

Oil and Gas Industry Worried New Mexico's Emission Controls Could Imperil Small Operators

Smaller oil and gas operators could be unfairly burdened by the State of New Mexico's recently released draft regulations on air pollution emissions from extraction operations.

New Mexico's proposed ozone regulations for oil and gas operators were met with mixed reactions from industry advocates concerned the rules could threaten the viability of some energy companies and environmentalists arguing the State must take stronger action to curb air pollution.

The New Mexico Environment Department released its final draft of the rules last week, the result of more than a year of stakeholder meetings intended to curb greenhouse gasses in New Mexico from extraction operations.

The proposal was filed with the State's Environmental Improvement Board which will hold a public hearing – likely this fall – for further discussion and a possible vote with the rules taking effect next spring.

NMED's proposal increased requirements for oil and gas operators to report emissions of gasses like methane and volatile organic compounds (VOCs) and take actions to fix most leaks within 15 days and conduct at least monthly inspections.

The rules also established emission reduction requirements for equipment like storage vessels, compressors, turbines, heaters, engine and pneumatic devices and process like well workovers and liquid unloading.

They were meant to work alongside regulations enacted earlier this year by the Energy, Minerals and Natural Resources Department, which focused on reducing emissions by curbing the waste of natural gas as a product.

Controversial exemptions for low-performing, or “stripper” wells, were removed in the latest draft, to the chagrin of the Independent Petroleum Association of New Mexico Executive Director Jim Winchester, who said the draft would prove burdensome for smaller, independent operators his organization represents.

NMED Cabinet Secretary James Kenney said during a press conference last week that the exemptions were removed in response to concerns from the environmental community and after the Department review how much more pollution it could reduce by eliminating the provisions.

The Department reported the rules as currently written would result in the removal of 8 million cars worth of air pollution each year.

“While we appreciate the administration’s stated intention to have a collaborative, fact-based process, the rule proposed today does not offer a balanced approach,” Winchester said. “If passed, this rule threatens to put thousands of jobs at risk, prematurely plug or shut-in marginal wells, and inflict economic hardship on New Mexico with little to no gain to the environment.”

Winchester said the Association hoped the State would put the exemptions back into the rule to allow for flexibility for “marginal” wells that he argued could be put out of business by the costs associated with compliance, blaming “radical environmental groups” for their removal.

“We strongly urge the Governor and the administration to reconsider marginal well provisions that have been taken out of this final draft,” Winchester said. “It’s critical that the final rule be based on science and common sense, not just the emotions of radical environmental groups.”

Larry Behrens, western states director for Power the Future, a group that advocates for the interests of the oil and gas industry, based in Santa Fe said the proposal was consistent with the administration of President Biden's environmental agenda which Behrens said would raise energy costs and lead to energy workers losing their jobs.

He argued gas prices were up 65 percent in the last year and that unemployment in New Mexico was "at the highest in 30 years," driven by the COVID-19 pandemic, and that tougher regulations on oil and gas could worsen the state's economy.

"This proposal proves the Governor didn't keep her word. The Governor promised to work with our energy workers, instead she puts forth a proposal that is a gift to radical environmentalists. Just like Joe Biden, the Governor is trying to hurt our energy workers by taking executive actions," Behrens said.

"This rule will close many wells that are still productive, raise costs and ultimately bankrupt many smaller producers, which is the goal of the environmental community."

New Mexico Sen. David Gallegos (R-41) who represents Eddy and Lea counties in the Permian Basin region of southeast New Mexico where most of the state's oil and gas development is centered, said the purported environmental benefit of the rules was outweighed by the financial harm it could bring to smaller producers and local oilfield communities.

He also worried burdensome regulations could lead to companies leaving New Mexico for neighboring Texas.

"Our communities, our schools, and our families depend on the oil and gas industry in southeast New Mexico," he said. "This rule change only seeks to further handicap the small producers in our community."

“The exaggerated environmental benefits are dwarfed by the toll this will take on New Mexicans who will lose their jobs, pay more at the pump, and see their communities die off as business owners pack up and leave for Texas.”

But environmental groups said the rules and their lack of exemptions were needed to create meaningful change in New Mexico and address climate change and pollution created by the oil and gas industry.

Kayley Shoup from Carlsbad-based Citizens Caring for the Future said frontline communities need the industry to be held accountable to the safety of residents.

“As frontline community members in the Permian Basin, we see and feel the effects of oil and gas pollution in Southeast New Mexico every day,” she said. “We are encouraged that the New Mexico Environment Department is taking action to hold the oil and gas industry accountable to clean up its act.”

Mike Eisenfeld with the San Juan Citizens Alliance, based in the San Juan Basin of northwest New Mexico also known for heavy extraction activities, said ozone levels in the area are already high and nearly more than federal standards.

“This rule-making is very important to communities overwhelmed with methane emissions in the northwestern part of the state,” he said.

“(It) is also imperative that ozone precursor emissions are reduced in all New Mexico counties with high ozone levels correlated to oil and gas activities including San Juan, Sandoval and Rio Arriba counties which are close to nonattainment.”