

CABOT OIL & GAS CORP
Form DEF 14A
March 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY
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☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

CABOT OIL & GAS CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 29, 2007

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cabot Oil & Gas Corporation to be held on Wednesday, May 2, 2007, at 8:00 a.m., local time, in the First Floor Auditorium of our corporate headquarters, located at 1200 Enclave Parkway, Houston, Texas.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement cover the formal business of the meeting. To better acquaint you with the directors, the Proxy Statement contains biographical information on each nominee and each director continuing in office. Directors and officers of the Company will be present at the meeting to respond to your questions.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. Please complete, sign, date and return the enclosed proxy card in the postage-paid envelope provided, or if your proxy card or voting instructions form so indicates, vote electronically via the Internet or telephone.

Sincerely,

DAN O. DINGES

Chairman, President and Chief Executive Officer

CABOT OIL & GAS CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 2, 2007

The Annual Meeting of Stockholders of Cabot Oil & Gas Corporation (the Company), a Delaware corporation, will be held at the Company's corporate headquarters, First Floor Auditorium, 1200 Enclave Parkway, Houston, Texas 77077, on Wednesday, May 2, 2007, at 8:00 a.m., local time, for the following purposes:

- I. To elect three persons to the Board of Directors of the Company.
- II. To ratify the appointment of the firm PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for its 2007 fiscal year.

III. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof. Only holders of record of the Common Stock at the close of business on March 20, 2007 are entitled to receive notice of and to vote at the Annual Meeting. The transfer books of the Company will not be closed. The Board of Directors of the Company has declared a two-for-one split of the Common Stock, to be effected by means of a stock dividend to stockholders of record on March 16, 2007, with a distribution date of March 30, 2007. Accordingly, the additional shares of Common Stock issued in the stock split will **not** be entitled to vote at the annual meeting.

It is important that your shares be represented and voted at the Annual Meeting. Stockholders are urged to vote their shares by one of the following methods whether or not they plan to attend the Annual Meeting:

vote via the Internet or by telephone using the instructions on the proxy card, if this option is available to you (please refer to your proxy card to determine if this option is available to you); or

complete, sign, date and return the accompanying proxy card in the enclosed self-addressed envelope (the self-addressed envelope requires no postage if mailed in the United States).

You may vote in person if you attend the Annual Meeting.

Please exercise your right to vote at your earliest convenient time.

BY ORDER OF THE BOARD OF DIRECTORS,

LISA A. MACHESNEY

Vice President, Managing Counsel and Corporate
Secretary

Houston, Texas

March 29, 2007

CABOT OIL & GAS CORPORATION

1200 Enclave Parkway

Houston, Texas 77077

PROXY STATEMENT

Annual Meeting of Stockholders

To Be Held May 2, 2007

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Cabot Oil & Gas Corporation (the "Company") of proxies for use at its 2007 Annual Meeting of Stockholders, to be held at the Company's corporate headquarters, 1200 Enclave Parkway, Houston, Texas, on Wednesday, May 2, 2007, at 8:00 a.m., or any adjournment or postponement thereof (the "Annual Meeting"), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. You may revoke your proxy at any time prior to its use by a written communication to Ms. Lisa A. Machesney, Corporate Secretary of the Company, or by a duly executed proxy bearing a later date.

Stockholders attending the Annual Meeting may vote their shares in person even though they have already executed a proxy. Properly executed proxies not revoked will be voted in accordance with the specifications thereon at the Annual Meeting and at any adjournment thereof. Proxies on which no voting instructions are indicated will be voted **FOR** the election of the candidates named herein and **FOR** Proposal II and in the best judgment of the proxy holders on any other matters that may properly come before the meeting.

Only holders of record of the Company's Common Stock, par value \$.10 per share ("Common Stock"), as of the close of business on March 20, 2007, are entitled to vote at the Annual Meeting. As of that date, the Company had outstanding and entitled to vote 48,423,766 shares of Common Stock. The Board of Directors of the Company has declared a two-for-one split of the Common Stock, to be effected by means of a stock dividend to stockholders of record on March 16, 2007, with a distribution date of March 30, 2007. Accordingly, the additional shares of Common Stock issued in the stock split will **not** be entitled to vote at the annual meeting.

Each share of Common Stock is entitled to one vote per share. There is no provision for cumulative voting. A quorum for the consideration of business at the Annual Meeting consists of a majority of all outstanding shares of stock entitled to vote at the Annual Meeting. The Proxy Statement and form of Proxy are being first sent or given to shareholders on or about March 29, 2007.

