

Socially Responsible Drilling: Perspectives of Industry Representatives in the Eagle Ford Shale¹

Colter Ellis², Gene L. Theodori³, Peggy Petrzela⁴, and Douglas Jackson-Smith⁵

November 2015



¹ This project was funded by a contract from the U.S Department of Energy (DOE), through the Research Partnership to Secure Energy for America (RPSEA). The information presented in this report does not necessarily reflect the views or positions of DOE or RPSEA.

² Assistant Professor of Sociology at Montana State University, Bozeman, MT.

³ Professor of Sociology at Sam Houston State University, Huntsville, TX.

⁴ Professor of Sociology at Utah State University, Logan UT.

⁵ Professor of Sociology at Utah State University, Logan UT.

Table of Contents

Introduction	3
Methods	5
Findings	7
Social Responsibility	7
Community Engagement	9
Who Does the Communicating?	10
Target Populations	13
STEER & the Eagle Ford Consortium	16
Philanthropy	20
Successes & Opportunities for Improvement	21
Successes	22
Opportunities for Improvement	25
Summary	27
Recommendations	30
References	32
Appendix	34

Introduction

The oil and natural gas industry has a troubling history of leaving rural communities in difficult social, economic, and environmental circumstances after acute development phases (Cortese and Jones 1977; Smith, Krannich, and Hunter 2001). These boom-bust cycles have left residents in many areas cautious about new shale oil and natural gas development (Brown, Dorius, and Krannich 2005; Brown, Geertsen, and Krannich 1989). Companies currently operating in the Eagle Ford Shale of South Texas are confronting this history and are making good faith efforts to engage rural residents affected by the development of hydrocarbons underlying their homes. **In the following report, we use in-depth interviews with industry representatives to identify the communications strategies currently being used, points of strength, and areas in need of improvement.**

Rapid development in the Eagle Ford Shale has led to considerable economic benefits (Tunstall 2015), but little is known about the social impacts. Our previous report identified specific social, economic, and environmental issues of concern to local public and private sector leaders (Potterf et al. 2014). Theodori and Luloff's (2015) summary report from a survey of residents and absentee landowners in Karnes County and La Salle County unveiled a broad range of perceived negative and positive experiences and concerns associated with oil and gas development in the region. The current report will illustrate how industry officials understand and respond to these and other community issues.

The research summarized here is a part of the larger Eagle Ford Shale Environmentally Friendly Drilling Technology Integration Program (EFD-TIP), a project

coordinated by the Houston Advanced Research Center⁶ and funded by the US Department of Energy's Research Partnership to Secure Energy for America (RPSEA) program⁷. The larger EFD-TIP project is seeking to deploy innovative new production and management practices to minimize the local environmental footprint of energy development and to demonstrate the feasibility of new technologies.

One new technology being evaluated is a 'communications toolkit' designed to better identify and address local community concerns related to energy development. Our team is tasked with developing this toolkit.

The specific objectives of this part of the EFD-TIP project are:

1. To empirically examine individuals' perceptions of the energy industry and their interest, knowledge, attitudes, experience, current behaviors, and behavioral intentions with respect to energy exploration and production issues in the Eagle Ford Shale.
2. To enhance two-way communication between industry and community leaders and residents by developing, testing, and refining a communications toolkit/handbook in the Eagle Ford Shale.
3. To ensure that the EFS Technology Integration Program expertise and information about best practices is readily available in energy-development communities and tailored to locally determined concerns.
4. To develop a synthesized report on energy development regulations and ordinances across states with oil and gas production.

⁶ For more details see <http://www.efdsystems.org>

⁷ See <http://www.rpsea.org>

5. To establish dialog and increase levels of mutual understanding among representatives of the oil and gas industry, regulatory agency personnel, non-governmental organization representatives, and members of the general public with respect to the social, economic, and environmental effects of rapid energy development.

This report provides initial findings that contribute to Objectives 1 and 2 by documenting industry efforts to engage local communities in the Eagle Ford Shale region of Texas and providing initial recommendations for enhancing communication between industry and community leaders⁸.

Methods

The data in this report come from in-depth interviews with oil and gas company representatives. The purpose of these interviews was to understand these drilling companies' community engagement approaches and methods. We worked with community and industry leaders to identify 13 companies actively drilling in the Eagle Ford region. Eligible companies were limited to primary operators. Companies from support industries and subcontractors were excluded. Recruitment into the study was done by communicating with pre-established contacts in the energy industry, working with the South Texas Energy and Economic Roundtable (STEER), introducing ourselves at industry conferences, and by working with community leaders who regularly interact with community engagement representatives.

⁸ We emphasize that the findings and recommendations here are *preliminary*. The community industry interviewing was step 1 of a multi-phase data collection process.

Companies were contacted at least five times, by both phone and email. Of the 13 identified companies, three refused to participate, and four did not respond to our interview requests. Representatives from six companies agreed to participate in the study. In one case, two representatives from the same company agreed to participate. We also interviewed representatives from STEER, an industry based group, and the Eagle Ford Consortium (EFC), a community-based organization. Both of these organizations facilitate communication efforts between industry and local communities in the Eagle Ford. In total, we conducted interviews with nine people knowledgeable of the oil and gas industry's community engagement strategies. See Appendix for the interview guide.

