



pennsylvania

DEPARTMENT OF ENVIRONMENTAL PROTECTION

OFFICE OF OIL AND GAS MANAGEMENT

October 18, 2011

Mr. Phillip Stalnaker
Vice President, Regional Manager
Cabot Oil & Gas Corporation
Five Penn Center West, Suite 401
Pittsburgh, PA 15276-0120

Re: December 15, 2010 Consent Order and Settlement Agreement
Provision of Temporary Water

Dear Mr. Stalnaker:

On October 17, 2011, Cabot Oil & Gas Corporation ("Cabot") renewed its request that it be permitted to discontinue providing temporary potable water to the remaining property owners subject to the December 15, 2010 Consent Order and Settlement Agreement ("December COSA") that are still receiving temporary water deliveries. As part of that request, Cabot has committed to providing written notice, on or before November 1, 2011, to the property owners of the conditions under which the discontinuation of temporary water supplies will occur. The Department's analysis of and determination concerning that request are set forth below.

Pursuant to Paragraph 6.d of the December COSA, Cabot's obligations to provide temporary potable water are as follows:

For each Property Owner, Cabot shall continue to provide and maintain temporary potable water and, as applicable, shall continue to maintain gas mitigation devices that it had previously installed until Cabot receives written notice from the Department that it has complied with all of the requirements of Paragraph 6.a-6.b., above, for that Property Owner.

Paragraphs 6.a – 6.b of the December COSA require, in relevant part, the following:

6. ***Settlement of Restoration/Replacement Obligation.*** The claims by the Department regarding Cabot's obligations under Section 208 of the Oil and Gas Act, 58 P.S. § 601.208, and 25 Pa. Code § 78.51, including any obligation of Cabot to pay for or restore and/or replace the Water Supplies, or to provide for ongoing operating or maintenance expense shall be satisfied, as follows:

a. Escrow Fund.

- i. Within thirty (30) days after the date of this Consent Order and Settlement Agreement, Cabot shall establish nineteen (19) Escrow Funds and each Escrow Fund shall hold an amount equal to, whichever is greater: \$50,000; or two times the assessed value by the Susquehanna County Tax Assessor of the property(ies) owned by the Property Owners within the Dimock/Carter Road Area. Such assessed values for each property owned by the Property Owners are listed in chart attached as Exhibit D;
- ii. Within ten (10) days after Cabot has established and funded the nineteen (19) Escrow Funds in accordance within Paragraph 6.a.i., above, Cabot shall notify each Property Owner, in writing, of the existence of the funds in the Escrow Fund for that Property Owner, the procedure by which the Property Owner can obtain his/her/their payment from the Escrow Fund;
- iii. Cabot shall pay all fees and costs associated with each of the Escrow Funds.

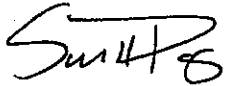
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- b. Effect of Notification to Department. After the time has passed for the Escrow Fund to be funded in accordance with Paragraph 6.a.i., above, and upon completion of the restoration activities described below, the Department's claims regarding Cabot's obligations under Section 208 of the Oil and Gas Act, 58 P.S. §601.208, and 25 Pa. Code §78.51, to restore and/or replace a Water Supply that serves the property owned by a Property Owner shall be satisfied upon the Department's receipt of information from Cabot that verifies that: the nineteen (19) Escrow Funds have been established and fully funded in accordance with Paragraph 6.a.i., above; each of the Property Owners have received written notice from Cabot of the Escrow Fund and of the procedure by which the Property Owner can obtain his/her/their payment from such Escrow

Fund; *and* each of the Property Owners have received written notice from Cabot that it will install a whole house gas mitigation device at the property as provided for below.

The Department has determined that Cabot has satisfied the terms and conditions of Paragraph 6 of the December COSA and therefore grants Cabot's request to discontinue providing temporary potable water to the remaining property owners subject to the December COSA. Cabot shall do so under the conditions proposed in its October 17, 2011 letter.

Sincerely,



Scott Perry
Acting Deputy Secretary
Office of Oil and Gas Management

cc: S. Craig Lobins
Donna Duffy
Jennifer Means
Geoff Ayers
~~David Raphael~~