



**Revenue
Stabilization &
Tax Policy
Committee**

9-27-2021

STATE LAND OFFICE

REVENUE

DIVERSIFICATION

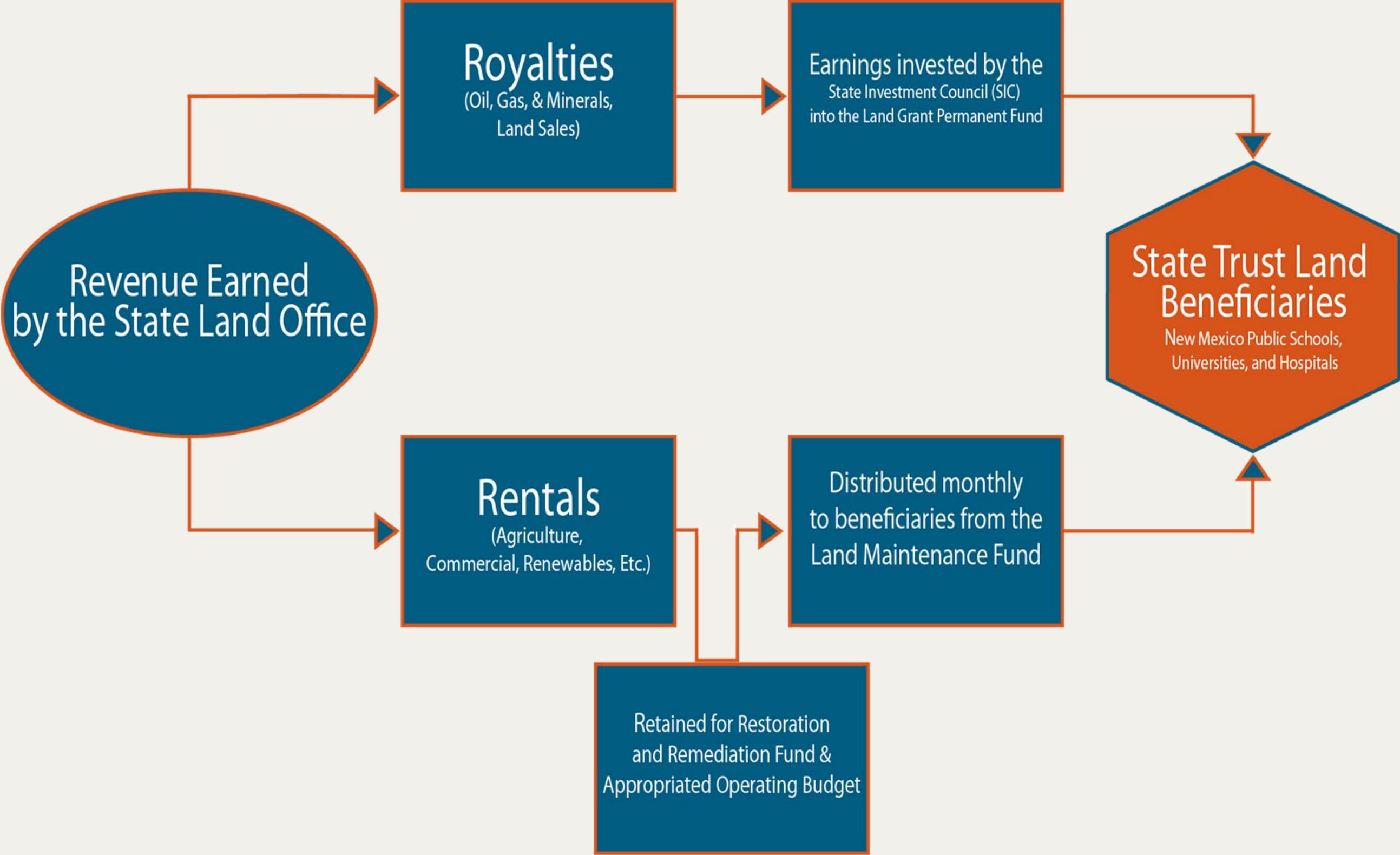
Sunalei Stewart, Deputy Commissioner of Operations