Interviews averaged approximately one hour but ranged from 27 minutes to 2 hours. Interviews were transcribed verbatim. Once transcribed, a member of the research team listened to the interview in full to ensure the transcription was accurate. Transcripts were then imported into NVivo 10.2, a software program used to analyze qualitative data. Each interview transcript was read and coded for patterns within and between interview responses. Through this process, emergent themes were identified. These emergent themes are presented below. To protect the confidentiality of individuals and organizations, we have de-identified all data.

Given the nature of the research, data presented here are not reflective of a statistically representative sample. That said, the data do represent the perceptions held by people in positions of authority within companies currently operating in the Eagle Ford Shale.

Findings

Industry representatives are very aware that some members of the public find unconventional oil and gas development concerning. Those interviewed for this project also felt their companies, and the industry as a whole, have an opportunity to greatly benefit Eagle Ford communities. Being socially responsible is a fundamental step towards this goal. Industry representatives spoke of community engagement and philanthropy as central tools for promoting social responsibility. This report begins with an overview of industry representatives' perspective on social responsibility. The following sections describe community engagement efforts and philanthropy. We then identify areas of success and opportunities for improvement.

Social Responsibility

For the industry representatives who participated in this study, social responsibility means investing in communities and working to understand residents' concerns. Representatives used different language to talk about social responsibility. As one participant emphasized, it is about "being a human being" and knowing when to "pick up the phone." Some talked about "being a good corporate citizen," others talked about the "social license to operate," and still others wanted to be "good neighbors." This kind of social responsibility is only possible if companies are involved in community networks. This involvement allows them to better understand community needs, be transparent, set appropriate expectations, and ultimately work collaboratively to address concerns. This is how one industry representative responded when asked about social responsibility: "It means to be invested in your community and understand what their concerns are and work with them to address those concerns, and to be transparent." Another had this to say:

Often times it's just simply being a good neighbor and a good partner, and listening to what people are really saying is required, and seeing how we can best communicate what our impact may be and what we can and cannot do. You know?

Respondents also indicated that maintaining a sense of place and culture is an important factor. Many counties in the Eagle Ford have significant Hispanic populations. As one participant emphasized:

It's a cultural factor. You have to know who you're working with and the area you're in the midst of. If I'm a county judge, at some point, you wanna see your fellow citizens are, if you're a Hispanic, you want to see another Hispanic who interacts with you on a professional level. If the industry doesn't provide that, or isn't sensitive to it—sometimes they can't provide it—or aren't even aware of it, then it becomes an issue. It may not be spoken out loud in public, but it's internalized and it's going to be an issue at some point.

Industry representatives anticipate a long stay in the Eagle Ford, and maintaining a positive reputation can help improve people's willingness to ask questions and communicate. For example:

For us, of course you have a greater social license to operate. People who are supportive of what you're doing. You know, people being willing to call and ask questions and say, "Hey, I want to know what you're doing out here", and realizing that there is an open line of communication to us, and, and being able to call the

superintendent or, or a supervisor in one of the offices or a manager, directly and, and ask about, what operations were taking place.

Having open lines of communication are important for maintaining a good reputation.

“[Operator’s] reputation means everything to them cause they understand that they might be here in South Texas for a while... we've got to continue to have our social license to operate.”

These goals are commendable and ambitious, but accomplishing these goals is not a historical strength of the industry (Theodori 2012; Theodori and Jackson-Smith 2010). This legacy hinders contemporary social responsibility efforts. In the words of one representative, “In the 80s, a lot of oil and gas companies did not work with the communities. People didn’t trust them because of it. And so it’s the energy companies own fault, and they have a lot of work to do to build that trust.” Rebuilding this trust is important if the industry is interested in improving its reputation and having long-term success in the Eagle Ford.

Community Engagement

This section gives an overview of industry’s community engagement strategies. These strategies range considerably and companies display differing levels of commitment. As we pointed out in our previous report (Potterf et al. 2014), serious and sustained communication and engagement with local communities is more the exception than the rule. Some companies employ full-time people dedicated to community engagement. Others do not. This section begins with a discussion of these differing approaches. Next, this section identifies the subpopulations most commonly targeted by communication and

engagement efforts and outlines strategies commonly used to address these populations. Finally, this section overviews the communication efforts of STEER and the EFC.

Who Does the Communicating?

Who does the communicating is an important variable in the success of industry's social responsibility efforts. Some companies employ a locally based "community engagement" or "economic development" representative based out of local offices in Eagle Ford communities. Other companies have employees who visit the area regularly. These representatives were generally located in major cities outside the Eagle Ford, such as San Antonio and Houston. Still other companies relied on the communication efforts of employees in other roles, such as so-called "land men" and other officials.

