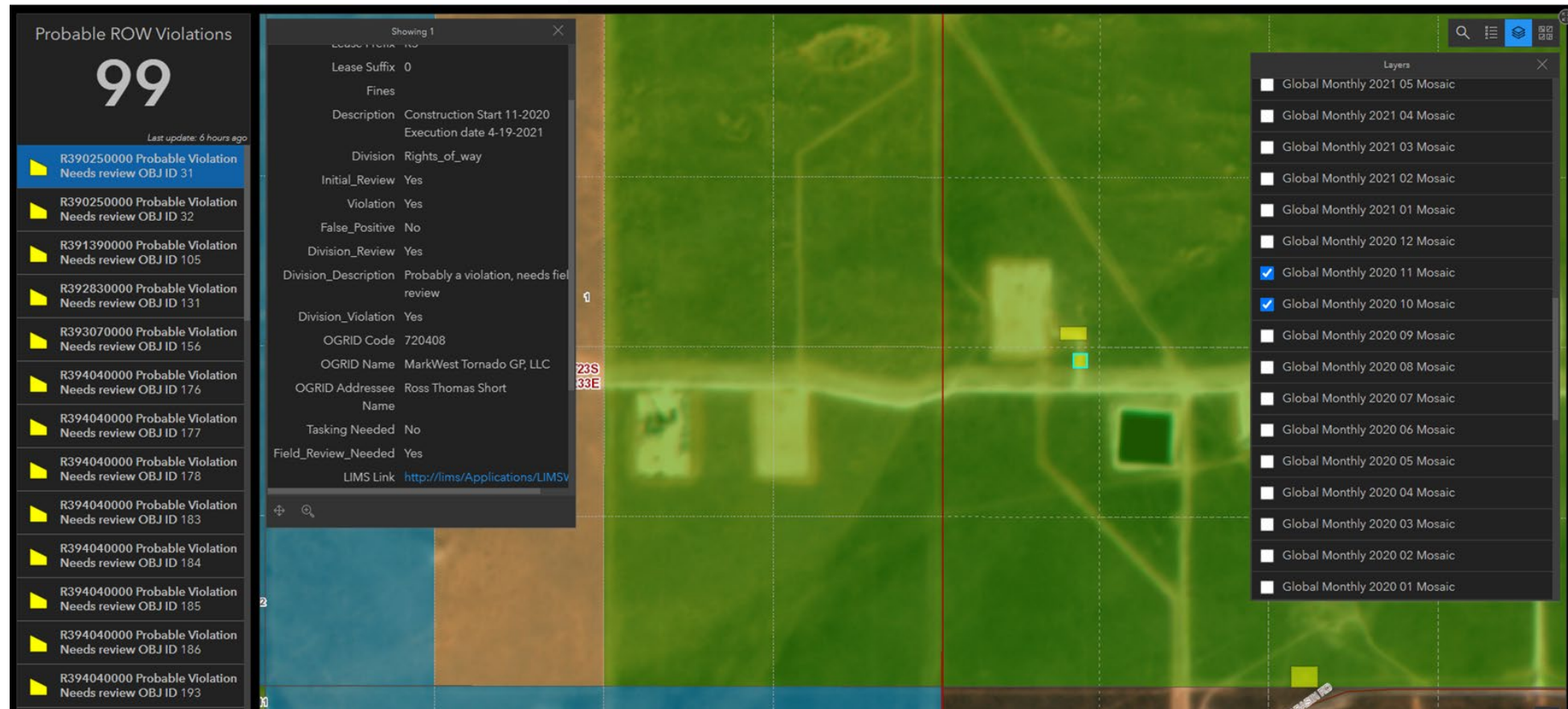
Roswell Flooding Levy Breach



Chavez County

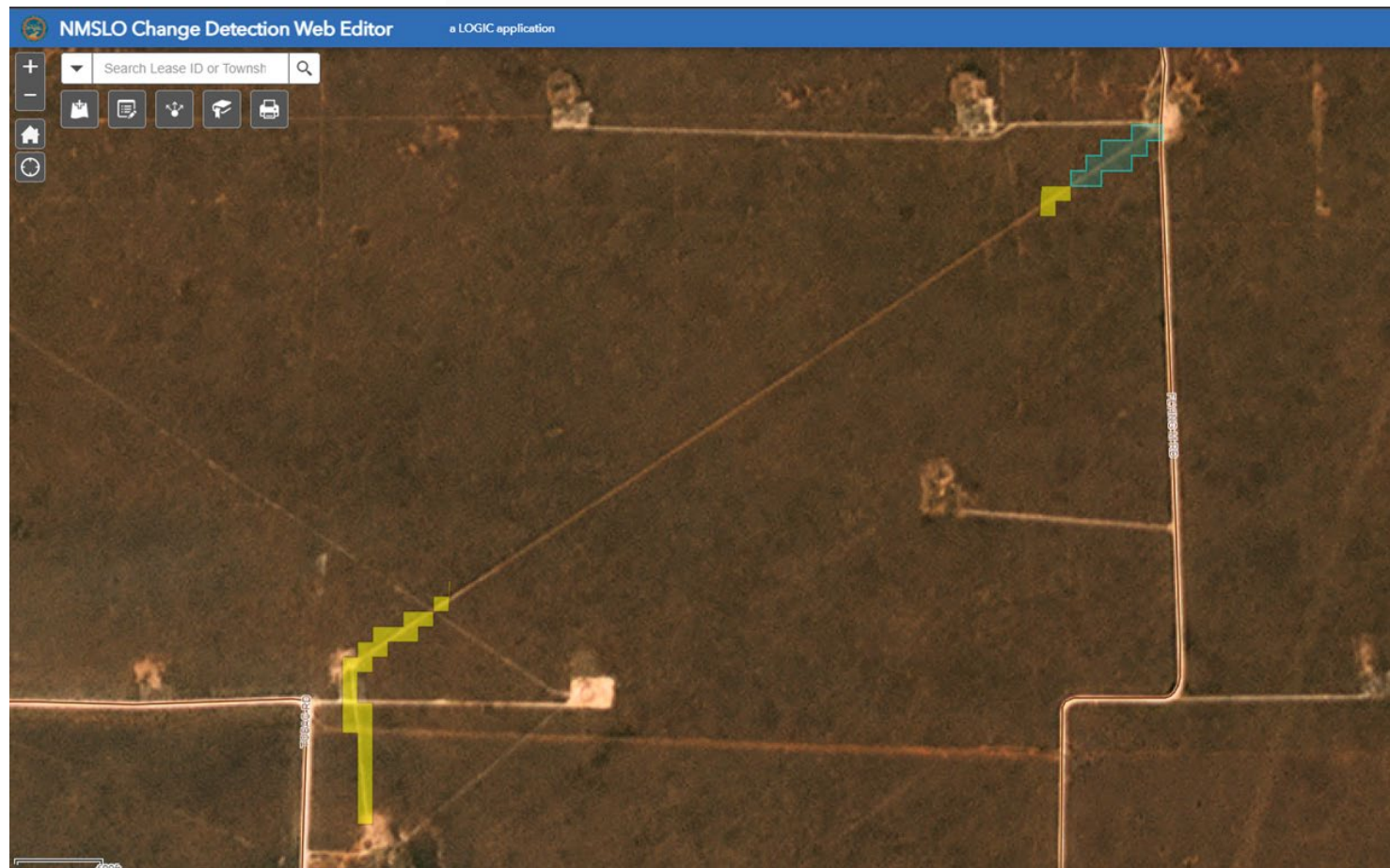
Satellite Detection Efforts