OPEN FOR BUSINESS

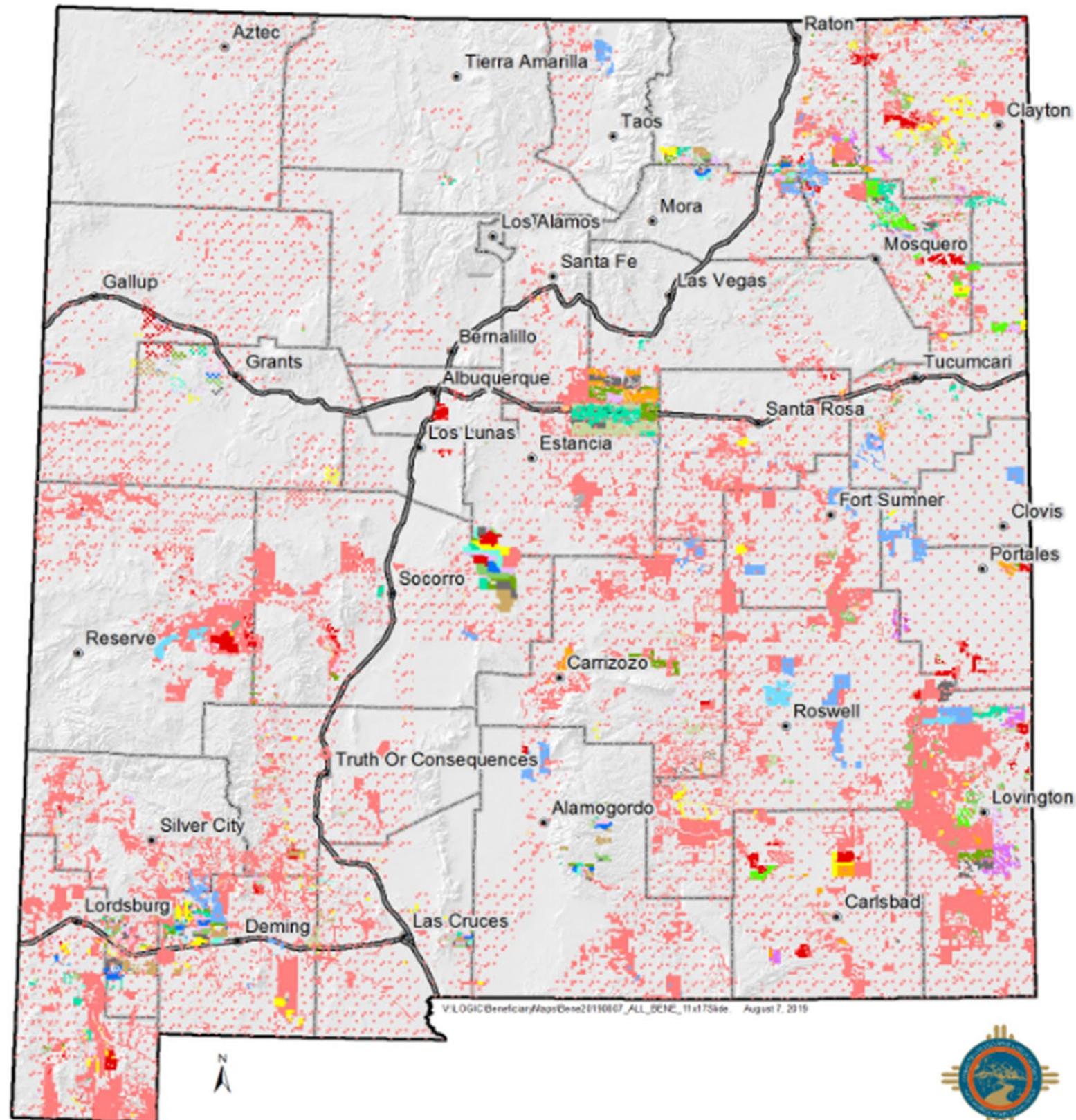
Agriculture
Land Stewardship
Renewable Energy
Outdoor Recreation
Oil, Gas and Minerals
Business Development



