

# Shareholders pressure industry on fracking's impact

**Katie Howell, Environment & Energy Publishing , 4-13-10**

A group of investors is pushing Exxon Mobil Corp. and other energy companies to report on the environmental impacts of a controversial oil and gas production technology that has gained wide attention for its role in unlocking vast domestic shale natural gas plays.

The group -- led by the As You Sow Foundation, Green Century Capital Management and the New York State Common Retirement Fund -- has filed resolutions with 10 companies asking them to report on the environmental effects of hydraulic fracturing and to take measures to reduce or eliminate hazards to air, water and soils.

Three of those companies -- Exxon Mobil, Cabot Oil and EOG Resources Inc. -- will vote on the proposals at annual shareholder meetings this spring, according to proxy statements filed with the Securities and Exchange Commission. Four others -- Chesapeake Energy Corp., El Paso Corp., Ultra Petroleum Corp. and Williams Cos. Inc. -- will also take up the measure, said Michael Passoff, senior program director for corporate social responsibility at As You Sow.

"The resolutions are not asking companies to stop hydraulic fracturing; they want to make sure drilling is done in a way that minimizes the impact to drinking water and surrounding communities while protecting the companies' bottom line," Passoff said today. "From an investor standpoint, [hydraulic fracturing] is raising many red flags for investors."

But the companies' boards of directors are urging shareholders to vote down the proposals.

"The proposal requests a sweeping report covering unknowable environmental impacts, potential company policies and assessments of various risks to the company," Cabot wrote in its proxy statement filed last month with the SEC. "Ultimately ... the company believes that such a report would be of limited usefulness to stockholders or management. In the judgment of the Board of Directors, the diversion of the company's resources to the development of such a report is not the correct use of such resources."

Hydraulic fracturing is a decades-old oil and natural gas production technique that blasts water, chemicals and sand or plastic beads into wellbores to break apart compact rock and release trapped hydrocarbons. Industry maintains the technique is safe and that it has been properly regulated by states for years, but environmentalists and some members of Congress are questioning those claims and calling for more study into the environmental impact of the technique. There is also a push for federal regulation of hydraulic fracturing.

"Fracturing operations can have significant impacts on surrounding communities, including the potential for increased incidents of toxic spills, impacts to local water quantity and quality and degradation of air quality," the shareholder groups say in their proposal. "There is virtually no public disclosure of chemicals used at fracturing locations."

The groups do not expect to gain a majority approval for the resolutions, but they expect strong support. Passoff said preliminary estimates point toward 20 percent approval for the early votes at Cabot's shareholder meeting on April 27 and EOG's on April 28.

"In my experience doing this for more than a dozen years, usually with a vote above 10 percent, the company

starts to take action," Passoff said. "These resolutions almost never get majority votes, but companies still respond to shareholder pressure."

### **Exxon supports fracking disclosure**

In Exxon Mobil's proxy statement filed today with SEC, the company reiterated its support of disclosing the ingredients in fracturing fluids.

"While we understand the intellectual property concerns of service companies when it comes to disclosing the proprietary formulations in their exact amounts, we believe the concerns of community members can be alleviated by the disclosure of all ingredients used in these fluids," Exxon wrote in response to the shareholder resolution.

Disclosure of chemicals used in fracturing fluids has become a contentious issue recently, as legislation introduced in both the House (H.R. 2766) and Senate (S. 1215) would require companies to disclose the ingredients and comply with the federal Safe Drinking Water Act. Most companies have acknowledged their willingness to disclose the chemicals in limited form.

Exxon CEO Rex Tillerson said at a recent House Energy and Commerce subcommittee hearing that his company would be willing to disclose the chemicals but not under federal regulation.

In fact, Exxon -- which has only recently entered the hydraulic fracturing debate with its planned acquisition of major domestic natural gas producer XTO Energy -- included a contingency clause in its SEC filings on the proposed acquisition that states the deal will not move forward if Congress passes laws that would make hydraulic fracturing "illegal or commercially impracticable."

Passoff predicts the shareholder resolution will gain strong support at Exxon's May 26 meeting, as well.

"Exxon is about to be the biggest company doing this. ... They're at the center of the storm regarding hydraulic fracturing," Passoff said. "I think ... the company recognizes there's financial risk and regulatory risk."