In accordance with Delaware law, a stockholder entitled to vote for the election of directors can withhold authority to vote for all nominees for director or can withhold authority to vote for certain nominees for director. Abstentions and broker non-votes (proxies submitted by brokers that do not indicate a vote for a proposal because they do not have discretionary voting authority and have not received instructions as to how to vote on that proposal) are counted as present in determining whether the quorum requirement is satisfied. For purposes of determining the outcome of any question as to which the broker has physically indicated on the proxy that it does not have discretionary authority to vote, these shares will be treated as not present and not entitled to vote with respect to that question, even though those shares are considered entitled to vote for quorum purposes and may be entitled to vote on other questions. Because the vote required for approval of Proposal II is a majority of the shares present in person or by proxy at the meeting and entitled to vote on the proposal, abstentions will have the same effect as votes against the proposal, but broker non-votes will not generally affect the outcome of the voting on the proposal.

PROPOSAL I.

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes of directors serving staggered three-year terms. John G. L. Cabot, David M. Carmichael and Robert L. Keiser are currently directors and have been nominated for election at the Annual Meeting for terms of three years, each to hold office until the expiration of his term in 2010 and until his successor shall have been elected and shall have qualified.

It is the intention of the persons named in the enclosed form of proxy to vote such proxies **FOR** the election of Messrs. Cabot, Carmichael and Keiser for terms of three years. If any one of the nominees is not available at the time of the Annual Meeting to serve, proxies received will be voted for substitute nominees to be designated by the Board of Directors or, in the event no such designation is made by the Board, proxies will be voted for a lesser number of nominees. In no event will the proxies be voted for more than the number of nominees set forth below.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MESSRS. CABOT, CARMICHAEL AND KEISER TO THE BOARD OF DIRECTORS.

Certain Information Regarding Nominees and Directors

Set forth below, as of March 1, 2007, for each current director and for each nominee for election as a director of the Company, is information regarding age, position(s) with the Company, membership on committees of the Board of Directors, the period served as a director and term of office, business experience during at least the past five years, and other directorships currently held. Mr. Dinges, Chairman, President and Chief Executive Officer, is the only employee or former employee of the Company on the Board of Directors.

[GRAPHIC APPEARS HERE]

John G.L. Cabot

Age: 72

Director Since: 1989

Committee Memberships: Audit (Chairman), Safety and

Environmental Affairs, Executive

Term of Office Expires: 2007 (Nominee for Director)

Business Experience:

Retired September 1995

Cabot Corporation

Chief Financial Officer - October 1992 to September 1995

Vice Chairman of the Board - October 1988 to September 1995

[GRAPHIC APPEARS HERE]

David M. Carmichael

Age: 68

Director Since: 2006

Committee Memberships: Compensation, Corporate Governance and Nominations

Term of Office Expires: 2007 (Nominee for Director)

Business Experience:

Private Investor - (securities and energy investment) - 1996 to present

KN Energy, Inc.

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Vice Chairman and Chairman of the Management Committee - 1994 to 1996

American Oil & Gas Corporation (merged with KN Energy, Inc. in 1994)

Chairman, Chief Executive Officer and President - 1985 to 1994

Other Directorships:

Ensco International Incorporated

Natural Resource Partners L.P.

[GRAPHIC APPEARS HERE]

Dan O. Dinges

Age: 53

Director Since: 2001

Committee Memberships: Executive

Position: Chairman, President and Chief Executive Officer

Term of Office Expires: 2008

Business Experience:

Cabot Oil & Gas Corporation

Chairman, President and Chief Executive Officer - May 2002 to present

President and Chief Operating Officer - September 2001 to May 2002

Samedan Oil Corporation (a subsidiary of Noble Affiliates, Inc., now Noble Energy Inc.)

Senior Vice President and Division General Manager, Offshore Division - 1998 to September 2001

Vice President and Division General Manager, Offshore Division - 1989 to 1998

Division General Manager, Offshore Division - 1986 to 1989

Division Landman, Offshore Division 1981 to 1986

Mobil Oil Corporation

Land Supervisor - 1978 to 1981

Other Directorships:

Lone Star Technologies, Inc.

Spitzer Industries, Inc.

Domestic Petroleum Council

Boy Scouts of America - Sam Houston Area Council

Foundation for Energy Education

Palmer Drug Abuse Program

[GRAPHIC APPEARS HERE]

James G. Floyd

Age: 70

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Director Since: 2001

Committee Memberships: Safety and Environmental Affairs (Chairman),

Compensation, Executive

Term of Office Expires: 2009

Business Experience:

JGF Inc. (ranching, real estate, and oil & gas investments)

Chairman and Owner

The Houston Exploration Company

President, Chief Executive Officer and Director - January 1986 to April 2001

Seagull Energy Corporation

Director of Seagull Energy Corporation and President of subsidiary

Seagull Exploration & Production, Inc. - 1981 to 1986

[GRAPHIC APPEARS HERE]

Robert L. Keiser

Age: 64

Director Since: 2006

Committee Memberships: Audit and Safety and Environmental Affairs

Term of Office Expires: 2007 (Nominee for Director)

Business Experience:

Retired June 1999

Kerr-McGee Corporation

Chairman of the Board - February 1999 to June 1999

Oryx Energy Company (merged with Kerr-McGee Corporation)

Chairman and Chief Executive Officer - 1995 to February 1999

Other Directorships:

Lone Star Technologies, Inc.