New Mexico State Land Office Revenue Flow



TRUST BENEFICIARIES



New Mexico Beneficiaries

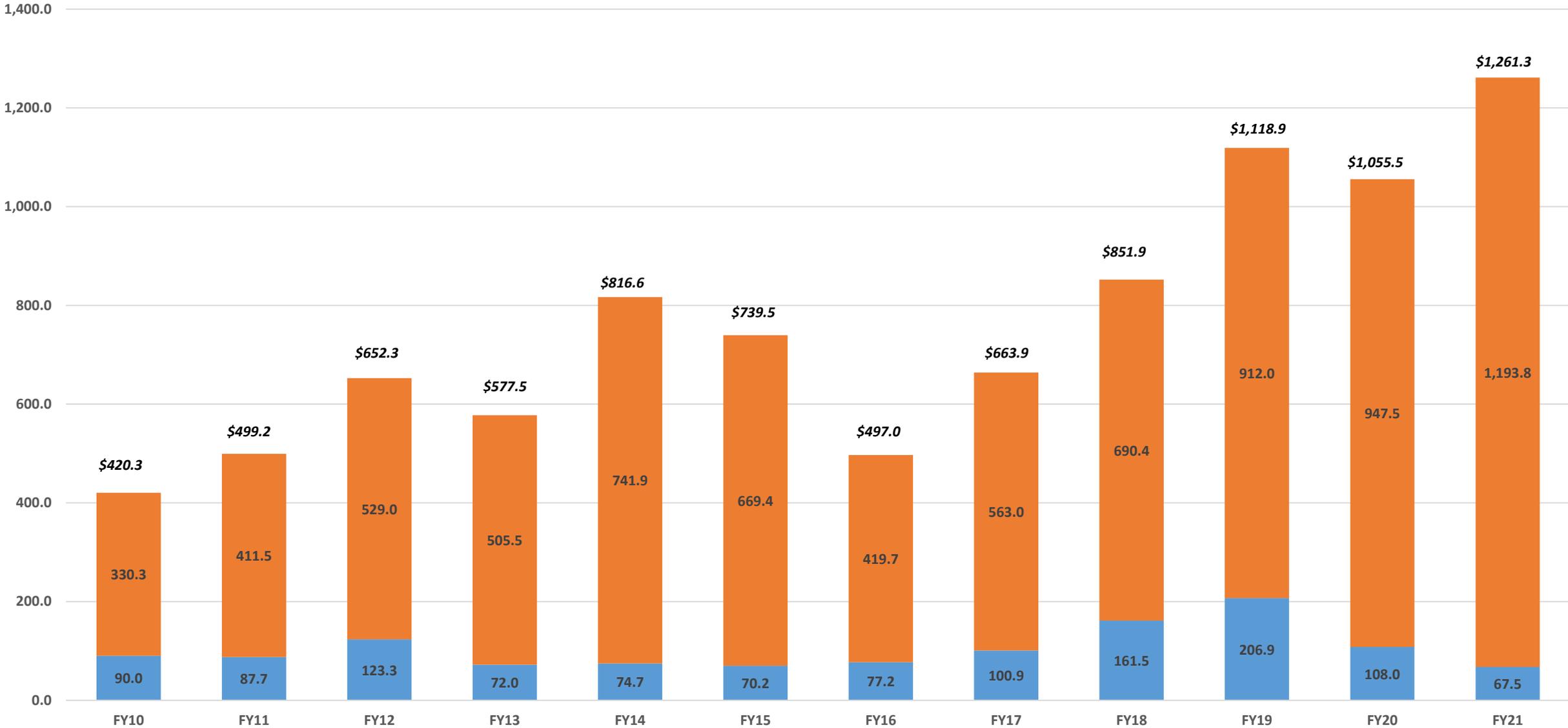
- Carrie Tingley Hospital
- Charitable, Penal and Reform
- Common Schools
- Eastern New Mexico University
- Improvements to the Rio Grande
- New Mexico Boys School
- New Mexico Highlands University
- New Mexico Institute of Mining Technology
- New Mexico Military Institute
- New Mexico Miners Hospital
- 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

