

News

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Shareholders Make Headway On Natural Gas Front

Shareholder groups made an unusual amount of headway this proxy season pushing for new proposals that would require disclosure of the environmental risks of drilling to extract natural gas.

The push for new resolutions dealing with the drilling process known as hydraulic fracturing received seven to 14 times the percentage of votes required by the Securities and Exchange Commission to refile the proposals next year.

The highest vote on this resolution was at Williams Companies Inc., where 41.8% of the shares voted supported the proposal.

“This impressive result is one of the highest on record for a first-year environmental proposal and sends a very clear message to all companies dependent on hydraulic fracturing that investors are concerned about the risks associated with the process and demand increased disclosure,” said Michael Passoff, Senior Program Director of the Corporate Responsibility Program at *As You Sow*, a non-profit organization dedicated to promoting corporate social responsibility.

Hydraulic fracturing, or fracking, is a process where water, chemicals and particles such as sand are injected into the ground under extremely high pressure to unlock vast reserves previously unavailable.

Fracking carries potentially serious risks such as deterioration in air quality, contamination of ground water and migration of gases and hydraulic fracturing chemicals to the surface.

The shareholder proposals, filed with 12 companies, asked for reports on the environmental impact of fracking operations, and for a discussion of policies to reduce or eliminate hazards to air, water and soil. Fracturing has been used in about 90% of wells in operation today and 60% to 80% of new wells will require fracturing to remain viable.

But accidents have happened that highlight the risks of using fracking: The Pennsylvania DEP ordered Cabot Oil & Gas to halt all fracturing operations in Susquehanna County for three weeks after three spills, and Cabot's drilling operations were suspended in that county due to gas contamination of wells in Dimock.

“Drilling in unconventional natural gas reserves using hydraulic fracturing brings with it serious risks that could have financial implications for the companies involved,” said Larisa Ruoff, director of shareholder advocacy for *Green Century Capital Management*, an investment manager focused on environmentally responsible investing and a co-sponsor of many of the resolutions.

Among the 12 companies that faced resolution on the environmental impact of fracturing, the resolution was either omitted or withdrawn with EQT Corporation; Range Resources Corporation; Hess Corporation; El Paso Corporation and Energen Corporation. The resolution filed at XTO Corporation became inapplicable

because of its merger with Exxon Mobil. The percentage of shares voted in support of the proposal were the following among the other companies: Chesapeake Energy Corporation (25.4%); Cabot Oil & Gas Corporation (35.9%); Exxon Mobil Corporation (26.3%); Ultra Petroleum Corp. (21.2%); The Williams Companies, Inc. (41.8%), and EOG Resources Inc. (30.9%).