Bottlenecks from page 3

145,000 bopd line is slated to become fully operational this spring, bypassing a bottleneck in North Dakota by pumping oil into Manitoba and then south on the mainline through Clearbrook.

Once online, the Bakken Pipeline and other projects will increase Enbridge's takeaway pipeline capacity for Bakken oil to about 400,000 bopd—more than five times the capacity of the North Dakota system in the mid-1990s. Enbridge has proposed another major pipeline that would add 225,000 bopd to the river of Bakken oil flowing east to refineries in the Midwest and the South. The $2.5 billion Sandpiper Pipeline would stretch over 600 miles from Tioga, N.D., to Superior, Wis.

The True Cos. of Casper, Wyo., a family-owned group of firms that operates four crude pipelines in the Bakken region, also is intent on expanding its capacity to meet rising demand for oil transport. Vice President Tad True says that revenues from the company's Bakken operations have roughly quintupled since 2005 as it has acquired pipelines and built new ones to extend and strengthen its network.

Demand from crude producers in central McKenzie and Dunn counties in North Dakota prompted the construction in 2011 of the Four Bears Pipeline,

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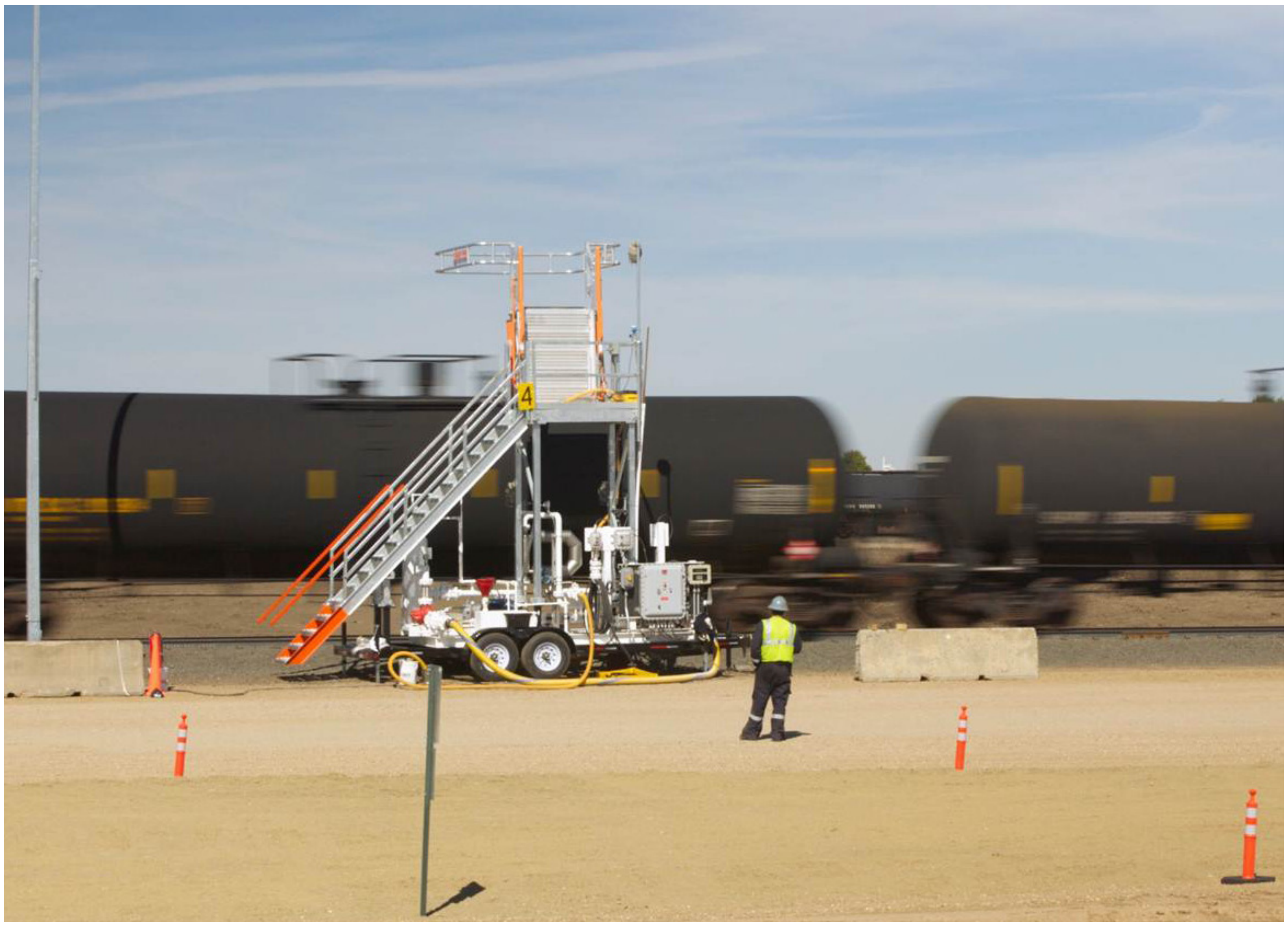


To get around oil pipeline bottlenecks, many Bakken producers turned to the iron horse to deliver oil to distant markets. Photo courtesy of Enbridge

Working on the railroad–and the pipeline

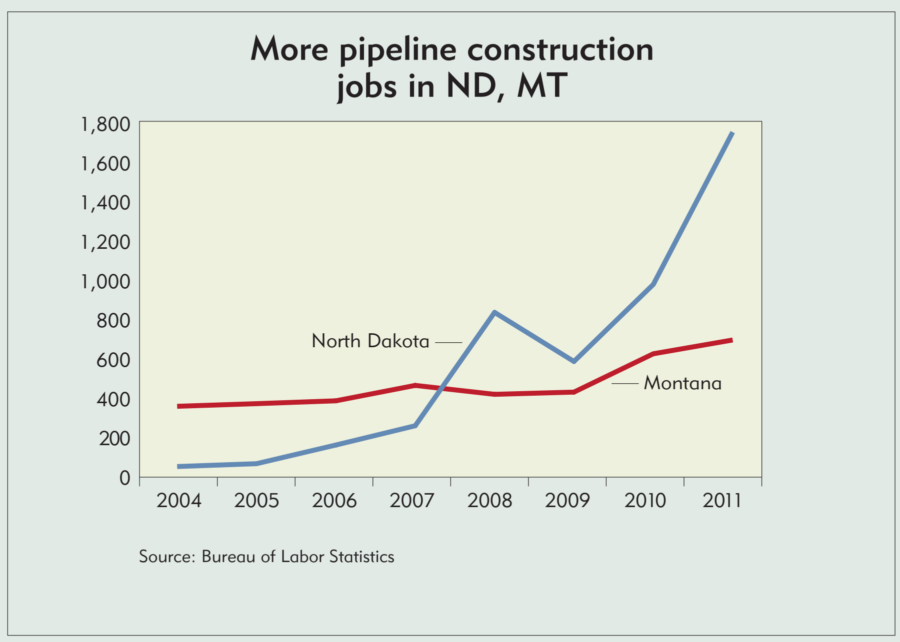
By making energy transportation more efficient, pipelines, rail hubs and other facilities promote economic growth in the Bakken. Higher profit margins encourage oil and gas producers to drill and develop more wells, resulting in more hiring, spending and tax revenues to support public services. But energy transport also stimulates local and regional economic growth in and of itself: Companies involved in moving energy create jobs, buy goods and services and pay taxes.

This direct economic impact is difficult to measure. Federal labor statistics, for example, don't track energy transportation as a discrete industry, with the exception of oil and gas pipelines. But the energy-moving business has clearly made a significant contribution to rising employment and tax receipts in the district's oil patch.

Western North Dakota and northeastern Montana have seen strong growth in pipeline construction employment since the oil boom began, according to U.S. labor figures. From 2004 to 2011, pipeline construction jobs in North Dakota increased from fewer than 100 to more than 1,700, although the recession caused job losses (see chart). Montana also experienced a substantial jump in pipeline construction positions. Virtually all of these job gains occurred in oil- and gas-producing areas of those states.

Railroad employment in the Bakken has increased since the recession, and anecdotal evidence suggests that many new jobs are related to rising volumes of outbound crude. Since 2011, BNSF has hired more than 550 new workers to fill positions in North Dakota and Montana. New rail oil-loading hubs in North Dakota, such as the Enbridge facility in Berthold and Musket Corp.'s crude oil terminal near the Montana border, have also generated new employment. At its hub in the hamlet of Dore, Musket employs about 45 workers—almost equal to the ghost town's population during its heyday in the 1930s.

The fiscal impact of energy transportation is minor compared with that of oil and gas production, which is taxed on a value or volume basis in Montana and North Dakota. But state and local governments benefit from the burgeoning assets of pipeline companies, railroads and logistics firms. In 2011,



pipeline infrastructure in North Dakota generated $29 million in property tax revenue, according to state tax records. That's a 46 percent increase since 2004, adjusted for inflation. And some Bakken counties crisscrossed by pipelines saw bigger tax jumps over the same period; in Mountrail County, N.D., pipeline property tax revenue increased 16-fold in constant dollars.

Land appreciation during the oil boom accounted for some of these increases, but capital investment by pipeline firms also contributed to rising valuations and taxes.

—*Phil Davies*