

Exxon Shareholder Raises Concerns About Gas-Drilling Technique

By Isabel Ordonez
Of DOW JONES NEWSWIRES

HOUSTON (Dow Jones)--Some of ExxonMobil Corp.'s (XOM) shareholders are raising concerns about the environmental impact of a natural gas drilling technique that the oil giant is expected to widely adopt once it completes its pending acquisition of XTO Energy Inc. (XTO).

The Park Foundation, an environment-focused family foundation based in Ithaca, New York, that owns \$1 million worth of ExxonMobil's shares, has put forward a proposal asking the company to prepare a report assessing the consequences of hydraulic fracturing. This technique injects millions of gallons of water into the ground to crack open dense rocks holding deposits of natural gas. The proposal was listed in ExxonMobil's proxy statement, released Tuesday.

Hydraulic fracturing has created an energy bonanza in shale-gas deposits, but it is also making some communities worry about potential water and air contamination. Federal and state authorities are considering action to regulate the practice. Fort Worth-based XTO, which Exxon agreed to buy last December for \$31 billion, is a pioneer in the use of this technique.

The foundation's proposal said fracturing can potentially create toxic spills, affect local water quantity and quality, and degrade air quality. In addition, "there is virtually no public disclosure of chemicals used at fracturing locations," the proposal says.

ExxonMobil's board of directors recommends voting against the proposal, saying that it "believes the minimal environmental impacts of hydraulic fracturing have been well-documented and regulatory protections are well-established."

The Irving, Texas-based company added that the technique provides significant environmental benefits compared to conventional drilling. Some of these benefits includes drilling fewer wells to access equivalent reserves; lower drilling-waste volumes; smaller environmental footprints; less land disturbance; and, reduced air emissions.

"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," according to the proxy statement.

However, ExxonMobil, the largest U.S. oil company by market value, said it supports more disclosure about the ingredients being used in fracturing fluids at each site. Oil-service companies keep the list secret, citing competitive reasons.

"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."

After ExxonMobil announced the XTO deal, the company faced questions from lawmakers about the environmental impact of this technique. Criticism of the technique, however, was muted at a congressional hearing last January. At the hearing, most representatives focused on the potential benefits of increased gas use.

Jon Jensen, executive director of the Park Foundation, said in an interview that ExxonMobil's shareholders are increasingly aware of the risks from environmental impacts. Environmental lawsuits stemming from allegations of pollution could "put the company at risk," he said.

-By Isabel Ordonez, Dow Jones Newswires; 713-547-9207; isabel.ordonez@dowjones.com