

# Embracing The Boom, Anticipating The Bust

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In a faded West Texas town dotted with vacant buildings and potholed streets is a sparkling storefront window and a curious display: rows of diamond-studded Rolex watches, awaiting buyers whose pockets are packed with oil money. The surge in oil drilling has drawn money and men like a magnet to run-down communities that haven't seen a boom since the 1980s.

But leaders and residents here are increasingly mindful that the runaway riches tapped by hydraulic fracturing will eventually run out, and they are determined to live by a fondly remembered bumper sticker from the last bust: Please, God, give me another oil boom and I promise not to blow it. So some towns are taking steps to ensure they land softly rather than crash into economic ruin. "Don't go overboard. It's not going to last," Midland Mayor Wes Perry wants to shout, as a reminder to his own neighbors and a warning to communities in Pennsylvania and elsewhere that have never boomed like this, let alone endured a bust on par with the one Texas experienced a generation ago.

For now, Midland is the picture of prosperity. Since 2008, sales tax revenue has shot up from \$24 million a year to more than \$38 million in 2013. The unemployment rate is the lowest in Texas, hovering just above three percent. The town has hundreds of unfilled jobs. A local Subway pays \$15 an hour with a \$1,000 starting bonus. Housing is so scarce that modest hotel rooms go for \$300 a night. This, longtime residents know, is what an oil boom looks like, and it's always been followed by a steep, painful decline.

When the energy market finally fades, the town wants to avoid being burdened with crushing debt or too many employees. So sales tax revenue is used only for one-time projects, such as street repairs. Police officers are hired piecemeal, two or three a year, as the population increases. Instead of using municipal money to lure an investor to build a proposed high-rise project, the city will instead provide an 80 percent tax break on revenues for five years. "Companies don't screw up in bad times. They screw up in good times. Same for cities," Perry said.

That lesson was learned a generation ago. Midland and Odessa, along with parts of North Dakota, boomed in the late 1970s. The windfall enabled people to buy jets and Rolls-Royces and build mansions and lakefront homes. Then in the early 1980s, the bottom fell out of the oil barrel. The same people went bankrupt. Home foreclosures skyrocketed. Banks failed. People moved away. Homes and downtown buildings were abandoned. "It was awful to live through that," the mayor said, recalling "Black Friday" — Oct. 14, 1983. That is the day the First National Bank of Midland, which loaned money so people could finance lavish lifestyles, collapsed under the weight of a plummeting oil market. The "majors" — or big oil companies — fled for greener pastures abroad.

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The most recent boom has largely been ushered in by new hydraulic fracturing technologies combined with horizontal drilling. Those systems allow once out-of-reach oil and gas to be extracted from rock. The big boys are back, and Midland and Odessa have seen their populations rise by at least 10 percent since 2010, not counting all those living in trailers or trucks. It's the newcomers, suddenly earning \$2,000 and more a week, who are spending, said Judy Farris, general manager of The Bar in Midland and a lifelong resident.

"You can tell the difference between the people who have been here and been through it and those that haven't," said the 58-year-old. "People are enjoying their money, but they're wiser," she added, sitting in the darkened tavern and restaurant where local lore says countless multimillion-dollar oil deals have been cut on the backs of napkins and with a handshake over a beer.

Rolls Royce hasn't reopened its dealership. There aren't as many mansions going up. And Perry is taking heat for offering tax breaks for the proposed high-rise. "They've been through this before. They believe when this happens, the bust is upon us," Perry said. Just ask those in North Dakota's oil patch. Williston, in the heart of the Bakken shale petroleum reserves, was left in the 1980s with \$28 million in debt and saddled with abandoned trailer parks. Now the state leads the nation in population growth, boasts a nearly \$2 billion budget surplus and has the lowest jobless rate in the nation, as well as 21,000 unfilled positions. A study released in July estimates Williston's population has doubled since the 2010 census to between 25,000 and 33,000 people. And that may not account for all those in "man camps," the hastily built communities of tents and trailers that house thousands of oil workers.

Mayor Ward Koeser believes the city is doing a better job than it did in the 1970s. "The big thing is it's given us opportunity," he said. "We were too small and too remote to make things happen without it." Some decisions, however, indicate memory may be short. Williston is building a community center so large a Walmart Supercenter could fit inside. Funded by the city's sales tax collections, it will have an Olympic-size swimming pool, basketball and tennis courts, a running track, a golf simulator and other features. It's designed to keep oilmen busy when they aren't working and encourage their families to move in, Koeser said.

For Midland and Odessa residents, such projects run the risk of becoming vacant symbols of boom-time mistakes. Larry Melton, the former mayor of Odessa who stepped down in November after 12 years, says homes have to be built. Schools must expand. Police officers need to be hired. Road and infrastructure improvements can be delayed for only so long. And yet, a good plan needs to consider the future, too, he said.

"At some point, we're going to have a downturn," Melton said. "We'll have excess housing. We'll still have transportation problems, and we'll still have water issues."

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