NMSLO EARNINGS BY YEAR

Up 90% Over Last 5 Years; Last Three Years Have Each Exceeded \$1 Billion

■ Land Maintenance Fund ■ Land Grant Permanent Fund

(In Millions)



REVENUE TRENDS & DIVERSIFICATION

- Revenue diversification is a key priority of Commissioner Garcia Richard
- Heavy reliance on one sector for revenue places beneficiaries at risk
- Objective isn't to replace O&G 1-1
- Diversification reduces cyclical impact of O&G, maximizes underutilized resources, and fosters sustainable revenue for future generations
- Record earnings over the last three years have saved taxpayers over \$3.4 billion
- Royalty earnings (contributions to LGPF) primarily oil and gas; long-term uncertainty & variability
- LGPF grows and stabilizes revenue distributions for beneficiaries (5-1 \$ return over 30 years; \$24 billion fund capable of providing significant future distributions)
- LMF \$ goes to same beneficiaries (monthly distributions meet short-term fiscal needs) / steady decline as most premium O&G tracts are leased

LOCAL

New Mexico works to diversify state land use, insulate from oil and gas busts

Adrian Hedden Carlsbad Current-Argus

Published 9:39 a.m. MT Sep. 16, 2021



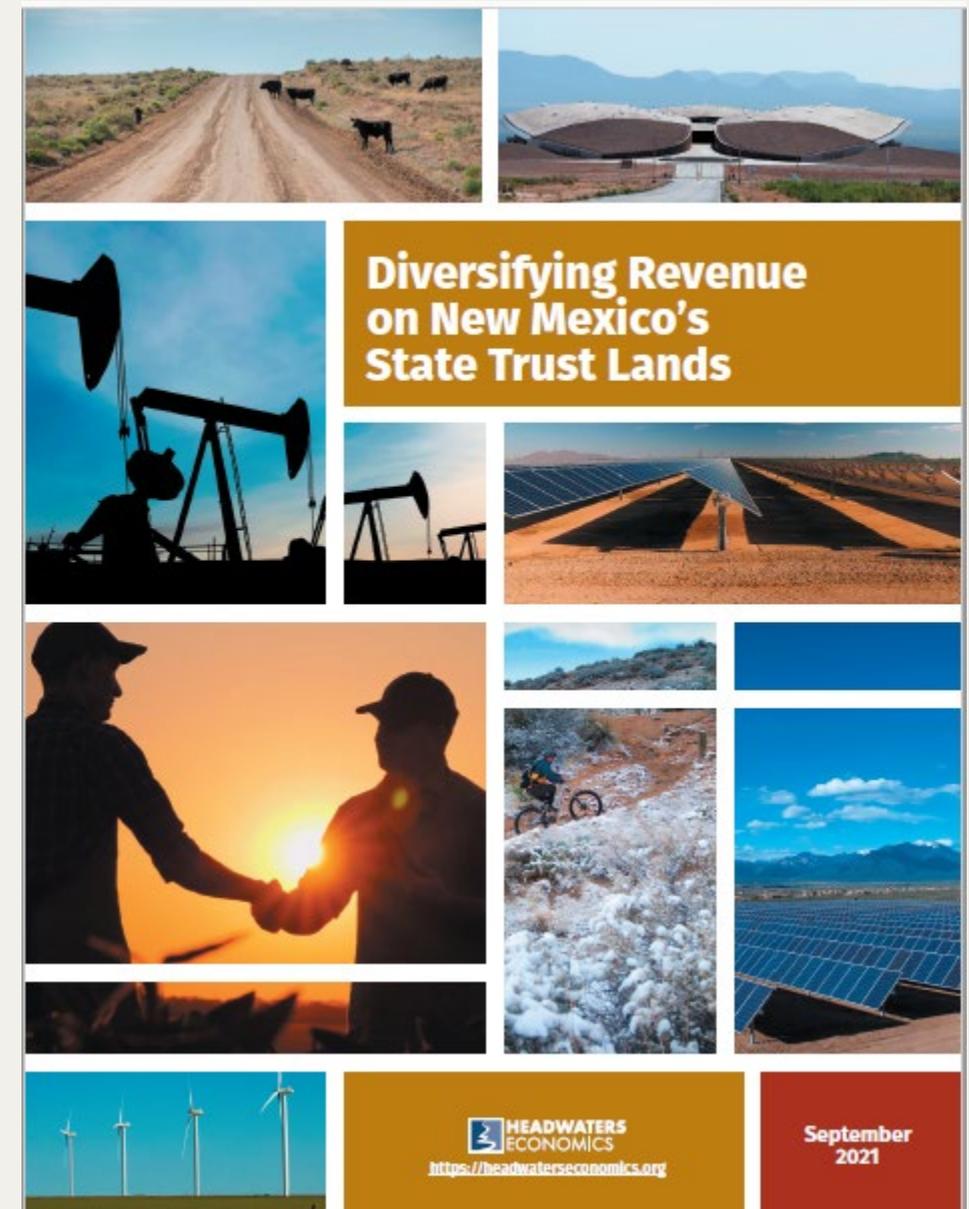
"And, while there's no reason yet to panic, I think it only prudent that we make preparations to panic."