[GRAPHIC APPEARS HERE]

Robert Kelley

Age: 61

Director Since: 2003

Committee Memberships: Corporate Governance and Nominations (Chairman), Audit,

Compensation Term of Office Expires: 2009

Business Experience:

Kellco Investments, Inc. (private investment company)

President - April 2001 to present

Noble Affiliates, Inc.

Chairman of the Board - 1992 to April 2001

President and Chief Executive Officer - 1986 to October 2000

Other Directorships:

OGE Energy Corporation

Lone Star Technologies, Inc.

Smith International, Inc.

[GRAPHIC APPEARS HERE]

P. Dexter Peacock

Age: 65

Director Since: 1998

Committee Memberships: Executive (Chairman), Audit, Corporate Governance and
Nominations

Position: Lead Director

Term of Office Expires: 2009

Business Experience:

Andrews Kurth L.L.P., Houston, Texas

Of Counsel - 1998 to present

Partner - 1975 to 1997

Managing Partner - 1986 to 1991

Other Directorships:

Rowan Companies, Inc.

[GRAPHIC APPEARS HERE]

William P. Vititoe

Age: 68

Director Since: 1994

Committee Memberships: Compensation (Chairman), Corporate Governance and Nominations

Term of Office Expires: 2008

Business Experience:

Retired May 1998

Consultant to Puget Sound Energy, Inc. - February 1997 to May 1998

Washington Energy Company

Chairman of the Board, Chief Executive Officer and President - January 1994 to February 1997

ANR Pipeline Company

President and Chief Executive Officer - October 1990 to December 1993

Other Directorships:

Comerica Inc.

Amerisure Inc.

Aegis Technologies

CORPORATE GOVERNANCE MATTERS

Board of Directors Independence

The Company's Corporate Governance Guidelines require that at least a majority of the Company's directors be independent under the New York Stock Exchange (NYSE) listing standards and all other applicable legal requirements. Additionally, all members of the audit committee, compensation committee and corporate governance and nominations committee are required to be independent.

As contemplated by NYSE listing standards, the board has adopted categorical standards to assist it in making independence determinations, under which relationships that fall within the categorical standard are not required to be disclosed in the proxy statement and their impact on independence need not be separately discussed. The board, however, considers all material relationships with each director and all facts and circumstances it deems relevant in making its independence determinations. A relationship falls within the categorical standard if it:

Is a type of relationship addressed in Section 303A2(b) of the NYSE Listed Company Manual, but under those rules does not preclude a determination of independence;

Is a type of relationship or transaction addressed in Item 404 of Regulation S-K, but under that regulation does not require disclosure; or

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Consists of charitable contributions by the Company to an organization where a director is an executive officer and does not exceed the greater of \$1 million or 2% of the organization's gross revenue in any of the last 3 years.

The Board of Directors has determined that each director's relationship with the Company, with the exception of Mr. Dinges, the Chairman, President and Chief Executive Officer, falls within the categorical standard and that all directors, with the exception of Mr. Dinges, are independent. In 2006, the Board of Directors determined that Messrs. Robert F. Bailey and C. Wayne Nance, who retired from the Board of Directors in 2006, were independent. Further, the Board of Directors has determined that all members of the audit committee, compensation committee and corporate governance and nominations committee are independent.

Corporate Governance Guidelines

In 2003, the Board of Directors adopted the Cabot Oil & Gas Corporation Corporate Governance Guidelines. These guidelines outline the functions and responsibilities of the board, director qualifications, and various processes and procedures designed to ensure effective and responsive governance. The guidelines are reviewed from time to time in response to changing regulatory requirements and best practices and are revised accordingly. The full text of the Corporate Governance Guidelines can be found on the Company's website at www.cabotog.com by clicking Investor Relations, and then clicking Corporate Governance, and a copy will be provided, without charge, to any shareholder upon request.

Code of Business Conduct

All employees, officers and directors are required to comply with the Company's long-standing Code of Business Conduct to help ensure that the Company's business is conducted in accordance with the highest standards of moral and ethical behavior. The Code of Business Conduct covers all areas of professional conduct including, conflicts of interest, customer relationships, insider trading, financial disclosure, intellectual property and confidential information, as well as requiring strict adherence to all laws and regulations applicable to the Company's business. Employees, officers and directors annually are required to reply to a Code of Conduct Questionnaire, which is designed to elicit information related to any known or possible violation of the Code. The full text of the Code of Business Conduct can be found on the Company's website at www.cabotog.com by clicking Investor Relations, and then clicking Corporate Governance, and a copy will be provided, without charge, to any shareholder upon request.