The strongest industry-community relationships were those where an industry representative, whose central focus was community engagement, was located within Eagle Ford communities. This was clear from interviews with industry representatives and when talking with community leaders. According to one county judge:

[Company Name] had a man... came from the valley, and he's been to our meetings about 85% of the time. And I mean he's *involved*, so you know, his contribution outweighs more than ten thousand dollars out of the fire department. And I mean they're very involved.

This was a consistent finding when talking with community leaders. County Judges and other officials felt strongly that companies should have a strong and sustained local presence. Community leadership overwhelmingly felt that having locally-based representatives improved communication.

Our data suggest that having a locally-based community engagement representative is also beneficial for industry. Industry representatives pointed out that their presence in the community made it easier to mitigate potential problems and deal with emergencies before they escalated. For example:

Well, I think that's very simple. If they don't have someone out here in the field every single day representing that company, and answering questions and keeping the open lines of communication... if you don't develop those relationships with the key stakeholders, the big royalty owners, you don't have that relationship and, you know what, when you have problem with someone, it's nicer to call them up and say, "Hey [County Judge's name], or hey [County Judge's name], you know? It's tough to go to someone when you've never met them and say, "Hey I've got a problem here, can you help me out?" I pick up the phone and I say, "I'm in a little bit of a bind here" and they offer help. And, you know, it's just the fact that relationships are, if you want to quote the commercial, they're priceless.

The benefits of building and maintain these personal relationships were evident both in the way County Judges regarded companies and in representatives' confidence in their own abilities to solve problems.

The confidence felt by locally-based representatives stands in stark contrast to the experiences of community engagement representatives living in San Antonio or Houston. At times, these representatives reported difficulty even trying to understand the basic social context of Eagle Ford communities, as illustrated by this community engagement specialist who only occasionally visited the Eagle Ford:

Not to make it too long a story or a sob story, we don't have on the ground field people, so unlike a lot of companies, we don't have community relations folks that are bouncing from meeting to meeting and hanging out with County Commissioners and going to Chambers of Commerce, and Agricultural Events, all that sort of stuff. So it is a bit of an ordeal, you know, I'm only in Houston, to get down there to talk to people, so I guess with that as a preface, we are still trying to um, you know, kind of make sense, I mean broadly of, you know, what is sort of the lay of the land from a socio-economic standpoint.

Not having someone who fully understands the basic issues faced by communities may lead to counterproductive community engagement and philanthropic efforts (Potterf et al. 2014).

Although dealing with problems is more difficult from San Antonio or Houston, this does not mean this strategy cannot be successful. Several company representatives noted that they felt able to address issues and problems raised by community leaders even without a local representative. These regional representatives tended to spend a tremendous amount of time working in Eagle Ford communities. For example, this is how one representative answered when asked what would happen if a County Judge called the company office with a problem:

Oh yeah, I get calls like that. And then I will want to bring our operations guys in, we've sat down with different judges throughout South Texas. We'll bring 'em in and sit 'em down and, you know, hear where they are coming from. So we sit down there and understand and normally I feel like that makes a big change.

While having a locally-based community representative is ideal from the point of view of community leadership, some company representatives felt they had success dealing with problems from regional offices.

Target Populations

This section identifies the subpopulations most commonly targeted by communication and engagement efforts and outlines strategies used to address these populations. The three primary subpopulations identified by industry representatives are lease owners, community leadership, and the general public. Different strategies are used to engage and communicate with each of these populations.

People who own land or mineral rights are often the first people contacted by industry officials. Company representatives, commonly known as “land men,” work to negotiate surface and mineral leases. The relationship between the land man and leaseholders is often sustained throughout the drilling cycle. For example:

We have a group of surface land men that... are typically our communicators with our mineral owners, so we have the mineral land men that typically have negotiated the lease with the mineral owners... and they have, you know, ongoing direct communication with them throughout the life of our contractual relationship.

It is common that leases are signed before industry has made significant efforts to discuss development with community leaders. Typically, industry does not initiate meaningful communication with community leaders until after leases are being established and significant steps towards drilling have been taken. At that point, industry representatives initiate contact with local communities, particularly emergency response.

We have various groups that communicate directly to the community so first we have our uh, HS&E people, I think they're actually now considered the health and safety people, who immediately when we get in a County, they contact the police department, fire department, those types of emergency responders, talk to them about, you know, what we're doing, what our activities are, what type of response we expect from them, if they have any specific needs, like if they're, you know, if we're hoping that they can do something for us then we ask them, "Do you need training, do you need equipment, do you need, you know, anything like that that we can help with?"

Communication with emergency responders necessarily requires communication with the County Judge, but these conversations often do not extend to other community leaders until later stages of development.

As shown above, early contact between industry and community leadership typically relates to emergency management and infrastructure. As development activities increase, industry representatives start to put clear emphasis on engaging other elected officials such as city mayors, city managers, school superintendents, and Chambers of Commerce. Exemplary of this process is this response from a locally-based industry representative describing his engagement with community leadership:

So I start out with the County Officials and then I go down to the community officials and I reach out and, you know, make contact and you develop a relationship with everybody that has a stake in what we do and that's all the way from County, the County Judge, the District Judge, County Commissioners, the local law enforcement people, the volunteer fire departments, the school, school board, school

superintendents, I have a great relationship with all of those different people and, and I engage them weekly.

