



The Mountain West Is Experiencing A Second Gold Rush. This Time They're Mining Bitcoin.

Thanks to its plentiful land and cheap power, rural Montana, Washington, and Wyoming are now home to a new crop of cryptocurrency prospectors. Their neighbors aren't too happy about it.

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Reporting From
Bonner, Montana



On a cold, damp, February evening, roughly 70 residents of Bonner, Montana, population 1,633, filed into the cafeteria of the local elementary school to talk about their new neighbors.

Specifically, they were there to complain about “the roar.”

For two hours under the fluorescent lights, community members trudged up to the podium in their snow boots to voice concerns about the sound coming from the town’s old lumber mill. Some claimed the wildlife — particularly the hummingbirds and the deer — were nowhere to be found since the roar began around six months ago. Perhaps, one attendee suggested, “avian PTSD” was to blame for their disappearance. Residents took turns complaining of trouble sleeping, of newfound anxiety and depression, falling property values, and a growing feeling of desperation that the roar may never end. One concerned citizen wrote in to the council that she and her dog were itching all over and losing their hair; she blamed the roar. At one point, halfway through the meeting, when frustration seemed at risk of simmering over, council member Burt Caldwell issued a friendly warning: “Remember,” he told the group, “we’re not here to beat up on the bitcoin guys.”

The locals didn’t look mollified. Over decades, they’ve grown used to the sounds coming from the building when it was a lumber mill. But the new occupants were industrialists of a different sort, and the roar was the sound of rows of servers and fans feverishly whirring in an effort to solve complex cryptographic puzzles that could unearth digital money.

In recent months, with bitcoin’s value and cultural prominence rising spectacularly, dozens of cryptocurrency mines have popped up in the rural West, following in the geographic footsteps of a previous gold rush. Lured by cheap rent and wide-open space, they’re bent on bringing “mining” back to a region that was largely defined by pulling precious materials from the earth — only this time, the gold is digital.

In January, an unknown company working in the blockchain space purchased 67,000 acres at the Tahoe-Reno Industrial Center in Nevada, right next to Tesla’s Gigafactory. At the end of February, a Utah-based company called Power Block Coin LLC announced a plan to invest \$251 million over the next three years in Butte, Montana, to build a campus of mining data centers.

And here in Bonner, a town of less than 2 square miles nestled along the winding banks of Western Montana’s Blackfoot River, one of North America’s largest bitcoin mines has set up shop. The locals have questions — about how it all works, about how cryptocurrency mining might revitalize the area’s sluggish economy, and most important, about whether it can be trusted to stay in the region for the long-term. Could a cryptocurrency boom could be the region’s best chance to revitalize old industry towns? Or it will these companies elbow their way in, only to disappear if and when the bubble bursts?



Charlie Warzel / BuzzFeed News

“You need just four things to produce bitcoin profitably,” said one cryptocurrency miner operating in the Pacific Northwest, who would only speak anonymously, “stable government, cheap power, good internet, and space.”

The Mountain West neatly meets all four criteria; indeed, “I’ve always thought we were a prime place for a data center if the stars aligned,” said Jim Davison, executive director of the Anaconda Local Development Corporation. “And it appears that maybe they have.” Davison’s organization works with companies looking to do business in and near Anaconda, a town of just over 9,000 about 100 miles southeast of Bonner, and he has watched closely as cryptocurrency companies have courted the region.

In December, a company called Cryptowatt reportedly purchased an empty primary school in Anaconda for \$205,000 to house a training facility for data center employees. In late January, the company bought up a 53-acre plot of warehouses owned by a technology company. Dan Burrell, the company’s chief executive, [told the Montana Standard](#) that Cryptowatt plans to employ 50 people and is hoping to invest between \$75 million and \$100 million into both Anaconda and neighboring Butte.

“You need just four things to produce bitcoin profitably: stable government, cheap power, good internet, and space.”

Those plans will likely appeal to local governments, but residents of Anaconda and Butte — once home to one of the biggest copper mines in the nation — are wary. On a private Facebook group for the town, locals expressed their excitement at the prospect of a new industry in Anaconda, but worried about hitching the region’s economic development to a technology as new and complex as cryptocurrency.

“How many of those jobs will be filled with current unemployed in Anaconda?” one poster asked the group earlier this year. “The jobs are contracted, which means no benefits. When this was proposed, bitcoins were \$18,000 now it’s \$8,000.”

Others, however, were less concerned: "Good for our town! Have you looked for work in anaconda lately! Lol nothing!"

