

# Big US Oil Companies Face Growing Fracking Concern

By Anna Driver and Braden Reddall | Wed May 25, 2011 4:39pm EDT

- \* About 30 pct of Exxon shareholder back fracking proposal
- \* 41 pct of Chevron shareholders want fracking disclosure
- \* Breaking 40 pct shows shareholders "serious" -advocate

DALLAS/SAN RAMON, Calif., May 25 (Reuters) - Large blocks of investors in the two largest U.S. oil companies on Wednesday demanded more disclosure about the environmental risks of extracting oil and gas through hydraulic fracturing.

Exxon Mobil Corp defended the practice at its annual shareholder meeting on Wednesday, even as investors peppered Chief Executive Rex Tillerson with concerns and questions about it. Plus, a proposal requiring more disclosure by Exxon on the impact of "fracking" received about 30 percent of the votes by shareholders in the world's largest publicly traded oil company.

At rival Chevron Corp, which only became heavily involved in fracking through an acquisition last year, 41 percent of shareholders backed a similar resolution.

"Breaking 40 percent on a first year resolution has only happened a few times in the last few decades, so it shows how seriously the company's shareholders are taking this issue," said Michael Passoff, who focuses on fracking at San Francisco-based corporate responsibility group **As You Sow**.

Hydraulic fracturing involves injecting a mix of water, chemicals and sand into the earth to break up shale rock, in order to release oil or natural gas. Environmentalists say it can contaminate groundwater with dangerous chemicals.

But the industry insists it is safe, and Tillerson said there were claims about the 50-year-old technology that had no basis in fact. So the company regularly meets with local officials and politicians, and is running an advertising campaign aimed at addressing the public concerns.

While acknowledging there are risks, Tillerson said Exxon was working to bring together regulators in states where shale drilling is occurring to examine current rules and take a look at those that are most effective.

"We're not trying to characterize this as an activity that does not have risks," he told reporters after the meeting in Dallas.

Regulators in states where shale drilling is growing at breakneck speed "are stretched," but rules governing fracking should not be done at the federal level, he said. Chevron echoed a desire for regulation at state level.

But **As You Sow's** Passoff said even regulators acknowledged the current regulation by states was "inadequate."

Exxon made a \$35 billion bet on shale gas when it purchased XTO Energy in 2010, and it aims to double its U.S. natural gas production in a decade.

Chevron got involved in the Marcellus shale region centered on Pennsylvania through its purchase of Atlas Energy and a recent acreage deal with Chief Oil & Gas.

But at Wednesday's meeting at Chevron headquarters in San Ramon, California, speakers largely focused on other environmental topics, including an \$18 billion judgment against the company in Ecuador that it is fighting in a U.S. court.

A spokesman later said Chevron believes fracking can be done safely, and it supports the publication of chemicals used, with Chevron's first disclosure expected next month.