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## Slow down the oil boom slow down the revenues

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By: Rob Port, Bakken.com contributor

“North Dakota Considers Slowing Down Oil Boom”

That headline, or variations on it, were all over the media last week after the North Dakota Industrial Commission held a hearing on the issue of flaring, or the burn off of excess natural gas produced during the oil extraction process.

But the pace of oil development in the state has an impact on more than flaring. Roads and rails are overwhelmed with traffic. Labor demands has driven population growth far in excess of available housing. Crime is up. Traffic accidents are up.

Some think the best way to address these issues is a slower pace of energy development.

That may already be happening on its own. Drilling rig counts are down, and the industry is making noises about moving beyond the drilling-intensive exploration stage into the development stage. We'll see how much of that is true this summer, but for those who say “slow it down,” they should know that it simply doesn't work that way.

What's more, trying to slow down oil production could have some major consequences for the state.

A lot of people react to this issue by saying something along the lines of “the oil isn't going anywhere, what's the rush?”

For one thing, there is no certainty that the oil under North Dakota's soil is going to keep its current value. Prices go up, and prices go down. Nobody can predict the future of these commodity markets.

Plus, there are new shale oil plays opening up all over America, and all over the world. That means there is more competition for Bakken oil, and often in places where it's much easier to drill, pump, and transport. If we delay a mineral owner's ability to develop their oil/gas property, we may hurt them financially in a not insignificant way, and they may well have recourse for legal action against the government if that were to happen.

Which isn't to say that mineral rights trump all other concerns, but why would we want to harm some of our citizens financially while creating the potential for a legal quagmire?

Another issue has to do with state tax revenues. Few people seem to grasp this about North Dakota's budgeting process, but when the Legislature spends money they're appropriating revenues they don't have yet. They budget based on projections which tell them what the state is expected to collect.

In recent sessions, legislators have been aggressive with spending because projections have forecasted aggressive revenue growth (if anything the projections have been way low, missing last biennium by nearly

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collections are up more than 50 percent.

Suffice it to say that if you slow down the oil boom, you slow down the revenues. And not just oil and gas tax revenues, but sales tax revenues. Income tax revenues. Property tax revenues. You get the picture.

Those in the state – particularly the politicians and editorial writers – who make glib comments about slowing down oil and gas development should be prepared to tell us what they'll do when state revenues drop. And how they'll justify wounding mineral rights owners who could lose millions, and maybe more, from delays.

There is no easy button on this issue

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