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**AMERICA'S ONSHORE ENERGY RESOURCES: CREATING JOBS, SECURING
AMERICA, AND LOWERING PRICES**

**STATEMENT OF DON SHILLING, PRESIDENT, GENERAL EQUIPMENT & SUPPLIES
FARGO, NORTH DAKOTA**

ON BEHALF OF THE ENERGY EQUIPMENT AND INFRASTRUCTURE ALLIANCE

**BEFORE THE U.S. HOUSE OF REPRESENTATIVES NATURAL RESOURCES
COMMITTEE'S ENERGY AND MINERAL RESOURCES SUBCOMMITTEE**

MARCH 14, 2013

Chairman Lamborn, Ranking Member Holt, and other distinguished members of this subcommittee, my name is Don Shilling, and it is my pleasure to appear before you today both as an executive at a construction equipment company directly impacted by onshore energy development, a senior volunteer leader of Associated Equipment Distributors (AED), and on behalf of the Energy Equipment & Infrastructure Alliance (EEIA).

I am the president of General Equipment & Supplies, the authorized Komatsu construction equipment dealer for North Dakota. In addition to our three North Dakota locations, we have two facilities in Minnesota and one in South Dakota.

EEIA represents companies, contractors, energy producers, organized labor, material suppliers, and their trade organizations that provide services, equipment, materials and workers to shale oil and gas exploration and production, transportation and processing. EEIA's mission is to:

- Educate the public and government about the jobs and economic benefits driven by the shale energy supply chain;
- Encourage adoption of policies that ensure an abundant and secure supply of, and robust demand for, North American shale energy resources; and
- Maintain the industry's social license to operate through best practices and community engagement.

I appreciate the opportunity to come before the Committee to discuss how my company is benefiting from domestic energy extraction, the positive impact on the construction equipment industry, and the importance of legislation to streamline the permitting process for energy development on federal lands.

Impact of Shale Energy Development on General Equipment & Supplies

Shale energy extraction has resulted in exponential business growth at General Equipment & Supplies since 2009. In fact, over the past three years, my company has doubled its revenue, mostly because of energy development. These increased sales have come at time when our market share has remained constant. During the same period, we went from 125 employees to over 220 today. In fact, we would hire dozens more workers if we could find enough skilled labor.

Across the region, all sizes and types of construction equipment are being used. Consequently, our service and parts business has increased significantly. Currently, General Equipment & Supplies is providing service for over 228 Komatsu machines in western North Dakota that were purchased by non-local customers from other dealers from around the country (known as migratory machines). Additionally, we are presently servicing 442 pieces of equipment that we have sold since 2007.

To better aid our customers, General Equipment & Supplies is opening a brand new, 25,000 square foot facility in Bismarck and a new operation in Williston. We are also expanding our service operation in Minot by adding more technicians and shifts. The company runs a regular shuttle bringing parts and components from Minneapolis and Fargo to western North Dakota nightly. Five additional service trucks have also been added in the area and more could be used if additional skilled technicians were available.

Not only has my company benefited from shale energy development, but the entire region has seen unprecedented growth. Hotels are booked solid. There isn't enough housing to accommodate workers. In fact, my company purchased an RV and some camper trailers to house field technicians while doing work in remote areas of western North Dakota. Wealth is being created for everyone. The average technician wage increased from \$22 to \$27 to \$28 to \$38 per hour since 2009. Most companies around the country have lowered or leveled-off employee wages, while our business has increased pay.

Shale Energy Development's Impact on the Broader Economy

General Equipment & Supplies is not unique in having been positively impacted by the shale energy boom. In preparation for this hearing, AED (a founding member of EEIA) solicited comments about the impact of shale energy development on their companies, the industry, and the economy as a whole:

- “We currently have 16 open positions we are trying to fill. At the current rate of growth, that number could double in the next 12 months. We are looking for more land/building(s) to support our expansion.”
- “We have had oil exploration and processing in North Dakota for some time. Lived through a couple of oil booms. But this one is different. The amount of activity, the oil that is being extracted is much greater. But it will take years for our infrastructure to catch up to this activity in housing, roads etc.”
- “There is not a great deal of drilling activity going on yet in South Dakota but a significant number of our customers are working or have set up operations in North Dakota. Exploration is taking place in South Dakota and it seems only a matter of

time until the Bakken drilling activity migrates south into South Dakota. No other energy related industry provides as much potential as shale energy development in my market area. As this market continues to evolve, I anticipate an expansion of facilities and people at our branch operation to be positioned to serve this growing business potential.”

