



## ExxonMobil Proxy Statement Addresses Chemicals Used in Hydraulic Fracturing

By [John McFarland](#) on May 3, 2010 7:05 AM

The [Park Foundation](#) has submitted a resolution for consideration at ExxonMobil's annual meeting urging ExxonMobil to prepare a report on the environmental impact of fracturing operations and what can be done to reduce or eliminate environmental hazards caused by hydraulic fracturing. The proposal, and ExxonMobil's response, provide a good summary of the state of the debate in the U.S. over potential environmental impacts of hydraulic fracturing. I have reproduced the entire statement from Exxon's proxy statement below.

### TEM 10 - REPORT ON NATURAL GAS PRODUCTION

This proposal was submitted by The Park Foundation, 311 California St., Suite 510, San Francisco, CA 94104, as lead proponent of a filing group.

"Whereas,

Onshore 'unconventional' natural gas production requiring hydraulic fracturing, which injects a mix of water, chemicals, and particles underground to create fractures through which gas can flow for collection, is estimated to increase by 45% between 2007 and 2030. An estimated 60-80% of natural gas wells drilled in the next decade will require 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. Government officials in Ohio, Pennsylvania and Colorado have documented methane gas linked to fracturing operations in drinking water. In Wyoming, the US Environmental Protection Agency (EPA) recently found a chemical known to be used in fracturing in at least three wells adjacent to drilling operations.

There is virtually no public disclosure of chemicals used at fracturing locations. The Energy Policy Act of 2005 stripped EPA of

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The Board recommends you vote AGAINST this proposal for the following reasons:

ExxonMobil's Environmental Policy states that we will comply with all applicable laws and regulations and apply responsible standards where laws do not exist, including precautions specific to hydraulic fracturing. The Board believes the minimal environmental impacts of hydraulic fracturing have been well-documented and regulatory protections are well-established; therefore, an additional report is not necessary.

Hydraulic fracturing provides significant environmental benefits compared to conventional drilling to include drilling fewer wells to access equivalent reserves; lower drilling waste volumes; smaller environmental footprints; less land disturbance; and, reduced air emissions.

Hydraulic fracturing technology has been used for more than 60 years in nearly one million wells drilled in the United States. The Groundwater Protection Council and the U.S. Environmental Protection Agency have both stated that there exists no significant risk to groundwater as a result of proper hydraulic fracturing.

Hydraulic fracturing is highly regulated at the state level to effectively protect drinking water wells and groundwater aquifers while achieving the economic and energy security benefits of natural gas resource development. In 2009, the Groundwater Protection

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While ExxonMobil unsurprisingly opposes the proposed resolution, its response states that it "supports the identity of the ingredients being used in fracturing fluids at each site." The frac fluids used in well completions are manufactured by service companies like Halliburton that provide the fluids to the well operator, and those companies compete against each other to provide fluids that will maximize the efficacy of a well frac. In that competition, the chemical makeup of frac fluids is one way for the service companies to obtain a competitive advantage, and they therefore want to preserve the proprietary nature of their chemical recipes. But if ExxonMobil, by far the largest oil and gas exploration company in the world, really wants the service companies to disclose the chemical makeup of their frac fluids in order to head off federal regulation of hydraulic fracturing, it is likely that the service companies will comply.

*Proposal text, continued*

its authority to regulate fracturing under the Safe Drinking Water Act and state regulation is uneven and limited. But recently, some new federal and state regulations have been proposed. In June 2009, federal legislation to reinstate EPA authority to regulate fracturing was introduced. In September 2009, the New York State Department of Environmental Conservation released draft permit conditions that would require disclosure of chemicals used, specific well construction protocols, and baseline pre-testing of surrounding drinking water wells. New York sits above part of the Marcellus Shale, which some believe to be the largest onshore natural gas reserve.

Media attention has increased exponentially. A search of the Nexis Mega-News library on November 11, 2009 found 1807 articles mentioning 'hydraulic fracturing' and environment in the last two years, a 265 percent increase over the prior three years.

Because of public concern, in September 2009, some natural gas operators and drillers began advocating greater disclosure of the chemical constituents used in fracturing.

In the proponents' opinion, emerging technologies to track 'chemical signatures' from drilling activities increase the potential for reputational damage and vulnerability to litigation. Furthermore, we believe uneven regulatory controls and reported contamination incidents compel companies to protect their long-term financial interests by taking measures beyond regulatory requirements to reduce environmental hazards.

Therefore be it resolved,

Shareholders request that the Board of Directors prepare a report by October 1, 2010, at reasonable cost and omitting proprietary information, summarizing 1. the environmental impact of fracturing operations of ExxonMobil; 2. potential policies for the company to adopt, above and beyond regulatory requirements, to reduce or eliminate hazards to air, water, and soil quality from fracturing.

Proponents believe the policies explored by the report should include, among other things, use of less toxic fracturing fluids, recycling or reuse of waste fluids, and other structural or procedural strategies to reduce fracturing hazards."

*Board recommendation against, continued*

Council surveyed the regulatory frameworks of 27 states, representing over 99.9 percent of U.S. oil and natural gas production, and concluded that "state regulations are adequately designed to directly protect water resources."

ExxonMobil has had detailed guidelines in place since 1998 for the assessment and mitigation of potential environmental impacts. In the case of hydraulic fracturing, these assessments inform drilling plans, well design, and permit applications.

The American Petroleum Institute has published guidance on well construction and integrity for those wells that will be hydraulically fractured, and is developing guidance on industry best practices to minimize environmental impacts associated with the use, management, treatment, and disposal of water and other fluids used in hydraulic fracturing.

ExxonMobil supports the disclosure of the identity of the ingredients being used in fracturing fluids at each site. 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.

We understand that some communities and homeowners new to drilling operations may have concerns. We are committed to working with them to demonstrate that we can address environmental concerns they may have, while providing good jobs and income associated with the safe and efficient production of natural gas.