ROW Change Detection Dashboard



Satellite Detection Efforts

Automated Violation Detection

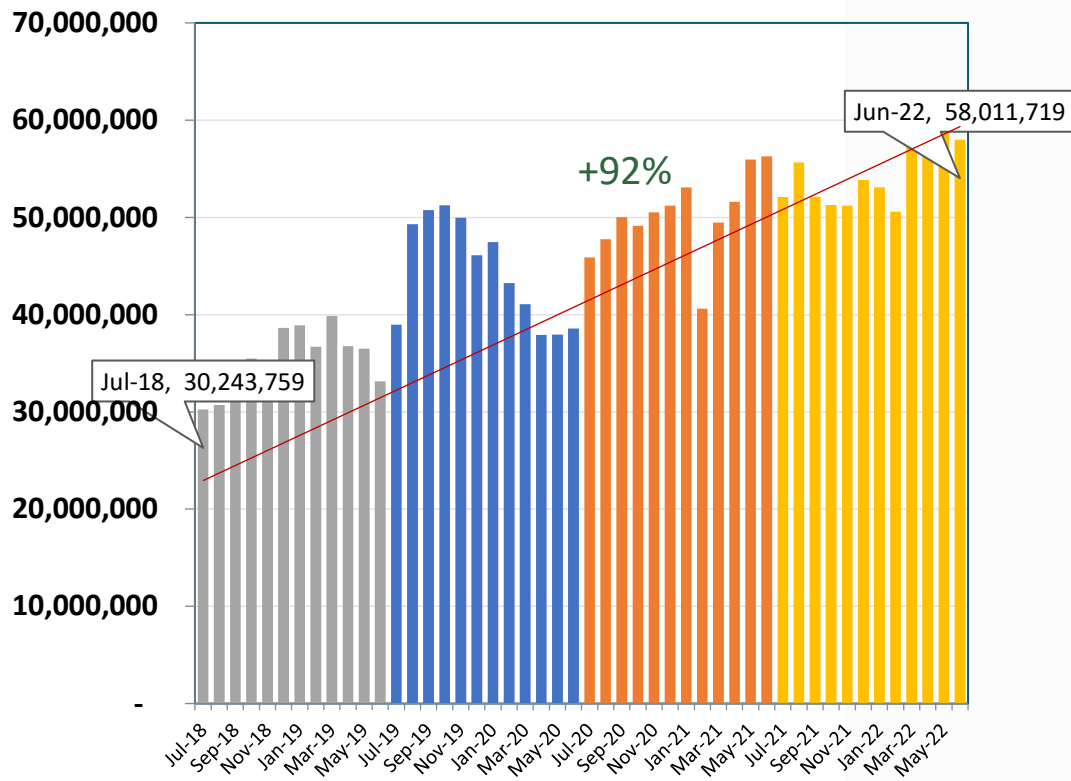