Ken Schmidt, who's been living in Anaconda for 45 years, describes his take on the local cryptocurrency boom as "optimistic skepticism." According to Schmidt, the region has seen numerous businesses — from helmet-lining manufacturers to golf course architects — promise and then fail to revitalize the community in the decades since its first major job creator, a smelting plant, closed in 1981.

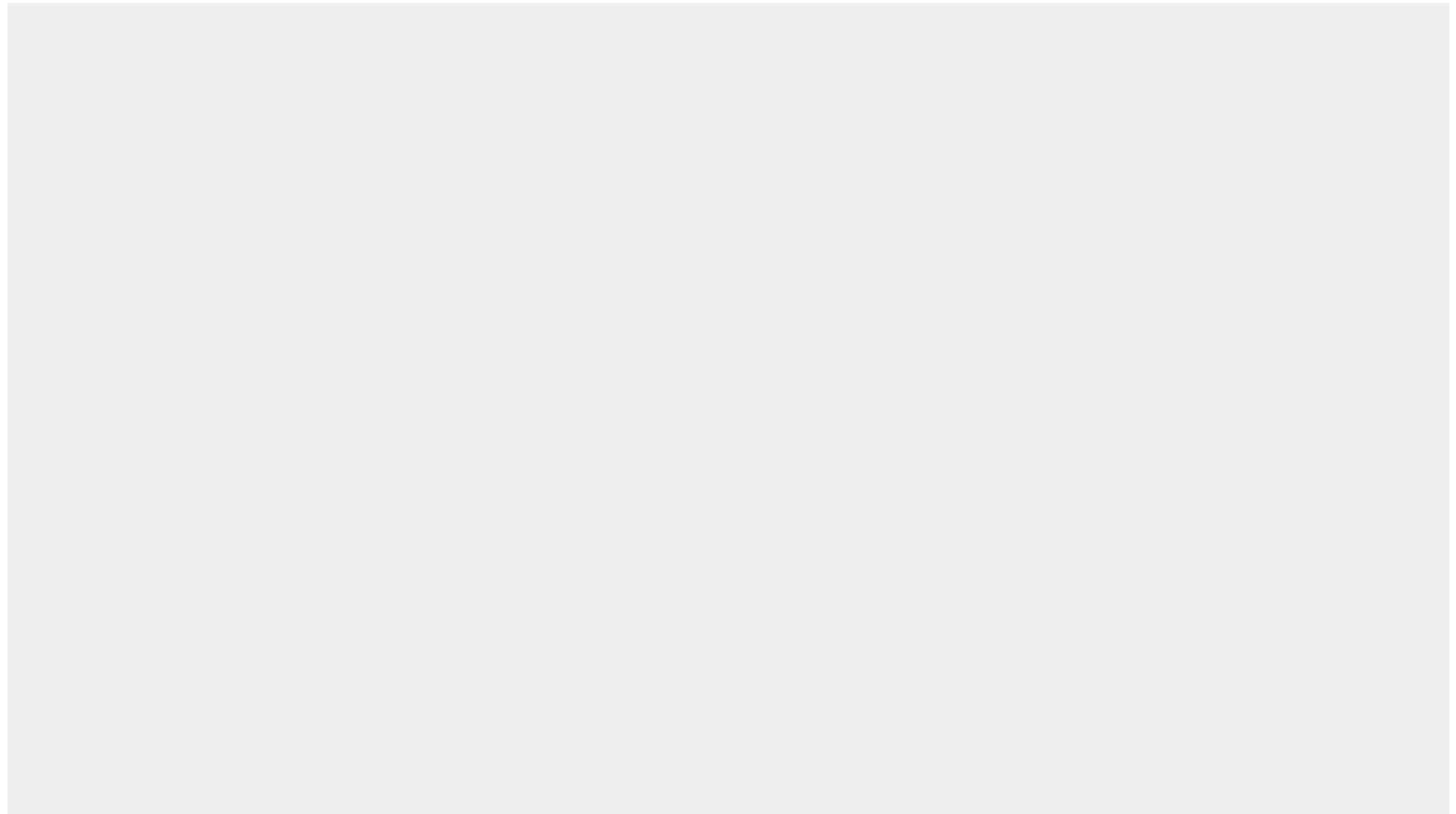
"We are the poster child of optimists with dashed hopes, without a celebrity to tout our cause, much like any small town," he said. "It's no wonder we jump at any possibilities of recovery, however slim the chances."

Schmidt argued that, even if the cryptocurrency company rounds down its job estimates from 300 to something more modest, it's still better than nothing. "We have the power at the substation, why not siphon off a few megawatts to entice a company to set up shop? Maybe our kids will stay in town to keep us old folks company."

