

CABOT OIL & GAS CORP
Form DEF 14A
March 29, 2006

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
(AS PERMITTED BY RULE 14A-6(E)(2))

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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(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:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

March 29, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cabot Oil & Gas Corporation to be held on Thursday, May 4, 2006, at 8:00 a.m., local time, in the First Floor Auditorium of our corporate headquarters, 1200 Enclave Parkway, Houston, Texas.

The attached Notice of Annual Meeting 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 4, 2006

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 Thursday, May 4, 2006, at 8:00 a.m., for the following purposes:

- I. To elect three persons to the Board of Directors of the Company.
- II. To approve an amendment to the Company's Certificate of Incorporation to increase the authorized Common Stock of the Company from 80,000,000 shares to 120,000,000 shares.
- III. To ratify the appointment of the firm PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for its 2006 fiscal year.
- IV. 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 22, 2006 are entitled to receive notice of and to vote at the Annual Meeting. The transfer books of the Company will not be closed.

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, 2006

CABOT OIL & GAS CORPORATION

1200 Enclave Parkway

Houston, Texas 77077

PROXY STATEMENT

Annual Meeting of Stockholders

To Be Held May 4, 2006

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 2006 Annual Meeting of Stockholders, to be held at the Company's corporate headquarters, 1200 Enclave Parkway, Houston, Texas, on Thursday, May 4, 2006, 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** Proposals II and III 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 22, 2006, are entitled to vote at the Annual Meeting. As of that date, the Company had outstanding and entitled to vote 48,773,307 shares of Common Stock. 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, 2006.

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. Accordingly, because the vote required for amendment of the certificate of incorporation is a majority of the outstanding shares, abstentions on Proposal II and broker non-votes will have the same effect as votes against adoption. Because the vote required for approval of Proposal III 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. James G. Floyd, Robert Kelley and P. Dexter Peacock 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 2009 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. Floyd, Kelley and Peacock 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. FLOYD, KELLEY AND PEACOCK TO THE BOARD OF DIRECTORS.

Certain Information Regarding Nominees and Directors

Set forth below, as of March 1, 2006, 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. It is expected that Mr. Nance and Mr. Bailey will retire from the Board following the conclusion of the 2006 Annual Meeting of Stockholders and the number of directors will be reduced by two. Mr. Dinges, Chairman, President and Chief Executive Officer, is the only employee or former employee of the Company on the Board of Directors.

Robert F. Bailey

Age: 73
Director Since: 1994
Committee Membership: Safety and Environmental Affairs (Chairman), Audit
Term of Office Expires: 2007
Business Experience:
R.F. Bailey Investments (acquisitions and asset management) - 2002 to present
B&J Exodus, Ltd. (private investment partnership) - 2003 to present
TransRepublic Resources, Inc. (oil and gas production) President and Chief Executive Officer - 1992 to 2002
Other Directorships:
University of Texas of the Permian Basin - Advisory Director

[GRAPHIC APPEARS HERE]

John G.L. Cabot

Age: 71
Director Since: 1989
Committee Memberships: Audit (Chairman), Compensation, Executive
Term of Office Expires: 2007
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
Other Directorships:
Eaton Vance Corp.

[GRAPHIC APPEARS HERE]

David M. Carmichael

Age: 67

Director Since: 2006 (appointed to the Board of Directors in February 2006)

Term of Office Expires: 2007

Business Experience:

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

KN Energy, Inc.

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: 52

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.

Domestic Petroleum Council

Boy Scouts of America - Sam Houston Area Council

Foundation for Energy Education

[GRAPHIC APPEARS HERE]

James G. Floyd

Age: 69

Director Since: 2001

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

Term of Office Expires: 2006 (Nominee for Director)

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: 63

Director Since: 2006 (appointed by the Board of Directors in February 2006)

Term of Office Expires: 2007

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: 60

Director Since: 2003

Committee Memberships: Audit, Compensation

Term of Office Expires: 2006 (Nominee for Director)

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]

C. Wayne Nance

Age: 74

Director Since: 1992 to March 2003 and September 2003 to present

Committee Memberships: Corporate Governance and Nominations, Executive

Term of Office Expires: 2008

Business Experience:

C. Wayne Nance & Associates, Inc. (consulting and investments) President - July 1989 to present

The Mitchell Group (equity investment advising)

Senior Vice President - July 1989 to present

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P. Dexter Peacock

Age: 64

Director Since: 1998

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

Position: Lead Director

Term of Office Expires: 2006 (Nominee for Director)

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.

