

N.M. faces balancing act with environment, oil

State's protection efforts could bring industry unintended consequences

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Stephen Robertson, executive vice president, Permian Basin Petroleum Association



PAUL RATJE / AFP via Getty Images

Drillers in New Mexico face regulatory challenges that could hinder the oil and gas industry.

A 30-day legislative session currently underway in New Mexico is offering insight into the complexities of balancing the environment, energy needs and state budgets.

Participating in the monthly Oilfield Strong webinar presented by OTA Environmental Services, Stephen Robertson, executive vice president of the Permian Basin Petroleum Association, discussed bills being considered by the New Mexico legislature and how they could impact the region's oil and gas industry.

Currently, the PBPA is tracking 20 bills in

the session, which primarily focuses on the state's budget, Robertson said. He said the industry supports one bill in particular, which would fund improvements to Highway 380, which runs from Tatum, New Mexico, to the Texas state line.

"Everyone knows it's dangerous and we're enthusiastic to see this push to get funding to improve that roadway," said Robertson.

Another bill supported by New Mexico Gov. Michelle Lujan Grisham would establish a hydrogen energy development hub.

“Which is interesting because it’s gotten pushback from the left because it relies too much, in their eyes, on hydrogen produced through development of hydrocarbons,” he said. He explained that some on the left don’t want anything that supports the oil and gas industry and they see the reliance on hydrogen from hydrocarbons as supportive of oil and gas.

As New Mexico moves toward zero emissions and clean energy, anything that doesn’t sever the state from the oil and gas industry is not supported, he added.

The challenge is that New Mexico, where the southeast corner makes up part of the Permian Basin, is heavily reliant on revenues from the oil and gas industry, he said. The state is reliant on the energy industry not just to provide energy but for its economy. So state officials can “very much perceive the reality that, if you’re going to end your reliance on hydrocarbons as an energy source, that doesn’t just impact your energy provider, it impacts your budget. If you end your reliance on hydrocarbons, you need to fill that void with an industry that will provide revenues and create jobs.”

Also part of the session is a constitutional amendment known as the ‘green amendment’ that would guarantee every New Mexico resident the right to a clean environment.

“The difficulty with that, on its face, is that there’s no definition as to what any of that really means,” said Robertson. “Even simple things like, is the amendment guaranteeing everyone has pure H₂O when it comes to clean water? That’s not what comes out of the ground from water wells and it definitely not what comes out of the ground when the oil and gas industry drills.”

The response from those supporting the amendment to such questions was to let the courts figure out the answers, he said.

“That’s helping educate folks how worrisome and dangers that could be, not only to industry and business but to citizens,” he said. He reported that it looks like the amendment will not move forward but cautioned that there is still time to move the bill forward, whether by amending the language to another bill or other vehicle to push it forward.

New Mexico has become a state with some of the most stringent regulations regarding methane emissions, something Robertson warned could present challenges for operators. He explained that the state took a two-pronged approach to the issue, involving the state’s environmental agency and oil conservation department. Both agencies started out working together to develop what was hoed to be a singular framework, he said, but as work progressed the two agencies went in different directions. The result is two distinct rules, one from the environmental regulators and one from the Oil Conservation Division and Robertson said the PBPA has pointed out several instances where they don’t work well together. Still, he said, operators have to abide by both.

Methane emissions on a federal level is also a focus for the PBPA, which has been drafting comments on proposals for the Environmental Protection Agency.

The EPA has issued a document saying this is what it wants to accomplish and is seeking comment. The problem is it’s difficult to provide meaningful comments “when you don’t have the true details of the regulation. We don’t know how it will impact the industry,” said Robertson.

He said the biggest concern is the broad approach whereas anyone who knows anything about the oil and gas industry knows “one size fits all” does not work. Regulations need to be tailored for upstream, midstream and downstream operations, for private entities versus public companies and even operators active in the Midland Basin compared to the Central Basin Platform compared to the Delaware Basin, he said.

An example is proposed regulations would require operators of optical gas imaging cameras take breaks during specified periods. That doesn’t take into consideration how the equipment is operated, how the operators work, he said.

“One thing our industry is known for is innovation, not for innovation’s sake but for actual improvement of operations. These rules would require hand-held OGI inspections. What about the companies that use multi-faced approaches to emission detection? Those that use aerial, or ground sensors, or satellite imagery to prove emissions. The EPA would limit what is acceptable to make observations. What about the technology of tomorrow or the day after? What will be developed down the road that won’t be useful because the regulations say we have to do it a certain way?”

The worry, he continued, is that though the end goal is improving emissions capture, the actual implementation would result in a reduction of domestic operations.

“As anyone paying attention to what happened during the pandemic, at the worst of things, as the world shut down and economies were not moving, oil and gas demand around the world, oil specifically, dropped by 10 percent and that was it,” he said.

Demand has recovered to pre-pandemic levels and will continue to climb, he said. US oil producers can produce that demand efficiently and in a more-environmentally friendly way. But if operations are pushed out of the US, that production will occur somewhere else and most likely somewhere without the environmental focus of the US.

“You’re not improving emissions for the world, you’re harming emissions, you’re harming the environment. It’s one thing to want to improve, it’s another thing to want to have an end goal that’s not justified by the process you’re using,” he said.