After these contacts have been made, it is common for industry to hold town hall meetings to address questions. These events are typically open to the whole community but are often attended only by royalty owners, elected officials, and emergency response personnel.

When asked who came to these events, one representative resounded:

Royalty owners, so mineral owners and land owners but then we'll also invite, you know, invite the judges, invite the County Commissioners, um, volunteer Fire Department Chiefs, that sort of stuff.

One representative also noted providing guidance to local school boards on how to manage increased tax revenue.

As soon as we knew that we were going to be working in the area then our (company's) tax department, they attend all of the school board meetings because that way they could help, not provide answers, but provide guidance on where they could get answers on handling the influx of funds.

Limited community engagement efforts are directed toward the general public.

When asked specifically about their efforts to reach out to citizens, industry respondents provided far less detail. This does not mean that no effort is given to engage the general public. Some representatives reported disseminating fact sheets explaining various drilling processes, contacting local newspapers, establishing informational hotlines, making school presentations, and sponsoring tables at fairs and community events. For example:

We have developed relationships so we work with them to let them know what is going on—to keep them posted. And just work with them. So then—like for instance—this weekend we are sponsoring [a popular local event].

Although these steps are significant, this was clearly not representatives' primary focus. While events such as town hall meetings are open to the general public, they are rarely explicitly invited and are unlikely to attend.

Important non-elected officials are also sometimes overlooked. For example, in our key informant interviews (Potterf et al. 2014), we found that leaders of local housing authorities, social service providers, religious organizations, and other community-based groups are generally uninformed about potential development impacts and often do not know how to contact or engage industry. This may increase the vulnerability of children, the elderly, and low-income families and hinder the ability of the industry actors to be aware of their impacts on these populations.

STEER & the Eagle Ford Consortium

STEER and the Eagle Ford Consortium (EFC) both play significant roles facilitating communication between industry and local communities. These two organizations have very different origins, funding structures, and goals. This section gives an overview of these two organization's community engagement efforts.

STEER is an industry organization developed by eleven of the largest operators in the Eagle Ford (www.steer.com). The group's goals are to connect industry with stakeholders in South Texas, to serve as an education resource, and to advocate for industry. In contrast, the EFC is headed by a former County Judge and leader in the regional council of governments. The EFC frames itself as a grassroots and community-driven

organization (www.eaglefordconsortium.org). A STEER representative discussed the difference between these organizations this way:

[The EFC] are all inclusive, they have like 400 members, they have lawyers, doctors, they have some industry. They have community elected officials on their boards and committees and stuff. It's, it's more of a public group, ok? Where STEER is 100% industry group and industry funded. That's the major difference between us and the consortium. Now we work together. But we serve the different masters, if you will. Big difference.

Indeed, these differences are important. During interviews, industry representatives had strong relationships with STEER, whereas their engagement with the EFC tended to be limited.

STEER provides an organizational structure that helps industry address regional problems collectively in ways individual companies cannot. Different companies work in different counties in the Eagle Ford, yet problems such as infrastructure failures and emergency response, require solutions that extend beyond these borders. STEER works to organize industry efforts and to address these collective problems.

Before STEER came about, we just had all of these individual operators doing things, but we all individually recognized that the counties needed, or the communities needed, help with things that one individual operator could not conceivably do by themselves. I have to credit Conoco Phillips for getting a group of people and just saying, "Hey, let's get a group of people together, group of operators together and talk about where the needs are and how maybe we can collectively work towards some solutions."

STEER has helped address several common problems. Achievements that came up in multiple interviews were improved trash removal, creation of “excellence awards” for industry, and the purchase of a tanker truck for local fire department.

STEER also does significant media advocacy. Several industry representatives reported that they felt the media, especially in San Antonio, tended to negatively portray energy development in the Eagle Ford. Industry representatives regularly indicated that the media would not cover positive news about the oil and gas industry, “but, they’re very happy to report on, you know, some kind of, what they consider negative news and so I would love to at least give us equal billing.” STEER works with both local and regional media to promote positive stories about Eagle Ford production. As one industry representative said, “The other thing I like about the STEER organization is that as we do things they really attempt to contact the press, contact the newspapers, you know, let them know that we’re doing.”

STEER’s ability to address problems has earned the organization a good reputation with community leadership. However, it is worth noting that not all of STEER’s member companies are seen as equally committed to Eagle Ford communities. As one industry representative stated, “every single member in STEER, they all have someone devoted to Eagle Ford community. And to address what is going on. [One company] has seven on their team. [Another company] does, and [a third company]—they have, you know, like maybe half a person [laugh].”