Coastal Conservation Association of Texas

[GRAPHIC APPEARS HERE]

William P. Vittoe

Age: 67

Director Since: 1994

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

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.

Midwest Independent System Operator, Inc.

Aegis Technologies

[GRAPHIC APPEARS HERE]

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 303A.2 (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

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 Chief Executive Officer, falls within the categorical standard and that all directors, with the exception of Mr. Dinges, are 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, most recently in February 2006 to recognize the appointment of a Lead Director. The full text of the Corporate Governance Guidelines can be found on the Company's website at www.cabotog.com under the Corporate Governance section and a copy will be provided, without charge, to any shareholder upon request.

Code of Business Conduct

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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 under the Corporate Governance section 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.

Stock Ownership Guidelines

The Company's Board of Directors has adopted Stock Ownership Guidelines for the Board of Directors and the officers of the Company. The Board of Directors and the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer are expected to hold 30% of the after-tax shares received upon the vesting or exercise of an equity award until such time as they have accumulated five times base salary for the officers and five times annual retainer for the directors. Thereafter, each individual is expected to hold 10% of the after-tax shares received upon the vesting or exercise of an equity award until such time as the individual leaves the Company.

All other Vice Presidents are expected to hold 30% of the after-tax shares received upon the vesting or exercise of an equity award until such time as they have accumulated three times base salary. Thereafter, each individual is expected to hold 10% of the after-tax shares received upon the vesting or exercise of an equity award until such time as the individual leaves the Company.

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

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The Company's policy is that it expects all members of the Board of Directors to attend the Company's annual meetings of stockholders. In 2005, all members of the board attended the annual meeting with the exception of Mr. Peacock, who was tending to a family matter.

Board of Directors and Committee Meeting Attendance

The Board of Directors held eight meetings during 2005. All directors attended more than 85% of the meetings of the Board of Directors and of the committees held while they were members during 2005.

Director Compensation

During 2005, 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. There are no per meeting fees paid.

Non-employee directors receive 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. These options vest one-third on the first, second and third anniversary of the date of award and have a five year term. No such options were granted in 2005. In addition, in 2005, a discretionary award was made to the non-employee directors of 2,800 restricted stock units 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 2005 and travel expenses incurred by the spouses for attendance at this meeting were reimbursed by the Company.

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. In February 2005 it was determined by the Board of Directors that Mr. C. Wayne Nance be nominated for election as a director, to serve one additional year, even though he had reached retirement age. It is expected that Mr. Nance and Mr. Robert F. Bailey will retire from the Board of Directors following the conclusion of the 2006 Annual Meeting of Stockholders.

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 2005 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. Floyd (Chairman), Nance, Peacock and Vititoe. During 2005, the CGN committee held one meeting. 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 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.

Audit Committee The audit committee is composed of four members: Messrs. Cabot (Chairman), Bailey, Kelley and Peacock. During 2005, the audit committee held four meetings. Each member of the audit committee satisfies the financial literacy and independence requirements of the

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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 available to shareholders on the Company's website at www.cabotog.com 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 any 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), Cabot, Floyd and Kelley. During 2005, the compensation committee held four 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 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. Bailey (Chairman), Floyd and Vititoe. During 2005, 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 Nance. During 2005, the executive committee held one meeting.

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.

APPROVAL OF AMENDMENT TO THE COMPANY'S

CERTIFICATE OF INCORPORATION TO INCREASE

THE AUTHORIZED COMMON STOCK

Description of Proposed Amendment

The Board of Directors has approved, and is recommending to the stockholders for approval at the Annual Meeting, an amendment to Article IV of the Company's Certificate of Incorporation, as amended, which sets forth the terms of the Company's authorized capital stock. Article IV currently authorizes 80,000,000 shares of Common Stock, as well as 5,000,000 shares of Preferred Stock, par value \$.10 per share.

The proposed amendment would increase the authorized Common Stock from the 80,000,000 shares of Common Stock currently authorized to 120,000,000 shares of Common Stock. The Board of Directors determined that this amendment is advisable and in the best interests of the Company and directed that the proposed amendment be submitted to the stockholders for their approval at the Annual Meeting. If adopted by the stockholders, this amendment would become effective upon filing of an appropriate certificate of amendment with the Secretary of State of the State of Delaware. The proposed amendment to Article IV of the Certificate of Incorporation would replace the first sentence of the Article with the following:

The aggregate number of shares of all classes of stock which the Company shall have authority to issue is 125,000,000, divided into 5,000,000 shares of Preferred Stock, par value \$.10 per share (Preferred Stock), and 120,000,000 shares of Common Stock, par value \$.10 per share (the Common Stock).

