

McKibbin's Scribbles: Nation's eyes on us this fall

By Mike McKibbin | The Citizen Telegram | July 26, 2014

It really is a small world, especially if you're talking about one of this country's biggest economic drivers.

And the entire U.S., if not much of the world, could be watching Colorado this fall, when voters across the state might be asked to approve – at last count – up to a handful of state constitutional amendments regarding oil and natural gas development.

Case in point came here in Rifle last week, when I sat down for coffee with a representative of the Nucor Corp., a steel manufacturer in North Carolina. Jennifer Diggins wasn't here to announce a new plant opening in Rifle (sad to say), but to talk about her company's concerns with the proposed amendments.

See, Nucor signed a \$3 billion deal with Encana Oil & Gas in 2012 that calls for the nation's largest steel producer to share in possibly drilling more than 400 wells on Encana's North Parachute Ranch property through 2032. In return, Nucor gets natural gas at a set price from Encana. Currently, Encana is not drilling any wells in Western Colorado due to the low gas prices.

As Diggins explained, up to 20 percent of the cost of making a ton of steel is the energy it requires. So if Colorado voters approve any of the measures, which relate to expanded drilling rig setbacks from homes and schools and giving local governments more control over oil and gas development, Nucor and other steel manufacturers would likely see their prices go up.

"Colorado has always been associated with energy production," Diggins said. "So if these measures pass here, you'd likely see a domino affect across the country where these kinds of things are put to a vote."

That would help take away the competitive advantage U.S. oil and gas production has, compared to overseas and foreign sources, she added.

But the impact would not only be felt by steel mills in 24 states, Diggins added; suppliers and customers would likely see their costs go up.

To help spread Nucor's, and the steel industry's message, as election season ramps up, Nucor has joined Vital Colorado, a group of business and community officials and agencies, who this week asked U.S. Rep. Jared Polis, (D-Boulder), to withdraw his financial support for two of the proposed Colorado amendments.

"Every sector in our economy is intertwined," a portion of the letter reads. "An attack on the oil and gas industry is an attack on Colorado because all Coloradans benefit from having a prosperous energy economy."

I've written in this space before that, by its nature, natural gas development is an industrial activity. And by and large, operators do it the best way they can to minimize noise, odors, protect groundwater and our air. But it's not a perfect process, nothing is.

I've met and written about many of our neighbors who dealt with the impacts of the recent drilling boom in the mid-2000s. They often talked about some of the same things these amendments propose to do. Maybe they're warranted steps to take now. But it seems the method is the main concern of Diggins, Nucor, the oil and gas industry and groups like Vital Colorado.

I recall the constitutional amendment that banned trapping of bears. Didn't seem like something that belonged in the constitution then and still doesn't. So Colorado voters will have to answer the question of is it right to put these types of regulations on an important industry in the constitution? Or is there a better way to approach it so areas like Rifle and Garfield County don't suffer even more economic hardships?

Mike McKibbin is the editor of The Citizen Telegram.
