

Risk Management Reporting for Hydraulic Fracturing Operations

Whereas:

The use of horizontal drilling and hydraulic fracturing for development of unconventional gas and oil resources has been highly controversial. Investors are concerned about regulatory, legal, reputational and financial risks associated with the environmental, health, and social impacts of such operations. The life cycle of such operations includes moving, storing, and disposing of significant quantities of water and chemicals.

Investors seek specific, detailed, and comparable information about how companies are managing the challenges, opportunities, and risks created by hydraulic fracturing operations.

The Department of Energy secretary's shale advisory panel recommended in 2011 that companies "adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production." A 2011 report "Extracting the Facts, An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations," lays out key management practices and indicators to guide company reporting. These indicators were echoed in a 2012 International Energy Agency report, "Golden Rules for a Golden Age of Gas," which advised energy companies to "measure, disclose and engage," and describing the need to establish baselines for environmental indicators, measure and disclose operational data on water use and volumes and characteristics of waste water, minimize use of chemical additives, and reduce freshwater use and recycle water where practicable, among other practices.

Continental Resources ranked at the bottom of the 30 companies scored in a December 2014 investor report "Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations", which ranked companies on disclosure of both quantitative and qualitative information to investors. The company subsequently published its inaugural corporate responsibility report, but the report contained few data and limited information responsive to investor disclosure requests.

Resolved: Shareholders request the Board report to shareholders, principally by quantitative indicators, by September 30, 2016, the results of company policies and practices, above and beyond regulatory requirements, to minimize the potential adverse environmental and community impacts from the company's hydraulic fracturing operations for unconventional gas and oil resources. Such report should be prepared at reasonable cost, omitting confidential information.

Supporting Statement

Proponents suggest the report provide quantitative information for each geographic region in which the company has substantial extraction operations, on issues including, at a minimum:

- Aggregate quantity of water sourced for operations, by type (surface, groundwater, recycled, etc.), and percentage of waste water recycled
- Goals and quantitative reporting on progress to reduce toxicity of chemical additives for fracturing;
- Numbers and categories of community complaints of alleged impacts, and their resolution

Proponents suggest the report should also describe company practices for identifying and managing hazards from naturally occurring radioactive materials (NORMs) and company practices for reducing induced seismicity risks from its operations.