The industry representatives in our interviews were all knowledgeable and enthusiastic about STEER. This is less true of the EFC. Most industry representatives indicated that they had attended EFC conferences but had very little to say about their

usefulness or importance. This may be due to the EFC's focus on community concerns rather than serving as a central point of contact or coordinator of industry public relations in the region. Only two industry representatives talked enthusiastically about the EFC's efforts. One greatly valued the EFC as a venue to build relationships with community leaders:

Just here a month or so ago at the [Eagle Ford] Consortium in San Antonio, you know, we take [elected officials] out for dinner at night, and those are stakeholders, but you know what, those are my close personal friends, too... And so, you know, for over the last year or so, I've had an opportunity to really get to know these people. When I go out and get Judge [last name] for lunch he fights me for the ticket, he wants to pay for it. And so I just, I just think that developing these great relationships will further your cause then you could ever imagine.

The other discussed the EFC when asked about the major obstacles to industry dialog with Eagle Ford stakeholders:

Probably not having a platform or an area where everyone can go and meet. Which is one thing the Eagle Ford Consortium has done a great job. Their leadership under Leodoro Martinez and his whole group it's been awesome. I've really enjoyed it... I have really enjoyed working with them, I've enjoyed working with their stakeholders. These conferences are really impactful. Because they bring everyone. They want everyone together and that's what I think is very beneficial as compared to other plays.

Philanthropy

Philanthropic giving is an important part of industry's social responsibility efforts. Unsurprisingly, most industry representatives were enthusiastic about their company's philanthropy. Donations to schools, infrastructure, and other areas were a clear source of pride and gave the impression that their specific company, but also their industry as a whole, were having a positive impact:

I think you look at each company, most of them, each have a budget to donate or sponsor a lot of different events throughout the Eagle Ford. So, if you look at all the philanthropic effort, I feel like it is pretty amazing. They have staff that is—their sole job is devoted to the community. Which is—I think that says a lot.

Another industry representative stated:

Last year a group of us, and I want to be honest here too, we kind of rode the coattails of this, but a group of operators got together and then made a pretty substantial contribution to the Karnes City volunteer fire department, which they used to buy a truck... so that was, that was one thing that we did that I thought was, was decent.

To be sure, these efforts are important and, at times, are quite generous.

As discussed in our previous report (Potterf et al. 2014), local community leaders generally welcome industry efforts to make investments that address problems relevant to both communities and industry. However, some donations are received with skepticism. Communities are typically not in a position to turn down industry money or gifts, but community leaders sometimes feel that these efforts are more a public relations maneuver than meaningful efforts to help communities. This is especially true when the sponsoring

group does not have a reputation for consistent community engagement or when the gift simply addresses a problem caused by the industry itself.

Some of the people in our industry interviews also noted the percentage of earnings that go back into local communities.

The crazy thing is, I think, that people are very gracious regarding anything that we do. And, and part of me, it just thinks, it just kills me because I just feel like, despite the fact it is a low margin business... I feel like we're making money hand over fist and it just seems so, it just seems so parsimonious, what our spend is so, um, I'm actually amazed we get away with spending as little as we do.

There is also a sense that community members are starting to understand that donations represent only a small proportion of the economic worth of the extracted hydrocarbons.

I think stakeholders are starting to smarten up and say, "Okay, well that's great, but, what does it, what does it translate into," so you know, I think in a community level they're like, you know, well how many of our kids get to go to college or how many of our kids get jobs in your industry or how many of us get jobs or, you know, how many miles of road have you repaved. They want to see the impact and I don't think they're so impressed with the numbers.

Successes & Opportunities for Improvement

Is industry being socially responsible? Ultimately, the answer is that it depends. Not all companies make the same amount of effort, and those efforts are not evenly distributed across populations or geographies. Interviewers asked participants to identify things they feel are going well in the Eagle Ford and things that need improvement. Using these data, we address the efficacy of industry's social responsibility efforts.

Successes

Economic success was the most common indicator industry representatives used to show positive community outcomes. Representatives recognized that increased economic prosperity was not evenly distributed across populations. Still, they point out that development has benefited the local economy, even those without leases:

I would say that some of the positive outcomes are obviously, it's great to see, maybe not all, but a number of the folks locally who have been able to take advantage of employment opportunities in the area. There were a lot of Mom-and-Pop-shops who had an opportunity to expand and new businesses also coming into the area and people being able to invest in those as well. So to the community, from the community side you saw a lot of those benefits.

Not everyone is prospering in the Eagle Ford, but many are. These economic benefits are well understood (Tunstall 2015). Less well understood are the socio-economic challenges associated with rapid economic and population growth. While increased revenue is a positive change, significant social and environmental drawbacks exist and need to be addressed.

As stated in an earlier report, the central issues of concern to community leaders were truck traffic, public safety, trash, high costs of living, and perceived impacts on air and water quality (Potterf et al. 2014). In our interviews, industry representatives shared examples of significant efforts to address problems related to truck traffic, trash, and environmental hazards.