But, he said, there's reason to be gun-shy.

"It's based on a currency that isn't tangible, won't ever replace old-fashioned money, and fluctuates more than Warm Springs Creek in the spring."

Making matters more difficult, the Anaconda mining project has attracted at least one name with a checkered past. Though not an employee, investor, or paid spokesperson for Cryptowatt, one of the company's biggest evangelists in the region is [Rick Tabish, a local businessman who](#) was convicted then acquitted of murder in the death of a Las Vegas casino executive. "His backers don't know jack about our town, and just want a free ride on the backs of local taxpayers," said Schmidt. "Why give them the short-term profit at our expense?"

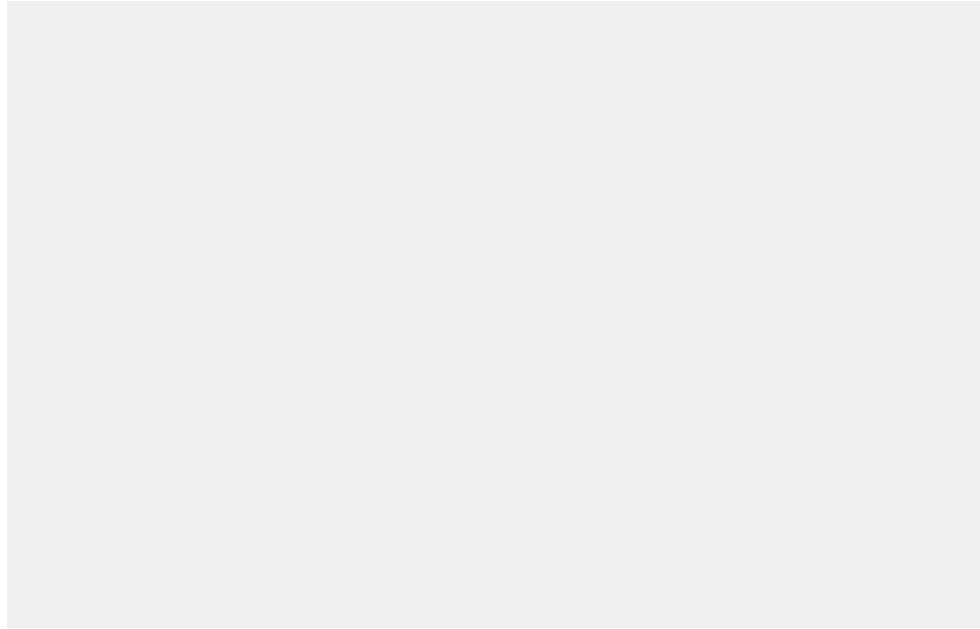


Project Spokane's mining operation, nestled in the mountains of western Montana.
Charlie Warzel / BuzzFeed News

Driving through Bonner, there is simply no way to miss the mine. The old lumber facility, which sits about a mile off the interstate, isn't just massive by small-town standards — it's one of the biggest buildings in the state. And it's brought its occupants, a cryptocurrency company called Project Spokane, some scrutiny, including numerous skeptical articles and investigations in the local press. Despite attempts to keep it secret for security reasons, the mine's location was blown last summer, when the first articles about its loud fans were reported in the *Missoulian*. And in January, Missoula's alt-weekly published a [deep investigation into Project Spokane](#) and its CEO Sean Walsh's business ties with a man who had a prior money laundering conviction and was awaiting sentencing for an illegal industrial marijuana grow operation. (Walsh has long since severed the relationship, he said.)

Project Spokane's employees insist there's nothing nefarious about their operation and that they're mostly a bunch of computer geeks and enthusiasts working to keep a massive data center running smoothly. Most of the bad press, they say, is unwarranted suspicion, the combined result of general confusion about what bitcoin is, as well the company efforts to protect its business with a bit of operational secrecy.

"It's hard because we have to keep some stuff close to the vest, but it doesn't mean there's anything sinister we're hiding," Project Spokane's Jason Vaughan, a Montanan who now oversees day-to-day operations at the Bonner mine, said on a snowy February morning from inside the company's spartan offices, located in an old auxiliary lumber building.



Jason Vaughan
Charlie Warzel / BuzzFeed News

Companies like Project Spokane mine bitcoin using computer processors, which work feverishly to solve cryptographic puzzles. Solving those puzzles helps verify transactions on the blockchain — the decentralized network that powers cryptocurrencies — and the reward is a fractional amount of the currency. Bitcoin's design is such that there's a finite amount of coins to be mined: 21 million, of which about 80% had been mined by January. As more coins are generated, the puzzle-solving process requires more computing power, which means more time, electricity, and money. Bitcoin mining is, quite literally, a race, and the way to win is to amass more continuously running mining rigs than your competitors.

To stand inside the mine, it would seem like Project Spokane company has a decent shot. The facility is staggering — roughly the size of an indoor football stadium. Dozens of fans, which are used to pump out hot air generated by the descending rows of server racks, create such a vacuum that it can be hard to open the door to the data center. ("In the summer, when all the fans are running, you basically have to commando roll in," one employee joked.) The mine's original wooden beams, trusses, and creaky catwalks — vestiges of the former tenant, which turned out billions of board feet of lumber during its 122-year history — clash with the tangle of cables and power cords crisscrossing the shoe-box-sized mining rigs that whirl gently and emit a pleasant green light. Aesthetically, the space is a bit awkward, not unlike Project Spokane's relationship with the town itself.

But Project Spokane argues it wants to be a good neighbor and that it's bringing jobs to the area and committed to hiring locally; it employs 25 full-time workers and around 10 contractors at a given time, and all are local except the earliest Project Spokane employees who

moved here, the company claims.

“Look at coal mining, look at the pulp and paper industry. All that stuff is in decline. Ours is a new industry, yes. But an industry on the rise.”

Walsh said he plans to expand the operation by four to five times in the next two years — which, he argues, could mean a significant increase in employment that otherwise might not have found its way to the region. “They're good jobs, too,” Walsh said. “We're not stitching soccer balls together here or, you know, shredding documents. These are jobs that pay above-average wages for the area.” As for what a bitcoin miner does all day? A good bit of it revolves around mining rig maintenance (swapping faulty rigs and servers in and out and rebuilding units) as well as dust mitigation

duty — which involves near-constant sweeping and vacuuming.

The irony of a data processing operation bringing low-skill “mining” jobs to an area of the country once defined by traditional metals extraction isn't lost on Walsh. But in conversation, he takes care to frame his data center, and those like it, as an opportunity. “The dominant industries of Montana are going away,” he said. “Look at coal mining, look at the pulp and paper industry. All that stuff is in decline. Ours is a new industry, yes. But an industry on the rise.”

As the executive director of the [Wyoming Blockchain Coalition](#), David Pope has spent his last few months traveling around the state to educate residents and local government officials about how cryptocurrency could turn Wyoming into a technology hub. “Right now Wyoming has a kind of an exit sign hanging over the heads of its youth,” said Pope, an accountant by training who had his aha moment about the blockchain back in 2014. “They graduate and they tend to leave. The greatest broad benefits of us riding this wave and bringing development talent and incentives here is that our youth will have one more reason to stay.”

Pope is bullish on the notion the creation of incentives for blockchain companies and technology in Wyoming will lead to the refurbishment of infrastructure (better dams and wind farms for electricity) as well as greater access to high-speed internet in the state. “It does create a series of dominoes that fall if you can make it happen,” he said.

That prospect alone is enough to get some lawmakers excited. With the Blockchain Coalition's help, state representatives are working to pass legislation to get rid of a money transferring law loophole that makes cryptocurrency transfer onerous, as well as legislation that would make it easier for cryptocurrency startups to raise money. “We essentially could be the blockchain capital of the world within a year from now,” Wyoming state Rep. Tyler Lindholm [told reporters](#) in early February.

“People hear ‘bitcoin’ and they think of buying drugs on the Dark

Much of Pope's current focus is on teaching people what exactly the technology does and assuring them that it's something worth investing in. “When people don't and have not been exposed to a new technology there's a certain amount of fear involved,” he said.

Web and they think about the scams.”

above the Bonner mine.

Sure enough, “people hear ‘bitcoin’ and they think of buying drugs on the Dark Web and they think about the scams,” Vaughan told me from the catwalk high

“But what they don’t get to see is how exciting this technology is and how we’re all here because we’re committed to growing it.” Over the din, he explained how Project Spokane encourages employees to invest some of their paychecks into cryptocurrencies to put some skin in the game, and how a number of the company’s staff is heavily invested because they believe in it.

At the time, Bitcoin was in the middle of a monthlong freefall from a price of nearly \$20,000 in early January to a low of below \$7,000. When asked how it felt to work among the machines minting a currency as its value plummeted historically, Vaughan laughed. “It’s a buttpucker-er of a moment,” he said. “It’s scary. But the fact that we keep on going is hopefully proof that we believe in this stuff and want to be in it for the long haul.”

