



From the Good News Dept.: North Dakota's Economy Is Doing Just Fine, Thank You

The prime driver is the discovery of vast untapped but recoverable oil reserves in the Bakken Formation, along with improved technology, which is allowing entrepreneurs to obtain access to it: fracing (or [fracking](#)). Luke Popovich, a spokesman for the National Mining Association, explains: "North Dakota has a lot of untapped shale oil, and developing that field [has] attracted a lot of investment and a lot of employment into the state."

The Bakken Formation is an oil shale deposit located two miles below ground, and reaches from western North Dakota into eastern Montana and up into Saskatchewan, Canada. It could be the [largest domestic oil discovery in 40 years](#) and, according to the U.S. Geological Survey, "is larger than all other current USGS oil assessments of the lower 48 states and is the largest continuous oil accumulation ever assessed by the USGS." The original estimate for the field was 151 million barrels of oil when the USGS first looked at it back in 1995. But it revised its estimates upwards in 2008, [by a factor of 25](#), to between 3 billion and 4.3 billion barrels, and even that [may turn out to be conservative](#). Another study by the USGS starts in October that could possibly restate estimates to 100 billion barrels or more.

Production from that formation grew from 3,000 barrels a day in 2005 to 225,000 in 2010, with a million barrels a day possible in the next few years, according to Harold Hamm, president of Continental Resources. "This is a giant field," said Hamm, [who owns more oil](#) and gas than any other American.

In fact, there is potentially so much oil underground at Bakken that it could change the whole equation for pricing worldwide. Guy Caruso, the former head of U.S. Energy Information Administration (EIA), said, "If we get 2 million barrels a day, that could have a major impact on world oil prices." At present the United States produces just under 10 million barrels of oil a day, and uses more than 19 million every day, so this additional supply would change the dynamic dramatically.

It's already changing the economic dynamics for North Dakota. The oil workforce has grown from 5,000 workers in 2005 to over 18,000 in five years. And businesses and industries supplying services to that industry now employ more than 30,000 people. Estimates are that if production rises to a million barrels a day, there will be 100,000 employed in the industry.

At present there are 15,000 job openings and the state is sponsoring trade fairs in other states to try to find people to fill them. North Dakota has another problem as well: what to do with the state surpluses. The pension obligations [are being funded](#) and \$500 million has [already been returned](#) to state taxpayers with more refunds [being considered](#).

Fifteen thousand people have moved to Fargo in the last 10 years, pushing its population to more than 100,000 for the first time. And the state's economic success is pushing per capita income upwards as well: it was 38th in the country in 2000, and is now 17th.

For those who have trouble digesting numbers like these, graphs of the explosive growth in crude oil production [here](#) and jobs and economic activity [here](#) should confirm what's happening in North Dakota. The Tax Foundation's facts on what's happening there also show its robust economic activity. Tax Freedom Day arrives earlier in North Dakota, its state and local tax burdens are below the national average, and it boasts a favorable business tax climate.



Written by [Bob Adelman](#) on August 15, 2011

And the records continue to fall. North Dakota's monthly oil production set a new record in June of 11,540,000 barrels, up 22 percent from the previous year, and triple what it was just five years ago. Overall state employment, not just in the oil fields, just reached an all-time high, and its economic activity index is 12-percent higher than in early 2008, the start of the Great Recession (for the rest of the country).

The happy intersection of untapped resources, improved technology to reach them, and a favorable tax and government regulation climate are enough to encourage entrepreneurs like Harold Hamm to develop these new oil resources. As noted by economics professor [Mark Perry](#),

North Dakota's impressive economic success clearly illustrates some of the benefits of domestic energy production: ongoing job growth, a jobless rate close to 3%, record-setting economic growth, and a bubble-resistant housing market.

There's no reason that the economic success of North Dakota can't be duplicated elsewhere, if we would only open up more U.S. land and off-shore areas to domestic energy exploration and drilling.



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