

The basics on 'fracking'

What is hydraulic fracturing?

Hydraulic fracturing—now commonly referred to as “hydrofracking,” or just “fracking”—is a means to recover more oil and natural gas from a well. After drilling slanted or horizontal wells deep into subterranean shale rock and coal bed formations, an injection of highly pressurized water (and sometimes chemicals, gels, foams and compressed gases) releases more of the oil and natural gas from these underground reservoirs. While the technology is nothing new (first implemented in 1947), advancements in its use with natural gas reservoirs has favored the pursuit of lower greenhouse emissions since 1997. This technology has made recovery of this country's vast resource of hydrocarbons economically feasible.

What makes fracking controversial?

Opponents have focused on the risks of groundwater contamination, leaks into the air, migration of gases and hydraulic fracturing chemicals to the surface, mishandling of waste and the potential for all the hydraulic fracturing caused by microseismic events, including earthquakes. There are good reasons to be concerned about these risks. However, the data on the effects of fracking is inconclusive.

How might fracking affect landowners?

Oil and gas companies often approach homeowners and other landowners for below-ground mineral rights in exchange for monetary compensation. Should fracking operations cause harm to or damage property, or lead to environmental impacts, landowners may incur legal liability with the oil and gas company. There is also the potential for damage to someone's property or a reduction in market value.

Will oil and gas companies provide coverage for fracking risks?

Oil and gas companies often provide coverage for the risks associated with their operations. However, the availability of coverage for fracking is much different from its historical application to other mining risks.

There is no liability coverage for the homeowner. The typical homeowners policy excludes business activities (with a few exceptions) and these exclusions would encompass the lease of the homeowner's property for the purpose of fracking. Other exclusions applicable to motor vehicles, pollution and professional services further support the absence of liability coverage for operations involving fracking.

There is almost no coverage for damage to the homeowner's property. If the property was damaged by fire or explosion by the fracking operations, there would be coverage. But the typical policy does not cover other risks that may result from fracking, such as earthquakes, land erosion or land subsidence. Adding the standard coverage for this type of earth movement.

What can homeowners do to protect against fracking risks if they decide to lease their mineral rights?

They should weigh the risks against the rewards and get competent counsel from an attorney before signing the lease. There should be an agreement for the oil and gas company to hold harmless the homeowner, requiring it to defend and indemnify the homeowner from any loss or damage incurred from its operations, which may not be discovered for years in the future. The homeowner also should be added as an insured on the policy insuring the oil and gas company. Obviously, the homeowner needs to exercise care in the selection of the company it contracts with to do the fracking.

If you have further insurance questions about fracking, please contact our agency. We are happy to assist you.



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