Natural Gas Development
Chevron

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.”

Chevron plans to acquire Atlas Resources. Atlas has been fined for spilling fracturing waste in Pennsylvania and is being sued by a Pennsylvania landowner alleging pollution of his water wells. In the opinion of the proponents, due diligence in the acquisition process should include review of potential environmental impacts and related risk management strategies associated with the planned acquisition.

Public officials in Pittsburgh and Philadelphia have called for delays or bans on fracturing. Various states have tightened or are considering tightening regulations, though state regulations remain uneven. The federal Environmental Protection Agency is studying the potential adverse impact that hydraulic fracturing may have on water quality and public health.

A multi-sectoral assessment for investors, “Water Disclosure 2010 Global Report,” noted the existence of reputational risks from water management for the oil and gas sector.

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

Therefore be it resolved:
Shareholders request that the Board of Directors prepare a report by September 1, 2011, at reasonable cost and omitting confidential information such as proprietary or legally prejudicial data, summarizing 1. known and potential environmental impacts of fracturing operations that are owned or proposed for acquisition by Chevron Corporation; 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.