Industry and community leaders also agree that many of the problems related to truck traffic, trash, and environmental hazards, are related to industry subcontractors and

support service companies. In an effort to address this issue, STEER has introduced the “Eagle Ford Excellence Award.” According to STEER’s website, these awards give “oil and gas companies and their contractors an opportunity to be acknowledged for their efforts in preserving the environment, contributing to the communities in which they work and promoting safety in and around the workplace.” In the words of one industry official:

That was one of the reasons we came up with the excellence awards, because it was really to identify and say, “Look, we have an expectation for our contractors, and we want you to understand that we are more likely to align ourselves with those folks and those companies who are operating with the same values that we have and the same levels of standards that we have, that we want safe operations, we want the roads to be safe, we want people to, uh, pick up their trash, you know, these are common challenges in any area of development where you suddenly have that increase in activity.”

Industry officials feel this program has been successful. The same is true of STEER and industry-sponsored trash pickup campaigns and other philanthropic giving.

Knowing the extent to which industry philanthropy programs are effective is a difficult task. To their credit, some companies make significant efforts to evaluate the effectiveness of sponsored programs. For example, one company representative talked about having programs supported by the company audited:

[Our community engagement work is] audited by my company. We will have an audit in July of this year and I have to show that what I’ve done, we can’t just throw money at some sponsorship...we have to do something that improves the lives of those in the community, and we have to prove it. So you find groups or

organizations that really can prove and that really have the experience that back it. One of our programs we are going to do is Boy Scouts energy badge. And they also have a program called learning for life. They go into the schools and encourage kids to stay in school. They work on their self-esteem. And from that, they noticed test scores improve and so were working with them, working on their course- their courses on educating teachers on how to do that.

This company was one of the most involved. While this industry representative acknowledged logistical difficulties proving program outcomes, the efforts seemed focused on improving the lives of people in the community. This representative is significantly involved in the EFC and was the only representative to report significant efforts to address low-income housing and the special concerns of the elderly in our interview.

When it comes to environmental concerns, those companies with significant local or regional representation were more confident about their successes working with community leadership. For example, one industry representative talked about helping a community clean up another company's flow-back spill. "[Another company had] just dumped it out. And so our guys came upon it and contacted the county and were like, 'we didn't do this,' but we want to clean this up. They worked very quickly." This situation helped their organization build trust and good will with community leadership. Later, when their company had an incident, they had established a reputation for doing the right thing:

I think a month later, one of our contractors had a spill that they did. So they knew that we were good to clean up. We went and did it right away. We gave them the studies. 'Cause it's so important if any soil is impacted by anything, that you contain everything, remove everything. Has to be tested immediately. It's very closely

monitored, by both TCEQ [Texas Commission on Environmental Quality] and Railroad Commission. And a lot of times, like a rural area that's sand, everything has to go, and everything has to be done properly. And so that's the only way you have to build up your reputation and then be there and improve and, but that's a sad day. Any kind of environmental issue is very sad.

Opportunities for Improvement

While respondents were quick to highlight their economic, social, and environmental successes, several of our respondents also recognized significant inequalities in the distribution of costs and benefits among local community members. Access to basic services, such as healthcare, remains an important problem in the Eagle Ford. According to one representative:

I feel like probably the most urgent healthcare issues, life type issues, like issues that could keep them from being a productive community. So they want to enhance those areas and make 'em stronger and more efficient, and so we really want to improve the areas we go, want to develop. We also want to give back to the community. We noticed there—what was missing out of the key life indicators were education rates were quite low, also poverty rates are extremely high.

Working collaboratively with community leaders to address social problems is an important, but complex, task that requires personal relationships and two-way communication. This is a strength for some companies and a weakness for others. For companies without clear lines of communication to the local community, it is much more difficult for them to identify and formulate effective responses or to help address the social dislocations associated with rapid energy development.

At the same time, the industry staff who do work in locally—or regionally—based community engagement roles felt their work was often not well understood or valued by others within their company. This was a significant challenge for some:

It's very complex and I think a lot of people in our own company here don't know what I do...So they know I'm working on all of these issues, but I don't think they even realize how hard it is to work with these relationships. Or even a lot of people who are here, are based here, they go home, they've never been to the Eagle Ford, they have no clue how big it is, how vast it is, how long it is to go from here to Tilden.

Another challenge is a lack of direction in community engagement efforts. Some companies know they should be engaging the community but are unsure how to go about doing this work effectively. This leads to unorganized efforts that likely have little benefit to local communities.

[When I started], stakeholder engagement had already become a completely abused buzzword and I think we saw a lot of companies doing stakeholder engagement for the sake of stakeholder engagement. They didn't really understand what the hell they were doing... And I think there's pressure on folks like our asset managers who are at the Vice President level, there's pressure on them internally, that they think they need to be out talking to folks in the public realm. They're not entirely sure what the agenda should be, like why are they going to talk to these people and what to get out of it. So we're trying hard to sort of link it back to risk management to say like, "You know, you need to go see County Judge A because he or she is really concerned about these issues, and you know, you don't want them to shut down production or you know, place an anonymous call to CE or to TCEQ. We're sort of

trying to put it in that context, that, you know, this is not just, not just making friends but you know, you need to get out there and have a conversation where you honor potential risks to the business that you can come back and use that information to do informed decisions going forward.