Inside the mine.
Charlie Warzel / BuzzFeed News

Back in the Bonner school cafeteria, it was almost 9 p.m. and everyone looked weary. Project Spokane's landlord, Steve Nelson, made his last pitch to the community, comparing skepticism toward cryptocurrency to the way some people greeted credit cards with suspicion, before they became a cornerstone of the financial system. Nelson and Vaughan had spent the evening listening to the residents vent their frustration about the roar. The property the Bonner mine sits on is not governed by any sound ordinance, meaning that technically the company's droning fans aren't in violation of any laws. Still, Nelson and Vaughan told the residents they'd consulted with an acoustics company and planned to install new fan blades to — hopefully — cut the noise of the mine in half.

"We're not just BS'ing you to get you off our backs," Nelson told the room. "We genuinely want to solve this. And I hope you can trust that when we did this and opened this facility, we didn't just thumb our nose at the community."

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The entreaty did not entirely work.

"What I don't want to see happen is a repeat of history," said Bonner resident Ryan Thompson during his moment at the podium. "This place suffered the consequences of businesses that sat upstream of the Blackfoot and the Clark Fork [rivers], and all that pollution trickled down and hurt this community immensely."

Over and over, residents voiced some version of the same broad concern: that Bonner would give up its climate, cheap energy, and relative peacefulness, and the real prospect of the bitcoin boom — fortunes made out of thin air, zeroes, and ones — wouldn't trickle down to them. When the prospect of using a small taxpayer allocation to help pay for Project Spokane's quieter fans came up, residents expressed their most palpable outrage of the evening. "We know how much you made last year — you all have millions," one resident in a canvas Carhartt jacket vented at Nelson and Vaughan. (Project Spokane told BuzzFeed News that it's recently started to turn a profit, but dismissed the idea that the company is making more money than it knows what to do with, citing expansion and upkeep costs that funnel most of the profits back into the business.)

Despite the impassioned pleas from residents and assurances of good faith from Project Spokane, the community council cold war went unwon. Project Spokane appears to run a legal business (which includes paying hundreds of thousands if not millions to local energy companies) and seems willing to attempt to work with the community it operates inside of. Similarly, the concerns of the locals that the mine may change their way of life are valid. Project Spokane is a business in a volatile industry that can turn profits only by operating on the margins. Like any nascent technology company, both failure and short-term exits are distinct possibilities.

But while residents have every right to be skeptical, inside the cafeteria, a number of locals in attendance seem concerned less with the roar than they are with venting stridently at Silicon Valley outsiders who showed up without asking first.

In this way, Bonner residents' relationship to the mine is a parable for the bitcoin boom at large. Bitcoin, blockchain, and cryptocurrency are unnerving to outsiders for the same reason that are exciting to evangelists: They seek to disrupt the way people have done things for centuries. In Bonner's case, the disruption is, for now, a droning noise that's made a peaceful, bucolic way of life somewhat less tenable. For cryptocurrency outsiders in general, the disruption is a little more abstract, but equally worrying: The potential to upend the foundations of the monetary system and replace it with entirely new methods of wealth transfer and creation — not to mention a new, tech-savvy class of super-rich early adopters.

"This is a blue-collar community and it always has been. And I think that many of us have no clue how the bitcoin business really works," Gary Matson, a 50-year resident and former Bonner-Milltown community council member, told BuzzFeed News a few days after the meeting. "What I think I know is that it's a tremendous expenditure of energy aimed at benefiting very few people. ... Cryptocurrency is new for everyone and we see it as unstable and unpredictable — but we also don't know if we're right."

Matson's skepticism is not about a distrust of big companies — Bonner was, after all, a company town for decades. It's about a suspicion that Project Spokane won't act as an industry that the community can rally around.

"We're proud of what that mill did for this town and what it produced," he said. "We're not cognizant of the benefits of cryptocurrency. But more importantly, right now we don't have the same pride with it. And I'm not sure if we ever could."

As the meeting wrapped up and exhausted attendees began to head for the cafeteria doors, a few attendees tried to sneak in some final jabs. "This crypto stuff might look big on paper but it's lost 60 percent of its value in a week," Mike Harrison, a longtime resident chimed in the direction of the Project Spokane team.

"Sure is a hell of a lot of arguing over something that might not be there next year," an attendee said under his breath before gathering his coat to leave.

"I'd just like to reiterate that is just one step in what is hopefully an ongoing dialogue," the council chair called out over the chatter.

"I don't think anyone is anticipating this being solved overnight." ●

CORRECTION

March 12, 2018, at 8:39 a.m.

Due to an editing error, a previous version of this story said that a land purchase at the Tahoe-Reno Industrial Center in Nevada was 7,000 acres instead of 67,000 acres.

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