

Investing in boom-town infrastructure

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Just how long will the North Dakota oil boom last? Some say that there's decades of oil in the ground. According to a recent report by the Federal Reserve Bank of Minneapolis, the Bakken oil boom is five times larger than the area's 1980s oil boom. The Bakken area accounts for almost 11 percent of the all U.S. oil output.

Others say the methods are too disruptive, and that the whole practice won't last but a few years. No one really knows.

Susan Zimmerman, a longtime resident of western North Dakota, believes that she sees an answer in how the state allocates resources. Despite the fact that oil production produces billions of dollars in revenue for the state—a \$30 billion contribution to the state economy in 2011, up from \$4 billion in 2005—Zimmerman notes the money is mostly being spent in other places. The area desperately needs roads that can accommodate the huge amount of traffic. But again, nobody knows how long the boom will last—so how much money should be put into infrastructure? Should they spend millions to build roads that may only get heavy use for a few years?

“There was a hole the size of a mattress on [Highway] 1804,” says Zimmerman, “and it was there six months before the state did anything to fix it.” Thousands of trucks kick up dust on dirt roads that used to host a farming truck or two a day.

In March, after two teenagers died in a traffic accident, the mayor of Watford City complained that “we've got two-lane highways instead of four-lane, and 10,000 trucks going through here a day. When are we going to believe this [oil activity] is here to stay?”

The State counters that it spent \$50 million on U.S. 85 in the past two years and plans to spend another \$300 million to convert the stretch from Watford City to Williston to four lanes. But the need for updated infrastructure—if the oil boom is going to hang around—is immense. And if all of these companies and their trucks are *not* staying, then North Dakota could spend billions on the ultimate road to

nowhere.