Within the corporate culture of energy companies, there appears to be a tendency to see community relations and public communication efforts as important only if they provide tangible economic returns.

Summary

Social responsibility is an important goal for many of the primary companies operating in the Eagle Ford Shale. Through community engagement and philanthropic giving, many companies have made significant efforts to work collaboratively with local leadership. However, companies vary significantly in their methods and commitment to this work. Some operators have employed community engagement staff who live and work directly in Eagle Ford communities. Others have staff located in San Antonio or Houston. One company did not have any local or regional community engagement specialists.

Community engagement efforts also vary by target population. Land and mineral owners are often a primary focus of communication efforts, which are usually handled by field staff. Obtaining lease agreements is a priority early in the development of the shale play. Later, industry representatives often reach out to local elected officials to discuss emergency response readiness and infrastructure needs. Some respondents also reported contacting local Chambers of Commerce and school officials.

Our findings suggest that engagement efforts are less effective at reaching the general public. Furthermore, we find that housing authorities, social services, religious organizations, and other community-based groups are generally uninformed about energy development.

STEER and the EFC are organizations important to industry efforts to engage the public. STEER, an industry group, provides an organizing structure that helps operators address regional problems collectively in ways individual companies cannot. Different companies work in different counties in the Eagle Ford, yet problems such as infrastructure failures and emergency response require solutions that extend beyond these borders. STEER works to organize industry efforts and to address collective problems. The EFC is more broad-based and inclusive of local community leaders than STEER. Industry representatives in our interviews were knowledgeable and enthusiastic about STEER, but generally less involved with the EFC.

Industries' community engagement efforts are diverse and often fairly extensive. Nevertheless, our interviews with community leaders and focus groups with local citizens reveal that considerable frustration remains about the social and economic dislocations associated with energy development, and many living in the impacted communities are uncertain about the risks and benefits associated with different industry practices (Potterf et al. 2014). The industry communication efforts described above are not always effective at reaching unelected community leaders and the general population. Non-lease owning citizens often disproportionately experience some of the negative social and economic effects associated with energy development. Their perceived lack of information about industry activities accentuates the impact of these dislocations.

Philanthropic giving is an important part of industry's social responsibility efforts. Unsurprisingly, most industry representatives are enthusiastic about their company's philanthropy. Donations to schools, infrastructure, and other areas were a clear source of pride. These efforts are a chance to show how their specific company, and their industry as a whole, positively contributes to the community. As discussed in our previous report (Potterf et al. 2014), local community leaders generally welcome industry efforts to address problems relevant to both communities and industry, but these efforts can also be received with skepticism when they appear to be efforts to control their public relations. Corporate giving appears to be most effective when it is combined with consistent community engagement.

Overall, a key factor predicting the success of social responsibility efforts is the extent to which company representatives build local relationships. Employing a locally-based representative appears to be the most effective way to build these relationships, but a motivated regional representative who makes regular trips to the Eagle Ford also seems useful. That said, simply having representation is insufficient. These representatives must work with community members to understand the social, cultural, and economic context. Representatives must be supported and encouraged to take a collaborative approach to working with communities. Companies that fail to do this run the risk of exhausting the good will of local leadership and having their philanthropic giving perceived as insufficient, disingenuous, or self-serving.

Recommendations

The findings of the study have immediate value for local industry actors and community leaders who want to know more about industry's social responsibility efforts. Eagle Ford communities are varied both internally and geographically. A one-size-fits-all approach to community engagement or philanthropy will not be successful. With this in mind, our findings provide guidance for developing more successful long-term efforts to improve communication among industry, community leadership, and citizens. These could include:

- Employing locally-based community engagement specialists who attend local meetings, build relationships with diverse local leadership, and serve as a familiar point of contact for community members seeking information about industry activities. Our research found that the most successful and productive examples of public communication in the Eagle Ford occurred where this has been done well.
- Identify and engage leaders of community groups who work with vulnerable populations (e.g., elderly, low-income, and underrepresented racial and ethnic groups) who often experience a disproportionate share of the social and economic dislocations associated with rapid energy development. Examples include law enforcement personnel, housing authority officials, religious leaders, food bank agents, teachers (not just school administrators), social work professionals, as well as informal community leaders from various backgrounds. Industry should work collaboratively with these groups to strategize mutually beneficial approaches to solving problems. Doing so will integrate local knowledge and increase community buy-in.

- Invest in proactive community outreach activities specifically geared to get input from the general public (particularly citizens who are not lease holding landowners). Creative approaches to attract these residents to meetings and special public input events will be required, and the use of social science research tools (like systematic focus groups and surveys) can be an effective way to ‘take the pulse’ of the community, identify emerging citizen concerns, and provide a vehicle for people to air grievances.