Supplemental Materials

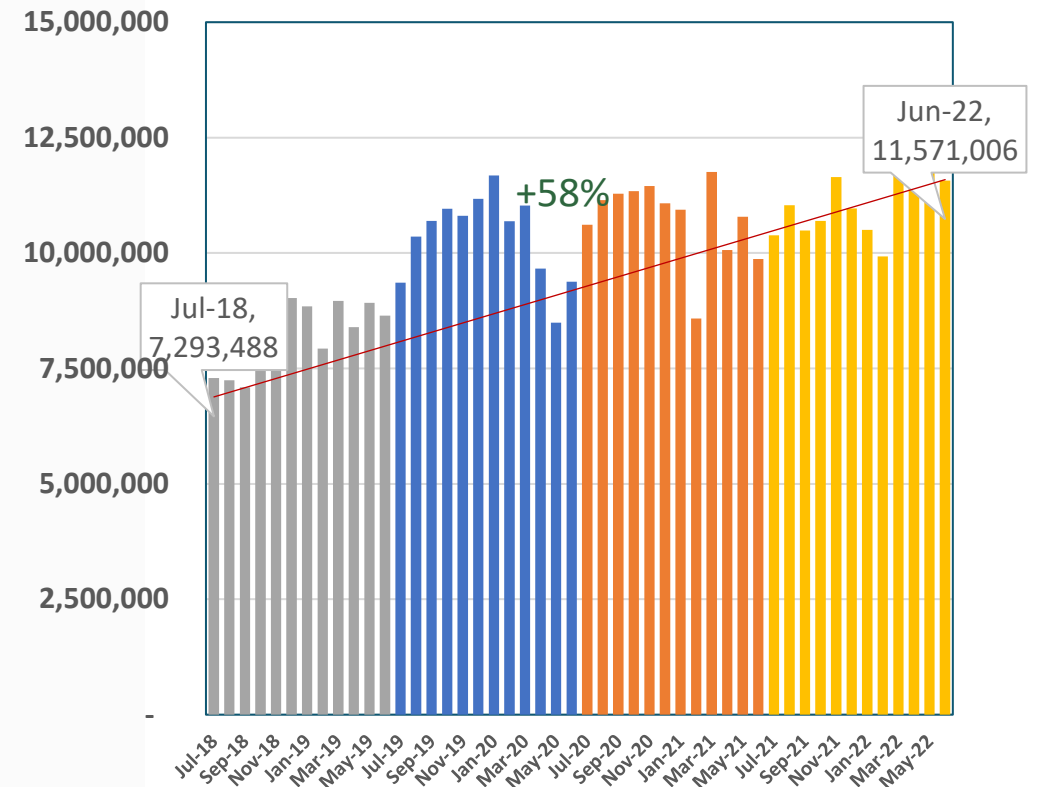
State Trust Land Oil & Gas Production

(MCF) Gas Production by Month/FY19-22



(BBLs)