Executive Sessions of the Board of Directors

The Board of Directors holds an executive session of the non-management directors during each of its regularly scheduled meetings. The executive sessions are presided over by the Lead Director, Mr. P. Dexter Peacock.

Communications with the Board of Directors

The Company's Board of Directors has a process for shareholders and other interested parties to send communications to the board. That process can be found in Item 9 of the Company's Corporate Governance Guidelines found at the Company's website at www.cabotog.com.

Communications should be addressed to the Board of Directors, a specified committee of the board, an individual director or the Non-management Directors in care of:

Vice President, Managing Counsel and Corporate Secretary

Corporate Legal Department

1200 Enclave Parkway

Houston, Texas 77077-1607

(281)589-4891

(281)589-4808 (fax)

(Outside the U.S. or U.S. long distance-call collect)

lisa.machesney@cabotog.com (email)

All communications received as described above and intended for the Board of Directors, a committee of the Board of Directors, an individual director, or the non-management directors as a group will be relayed to the appropriate directors.

Annual Meeting Attendance

The Company's policy is that it expects all members of the Board of Directors to attend the Company's annual meeting of stockholders. In 2006, all but one of the members of the board attended the annual meeting.

Board of Directors and Committee Meeting Attendance

The Board of Directors held six meetings during 2006. All directors attended 100% of the meetings of the Board of Directors and of the committees held, with the exception of Mr. Carmichael who attended 67% of the meetings of the Board of Directors and committees held, while they were members during 2006.

Director Compensation

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During 2006, non-employee directors' annual compensation was based upon a fee of \$55,000, payable quarterly, for their services on the Company's Board of Directors and its committees. The Audit Committee Chairman receives an additional \$10,000 annual retainer, the remaining committee chairmen receive an additional \$5,000 annual retainer and the Lead Director receives an additional \$5,000 annual retainer, each payable quarterly, for their service. In May 2006, the annual retainer for the committee chairmen (other than audit) and the Lead Director increased from \$5,000 to \$7,500. There are no per meeting fees paid.

Prior to February 2007 non-employee directors received nondiscretionary automatic grants of non-qualified options to purchase 15,000 shares of the Common Stock at a price equal to 100% of the fair market value on the date first elected to the Board of Directors under the 2004 Incentive Plan. Messrs. Carmichael and Keiser, who joined the board in February 2006, received this award. We amended the 2004 Incentive Plan in February 2007 to eliminate this automatic grant to new non-employee directors. The options granted to Messrs. Carmichael and Keiser vest one-third on the first, second and third anniversary of the date of award and have a five-year term. In addition, in 2006, a

discretionary award was made to the non-employee directors of 2,460 restricted stock units each under the 2004 Incentive Plan, the restrictions on which lapse the date the non-employee director leaves the Board of Directors.

Directors who are employees of the Company receive no additional compensation for their duties as directors. All directors were reimbursed for travel expenses incurred for attending Board and committee meetings. Spouses of the directors were invited to attend one meeting during 2006 and travel expenses incurred by the spouses for attendance at this meeting were reimbursed by the Company. For more information on director compensation, see *Director Compensation* on page 30.

Director Retirement

It is the policy of the Board of Directors that directors of the Company retire at the Annual Meeting following a director's 73rd birthday, unless a determination is otherwise made by the Board of Directors. Messrs. Robert F. Bailey and C. Wayne Nance retired from the Board of Directors in 2006.

Information on Standing Committees of the Board of Directors

The Board of Directors has five standing committees: the Corporate Governance and Nominations Committee, the Audit Committee, the Compensation Committee, the Safety and Environmental Affairs Committee and the Executive Committee. Membership on each committee during 2006 is as discussed below. All standing committees, with the exception of the Executive Committee, are composed entirely of independent, non-employee directors.

Corporate Governance and Nominations Committee The Corporate Governance and Nominations Committee (the CGN Committee) is composed of four members: Messrs. Kelley (Chairman), Carmichael, Peacock and Vitoe. During 2006, the CGN Committee held two meetings. Each member of the CGN Committee satisfies the independence requirements of the NYSE listing standards. The CGN Committee Charter is available to shareholders on the Company's website at www.cabotog.com by clicking Investor Relations, and then clicking Corporate Governance, and a copy will be provided, without charge, to any shareholder upon request.

The CGN Committee will consider director candidates recommended by shareholders. Under its charter, the CGN Committee seeks out and evaluates qualified candidates to serve as board members as necessary to fill vacancies or the additional needs of the board, and consider candidates recommended by shareholders and management of the Company. Any stockholder desiring to propose a nominee to the Board of Directors should submit such proposed nominee for consideration by the CGN Committee, including the proposed nominee's qualifications, to Ms. Lisa A. Machesney, Corporate Secretary, Cabot Oil & Gas Corporation, 1200 Enclave Parkway, Houston, Texas 77077.