- “We expanded our business to North Dakota at the beginning of 2012 after we saw the demand for equipment here in Western North Dakota and Eastern Montana. The shale energy market here in North Dakota is the main reason ourselves and a lot of other companies are operating in North Dakota. We feel strongly that the future of shale energy in this part of the country is strong. The continuation of energy development in North America is key to getting this country back on track, creating jobs and gaining our energy independence from the rest of the world.”

The economic impact of shale energy development is not limited to the Dakotas. According to an October 2012 IHS Global Insight report on the unconventional gas revolution and its impact on the U.S. economy, the economic contribution of shale energy development will continue to expand, creating opportunities across the country. IHS Global Insight expects substantial growth in capital expenditures and employment to occur in support of the expansion of production.

The report found:

- More than \$5.1 trillion in capital expenditures will take place between 2012 and 2035 across unconventional oil and natural gas activity.
 - Over \$2.1 trillion in capital expenditures will take place between 2012 and 2035 in unconventional oil activity.
 - Close to \$3.0 trillion in capital expenditures will take place between 2012 and 2035 in unconventional natural gas activity.
- Employment attributed to upstream unconventional oil and natural gas activity will support more than 1.7 million jobs in 2012, growing to some 2.5 million jobs in 2015, 3 million jobs in 2020, and 3.5 million jobs in 2035.
- On average, direct employment will represent about 20% of all jobs resulting from unconventional oil and natural gas activity with the balance contributed by indirect and induced employment.
- In 2012, unconventional oil and natural gas activity will contribute nearly \$62 billion in federal, state and local tax receipts. By 2020, total government revenues will grow to just over \$111 billion. On a cumulative basis, unconventional oil and natural gas activity will generate more than \$2.5 trillion in tax revenues between 2012 and 2035.

Shale energy development will continue to be a game changer for communities across the country, creating jobs, economic opportunity, and growth.

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Streamlining the Federal Permitting Process

The economic, job creation and national security benefits of energy shale development are clear. However, in order for the economy to reap the full reward from shale energy, the federal government must refrain from micromanaging the industry and defer to state regulators.

Consequently, EEIA strongly supports legislation to amend the Energy Policy Act of 2005 to include North Dakota and South Dakota in a Federal Permit Streamlining Pilot Project located at the Bureau of Land Management (BLM) Miles City, MT field office. The pilot project was established to improve the coordination and processing of oil and natural gas permitting for onshore federal lands.

The bill (H.R. 767) was introduced by my congressman, Rep. Kevin Cramer (N.D). The proposal will help reduce the wait for permits to drill on federal lands, which means more jobs and economic growth for companies like General Equipment & Supplies. According to estimates, permits to drill on federal lands have taken over 225 days to be approved. The BLM manages nearly 2 million subsurface acres of mineral estate in North Dakota.

Congress should enact commonsense legislation like H.R. 767, which encourage adoption of policies that ensure an abundant and secure supply of and robust demand for North American shale energy resources and maintains the industry's social license to operate through best practices and community engagement.

Conclusions

The shale energy sector is flourishing and many sectors of the economy are reaping the economic benefits. The smaller companies that comprise the construction equipment industry, like General Equipment & Supplies, are seeing unprecedented growth directly resulting from shale energy development. However, imprudent government action could undermine the viability of this sector.

Policymakers must protect public health, safety, and the environment, while allowing the shale energy sector to continue to grow and prosper. I commend Congressman Cramer for introducing legislation to ensure the Dakotas reap the full benefit of energy development in an efficient and prudent manner.