

Three big US gas producers face fracking disclosure resolutions

Jim Magill, Platts, 5-21-11

Three large oil and gas producers will consider shareholder resolutions next week that would require them to disclose more information about their hydraulic fracturing practices.

A coalition of activist shareholder groups has filed proxy documents seeking to compel ExxonMobil, Chevron and Houston-based Ultra Petroleum to set up a process to disclose the contents of chemicals they use in fracking fluid. The resolutions also ask for the companies to report on the environmental and financial risks of fracking in natural gas drilling.

The shareholder votes are scheduled for Wednesday at Chevron's meeting in San Ramon, California; ExxonMobil's meeting in Dallas and Ultra's meeting in Calgary. All three companies have filed proxy statements urging shareholders to vote against the proposed resolutions.

As You Sow, one of the shareholder advocacy groups that took part in filing the resolutions, also had co-filed -- with Trillium Asset Management -- the same resolution to be considered at Anadarko Petroleum's shareholder meeting, which was held Tuesday.

But the groups withdrew the Anadarko resolution after the company agreed to provide investors with the requested information, according to a statement As You Sow issued Thursday. An Anadarko spokesman did not reply to Platts' request for comment.

Because the shareholder resolutions are non-binding, even if they receive more than 50% of the shareholders' proxy votes, the companies would not be compelled to take any action, Michael Passoff, a senior strategist for As You Sow, said Friday. "The larger question is: will it influence the company?"

But he said that if the resolutions attract significant support from shareholders, the companies will face litigation and a risk to their reputations if they do not adopt more transparent policies regarding their fracking operations.

One such resolution, which shareholders of Birmingham, Alabama-based Energen considered at their April 27 annual meeting, came close to passing, garnering 49.5% of the vote.

ExxonMobil spokeswoman Karen Matusic said that while the company supports the disclosure of chemical composition of hydraulic fracturing fluid, management has urged shareholders to vote against the activists' resolution.

"We believe state-level oversight of oil and gas operations, including hydraulic fracturing, is the most effective approach for protecting human health and the environment, since it best accounts for local geology and other local factors," she said.

Chevron, in its proxy statement in which it urged a negative vote on the fracking disclosure resolution, also cited state regulation of fracking.

"Hydraulic fracturing and related operations are regulated at the state level to protect water source wells and groundwater aquifers, while achieving the delivery of safe, economical and secure domestic natural gas," the document said.

Ultra, in its proxy statement, also defended its use of fracking, calling the practice safe and vital to the company's future operations.

"Hydraulic fracturing has been used safely over one million times in the decades since its first commercial use in the oil and gas industry," the statement reads.

Ultra added that it "plans to employ hydraulic fracturing on most of its future natural gas wells," and that it "accounts for the environmental, compliance, litigation and reputational impacts of hydraulic fracturing as a part of its ordinary business activities."