

Shale boom turns North Dakota into No. 3 oil producer

Selam Gebrekidan, Reuters, 3-9-12

NEW YORK -- North Dakota has overtaken California as the third-largest U.S. oil-producing state, as the controversial fracking technology boosted shale oil output and cut the Midwestern state's unemployment rate to the lowest in the country.

The shale oil boom could be a recurring theme during the U.S. presidential campaign this year with both parties debating how to create and sustain energy-related jobs and reduce the top oil consumer's dependence on imports.

Republican nominee Mitt Romney has appointed the chief executive of a major producer in the Bakken shale rock formation -- Continental Resources' Harold Hamm-- as his energy advisor.

The state's January oil output rose to 546,050 barrels per day (bpd), up 59.2 percent from a year earlier, after output in the Midwest state's Bakken and Three Forks shale prospects rose some 11,000 bpd to a record 480,700 bpd, data from the North Dakota Industrial Commission showed on Thursday.

Mild winter weather and a ramp up in well completion work, including the controversial process of hydraulic fracturing, used to extract the oil from shale rock, led to the rise in output.

This compares with California's average crude oil production of 537,500 bpd throughout 2011, the last period for which data is available.

North Dakota, located along the Canadian border, has upended the U.S. oil market since 2007 and its output has eclipsed that of OPEC member Ecuador thanks to advances in horizontal drilling and hydraulic fracturing. Production has doubled in the three years since 2009.

Meanwhile, California's oil production has declined over the past few years and was an average 14,000 bpd lower in 2011 compared with the previous year.

Texas is the largest producer of oil in the United States, followed by Alaska.

OIL RUSH BLUES

The oil boom has arrived with its perks and troubles. North Dakota's unemployment rate in December was the lowest in the nation at 3.3 percent. Oil companies say there are more jobs than people in North Dakota.

As it is, the state is teeming with field hands who followed drilling rigs into the once-agrarian state. They crowd camps or sleep in their cars while the housing stock struggles to catch up with their influx.

The oil boom has also led to a surge in construction projects across the state.

Residents complain the crime rate has gone up, a fact law enforcement officials say is driven by the increasing population.

"More people means more crime. It's definitely gotten busier around here," said Cory Collings, head investigator with the Williston Police Department.

"I see license plates from all 50 states in the United States. We got people here from Alaska, and they have oil there," he added.

Another problem that accompanied the surge is traffic volume on the streets. Collings said it took him eight minutes to get to work a year ago. Now, he has to drive 30 minutes before he gets to fight crime in the boom town.