The CGN Committee seeks to select candidates who have personal and professional integrity, who have demonstrated ability and judgment and who shall be effective, in conjunction with the other nominees and board members in collectively serving the long-term interests of the shareholders.

The CGN Committee generally identifies nominees through recommendations made by incumbent directors. A resume is reviewed and if merited, an interview follows. A qualified candidate identified by a shareholder follows the same committee process. There are no differences in the manner in which the CGN Committee evaluates nominees for director based on whether the nominee is recommended by a shareholder or recommended by the incumbent directors. The appointment of Messrs. Carmichael and Keiser as directors of the Company in February 2006 was recommended to the CGN Committee by non-management directors.

Audit Committee The Audit Committee is composed of four members: Messrs. Cabot (Chairman), Keiser, Kelley and Peacock. During 2006, the Audit Committee held four meetings. Each member of the Audit Committee satisfies the financial literacy and independence requirements of the NYSE listing standards. The Board has determined that Messrs. Cabot and Kelley meet the requirements of an audit committee financial expert as defined by the Securities and Exchange Commission. Mr. Kelley sits on four audit committees, including the Company's. The Board of Directors has determined that this simultaneous service does not impair Mr. Kelley's ability to serve on the Company's Audit Committee. The Audit Committee Charter is attached to this proxy statement as Appendix A. The charter is also available to shareholders on the Company's website at www.cabotog.com by clicking Investor Relations, and then clicking Corporate Governance, and a copy will be provided, without charge, to any shareholder upon request.

The function of the Audit Committee is to review and report to the Board of Directors with respect to various auditing and accounting matters, including overseeing the integrity of the financial statements of the Company, the compliance by the Company with legal and regulatory requirements, the selection, independence, qualifications, performance and compensation of the Company's independent auditors and the performance of the Company's internal audit function.

It is the policy of the Audit Committee to pre-approve all audit, review or attest engagements and permissible non-audit services, including the fees and terms thereof, to be performed by the independent auditors, subject to, and in compliance with, the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 and the applicable rules and regulations of the SEC.

The Audit Committee has delegated to each member of the Audit Committee authority to pre-approve permissible services to be performed by the independent auditors. Decisions of a member to pre-approve permissible services must be reported to the full Audit Committee at its next scheduled meeting.

Compensation Committee The Compensation Committee is composed of four members: Messrs. Vititoe (Chairman), Carmichael, Floyd and Kelley. During 2006, the Compensation Committee held three meetings. Each member of the Compensation Committee satisfies the independence requirements of the NYSE listing standards. The Compensation Committee Charter is available to shareholders on the Company's website at www.cabotog.com by clicking Investor Relations, and then clicking Corporate Governance, and a copy will be provided, without charge, to any shareholder upon request.

The function of the Compensation Committee is to recommend to the independent members of the Board of Directors the annual compensation of the Chief Executive Officer, to provide counsel and oversight of the annual compensation of the other officers of the Company, to review the annual compensation of the directors, to oversee and make recommendations to the Board of Directors with respect to incentive compensation plans and equity based plans and other executive benefit plans, and to provide guidance in the area of employee benefits.

Safety and Environmental Affairs Committee The Safety and Environmental Affairs Committee is composed of three members: Messrs. Floyd (Chairman), Cabot and Keiser. During 2006, the Safety and Environmental Affairs Committee held two meetings. Each member of the Safety and Environmental Affairs Committee satisfies the independence requirements of the NYSE listing standards.

The function of the Safety and Environmental Affairs Committee is to review the Company's safety and environmental management programs and evaluate major hazard analyses. From time to time, it also reviews the nature of and extent of Company spending for safety and environmental compliance and consults with outside and internal advisors regarding the management of the Company's safety and environmental programs.

Executive Committee - The Executive Committee is composed of four members: Messrs. Peacock (Chairman), Cabot, Dinges and Floyd. During 2006, there were no Executive Committee meetings held.

The function of the Executive Committee is to exercise all power and authority of the Board of Directors, except as limited by the Company's by-laws or applicable law.

PROPOSAL II.

APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has approved and recommended the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to examine the Company's financial statements for 2007. Neither such firm nor any of its associates has any relationship with the Company except in their capacity as auditors. The persons named in the accompanying proxy will vote in accordance with the choice specified thereon, or, if no choice is properly indicated, in favor of the ratification of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company.

A representative of PricewaterhouseCoopers LLP is expected to attend the Annual Meeting and to be available to respond to appropriate questions raised during the Annual Meeting. The representative will also have an opportunity to make a statement during the meeting if the representative so desires.

See Audit Committee Report on page 9 for further information.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE APPOINTMENT OF THE FIRM OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR ITS 2007 FISCAL YEAR.