CartoonCollections.com

HEADWATERS ECONOMICS

Diversification Recommendations Being Implemented by NMSLO

- 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) ⌚



PRIORITIZING DIVERSIFICATION



NETFLIX



COMMERCIAL DEVELOPMENT

Leveraging Econ Opportunities through Municipal Partnerships (Example):

- Signed lease with Netflix through CABQ economic development partnership
- Expanded footprint of project with over 130 acres of state trust land
- UNM designated beneficiary of rental income (LMF)
- \$24 million in estimated lease payments (in addition to jobs, generated tax revenue)
 - LEDA (\$17 million in state / \$7 million in City incentives) - NMSLO participation
GENERATES \$



THE UNIVERSITY OF
NEW MEXICO.



NETFLIX



COMMERCIAL DEVELOPMENT

Meeting the Needs of Communities While Generating Revenue (Example):

- Luminaria Apartment Project (Greater ABQ Housing Partnership)
- 92 affordable housing units for seniors
- 1.8 acres on Central /Eubank
- \$1.7 million in lease payments
- Beneficiary – public schools



RENEWABLE ENERGY

Renewable
Energy in
Operation



125%

MW Potential
Under Lease



122%

Active Leases



125%

Revenue
Generated



89%

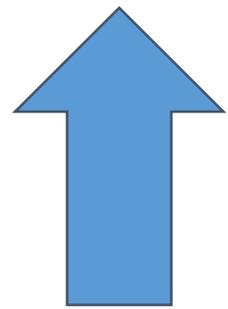
(Since 2019)