Oil Production by Month/FY19-22



Oil & Gas 5-Year Price Trend

WTI



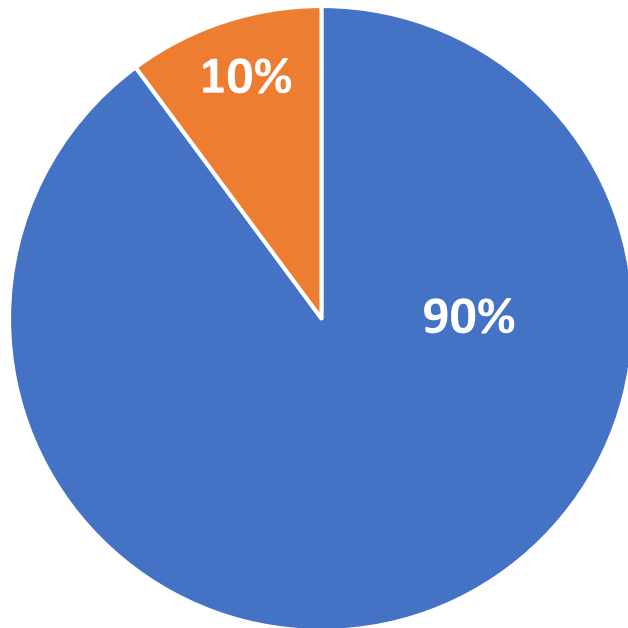
Natural Gas



Gas Returns Greater % of Revenue

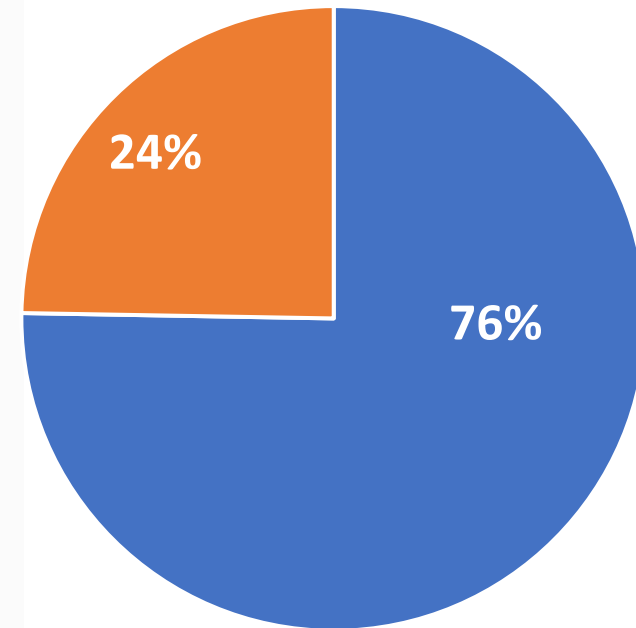
2019

■ Oil % ■ Gas %



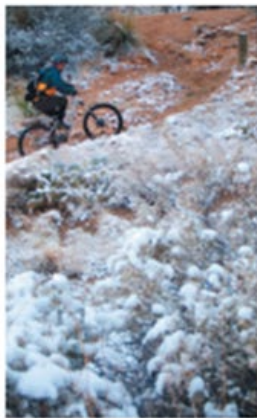
2022

■ Oil % ■ Gas %





Diversifying Revenue on New Mexico's State Trust Lands



HEADWATERS ECONOMICS REPORT

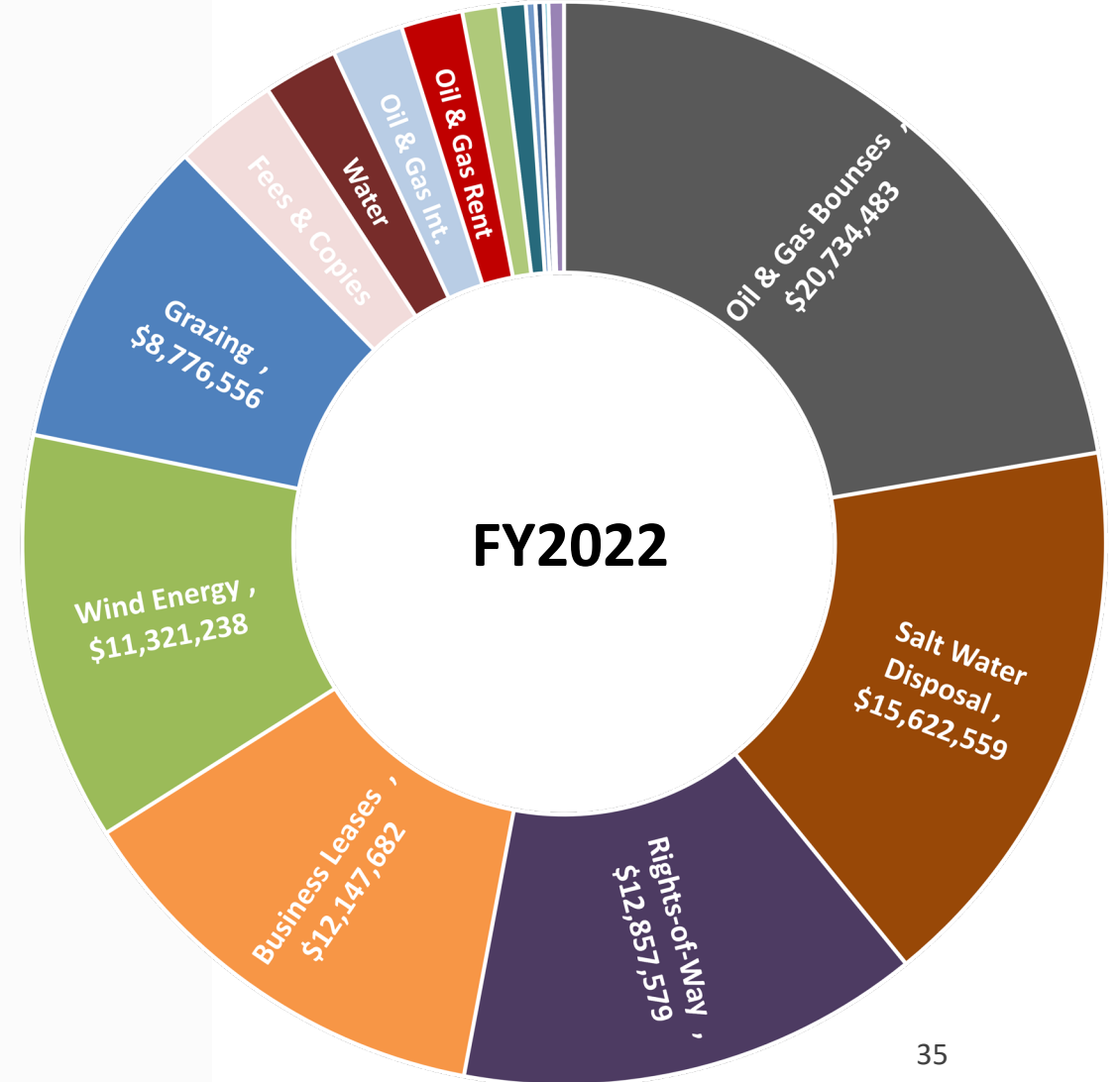
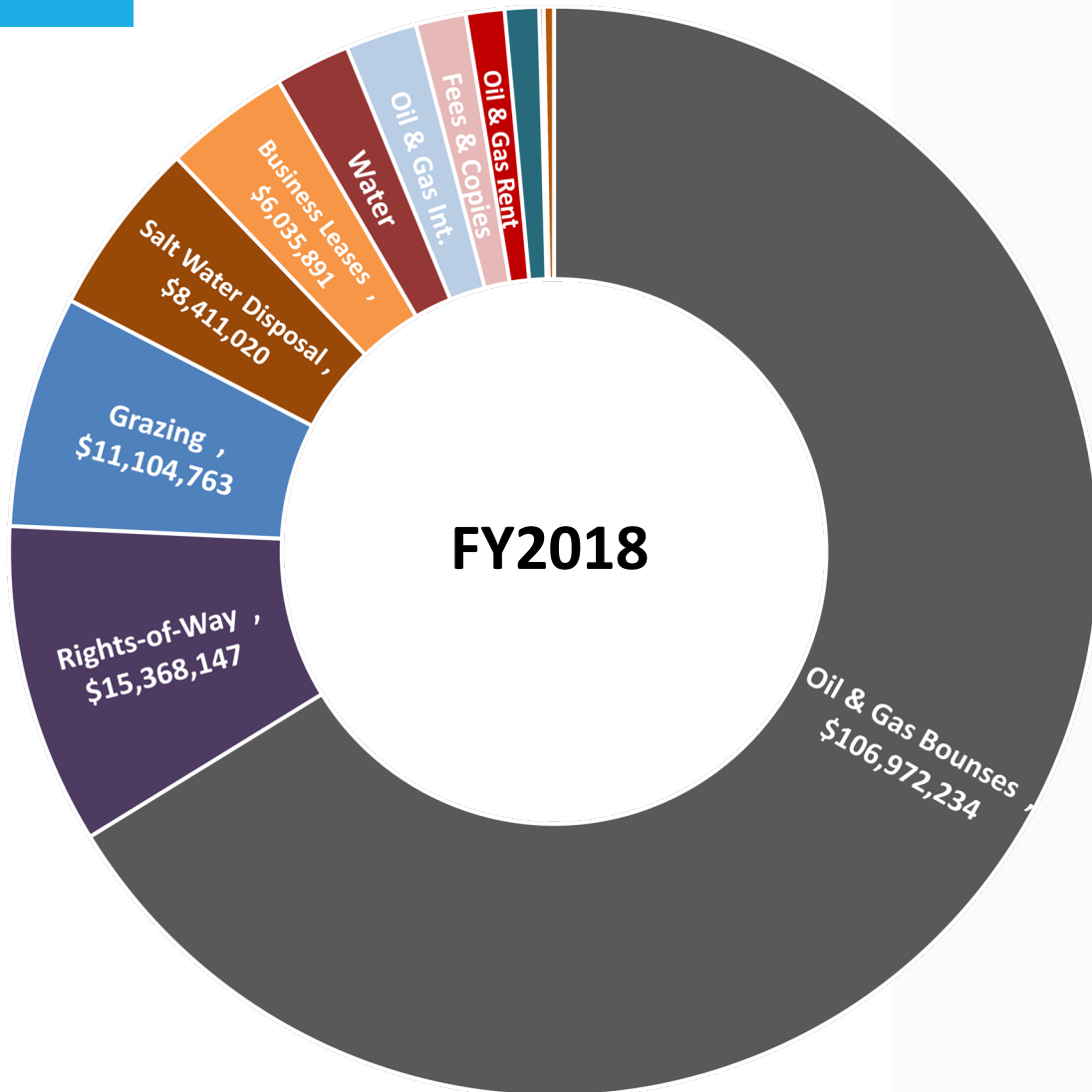
- Expand renewable energy ✓
- Actively pursue commercial development opportunities ✓
- Grow outdoor recreation ✓
- Monetize conservation activities ✓
- Tackle legacy fiscal risks and improve stewardship of oil and gas activities (bonding, remediation & reclamation) ✓
- Expand agency resources and capacity ✓
- Foster partnerships to leverage investment opportunities ✓
- Strategic planning ✓
- Increase oil and gas royalty rate (requires legislation) ⌚