AUDIT COMMITTEE REPORT

The Audit Committee is composed of four independent, non-employee directors. The Board of Directors has made a determination that the members of the Audit Committee satisfy the requirements of the NYSE listing standards as to independence, financial literacy and experience. The Board determined that two of the members of the Audit Committee, Messrs. Cabot and Kelley, are audit committee financial experts as defined by rules of the Securities and Exchange Commission. The responsibilities of the Audit Committee are set forth in the Audit Committee Charter, which was adopted in December 2003 by the Board of Directors. The function of the Audit Committee is to review and report to the Board of Directors with respect to various auditing and accounting matters, including overseeing the integrity of the financial statements of the Company, the compliance by the Company with legal and regulatory requirements, the selection, independence, qualifications, performance and compensation of the Company's independent registered public accounting firm and the performance of the Company's internal audit function. The Audit Committee also reviews its charter annually. This is a report on the Audit Committee's activities relating to the calendar year 2006.

Review of Audited Financial Statements with Management

The Audit Committee reviewed and discussed the audited financial statements and management's discussion and analysis of the Company's financial condition and results of operations with the management of the Company.

Review of Financial Statements and Other Matters with Independent Registered Public Accounting Firm

The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed as described in Statement on Auditing Standards (SAS) No. 61-Communication with Audit Committees, as updated by SAS No. 89-Audit Adjustments, and SAS No. 90-Audit Committee Communications. The Audit Committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP (PWC), the Company's independent registered public accounting firm, required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with PWC the independent registered public accounting firm's independence. These discussions included a review of all audit and non-audit services (including tax services) provided by PWC to the Company.

Recommendation that Financial Statements be Included in Annual Report

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year 2006 for filing with the Securities and Exchange Commission.

Audit Committee

John G. L. Cabot (Chairman)

Robert L. Keiser

Robert Kelley

P. Dexter Peacock

FEES BILLED BY INDEPENDENT PUBLIC ACCOUNTANTS

FOR SERVICES IN 2006 AND 2005

Fee Type*	2006	2005
Audit Fees	\$ 1,218,302	\$ 1,217,794(1)
Audit Related Fees	\$ 59,500(2)	
Tax Fees (3)	\$ 223,570	\$ 207,171
All Other Fees		

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- * No pre-approved requirements were waived under the *de minimis* exception.
- (1) Includes \$296,967 for the 2005 audit that was billed and paid by the Company in 2006 after the filing of the Company's proxy statement for the 2006 annual meeting of stockholders.
- (2) Includes assistance with adoption of accounting standards, an S-8 registration statement and an 8-K current report on a divestiture.
- (3) Includes federal, provincial, state and sales tax planning, audit support, compliance, advice, and return preparation for United States and Canadian operations.

EXECUTIVE COMPENSATION

The share information in this Executive Compensation section does not give effect to the two-for-one split of the Common Stock on March 30, 2007.

Compensation Discussion and Analysis

Introduction

The function of the Compensation Committee of the Cabot Oil & Gas Board of Directors (Committee) is to design and maintain an executive compensation program to attract, retain, align and engage highly qualified executives in a performance based compensation structure, which rewards executives for creating sustained shareholder value. The Committee has developed a structured executive compensation program, which it formally evaluated and approved. This program includes a compensation committee charter, total compensation philosophy and strategy, industry peer group definition, annual calendar and general policy framework.

Philosophy and Objectives of the Company's Compensation Programs

The guiding philosophy and specific objectives of the Company's compensation programs are: (1) to align executive compensation design and outcomes with business strategy, (2) to encourage management to create sustained value for the stockholders, (3) to attract, retain, align and engage our executives and (4) to support a performance-based culture throughout the Company. These primary objectives are evaluated annually by: (a) measuring and managing the mix of named executive officer (NEO) compensation, with a goal of making a majority of total compensation performance based that is balanced between short-term and long-term incentives, (b) tying incentive plan metrics and goals to shareholder value principles and (c) having a balanced, open and objective discussion by the Committee in setting goals and measuring performance. The Committee believes that each of these objectives carry an equal amount of importance in the Company's compensation program. The Company's compensation program is designed to reward the Company's executives for meeting or exceeding the short-term (one year) financial and operating targets and the long-term strategy of the Company.

The Company uses various components of executive compensation, with an emphasis on variable compensation and long-term incentives. The components of executive compensation are presented in the table below and discussed in more detail later in this report.

Compensation Component	Purpose	Competitive Positioning
Base Salary	Market-competitive pay for comparable positions and experience and competence of executive.	Base salaries are targeted to approximate the market median, taking into account the competitive environment, as well as the experience and accomplishments of each executive.
Annual Incentive Bonus	Focus on Company and individual performance: Financial Goals (Net Income, Finding Costs) Corporate Operational Goals (specific objectives tied to Production Growth and Reserve Growth) Individual objectives aligned with corporate strategy Committee discretion to reflect qualitative performance	Annual bonuses are established as a percentage of base salary and are targeted to match industry bonus percent levels for comparable executive positions.
Long-term Incentives	Prominent part of total compensation to maintain alignment with shareholder value creation: Stock Appreciation Rights (time vested)	Long-term incentives are intended to promote the executives' attention to long-term value creation for the stockholders.