OPEN FOR ADVENTURE

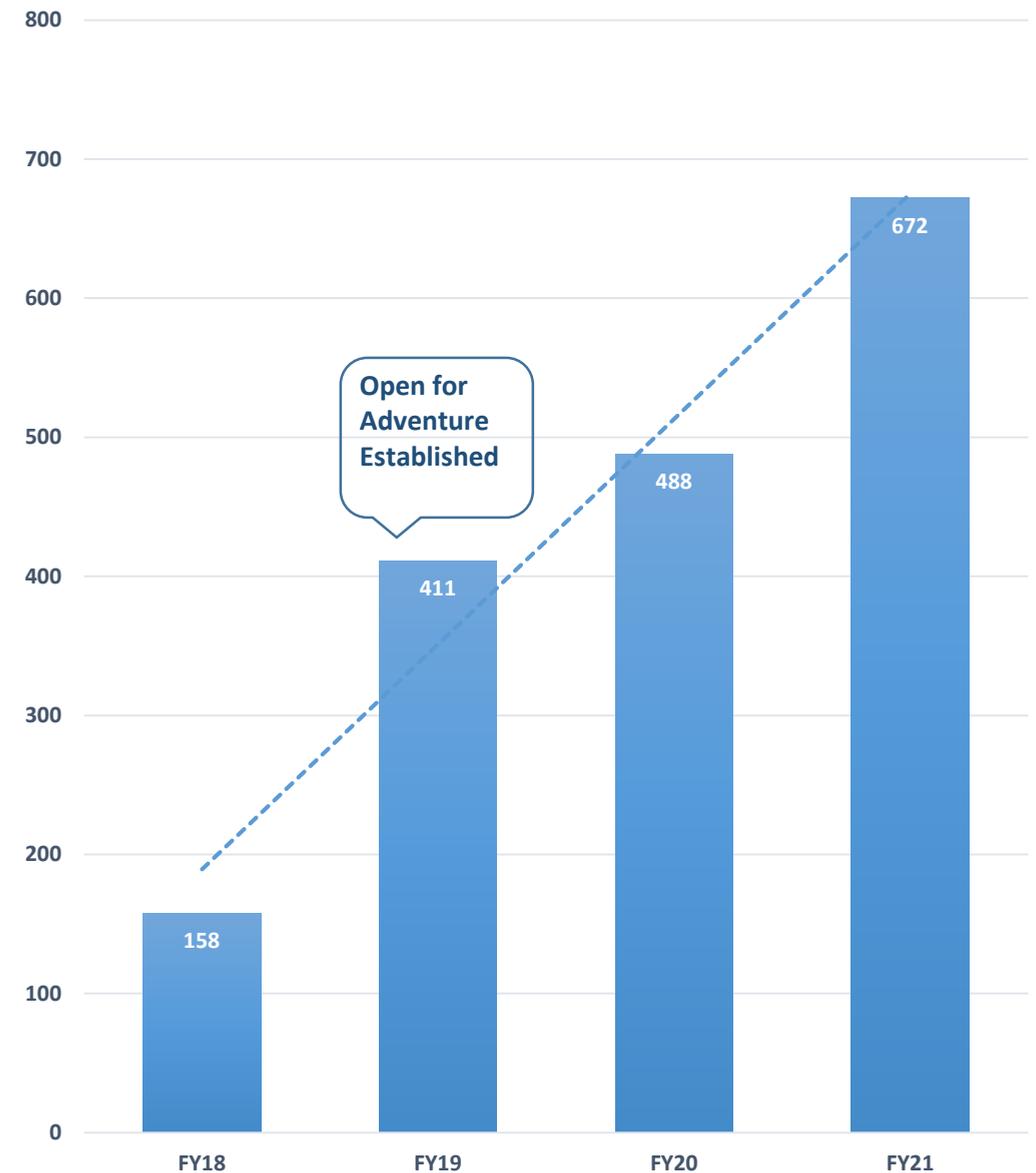
Hiking
Cycling
Fishing
Hunting
Climbing
Camping
Stargazing
Birdwatching
Photography



325 %

- Launched Open for Adventure initiative to develop and promote opportunities on trust lands with goal of revenue diversification
- Signed multi-year Game & Fish Easement providing sportspeople access to about 8.8 million acres of trust lands
- Expanded camping opportunities and access points
- Established new partnerships to create and maintain recreation sites (e.g., Melrose Woods)
- Streamlined permit process, including online applications with credit card payments

Recreational Access Permits Issued By Fiscal Year



LEVERAGING CONSERVATION

Environmental markets present financial opportunities for landowners to create additional revenue streams through conservation