The additional shares of Common Stock authorized by the proposed amendment, if and when issued, would have the same rights and privileges as the shares of Common Stock currently authorized. The Common Stock has no preemptive rights to purchase Common Stock or other securities. In addition, under Delaware law, the Company's stockholders are not entitled to dissenters' or appraisal rights in connection with the proposed increase in the number of shares of Common Stock authorized for issuance.

Purposes and Effects of Proposed Amendment

The Company issued 16,654,792 shares of Common Stock in connection with its March 2005 three-for-two stock split. At February 1, 2006, 48,610,408 shares of Common Stock were issued and outstanding and 4,479,284 shares of Common Stock were reserved for issuance under the Company's 2004 Incentive Plan. As a result, approximately 27 million shares are available for issuance for future purposes. In this light, the Board of Directors deems it advisable to increase the Company's authorized Common Stock. The additional Common Stock to be authorized would be available for possible stock dividends or splits, future financing and acquisition transactions, employee benefit plans and other corporate purposes. Having such shares available for issuance in the future would give the Company greater flexibility and allow shares of Common Stock to be issued without the expense and delay of a special stockholders' meeting. The additional shares of Common Stock would be available for issuance without further action by the stockholders unless such action is required by applicable law or the rules of any stock exchange on which the Common Stock may be listed. The New York Stock Exchange, on which the Common Stock is listed, currently requires stockholder approval as a prerequisite to listing shares in certain instances, including in connection with acquisition transactions where the present or potential issuance of shares could result in an increase in the number of shares of common stock outstanding of at least 20%.

Other than for the possibility of issuing new shares of Common Stock under the Company's 2004 Incentive Plan, the Company has no present arrangements, commitments, understandings or pending negotiations for the issuance of additional shares of newly authorized Common Stock.

The Company has not proposed the increase in the authorized number of shares of Common Stock with the intention of using the additional shares for anti-takeover purposes, although the Company could theoretically use the additional shares to make more difficult or to discourage an attempt to acquire control of the Company. The Company is not aware of any pending or threatened efforts to acquire control of the Company.

Required Vote

Approval of the proposal to increase the number of authorized shares of Common Stock by amending the Company's Certificate of Incorporation requires the affirmative vote of a majority of the shares outstanding on the record date. Votes may be cast FOR or AGAINST the proposal, and stockholders may also ABSTAIN from voting on the proposal. Because shares represented by abstentions or broker non-votes are considered outstanding, abstentions and broker non-votes will have the same effect as a vote AGAINST the proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE PROPOSED AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION.

PROPOSAL III.**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 2006. 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 18 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 2006 FISCAL YEAR.

EXECUTIVE COMPENSATION

The following tables summarize annual and long-term compensation paid to the Company's Chief Executive Officer and the Company's four other most highly compensated executive officers who were serving as of December 31, 2005 for all services rendered to the Company and its subsidiaries during each of the last three fiscal years. All references to share prices and number of shares have been adjusted to reflect the three-for-two stock split in March 2005.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		All Other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ^{1/}	Restricted Stock Awards (\$)	Securities Underlying Options (#)	(\$) ^{11/}

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					<u>2/3/4/5/</u>		
Dan O. Dinges	2005	465,833	800,000	n/a	1,010,030 _{6/}	0	14,000
Chairman, President and	2004	441,667	550,000	n/a	896,000	0	13,000
Chief Executive Officer	2003	420,833	346,000	n/a	588,800	90,000	12,000
Michael B. Walen	2005	325,333	410,000	n/a	408,310 _{7/}	0	14,000
Senior Vice President,							
Chief Operating Officer	2004	310,000	290,000	n/a	512,000	0	13,000
	2003	297,500	195,000	n/a	294,400	35,000	12,000
Scott C. Schroeder	2005	262,500	315,000	n/a	328,490 _{8/}	0	14,000
Vice President and Chief	2004	248,000	220,000	n/a	320,000	0	13,000
Financial Officer	2003	237,500	150,000	n/a	236,900	30,000	12,000
J. Scott Arnold	2005	209,180	200,000	1,430	242,530 _{9/}	0	14,000
Vice President, Land and	2004	195,250	127,000	n/a	192,000	0	13,000
Associate General Counsel	2003	187,833	85,000	n/a	98,879	21,000	12,000
Thomas S. Liberatore	2005	189,940	195,000	440	178,060 _{10/}	0	14,000
Vice President, Eastern	2004	180,883	116,300	n/a	192,000	0	13,000
Region	2003	163,333	125,000	n/a			