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ExxonMobil Shareholders Question Risks of Natural Gas 'Fracking'

Resolution Demands Disclosure and Risk Reduction

SAN FRANCISCO, May 20 – As concern grows about the use of toxic chemicals in natural gas drilling, investors are pushing energy companies to disclose what they are doing to reduce risks to drinking water, public health, and shareholder value. Next week the focus is on ExxonMobil, which is poised to become the nation's biggest natural gas company.

At ExxonMobil's annual meeting May 26 in Dallas, shareholders will vote on a proposal asking the company to report on the environmental impacts of hydraulic fracturing, or "fracking," a controversial practice in which millions of gallons of fluids, containing dozens of known hazardous chemicals, are injected into wellheads under high pressure to force sluggish natural gas reserves to the surface.

The proposal was put forth by As You Sow, a shareholder advocacy organization based in San Francisco, representing the holders of 16,746 ExxonMobil shares valued at more than $1.1 million. The proposal has been endorsed by the two largest proxy voting services in the U.S., RiskMetrics Group and Proxy Governance, which both recommend a FOR vote.

"Fracking exposes both ExxonMobil and its shareholders to serious financial risks from potential damage to health and the environment, and from the prospect of tougher regulations at both the state and federal level," said Michael Passoff, senior program director of the corporate responsibility program at As You Sow. "Either the company doesn't recognize the risks or it isn't acknowledging them to shareholders. Investors deserve straight answers."

As You Sow is representing the Park Foundation of Ithaca, N.Y., located in the region of the Marcellus Shale formation, which energy companies have targeted for natural gas drilling using fracking.

"Hydrofracking could expose millions of people in Central New York and the New York City watershed to air and water contamination," said Jon Jensen, executive director of the Park Foundation. "This would present a significant health and environmental hazard to the most densely populated part of the country."

ExxonMobil's planned $41 billion merger with XTO Energy of Fort Worth would make it the U.S.' largest natural gas company. Passoff said the financial documents filed by ExxonMobil with the federal Securities and Exchange Commission provide only the most generic references to business risks - such as changing weather patterns, competition, market prices – with virtually no discussion of what the likelihood, scope, or potential impact of risks are from expansion of fracking. Shareholders took the unusual step of filing their own details of these risks with the SEC. [http://bit.ly/9TFOjP]

A Colorado study found that natural gas companies were routinely injecting wellheads with 65 chemicals classified as hazardous under federal law, including benzene and other carcinogens. In response to reports of contaminated water supplies and intense public concern, tougher regulations have been introduced in New York, Pennsylvania, and Colorado, the EPA has launched a new study on fracking, and legislation has been introduced in Congress to repeal the exemption of fracking from the Safe Drinking Water Act.

"Many leaders in the natural gas industry acknowledge publicly that tougher fracking regulations are on the way," said Passoff. "Even ExxonMobil reserved the right to back out of the XTO merger if increased regulations make fracking illegal or too expensive. Some analysts believe regulations could increase costs by 8 to 30 percent."

The ExxonMobil proposal is part of a campaign by more than a dozen investor groups – including the $110 billion New York State Common Retirement Fund – that contacted 20 natural gas companies. Shareholder resolutions have been filed at 10 companies including Cabot Oil & Gas Corp., Chesapeake Energy, EOG Resources, Hess Corporation, and Ultra Petroleum.

The Cabot and EOG proposals, both filed by Green Century Capital Management of Boston, received support from the holders of 36 percent and 31 percent of shares, respectively. Typically, first-time environmental resolutions get 5 to 7 percent, and shareholder advocates consider anything over 10 percent a success, as that level of support is often enough to change a company's practices.

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As You Sow (www.asyousow.org) is a non-profit organization dedicated to promoting corporate social responsibility.