

# Biden's Freeze on Drilling Leases Disrupts New Mexico

SANTA FE, N.M.— Lance Wilbanks was looking forward to a rebirth for his trucking company, which saw its business hauling drilling rigs across southeastern New Mexico drop from around two dozen a month to just a handful during the pandemic.

But with President Biden moving Wednesday to halt new oil and gas leasing on federal land, Mr. Wilbanks is worried that the bounce back might never come. The freeze is “a gut punch to follow up the worst year we’ve had since the early 2000s,” he said, noting that he has already had to cut down from 300 to 100 employees over the past year. “I expected there to be changes, but to move this fast, I didn’t expect it at all,” he added.

Mr. Biden’s action, the start of a sweeping plan to tackle climate change, has raised concerns across New Mexico, where local officials, state representatives and businesses dependent on oil and gas are trying to size up the impact for an industry that made up roughly a third of the state’s general fund revenue last year.

The reaction in the state of 2.1 million, which Mr. Biden won with 54% of the vote in November, shows the potential pitfalls the president faces in seeking to promote cleaner energy and phase out fossil fuels, which continue to be significant economic engines in parts of the U.S.

A long-lasting freeze on new leasing would curb royalties and revenue New Mexico uses to pay for schools, Medicaid and public safety, and could move lawmakers to

consider drastic options to address lost funding, such as cutting spending or drawing from state reserves, officials and regional economists said.

“It could be a devastating blow to our budget,” said Democratic State Rep. Patricia Lundstrom, chair of the state house’s appropriations and finance committee. “We’re not a wealthy state. We have to stretch every dollar.”

Drillers have delivered a windfall to New Mexico in recent years as U.S. frackers migrated to the Permian Basin, the most active current U.S. oil field, which straddles New Mexico and Texas. That has brought more drilling rigs, workers, restaurants and hotels to parts of New Mexico such as Eddy and Lea counties, and has nearly tripled the state’s oil output from January 2016 to March 2020 just before the pandemic.

Artesia Mayor Raye Miller said nearly everything in his city of about 12,300 was tied to the success of the oil-and-gas industry. Artesia was already hurting from the pandemic. Now, just when there was hope oil would rebound, Mr. Miller said he worried that suspending leasing would force some people to leave southeastern New Mexico to find work.

“This basically takes a large chunk of our state out of future development,” Mr. Miller said. “We believe that our community will shrink if these actions become a permanent decision.”

Almost a quarter of U.S. oil production came from federal lands and waters in fiscal 2019, according to the Interior Department. For New Mexico, the figure is more than 50%, economists said. About a third of the \$2.8 billion from oil and gas in the state’s general fund last year came from drilling operations on federal land, according to the New Mexico Oil and Gas Association.

Mr. Biden has suspended oil and gas leasing on federal land and waters, and has launched an Interior Department review of existing federal leases and permitting practices that could lead to a permanent ban on new leases.

An extended federal leasing ban has the potential to “wipe out several years of growth,” said Richard Anklam, president at the New Mexico Tax Research Institute.

The impact on state coffers will likely lead to spending cuts. State Sen. George Muñoz, a Democrat who chairs the senate’s finance committee, said while he supports Mr. Biden’s environmental initiatives generally, he wished New Mexico had been given more time to prepare for the order’s potential repercussions in an already tough time for his constituents. He estimates New Mexico will take a hit of up to \$400 million in revenue the next fiscal year, which begins in July, and up to a \$500 million loss the following fiscal year.

State Sen. Bill Soules, a Democrat from Las Cruces who chairs the Senate Education Committee, said that while he was conflicted about the freeze because of its effect on school funding, he believed Democrats in more urban areas such as his city, Albuquerque and Santa Fe would be open to the new policy because of their concerns about climate change.

New Mexico Gov. Michelle Lujan Grisham, a Democrat, made little mention of the industry in her state of the state address Tuesday, highlighting growth in another energy sector—renewables. Following Wednesday’s order, she said the state would work with Biden officials to craft a balanced energy policy that gives priority to renewable investment and accounts for the “near-term financial reality of a state like ours.”

Some in New Mexico have predicted the freeze will lead more businesses to move across the state line into Texas, where most of the oil-producing land in the Permian Basin is controlled by the state or private landowners and isn’t federal property.

Jeff Moreno, a salesman at oil-field services firm Frac Tank Rentals LLC, said he had been concerned about what Mr. Biden’s policies would mean for New Mexico since Mr. Biden discussed a transition to cleaner power sources during last year’s presidential debates.

Mr. Moreno said his employer had laid off 20 employees amid the pandemic, many of whom are still trying to find new work.

“Then we get hit with this,” said Mr. Moreno, a Trump supporter. “It’s disheartening.”

Mr. Moreno splits his time between working out of an office in Hobbs, N.M. and another in Odessa, Texas, an hour and a half away. He said he now expects to spend more time working in Texas.