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Fracking pushback opens up energy firms

Fear of losing access to resources spurs firms to action

Braden Reddall | September 26, 2011

John Pinkerton, who runs shale gas producer Range Resources Corp., has no time for fracking secrecy, and his notoriously tight-lipped industry is opening up a bit for fear of a regulatory crackdown.

Much of the public concern surrounding hydraulic fracturing stemmed from the scanty disclosure of the chemicals in the frac fluid that makes it all work. Oilfield services companies cite proprietary reasons for holding back their recipes.

"That whole competitive thing is the biggest bunch of bunk I ever heard, and I think the services companies ought to be ashamed of themselves," Range's chief executive told investors this month. "It has nothing to do with competitiveness."

He said everyone who does frac jobs - blasting sand and chemical-laced water into wells drilled in shale rock to release oil and gas - essentially uses the same ingredients.

"This is not some secret sauce that nobody knows about," Pinkerton said in comments webcast from the Barclays Capital CEO Energy Power Conference in New York. "There are very few secrets in this business."

His blunt view clashed with the lighthearted conclusion to a presentation by the two top executives of frac specialist Halliburton Co just a few hours earlier: The pair took sips of a fracking fluid made of materials from the food industry.

Halliburton said that in response to public interest, it had launched its own website disclosing chemicals used in fracking in different parts of the country.

Exploration and production companies now disclose the chemicals used on frac jobs - except those deemed "trade secrets" - at http: //fracfocus.org.

Pinkerton may not speak for the industry, which tends to feel "less is more" when it comes to engaging with the public. But as he prepares to step down as CEO at year-end after nearly two decades in the job, he seems less concerned about stirring up controversy.

Other comments from the executive last week sparked a flurry of Wall Street speculation about a Range takeover.

Plus, since Range is a major player in the potentially bountiful Marcellus shale in the U.S. Northeast, Pinkerton also made headlines this month when he urged Pennsylvania to impose higher fees to fund proper oversight of fracking.

Long a hot topic in the energy space, fracking is now a point of fevered debate as U.S. oil and gas output from shale rock booms.

Concerns about groundwater contamination were fuelled last year after the Environmental Protection Agency tested water wells near a drilling site in Wyoming and found petroleum hydrocarbons, naphthalene, phenols and benzene.

There has been a clear shift in how openly the oil and gas industry discusses fracking with the public, according to activists and at least one top-ranking U.S. politician.

Interior Secretary Ken Salazar, after bringing together energy executives this year to discuss fracking disclosure, said many "responsible actors" would welcome more openness.

"Unless industry is forthcoming and is disclosing the fluids it is injecting underground, it's going to become the Achilles heel that essentially destroys any future for the natural gas industry and shale here in the United States," he told reporters after a speech in San Francisco last week.

Salazar, who oversees 700 million acres (283 million hectares) of land, also said he would roll out details of how Interior will deal with fracking fluids over the next several months.

Besides Range, Apache Corp. has already led efforts to open up more about fracking, said Michael Passoff of San Francisco-based corporate responsibility group As You Sow.

Apache has thrown its weight behind efforts to create a state-based registry for disclosing frac fluid contents.

Passoff, who helped put together several U.S. shareholder resolutions this year that pushed for increased disclosure on fracking, feels the industry has been "shooting itself in the foot" by remaining secretive.

The recent shift in gears by oil and gas producers has a lot to do with local activism in Pennsylvania and New York, according to Dave Hughes, a geoscientist who spent three decades with the Geological Survey of Canada and is affiliated with the California-based Post Carbon Institute.

"That pushback is what's making companies change their tune," said Hughes, whose main concern about shale gas is that production forecasts from vested interests are too optimistic.

A clear sign of the industry's intent is the revival of STRONGER (State Review of Oil & Natural Gas Environmental Regulations), which was set up in 1988 by federal and state regulators to establish best practices across the country, with support from industry players and environmentalists.

"It's one thing for industry to commit to do better, but you also have to have the regulators hold everyone to account," Gary Luquette, Chevron Corp's president of North American exploration and production, told Reuters.

But it was only the fracking issue that prevented STRONGER from fading away, according to Bruce Baizel, a staff attorney at Earthworks and a STRONGER board member since last year.

"No state would agree to get reviewed," he said. "Industry did not want stronger - pardon the pun - regulation. It was only because of hydraulic fracturing that it was rejuvenated."

Baizel believes the change of heart was caused by fracking bans in parts of the United States, France and South Africa.

Previously, drillers' main concern was stricter regulation, which didn't make many waves in an industry that views paying fines as a cost of doing business.

"There's an actual fear that they're going to get shut out of areas, not just get regulated," he said. "Fear is a great mobilizer. For the first time in at least a decade, there's some actual fear on the part of industry that they may lose out on some things."