

## North Dakota Oil Boom Brings Pain With Growth as Housing, Food Costs Soar

By Jennifer Oldham - Jan 25, 2012

The gravel road that borders Dave Hynek's North Dakota farm is designed to carry 10 tractor-trailer trucks a day. In a recent 24-hour period, about 800 passed by.

Some are traveling 90 minutes west to Williston, where schools Superintendent Viola LaFontaine expects as many as 3,800 students this fall, about 57 percent more than her primary schools were built to hold.

North Dakota's economy outpaced every other state in 2011, with the fastest growth in personal income, jobs and home prices, according to Bloomberg Economic Evaluation of States, or BEES, index data. Yet the oil boom fueling the nation's lowest unemployment rate also has a dark side. It's pushing rural North Dakota's housing, electric, water, police and emergency services to the breaking point.

"It's absolutely destroying our infrastructure," said Hynek, a Mountrail County commissioner, as he sat in a pickup truck on the 1,400-acre farm where his family has grown wheat, flax and sunflowers for four generations.

"A few years ago, our board set a goal that Mountrail County would be a better place to live and work as this oil play works itself out over the next 30 years," he said. "Right now, I would be hard-pressed to find people who agree with that."

Drilling in the Bakken formation, a 360-million-year-old shale bed two miles underground that geologists believe holds a 15,000 square-mile region of oil in North Dakota alone, foisted big-city concerns onto rural communities where everyone knew each other, no one locked doors, and business deals were sealed with a handshake.

### Fracking

Hydraulic fracturing, or fracking, in which water is pumped down a well with sand and chemicals to crack rock and release oil, allowed companies such as Marathon Oil Corp. (MRO) and Continental Resources Inc. (CLR) to extract the energy.

Prices for gasoline and groceries in Mountrail and Williams counties -- the heart of the boom -- are 30 percent higher than in the state's largest cities. Lines to eat at local restaurants often top an hour. Finding a plumber or a handyman can take weeks and often cost three times as much as it did three years ago.

In Stanley, about eight miles north of Hynek's farm, an argument between two men over lunch at Joyce's Cafe in late August ended when one of them ran outside and punched a wall-sized plate-glass window, shattering it and injuring diners.

'Now It's Dangerous'

“There were three rapes here last summer -- that’s in a town with one assault in its history,” said Cory Rice, who bought the restaurant from his grandparents. “It used to be a quiet community. Now it’s dangerous.”

Residents are forced to reconcile their declining quality of life with undeniable gains in prosperity. North Dakota reported the nation’s lowest unemployment rate in December at 3.3 percent, compared to 8.5 percent nationwide, according the Bureau of Labor Statistics. The state is also seeing significant wage gains, with the average annual salary growing 79 percent in Williams County, to \$56,857 in 2010 when compared to 2005, and 67 percent in Mountrail County over the same period, according to the bureau.

Higher tax receipts fostered by oil-industry revenue are helping finance a new water pipeline, rehabilitation of the state penitentiary and renovation of the state’s heritage center -- even as calls for more housing and funding for school construction go unheeded.

The state’s three-year-old boom, which attracted thousands of workers to 17 western counties, is progressing so quickly that studies commissioned to determine infrastructure needs are outdated the moment they leave the printer.

#### ‘Population Explosion’

“It’s almost an unmanageable population explosion,” said Vicky Steiner, a Republican state legislator and executive director of the North Dakota Association of Oil and Gas Producing Counties.

Williams and Mountrail counties recently banned construction of “man camps” -- temporary developments for oil workers -- until they can expand sewer, electrical and water systems.

The move put pressure on an already tight housing market, where rents for a two-bedroom without utilities skyrocketed from \$350 a month to \$2,000. Some workers report paying \$4,000 a month for a three-bedroom apartment in Williston, about 60 miles (97 kilometers) south of the Canadian border.

Five hotels are being built in Williston -- home to 14,500 people in 2010 and about 20,000 today -- and officials expect 1,200 apartments and single-family homes to be completed by summer. With 4,000 job openings, even that won’t be enough.

#### ‘Five Steps Backward’

“It’s like you take four steps forward and five backward,” said E. Ward Koeser, the city’s mayor.

Wal-Mart Stores Inc. (WMT)’s local outlet, Taco John’s and other retailers and restaurants -- as well as the city itself -- have trouble finding workers because of the housing shortage, Koeser said. Two recent applicants for public-works jobs in Williston were living in their cars.

Officials anticipate that housing slated to be completed later this year will prompt oil workers to bring their families, who in turn will take restaurant and retail jobs.

