

Building the Bakken: An American evolution story

Some have called it a “boom.” Others have used analogies of building blocks. The new buzz word I am hearing to describe the Bakken is “industry.” After cov-



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ering this phenomenon for three years now, while spending the better portion of 2012 living in an RV, I can only refer to it as the “evolution.”

Communities are changing; people are coming and going; businesses are popping up and long-time residents are leaving. This is all a part of the natural process of community building. The basic theory of evolution says if you don't adapt, you get left behind. Sounds a lot like the Bakken to me.

This type of activity must be pretty unique or special since the majority of the cities across the country are seeing people and businesses going, not coming. Brian Hymel, partner in Five Diamonds Fund Managers, believes what is happening in North Dakota is so special it will one day be read about in history classes.

“I think the Bakken has sparked the beginning of another Industrial Revolution,” Hymel said. “That's the level of growth and expansion happening in western North Dakota and the Bakken. This play is impacting so many different industries, it's scary.”

Sen. John Hoeven, R-N.D., says he agrees with Hymel's view of the Bakken and believes small business values create the core structure for a business to keep up with the evolving industries.

“Business is the engine that drives this country and small business is the backbone of our country,” Hoeven said. “North Dakota is leading the way forward.”

Hoeven understands the strength and power of the energy industry but points out other industries are growing and investing in the state, creating an economic ripple. This activity has the attention of the nation too.

“Whether its agriculture, energy, technology or any of our other healthy

industries,” Hoeven said. “What we are working to do is build a business climate that will continue to empower our great entrepreneurs, companies, small businesses to invest and make new and exciting things happen. That's why everyone is asking about North Dakota and what's going on up here.”

Hoeven, along with past policy makers created a business environment that was attractive enough for oil and gas companies to invest their research and development dollars into the state. The R&D department found enough pieces of the Bakken puzzle to create new technologies that are currently revolutionizing the oil and gas industry.

Oklahoma-based ONEOK is one of those companies that has been an active participant in the Bakken play. John Gib-

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son, CEO of ONEOK and Chairman of ONEOK Partners, sees the Bakken as a game changer for multiple industries.

“This whole natural gas shale play has changed the country's view on natural gas as a sustainable reliable energy source, really it has changed the entire dynamic of the United States.” Gibson said. “In particular, when you figure a lot of this, if not all of this, in the Williston Basin is being driven by crude oil, which is also changing the entire industry structure as it relates to crude oil.”

Investments into oil and gas technologies are creating new micro-economies in areas like frac sand, fluids, construction and distribution. In addition to major distribution investments into roads, bridges and buildings; the railroad as a whole has felt the Bakken ripple.

Recently, BNSF chairman Matt Rose attended a roundtable discussion in Cas-selton, N.D., featuring local, state and federal officials. Rose said the railroad is investing major dollars back into infrastructure and rail communities.

“This is a rail industry that is putting capital back in,” Rose said.

“We spent \$4 billion last year and we announced an all time record of \$5 billion dollars this year. Since 2000, we've spent \$43 billion dollars on the railroad and a large part of it is right here in the state of North Dakota.”

Another company making large investments into the evolving Bakken is Minnesota-based Blackridge Oil and Gas. Ken DeCubellis, CEO, said 2013 was a big year of catalysts for the Bakken-exclusive company.

“We closed on a financing in August and put the money to work by acquiring a group of Bakken assets for \$20.6 million in December,” DeCubellis said. “With operators aggressively infill drilling, we expect increased opportunities to invest our capital in high return development projects in 2014 and 2015.”

On the natural gas side of the Bakken, major projects from MDU Resources, ONEOK, Hess and North Dakota LNG headline investments into the region. These multimillion dollar projects cycle enormous amounts of economic activity into an area creating rapid community growth patterns. Rapid growth raises issues of sustainability; Goodin sees Bakken gas as a long-term ally.

“Natural gas is an abundant fuel and the production from the various shale plays all across the country will provide significant new volumes for a number of commercial and industrial applications including electric generation,” Goodin said. “Some estimates indicate that supplies are sufficient to cover 150 years of consumption at current levels.”

MDU Resources has seen considerable growth in their utility and construction materials operations in western North Dakota which Goodin says are “pretty good indicators of the state of the Bakken's economy.”

“For example, our utility's customer growth in the Bakken in the first quarter of this year was 5.9 percent in our electric business and 3.7 percent in our natural gas business,” Goodin said. “To-



tal electric sales increased 10 percent year over year with the Bakken responsible for much of that. This growth occurs at a time when many utilities around the country are experiencing little to no growth. Our utility business will invest approximately \$70 million this year to serve the growing electric and natural gas customer base associated with Bakken oil development.”

Goodin also added MDU's construction materials business has added locations in Williston, Tioga, Watford City, Dickinson, and Minot over the past three years.

These are all positive signals of the strong economy prevalent throughout western North Dakota. But evolution always continues and you have to look to the future. Will these communities be able to continue to grow, or at least sustain?

DeCubellis believes the Bakken will be a viable play for the next 15-30 years. The number of years depends on technology increases and other factors yet to be determined.

“Returns are improving,” DeCubellis said. “Drilling and completion capital is dropping, and estimated ultimate recoveries are increasing as operators deploy state of the art completion designs. Plus, there is a lot of oil still in the ground that can be economically recovered.”

There is plenty of opportunity for us to invest money in high return projects

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