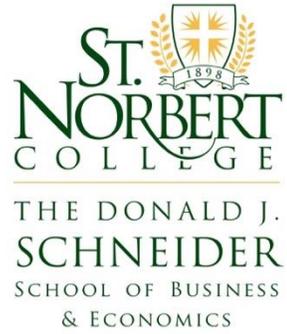


WISCONSIN'S FRAC SAND

INDUSTRY

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In 2014, Wisconsin was the leading producer of frac sand, producing 24 million metric tons for shipment to Pennsylvania, North Dakota, and Texas. However, the severe decline in oil prices has caused drilling activity in the United States to slow, affecting the over 135 Wisconsin companies involved in frac sand mining.

The “large-grained silica sand”, used in hydraulic fracturing, “is mixed with water and chemicals and injected into wells at high pressure to force out hard-to-reach deposits of oil and natural gas” (Ivey). In 2012, the process of hydraulic fracturing enabled the United States to become the world’s leading oil producer. Since then, many United States oil producers have temporarily or permanently closed after oil prices fell below break-even thresholds.

What does this mean to the Wisconsin cities that have enjoyed great benefit in recent years from the frac sand industry? The impact has been minimal to this point, possibly because the United States total oil production has not fallen with the decrease in oilrig count. According to the U.S. Energy Information Administration, the oil rig count fell by about 600 rigs in under one year’s time, but weekly oil production rose during that time. Nevertheless, some

Wisconsin sand mines have begun letting go of part of their workforce.

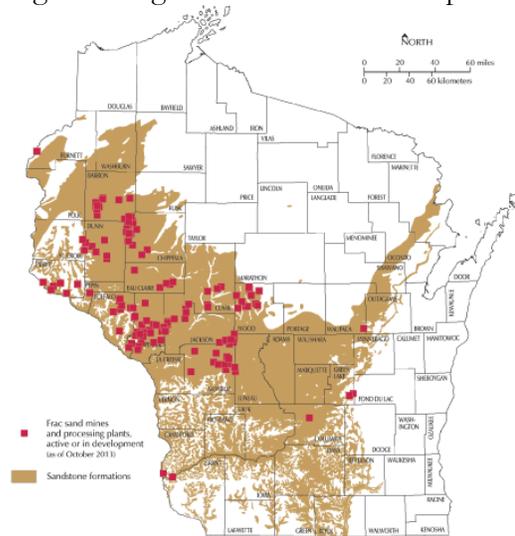
In May 2015, the Wisconsin Department of Workforce Development announced both Chippewa Sand Transport in Chippewa Falls and U.S. Silica in Sparta were laying off 55 and 30 workers respectively. Both companies cited a recent demand decline as the reason for the layoffs, but also believed some employees may be able to return.

The oil industry can be very cyclical in nature as oil prices are dependent upon so many factors. Wisconsin frac sand mining

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companies can still work to remain profitable even during times of low demand. “Firms can position themselves for success through the slump by placing their [sand] mines on railroads and [...] taking advantage of state-of-the-art technologies and environmental controls” (King). Additionally, the silica sand is also

used in the production of glass, ceramics, paints, and rubber. These other applications can help keep sand demand high during times of low oil prices.



Despite the recent downturn, the frac sand industry has brought new fortune to many western Wisconsin cities. Unimin Corporation’s Tunnel City location owes a portion of its proceeds to the city of Greenfield. In 2014, Greenfield made \$222,019 under terms of Unimin’s development contract. In Chippewa Falls, the mining and oil

extracting industry accounted for only 2% of its gross regional product, but EOG Resources Inc. is “generating approximately \$1.5 million in revenue annually” (King). This newfound city revenue has allowed Chippewa Falls to begin revitalizing its downtown district and Greenfield to put the money toward needed projects across the city.

References

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King, Pamela. “Wisconsin Towns Worry Frac Sand Boom Will Dry up.” *Midwest Energy News*. E&E Publishing, LLC, 3 June 2015. Web.

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