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Restricted Stock/Units (time vested to promote retention)

Because the Company values stock ownership by its executives, the value of equity awards is generally targeted for the 2nd highest quartile of the peer group.

Performance Shares (earned and vested based on Total Shareholder Return versus peers)

Stock Ownership Guidelines

Executive Benefits and Perquisites

Comprehensive programs to build financial security, manage personal financial risk and limit Company costs.

Value of benefits and perquisites are generally targeted to be competitive with market levels.

Total Compensation

Designed to attract, retain, align and engage highly qualified executives, while creating a strong connection to financial and operational performance and long-term shareholder value.

Total compensation is highly correlated with Company and individual performance and is generally targeted slightly above the median for the executive when compared to the peer group.

The Committee's competitive philosophy for executive compensation is to assess and offer a total compensation package that is targeted slightly above the median level for the comparative peer industry group. In that total, a greater weight is placed on long-term equity awards versus annual cash to foster an environment where stock price appreciation over the long-term is a major executive focus, which in turn benefits the stockholders. The competitive market is determined by reference to the compensation practices of an industry peer group as set forth below.

Industry Peer Group

The companies chosen by the Committee for the peer group represent the Company's direct competitors of similar size and scope in the exploration and production sector of the energy industry, and are companies that compete in the Company's core areas of operation for both business opportunities and executive talent. Based on the December 29, 2006 closing market prices, the industry peer group's market capitalization ranged from approximately \$1 billion to \$5.9 billion. The Company's market capitalization on December 29, 2006 was approximately \$2.9 billion, which positioned the Company near the median of the group. The peer group changes from time to time due to business combinations, asset sales and other types of transactions that cause peer companies to no longer exist or no longer be comparable. The Committee approves all revisions to the peer group. The 16 company peer group used during 2006 was as follows:

Berry Petroleum Company

Cimarex Energy Company

Comstock Resources, Inc.

Denbury Resources Inc.

Encore Acquisition Company

Forest Oil Corporation

Houston Exploration Company

Plains Exploration & Production Company

Pogo Producing Company

Quicksilver Resources Inc.

Range Resources Corporation

Southwestern Energy Company

Stone Energy Corporation

St. Mary Land & Exploration Company

Swift Energy Company

Whiting Petroleum Corporation

2006 Committee Activity

During 2006 the Committee held three meetings, one in each of February, May and October. At the February 2006 meeting, the Committee reviewed the competitive market study of the Company's sixteen member peer group by Hewitt Associates, the Committee's independent compensation consultant (see "Compensation Consultant" below at page 17). Based on the study and the CEO's recommendations with respect to the other Company officers, the Committee determined 2006 salaries, bonus payouts for 2005 performance and the annual grant of long-term incentive awards for the officers of the Company. A detailed discussion of each item of compensation can be found below at page 12, "Elements of Compensation." The Committee also set the bonus metrics for 2006. Each of the 2006 metrics were established to achieve positive operational and financial results taking into consideration certain external economic and industry factors, including commodity prices, cost of services and regulatory issues. A detailed discussion of the 2006 bonus program and these metrics follows on page 13 "Annual Incentive Bonus."

At the May 2006 meeting, the Committee reviewed Hewitt Associates' competitive analysis of director compensation and, on the basis of this review, recommended to the Board of Directors a restricted stock unit award of 2,460 units to each non-employee member of the board. The Committee based this recommendation on its desire to provide a long-term incentive award to each director valued at approximately \$125,000, which results in a total compensation package that is slightly above the median level of the competitive market for non-employee directors. The Board of Directors subsequently approved this recommendation.

Also at the May meeting, the Committee recommended the adoption of a new Mineral, Royalty and Overriding Royalty Interest Plan (the ORRI Plan), which was subsequently approved by the Board of Directors. The ORRI Plan allows designated employees, including the NEOs, the opportunity to purchase a portion of certain mineral, royalty and overriding royalty interests acquired from time to time by the Company. The participants in the ORRI Plan are designated by the Committee and have the opportunity to purchase a portion of the Company's interest (as determined by the Committee) for cash at a price determined using the same cost basis as the Company acquired the interest. Because of the risk component and because the employees pay for their interest, participation in the ORRI Plan is not viewed by the Committee as compensation. However, it is designed to be an incentive, recruiting and retention tool for the Company in hiring and retaining key employee talent. The Committee believes the ORRI Plan is an important program which sets the Company above other competitors seeking to hire the same talent. Under the ORRI Plan, approximately one-half of the mineral, royalty and overriding royalty interests acquired by the Company in the McCampbell Field, located in Aransas County, Texas were offered in July 2006 to 73 employees, including the NEOs. No other interests were offered under the ORRI Plan in 2006. See further information related to this program following on page 32, Related Party Transactions.