NETFLIX

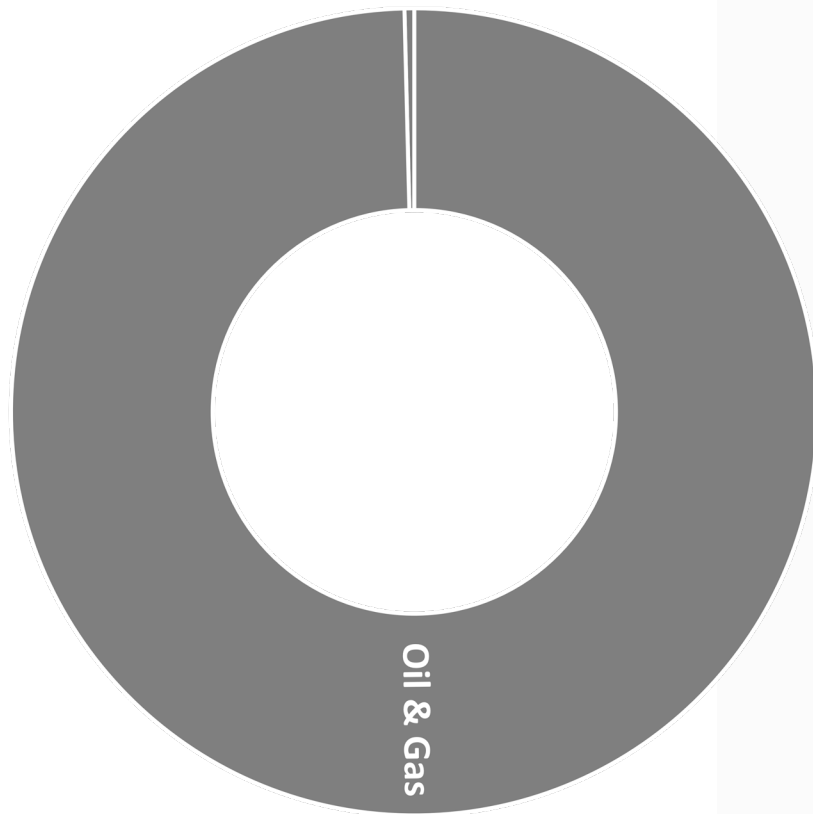


Revenue Portfolio – Rentals



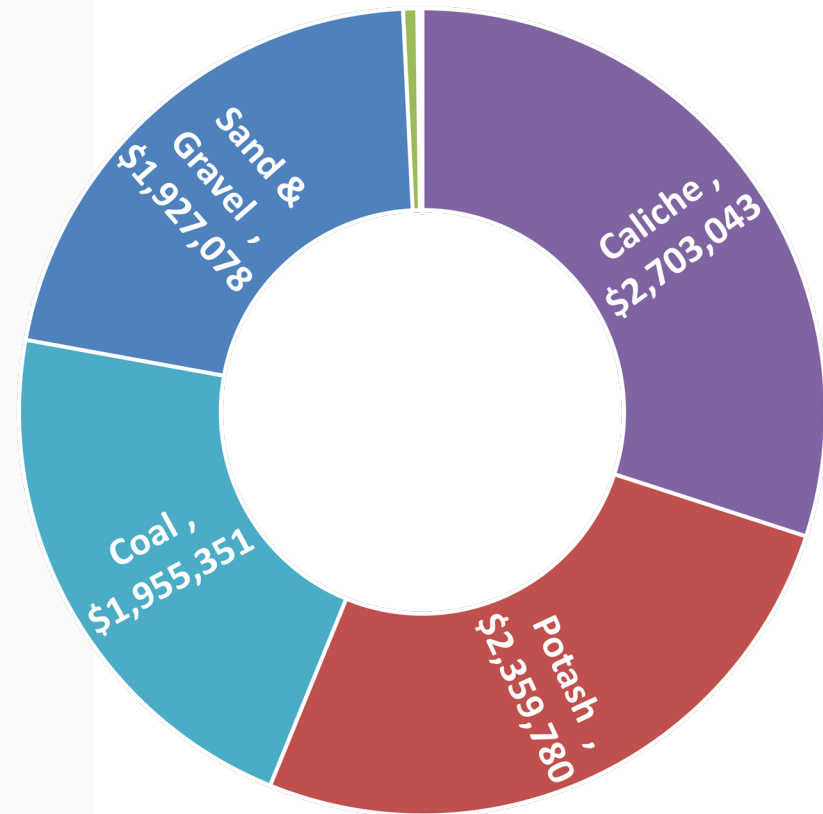
FY22 Revenue Portfolio – Royalties

Total Royalties

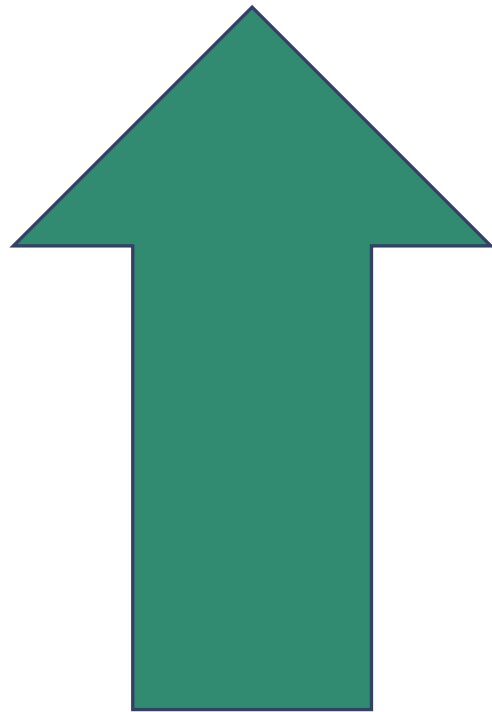


\$2,311,072,829

Non-O&G Royalties



Renewable Energy



Annual Revenue

1,400%

Active Leases

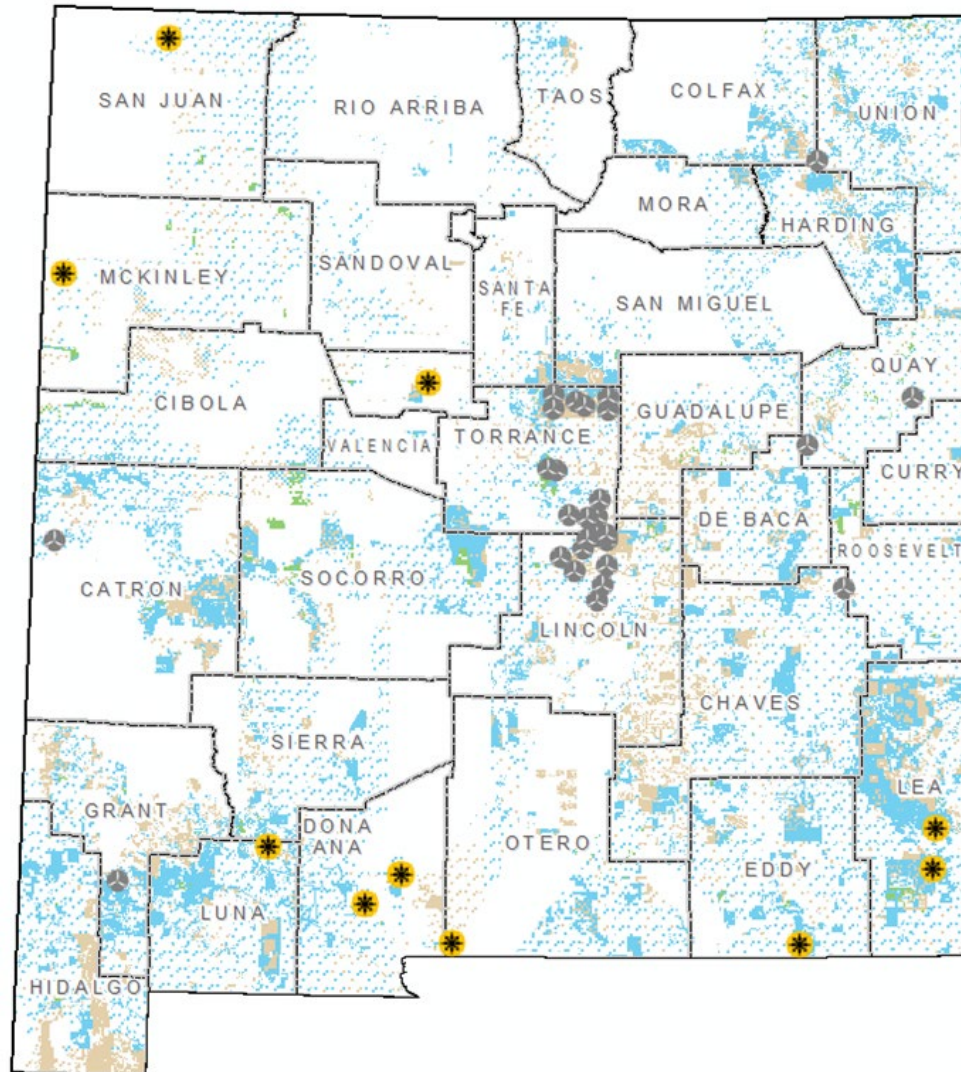
208%


Leased MW


249%

(Jan. 2019 – Sept. 2022)

Renewable Energy Leases



 Wind Energy Lease

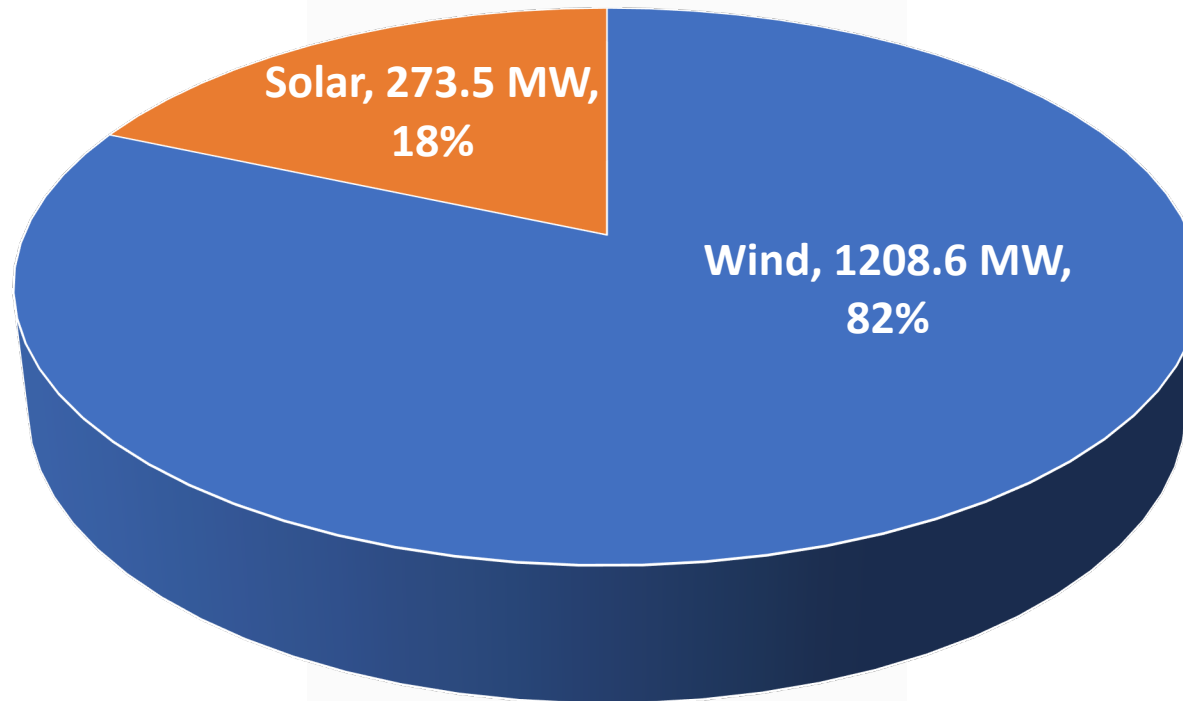
 Solar Energy Lease

Production Capacity

- 28 Wind Leases (1,208 MW)
- 12 Solar Leases (273 MW)

State Trust Land Renewable Energy Production

Lease Production Capacity by Type



Pattern Wind Energy Example

- Min. estimated lifetime earnings of **over \$360 million** from existing Pattern Energy projects (direct lease revenue)
- **Western Spirit Wind**
 - Operational since 2021 (50+ MW)
 - 10,000 acres of trust land in Torrance, Lincoln counties
- **Sun Zia Wind**
 - In development (650+ MW)
 - 146,580 acres of trust land in Torrance, Lincoln, San Miguel counties
 - Overall project will be largest in Western hemisphere
- **Sun Zia Transmission Line**
 - ROW application on 443 acres of trust land



Buena Vista Solar Energy Example

- Buena Vista Energy Center
 - NextEra Energy Resources
 - 2,775 acres Otero County
 - 120 MW (450,000 panels)
 - Battery storage system 200 MW/hours
 - Additional 100 MW expansion possible
 - Under construction / 2023 delivery to El Paso Electric
 - Min. project payments of \$12.5 million (NMSU, public schools)



QUESTIONS?



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