Yet the boom is causing some families to split up. Minnesotan Denise Hanson, 32, whose husband got a job driving trucks last spring, moved from Williston back to her home state with her 7-year-old daughter in January, leaving her husband behind in a 12-by-40-foot mobile home.

### Safety Concerns

"I was driving home from school and I saw a one-ton pickup shoot across the median pulling a trailer without tail lights," Hanson said. "Do we risk getting injured and stay here and make money? Or do we go back home and do with less and be safe?"

State housing officials say escalating rents are forcing longtime residents to leave. They can't find developers interested in building new affordable housing, they add.

"Housing costs of all types are escalating much faster than income growth," said Mike Anderson, executive director of the North Dakota Housing Finance Agency.

Williston Public School District #1 is scraping to locate housing for 100 homeless students. One family with seven children lives in a recreational vehicle behind a gas station, said Betsy Kelley, the district's liaison to the homeless.

City and county officials say they're not getting enough money back from the state -- which collects an 11.5 percent tax on oil -- to finance infrastructure upgrades.

### Funding Gap

"No one ever anticipated this type of impact," said Donald W. Longmuir Jr., a planner and emergency coordinator for Mountrail County. "We're actually three to five years behind in funding."

Calls to the county's volunteer ambulance and fire services tripled since 2009, Longmuir said.

Mountrail's 1,600-mile road system -- which became so overloaded last spring that officials ran out of "road closed" signs, and postal carriers were unable to deliver the mail to some places -- needs to be rebuilt at a price tag of \$600 million, Hynek said.

Williston received \$1.5 million in 2011 from the oil extraction tax, which Koeser said "doesn't even come close" to paying for its infrastructure needs.

LaFontaine, the Williston schools superintendent, said she needs about \$87 million to build two elementary schools and one intermediate school and to hire new teachers. State lawmakers voted down a bill last year that would have provided some funding. LaFontaine, who based her estimate of 1,200 new students this fall on new housing construction, asked oil company executives to meet with her recently and asked for help paying for new facilities.

### Begging for Money

"I don't know where else to go to beg for money," she said. "I'm desperate."

LaFontaine and Koeser recently visited Governor Jack Dalrymple to request aid and ask that the formula used to return oil taxes to municipalities be revised.

“It’s too early to say whether the Legislature would respond to that,” Dalrymple said in an interview. “About 30 percent of the taxes are returned to the counties and they return those to the cities and townships. Revenue is going up dramatically and that means their share is also going up dramatically.”

The North Dakota Legislature set aside \$1.2 billion last spring to help counties cope with the oil boom’s impacts. About \$885.3 million remains to be distributed.

Demand for aid is high. The state received 167 applications last fall for \$50 million in road improvement grants alone, said Gerry Fisher, assistant director of the state’s energy infrastructure and impact office.

### Oil Companies

Oil companies say they’re doing their part to help western North Dakota cope. Houston-based Marathon gave \$1 million in Dickinson, Continental donated \$500,000 in Crosby, and New York-based Hess Corp. (HES) contributed \$25 million to the state for public education, said Ron Ness, president of the Bismarck-based North Dakota Petroleum Council.

“Economic opportunity brings growing pains and changes to a very rural area that hasn’t seen significant economic opportunity for decades,” Ness said. “It’s difficult, certainly, for any of us to keep up with the pace at which people are moving here.”

With 5,349 producing wells in 2010 -- compared with 3,367 three years earlier -- North Dakota is the nation’s fourth-largest oil producer behind Texas, California and Alaska.

The boom also brings other benefits. Last spring, Legislators allocated \$110 million for the Western Area Water Supply Authority to build a pipeline from the Missouri River to deliver drinking water to five western counties. The \$150 million project -- which will require the authority to ask the Legislature for more funding -- is expected to be complete in three years.

### ‘Unique Opportunity’

“We have a unique opportunity,” said Jaret Wirtz, the authority’s executive director. “This was never feasible before; there was never enough water or money available.”

Like school superintendents who recently banded together to lobby for state funds, farmers are joining forces in the Northwest Landowners Association to push for more regulated growth.

“I don’t think any of us want it to go away,” said Troy Coons, 48, a farmer and the group’s vice chairman. “We just want it managed and not a free-for-all. Most people want to be treated fair and respectfully.”

Hynek and other commissioners in the state’s largest oil producing county expect service needs to continue exploding as more workers flood the area.

“We have 800 wells -- they tell me there’s going to be 6,000 more in five years,” Hynek said. “It scares the hell out of me. They say you’d better get prepared for 50,000 more people.”

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