The development of unconventional hydrocarbons is necessarily a long-term commitment for residents of Eagle Ford communities. To be socially responsible, industry’s commitment to the well-being of local residents should be equally long-term. Any positive outcomes resulting from the economic opportunities associated with energy extraction, including philanthropic efforts, will be more targeted, appreciated, and impactful if they take place within a context of effective two-way communication between the industry actors and local community members.

References

- Brown, Ralph B., Shawn F. Dorius, and Richard S. Krannich. 2005. "The Boom–Bust–Recovery Cycle: Dynamics of Change in Community Satisfaction and Social Integration in Delta, Utah." *Rural Sociology* 70(1):28–49.
- Brown, Ralph, H. Reed Geertsen, and Richard S. Krannich. 1989. "Community Satisfaction and Social Integration in a Boomtown: A longitudinal Analysis." *Rural Sociology* 54(4):568–586.
- Cortese, Charles F. and Bernie Jones. 1977. "The Sociological Analysis of Boom Towns." *Western Sociological Review* 8:76-90.
- Potterf, Jebadiah E., Peggy Petrzela, Douglas Jackson-Smith, Colter Ellis, Gene L. Theodori, and Cameron Alex Carmichael. 2014. *Community Perceptions of the Oil and Gas Industry in the Eagle Ford Shale Play*. Institute for Social Science Research on Natural Resources. Logan, UT: Utah State University.
- Smith, Michael D., Richard S. Krannich, and Lori M. Hunter. 2001. "Growth, Decline, Stability, and Disruption: A Longitudinal Analysis of Social Well-Being in Four Western Rural Communities." *Rural Sociology* 66(3): 425-450.
- Theodori, Gene L. 2012. "Public Perception of the Natural Gas Industry: Data from the Barnett Shale." *Energy Sources, Part B: Economics, Planning and Policy* 7:275-281.
- Theodori, Gene L. and A.E. Luloff. 2015. *Perceptions of Oil and Natural Gas Development in the Eagle Ford Shale: A Summary of Findings from a 2015 Survey*. Huntsville, TX: Center for Rural Studies, Sam Houston State University.

Theodori, Gene L. and Douglas Jackson-Smith. 2010. "Public Perception of the Oil and Gas Industry: The Good, the Bad, and the Ugly," SPE 134253. *Proceedings of the 2010 Society of Petroleum Engineers Annual Technical Conference and Exhibition*.

Richardson, TX: SPE.

Tunstall, Thomas. 2015. "Recent Economic and Community Impact of Unconventional Oil and Gas Exploration and Production on South Texas Counties in the Eagle Ford Shale Area." *Regional Analysis & Policy* 45(1): 82-92.

Appendix

Engagement for Effective Communication: Development and Testing of Best Communication Practices in Eagle Ford Shale Communities

Industry Representatives Interview Guide

Introductions and Rapport Building

Tell me about your role in the company you work for.

How long have you & your company worked in this area of TX?

Benefits, Concerns, and Problem Solving

Based on your experiences and observations, what are the most significant ways that oil and gas development has affected local communities in this area?

- How has it changed life for the residents?
- How has it been for people who moved to this area to work on these projects?

In terms of finding a workforce for this development, what kinds of opportunities have been created for local residents, and what kinds of jobs require skills and expertise that need to be brought in from other areas?

Looking to the future, what are the most beneficial things you expect might come from expanded oil & gas development in this area?

- What steps has your company taken to make sure that those benefits occur?
- Are there other things that you think could be done in the future to maximize the benefits?

Relationships with the Community

How would you describe your company's relationship with the communities located closest to the energy activity?

- How has this relationship changed over time?
- Are there any ways this relationship could be improved?

What concerns (if any) have you heard from local community members or leaders about gas/oil development activities to date?

- Do individual residents and elected leaders feel differently about these issues?
- Have you been able to do anything to address any concerns?
 - If yes, who have you worked with to address these concerns? (Use specifics from previous question)

Can you think of an example of an event where you worked with communities to address and fix a community concern or issue related to oil and gas development?

- Was it successful?
- Why do you think this collaboration was un/successful?
- What do you think could be done to make this more successful in the future?

Before your company begins drilling activity in a community, do you provide them with information on the activity and what to expect?

- If yes, what types of information do you provide, and how do you provide it? (Ask for examples and also hard copies to take with if available).
- What groups or sources do you turn to for information to give local communities related to the benefits and impacts of energy development?
- Have you sought information or assistance from anyone? (Universities? State agencies? Others?)

Closing Questions

Do you have any advice for the energy industry in other places where oil/gas development is just beginning?

Is there anything I haven't asked about that you think I should know?

Do you know anyone who is knowledgeable about these issues that you would recommend we talk with?

Would you be interested in working with us in the future to get information to answer questions you might have about managing the impacts of energy development in this community?

Additional Questions of Interest IF time

It seems like there are positive and negative aspects to most types of development. Can you think of things that can be done to make sure the benefits outweigh the risks?

- What can the oil companies do?
- What can community leadership do?

Interviewee Information Sheet:

Name:

Time:

Government/Company affiliation:

Position or title:

Town of employment:

Place of interview:

MP3 File Name:

General Comments/Notes: