



WHEREAS:

Extracting oil and gas from shale formations, using horizontal drilling and hydraulic fracturing technology, is a controversial public issue. Leaks, spills, explosions and community impacts have led to bans and moratoria in the US and around the globe, putting the industry's social license to operate at risk. Of particular concern are risks to local water resources.

Measurement and disclosure of best management practices and impacts is the primary means by which investors can gauge how companies are managing risks and rewards of their operations. The Department of Energy's Shale Gas Production Subcommittee recommended in 2011 that companies "adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production." (emphasis in original).

The 2011 report, "Extracting the Facts: An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations," articulates investor expectations for best management practices and key performance in these areas. It has been publicly supported by investors on three continents representing \$1.3 trillion in assets under management and by various companies.

Chevron is among the top 10 natural gas producers in the United States, yet fails to quantify the impacts of its hydraulic fracturing operations on air, water, land, and communities to shareholders. Chevron's "Operational Excellence Management System" provides a general framework for all company operations but contains no language specific to shale energy operations, although Chevron's CEO has publicly acknowledged the need to address concerns specific to hydraulic fracturing operations. The absence of systematic reporting using quantifiable metrics makes it difficult for investors to evaluate company risk management practices and identify performance trends on this controversial issue.

THEREFORE BE IT RESOLVED:

Shareholders request the Board of Directors to report to shareholders via quantitative indicators by September 30, 2014, and annually thereafter, the results of company policies and practices, above and beyond regulatory requirements, to minimize the adverse water resource and community impacts from the company's hydraulic fracturing operations associated with shale formations. Such reports should be prepared at reasonable cost, omitting confidential information.

SUPPORTING STATEMENT:

Proponents suggest the reports include a breakdown by geographic region, such as each shale play in which the company engages in substantial extraction operations, addressing at a minimum:



- Quantity of fresh water used for shale operations by region, including source
- Percentage of recycled water used by region;
- Systematic post-drilling groundwater quality assessments;
- Percentage of drilling residuals managed in closed-loop systems;
- Goals to eliminate the use of open pits for storage of drilling fluid and flowback water, with updates on progress;
- A system for managing naturally occurring radioactive materials; and
- A systematic approach to assessing and managing community and human rights impacts, including quantifying numbers and categories of community complaints of alleged impacts, and portion resolved.