At the October 2006 meeting, the Committee reviewed an analysis prepared and presented by Hewitt Associates on current compensation issues and trends and an update of its report presented in February 2006 on the competitiveness of the Company's executive compensation program. This analysis is the precursor for the Committee's review of all components of compensation in the following February meeting.

Also at the October meeting, the Committee took action to amend, on a global basis effective January 1, 2006, certain terms of all outstanding employee equity awards to make them consistent with other employee equity awards and director awards. The amendment revises the treatment of outstanding equity awards upon an employee's termination of employment caused by death, disability or retirement, as such terms are defined in the various equity award agreements. The Committee believes that this amendment will lessen the administrative burden on both the Company and the Committee by not requiring individual Committee consideration of the treatment of each award upon every employment termination and is a reasonable treatment of these awards upon a termination of employment. The amendment had no impact on the NEOs in 2006. For a detailed review of the amendment see the table presented on page 21, following the table Outstanding Equity Awards at Fiscal Year End.

Elements of Compensation

Elements of In-Service Compensation

There are three major elements of the executive in-service compensation program. The elements are (1) base salary, (2) annual incentive bonus and (3) long-term incentive equity awards. Company perquisites are a minor element of the executive compensation program. This compensation design was selected by the Committee to motivate the executives in the short-term to meet yearly operating targets using the annual incentive bonus and to motivate the executives over the longer term to build long-term shareholder value and to serve as a retention tool using various types of equity awards. This design generally mirrors the pay practices of the industry peer group. Each element is described below.

Base Salary

The Committee believes base salary is a critical element of executive compensation because it provides executives with a base level of monthly income. The base salary of each executive, including the NEOs, is reviewed annually by the Committee. The CEO's salary is established by the Committee and the other executives' salaries are established jointly by the CEO and the Committee. Base salary is targeted for all executive positions near the median level of the peer group. Individual salaries take into account the Company's annual salary budget, the individual's levels of responsibility, contribution and value to the Company, individual performance, prior relevant experience, breadth of knowledge and internal and external equity issues. Changes in base salary from 2005 to 2006 averaged 7.0% for the NEOs, ranging from 5.4% to 10%, and are as follows:

Name	2005 Base Salary	2006 Base Salary
Mr. Dinges	\$ 470,000	\$ 500,000
Mr. Schroeder	\$ 265,000	\$ 282,200
Mr. Walen	\$ 328,000	\$ 360,800
Mr. Arnold	\$ 210,000	\$ 223,000
Mr. Hutton	\$ 205,000	\$ 216,000

Mr. Dinges' 2006 base salary of \$500,000 approximated the median of the industry peer group for the 2006 competitive data. The base salaries of the other NEOs fell below the median of the peer group. This is primarily due to the timing and logistics of conducting previous annual competitive studies, along with individual tenure in certain executive positions, changes in responsibility, strong industry performance and pay changes in the peer group. Further, total compensation values were the primary concern in finalizing 2006 base salary decisions. In 2006, two competitive studies were conducted (February and October) to assist the Committee in its compensation evaluation. No additional action to

revise base salary decisions made in February was taken by the Committee in the October meeting.

Annual Incentive Bonus

The annual incentive bonus opportunity is based upon the Company's pay-for-performance philosophy. The opportunity provides the NEOs, as well as other executives and key employees, with an incentive in the form of an annual cash bonus to achieve overall business goals. The bonus opportunity is stated as a percentage of base salary and is set using the Committee's philosophy to target bonus levels (as a percentage of base salary) consistent with the competitive market for executives in similar positions. Annual bonus opportunities allow the Company to communicate specific goals that are of primary importance to the Company during the coming year and motivate executives to achieve those goals. The 2006 measurement criteria were designed to drive value increases for the Company's stockholders.

During 2006 the bonus opportunity at a 100% of target level payout for the NEOs was as follows:

Executive	Percentage of Salary	100% Payout Value
Mr. Dinges	90%	\$ 450,000
Mr. Schroeder	65%	\$ 183,430
Mr. Walen	70%	\$ 252,560
Mr. Arnold	50%	\$ 111,500
Mr. Hutton	45%	\$ 97,200

The 2006 bonus criteria measure the overall Company performance for year-over-year reserve and production growth, along with absolute levels for finding costs and net income. These metrics are weighted 25%, 15%, 15% and 15%, respectively, for a total of 70% of the bonus amounts. The remaining 30% is within the CEO's and the Committee's discretion. With respect to this discretionary component, the Committee and the CEO, as applicable, evaluate among other things, individual performance, regional performance, per share metrics improvement, industry conditions, along with acquisition and divestiture activity, and make a subjective determination as to the achievement of goals with respect to this component.

For each of the four metrics, the payout ranges for 2006 are as follows: