

## **N.D. Businesses Can Capitalize on State's Oil Boom**

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North Dakota is booming! Never has this been more evident than it is today, especially in western North Dakota.

Recent advances in oil extraction techniques have unlocked massive potential in the Bakken oil shale formation. With the Bakken and other formations, some industry experts speculate this region may hold enough oil to more than double the U.S.'s reserves of technically recoverable oil.

This has been a bane and boon for businesses in the Bakken region. Labor shortages have become an issue for many companies as they compete with the energy industry in a region already short on manpower. Further complicating the situation, companies successful in finding labor soon find a lack of housing is an issue.

Some businesses, however, are finding opportunities in the North Dakota oil fields. Companies across the U.S., the upper Midwest in particular, are working to supply the energy industry with products and services. These include trucking, refurbishing drill bits and pipe threading, as well as providing machined components, frac tanks (to hold ceramic or sand proppant for hydraulic fracturing), oil storage tank batteries, drilling rigs, service rigs, industrial heaters, culverts, raw materials and professional services.

So how can North Dakota businesses capitalize on the opportunities in the western part of the state? Companies interested in doing business with the oil and gas industry have two major opportunities to become involved:

- Work with the oil and gas industry directly
- Work with companies serving the oil and gas industry and their communities

Oil and gas production requires many different businesses. For example, the industry needs companies that lease mineral acres, explore, prep sites, drill, frac, produce, transport and refine. Many more companies are tied to oil and gas production indirectly. Most of these companies need some type of resources, and the competition for these resources has become quite stiff.

Many of the oil and gas companies have their supply chain in place. However, in many cases, out-of-state companies provide these resources, so a business closer to the oil and gas activity may have an opportunity to provide the same resources. North Dakota companies could have an advantage because they can offer a product or service that is more convenient (think availability and quick delivery with today's high level of activity), higher quality and/or lower priced.

North Dakota firms also may be able to work with companies already serving the oil and gas industry and their communities, such as service companies, manufacturers, and machining or welding shops, because many of these companies are at capacity and have trouble finding staff to capitalize on potential growth opportunities. At this point, those companies have three options: remain at their current level of activity and risk losing business, increase productivity through capital acquisition or outsource a portion of their work.

In many cases, these companies have chosen not to expand, which results in dropped contracts and/or outsourced work. That gives local firms an opportunity to provide a needed service or product.

With the labor shortage forcing labor rates up in western North Dakota, many area businesses with traditional products and services are experiencing diminishing profit margins. Companies have turned to outsourcing work with lower profit margins to companies outside the Bakken region, where labor still is available and more affordable. This allows the companies to focus their efforts on producing higher profit margin work while maintaining the flexibility to bring back outsourced work as activity stabilizes or is reduced in the west and labor rates and availability return to a more normal level.

Establishing business in the Bakken region is not an impossible goal, and many of the companies that have succeeded in developing relationships there have been rewarded greatly. But, as with many strategies that companies employ to expand their business, marketing your business to the oil and gas industry will require work and expense.

The first step is getting the companies needing resources in western North Dakota to recognize your business. Then you need to show what products or services you can offer and the unique advantages of partnering with your firm.

Remember, your marketing will differ depending on whether you are marketing your products or services directly to the oil companies or you want to be a subcontractor/provider to existing energy industry providers.

To learn more about how your company can get involved in the Bakken region, visit [www.ag.ndsu.edu/manufacturing](http://www.ag.ndsu.edu/manufacturing).