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Activist nuns bringing fracking to a vote

Sisters of St. Francis, investors in Chesapeake Energy, back a resolution that questions risks of breaking through the Shale.

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The Sisters of St. Francis of Philadelphia, a Roman Catholic order based in Delaware County, invested more than \$2,000 of its retirement fund last year in Chesapeake Energy Corp., one of the nation's largest natural gas operators.

The nuns were not bullish on gas exploration, including the drilling that has expanded dramatically in Pennsylvania's Marcellus Shale.

On the contrary.

"As investors and concerned citizens, we believe that it is critical that we engage companies and hold them accountable for all aspects of their operations," said Sister Nora M. Nash, director of corporate responsibility for the activist order based in Aston.

The sisters' investment could pay off Friday, when Chesapeake shareholders vote on a resolution cosponsored by the order that questions the risks associated with hydraulic fracturing, the controversial practice used to extract natural gas from formations like the Marcellus Shale.

The nonbinding resolution is unlikely to get a majority. But similar resolutions on "fracking" have struck a chord this year with shareholders at the annual meetings of other companies.



DANIEL ACKER / Bloomberg News

On a Chesapeake Energy Corp. natural gas drill site, derrick man Justin Spruell (right) climbs down from an overhead platform.

From 26 percent to 36 percent of shareholders at meetings held last month by Exxon Mobil Corp., Cabot Oil & Gas Corp., and EOG Resources Inc. supported resolutions calling for risk assessments of hydraulic fracturing. EOG is the company whose Clearfield County well blew out Thursday night.

On May 20, in the most impressive vote yet on fracking, 42 percent of Williams Cos. Inc. shareholders voiced their concern over the practice. The Tulsa, Okla., company is an active Marcellus operator in northeastern Pennsylvania.

"Forty-two percent, that's phenomenal," said Michael Lent, chief investment officer for New York-based Veris Wealth Partners L.L.C., an institutional investor that frequently sides with social and environmental activists on shareholder initiatives.

Though shareholder resolutions on social or environmental issues typically generate limited support, Lent said activists had learned to attract institutional investors by framing their resolutions in business terms: Do a company's practices pose a legal or regulatory risk?

"If you get a substantial number of institutional shareholders to act, often that gets the company to act," he said. "Any time you get more than 10 percent support, it's a remarkable achievement."

The organizers of the resolutions say they send a strong message.

"Shareholders are deeply concerned about this issue and require more information on how the company is managing the risks associated with its fracturing operations," said Larisa Ruoff, director of shareholder advocacy for Green Century Capital Management Inc., of Boston, which has coordinated its efforts with the [As You Sow Foundation](#), of San Francisco.

Gas-exploration companies have appealed to shareholders to reject the resolutions, saying that the fracking - which involves injection of water, sand, and chemicals into a well to break apart the rock - represents a minimal risk.

"Hydraulic fracturing is a safe, well-tested, engineered technology that has been used to facilitate the extraction of hydrocarbons from subsurface formations dating back to the 1940s," Williams told its shareholders.

"There have been more than one million oil and gas wells completed through hydraulic fracturing in the United States over the years," the company said. "Despite recent media claims surrounding hydraulic fracturing, its environmental viability has been affirmed by multiple studies over the years."

Some operators have complained to shareholders that substantial public confusion has arisen over the term "hydraulic fracturing" - and that the activists are misrepresenting the process.

Some of the misunderstanding involves semantic jousting. In the industry, fracking refers to a process of stimulating the well after it has been drilled, an event that typically takes a few days. To many activists, fracking has become synonymous with the entire process of drilling and developing a well.

"There's a tremendous amount of misinformation out there," said Rodney L. Waller, a senior vice president of Range Resources Corp., a Texas company targeted with a shareholder resolution sponsored by the New York State Common Retirement Fund.

Unlike some companies that reacted defensively to the resolutions - Sister Nora said she received only a terse formal letter from Chesapeake - Waller said he telephoned the sponsors immediately.

"We talk to shareholders all the time," said Waller, whose company is one of the biggest operators in Pennsylvania. "If your objective is to be better informed, we have no problem with that."

Over several weeks, he said, he responded to questions from the activists and directed them to the company's website, where many issues had already been addressed. For instance, Range had previously disclosed the chemicals used in fracturing, one of the demands of the activists.

Waller offered to post new information elicited during the exchanges, as well: "That way, it'll be there for any investor to see."

The activists were sufficiently satisfied by Range's response that they withdrew the proposal.

Similarly, measures directed at Hess Corp. and El Paso Corp. also were withdrawn after the companies responded positively, said Richard A. Liroff, executive director of the Investor Environmental Health Network, which is active in shareholder initiatives.

"Some companies talk, others don't," he said.