- Carbon capture credits
- Agricultural community partnerships
- Soil and ecosystem management practices
- Conservation leases / easements
- Mitigation payments

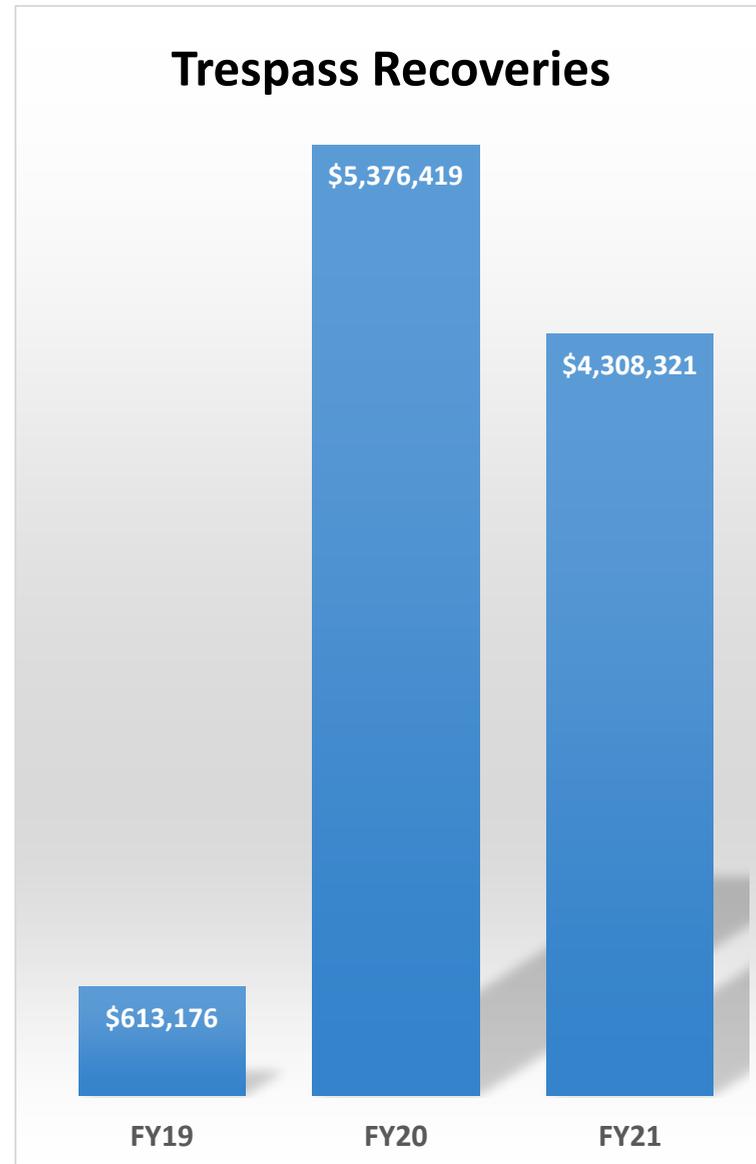
Landscape level planning / asset inventory key to determining viability in various areas and sectors
(9 million acres of state trust land throughout the state)



PROTECTING THE TRUST

Commissioner has prioritized efforts to ensure every dollar owed to beneficiaries, goes to beneficiaries, and that they are not stuck with cleanup costs

- Accountability and Enforcement Program
- Enhanced Royalty Auditing
- Lease Assignment Compliance Checks
- Trespass & Spill Identification (Satellite Imagery)
- Bonding Reform
- Caliche Mineral Reclamation



PROTECTING THE TRUST

Accountability & Enforcement Program: Ensure lessees honor their contractual obligations to operate and close out activities responsibly; reduce legacy financial liability for the trust



