

Southeast New Mexico leaders: Delay oil and gas methane regulations amid COVID-19 downturn

Government leaders cautioned the State of New Mexico in enacting stricter regulations on methane emissions from oil and gas operations during an economic downturn and plunging oil prices amid the COVID-19 pandemic.

The State was in the midst of establishing tougher rules intended to curb air pollution and waste caused by the release of methane from the oil and gas industry when the pandemic hit in March, holding public meetings throughout New Mexico in the last year.

And in a letter sent to the governor from about 50 leaders from around New Mexico to Gov. Michelle Lujan Grisham this week, the leaders commended the efforts and called them essential to protect public health in the state known for heavy extraction activities.

Many of the leaders that signed on to the letter were from outside of southeast New Mexico and the Permian Basin where New Mexico's oil and gas activity is centered and where the regulations would likely have the most impact on the economy.

Leaders from southeast New Mexico at both the local and state level argued implementation of the rule-making – an effort undertaken by the New Mexico Environment Department (NMED) and the Energy, Minerals and Natural Resources Department (EMNRD), could further weaken the already troubled industry.

New Mexico Sen. Gay Kernan (R-42) of Hobbs said the rule-making should be delayed by up to six months or even a year as the industry struggles to recover from the downturn brought on by the public health crisis.

In the wake of COVID-19's spread in New Mexico and the U.S. beginning in March, Lujan Grisham and governors across the country implemented stay-at-home orders and travel restrictions aimed at slowing the rate of infection.

Those acts led to a national and worldwide decrease in fuel demands and brought the price of domestic crude to historic lows this spring and early summer, with April seeing prices plummet beneath \$0 per barrel for the first time in history.

Kernan said any new regulations on oil and gas could further damage the economic position of the already struggling industry New Mexico has long relied on for most of its revenue, and cause operators already grappling with the slumping prices to leave New Mexico for a more business-friendly regulatory environment in neighboring Texas.

“With regard to the implementation of the (methane) rules, they might want to delay that until we get a better idea for where we’re going to be with drilling and production,” she said. “Adding additional costs to the production of oil and gas could further hamper the revival of the industry we are so dependent on.

“The implementation of rules and regulations should be carefully considered at this time.”

And during the rule-making process, Kernan argued industry officials should have a major seat at the table.

She pointed to a recent project between EOG Resources and EMNRD’s Oil Conservation Division intended to curb the use of flaring, or the burning of excess natural gas in the oilfield.

Those public-private partnerships and market-drive solutions, Kernan said, were essential to enacting fair regulations that allow oil and gas to continue to support New Mexico’s bottom line.

“If we allow the industry to be a part of that effort, that makes all the difference,” she said. “But to establish rules on oil and gas at this time is not in the best interest of New Mexico.”

Carlsbad Mayor Dale Janway said the recent special session held by the New Mexico Legislature, where it had to balance the budget after a \$2 billion shortfall brought on by the industry’s downturn, was evidence that laws that could impose even greater costs on the industry should be delayed.

“We are less than a week out of a Special Session in which our state had to adjust to a multi-billion dollar deficit caused by the COVID-19 shutdown and the decline in oil prices,” Janway said. “We believe the focus right now should be on helping our industries, and the thousands of New Mexicans employed by those industries, get back on their feet.

“We will support methane reduction efforts only if they allow industry flexibility and do not impose prohibitive restrictions on our recovering critical industries.”

NMED Cabinet Secretary James Kenney said the rule-making process would likely shift into next year beyond the planned completion date of December 2020.

He said the extension would likely be caused by staffing constraints during the pandemic and a large number of contested air quality permits the Department must investigate.

Kenney said the economic impact of the rules were also a top consideration, along with the economic value of the sources of emissions, under the Air Quality Control Act.

“Therefore, economic factors are part of the calculus in developing these rules,” Kenney said. “The Environment Department continues to develop it’s methane rules for consideration by stakeholders later this summer.”

Supporters of the rules argued their implementation was more important to protect statewide public health during the pandemic.

New Mexico Rep. Anthony Allison (D-4) of San Juan County, an area also known for heavy extraction in the San Juan Basin of northwest New Mexico argued that the Navajo Nation in that area saw some of the highest levels of COVID-19 infection throughout New Mexico and the State should focus on improve public health by cutting air pollution.

He signed on to the letter, calling for the methane rule-making to proceed during the health crisis.

“The devastating impact the coronavirus pandemic has had on our Navajo Nation – which has had more cases per-capita than any state in the country – underscores how critical these rule-makings are for New Mexico,” he said.

“We as a state must do everything we can to protect public health and our environment and adopting statewide regulations to reduce air pollution is an important step forward.”

Albuquerque Mayor Tim Keller, also a supporter of the letter, said efforts to protect the environment must continue to address climate change.

“We have a responsibility to current and future generations to build cleaner, healthier communities. Regulating methane is part of that,” Keller said. “Methane release lowers air quality and speeds up climate change, putting us all at risk. We are joining the call to keep our skies and our future clear.”

But Kernan said leaders from outside the Permian should focus on the struggles of their own communities.

“We all struggle with various issues in our individual areas that we represent,” she said. “I hope that the sponsors of the letter are also addressing their own significant local issues in their communities.”