

Methane Emissions Report

Whereas:

Public confidence in the environmental benefits of natural gas is threatened by evidence of high levels of methane leakage from the oil and gas industry in many regions. For example, a November 2013 study published in the Proceedings of the National Academy of Sciences shows the oil and gas sector in Oklahoma and Texas, where EOG has significant operations, may be emitting up to five times more methane than estimated by the EPA.

Methane is a potent greenhouse gas with 86 times the climate impact of carbon dioxide over a 20-year period. Studies from Harvard, the University of Texas, Cornell, and the University of Colorado, among others, estimate highly varied methane leakage rates as a percentage of production, creating uncertainty and garnering negative media attention that could undermine public confidence in the environmental benefits of natural gas.

In September 2014 BG Group, ENI, Pemex, PTT, Statoil and Southwestern Energy signed on to a voluntary program to monitor and disclose their methane emissions. Similarly, a number of companies in the natural gas supply chain have formed the One Future Coalition with the goal of achieving a 1% leakage rate across the entire value chain.

A recent report prepared by ICF International, drawing on industry input, identified proven control strategies that can slash oil and gas methane emissions by 40% at an average annual cost of less than one cent per thousand cubic feet of produced natural gas. These strategies, such as vigilant leak detection and repair programs and retrofits of valves originally designed to leak methane, are commonsense ways to cut emissions. In addition, some such strategies will have a positive economic payback, as the value of captured gas more than offsets the cost of control.

Regulatory risk is also very real. For example, in November 2013, Colorado proposed new regulations, with industry support, focusing on methane air emissions and requiring companies capture 95 percent of their hydrocarbon emissions. Other states and the federal government are also considering regulatory responses.

Proponents believe EOG's social license to operate may also be at risk. Implementing a comprehensive program of measurement, mitigation, disclosure, and target setting for actual, as opposed to estimated or calculated, methane air emissions can help address this risk. We also believe better management of leakage and venting represents economic opportunity for EOG by capturing valuable product that can be monetized.

Unfortunately, EOG's disclosures associated with leakage and venting are minimal. In contrast, Range Resources and Apache provide a total methane leakage rate for their operations in their public disclosures.

Resolved: Shareholders request EOG publish a report that reviews its policies, actions, and plans to enhance and further develop measurement, disclosure, mitigation, and reduction targets for methane emissions resulting from all operations under its financial or operational control. The report should consider steps beyond legal compliance and be prepared in light of studies on methane emissions, at reasonable cost, omit proprietary information, and be available by October 2015.