Wells Plugged: 30

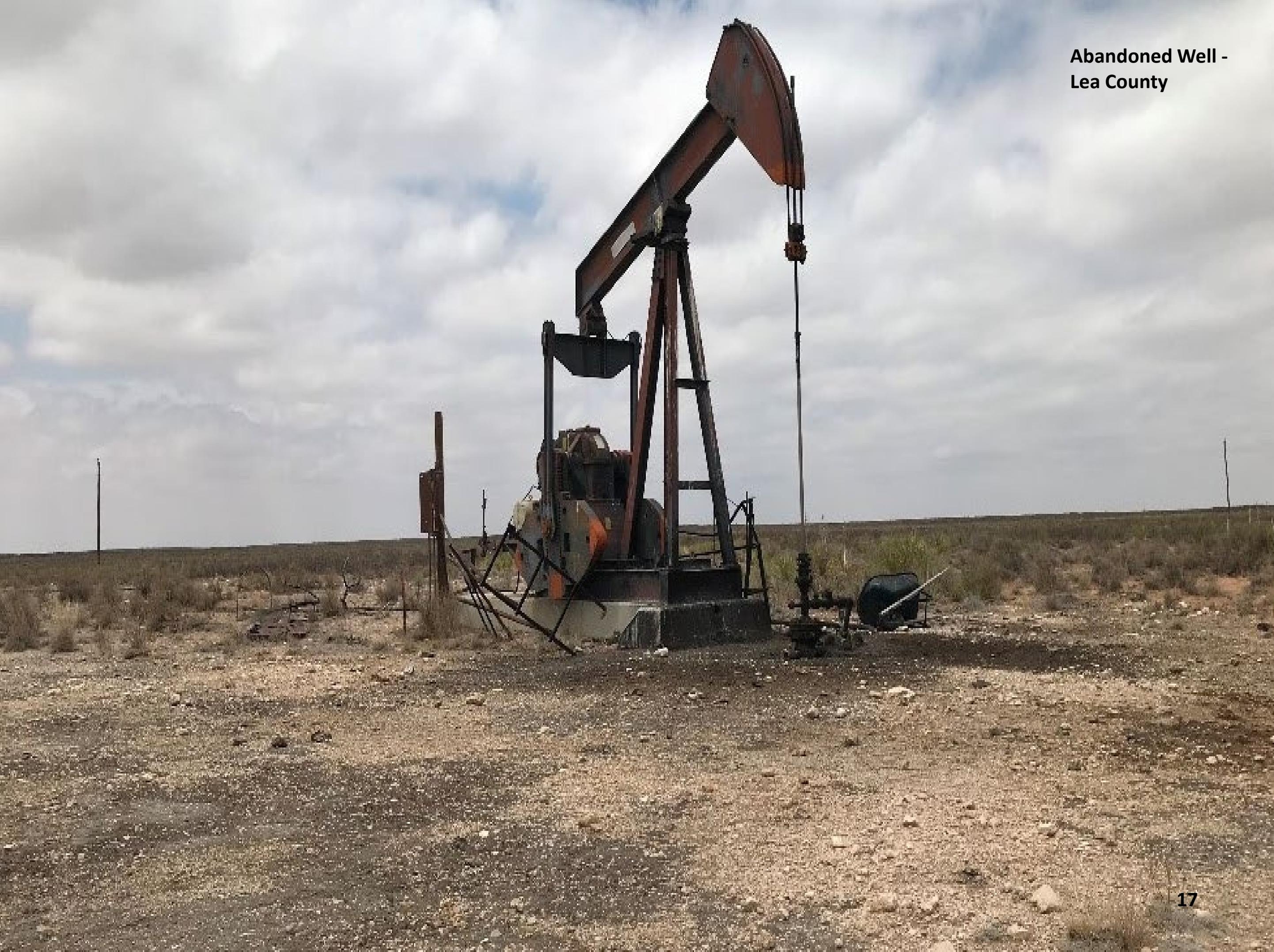


Leases Reclaimed: 14, returning over 8,000 acres



Lawsuits Filed: 17 (3 fully resolved, 2 more are close to resolution)

**Abandoned Well -
Lea County**





QUESTIONS?

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 nmstatelands.org

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