

Natural Gas Development – Ultra Petroleum

Whereas:

Onshore “unconventional” natural gas production often requires hydraulic fracturing, which typically injects a mix of millions of gallons of water, thousands of gallons of chemicals, and particles deep underground to create fractures through which gas can flow for collection. According to the American Petroleum Institute, “up to 80 percent of natural gas wells drilled in the next decade will require hydraulic fracturing.”

The potential impacts of those fracturing operations stem from activities above and below the earth’s surface -- including actions that are necessarily part of the life cycle of fracturing and extraction, such as assuring the integrity of well construction, and moving, storing, and disposing of significant quantities of water and toxic chemicals.

High profile contamination incidents, especially in Pennsylvania, have fueled public controversy. Pennsylvania’s Times-Shamrock Newspapers report “many of the largest operators in the Marcellus Shale have been issued violations for spills that reached waterways, leaking pits that harmed drinking water, or failed pipes that drained into farmers’ fields, killing shrubs and trees.”

Pittsburgh banned natural gas drilling and public officials in Philadelphia and New York City have called for delays or bans on fracturing. The New York State Assembly approved a temporary moratorium on natural gas drilling and Pennsylvania, West Virginia, Colorado, and Wyoming all tightened or are considering tightening regulations and permitting requirements. The Environmental Protection Agency is studying the potential adverse impact that hydraulic fracturing may have on water quality and public health.

Proponents believe these potential environmental impacts and increasing regulatory scrutiny could pose threats to Ultra Petroleum’s license to operate and enhance vulnerability to litigation and reputational risks.

The company failed to offer the proponents the opportunity to speak on behalf of last year’s resolution on this issue at the 2010 annual meeting. Nevertheless, the resolution received 21% support. In addition, company management had represented to shareholders in April 2010 that it would publish information regarding Fracking Fluids, Risk Assessment, Safety, and Current Job Locations on its website; as of December 2010 the company had failed to publish that information needed by shareholders.

Therefore be it resolved:

Shareholders request that the Board of Directors prepare a report by October 2011, at reasonable cost and omitting confidential information such as proprietary or legally prejudicial data, summarizing: 1) Known and potential environmental impacts of Ultra Petroleum’s fracturing operations; and 2) Policy options for our company to adopt, above and beyond regulatory requirements and our company’s existing efforts, to reduce or eliminate hazards to air, water, and soil quality from fracturing operations.

Supporting Statement:

Proponents believe policies explored should include, for example, additional efforts to reduce toxicity of fracturing chemicals, recycle waste water, monitor water quality prior to drilling, cement bond logging, and other structural or procedural strategies to reduce environmental hazards and financial risks. “Potential” includes occurrences that are reasonably foreseeable and worst case scenarios. “Impacts of fracturing operations” encompass the life cycle of activities related to fracturing and associated gas extraction.