



pennsylvania

DEPARTMENT OF ENVIRONMENTAL PROTECTION

NORTHCENTRAL REGIONAL OFFICE

East Region Oil and Gas Management

April 29, 2010

CERTIFIED MAIL NO. 7009 3410 0000 3618 5881

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

Dear Mr. Stalnaker:

Enclosed is an Order of the Department dated April 29, 2010, which has been issued by the Department to you.

We believe that the order is self explanatory, but if you have any questions concerning this matter, please feel free to contact me at (570) 321-6557.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer W. Means".

Jennifer W. Means
Environmental Program Manager
Oil and Gas Management

Enclosure

cc: File

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

In the matter of:

Cabot Oil & Gas Corporation	:	Removal of Reserve Pit
Dimock Township	:	Located at Hibbard 2H and
Susquehanna County	:	Hibbard 4H Well Pad

ORDER

NOW, this April 29, 2010, the Commonwealth of Pennsylvania, Department of Environmental Protection (hereinafter "Department") has determined the following findings of fact and conclusions of law:

A. The Department is the administrative agency vested with the authority and responsibility to administer and enforce the requirements of: The Clean Streams Law, Act of June 22, 1937, P.L. 1987, as amended, 35 P.S. § 691.1 et seq. (hereinafter "Clean Streams Law"); the Oil and Gas Act, Act of December 19, 1984, P.L. 1140, No. 223, as amended, 58 P.S. § 601.101 et seq. (hereinafter "Oil and Gas Act"); Section 1917-A of the Administrative Code, Act of April 9, 1929, P.L. 177, as amended, 71 P.S. § 510-17 (hereinafter "Administrative Code"); and the rules and regulations promulgated thereunder.

B. Cabot Oil & Gas Corporation (hereinafter "Cabot Oil & Gas Corporation") is a Delaware corporation authorized to do business in Pennsylvania which maintains a business address of Five Penn Center West, Suite 401, Pittsburgh, Pennsylvania 15276-0120.

C. Section 601.103 of the Oil and Gas Act, 58 P.S. § 601.103, defines, in relevant part, a "[p]erson" to be "[a]ny individual, association, partnership, corporation, ... or other legal entity."

D. Section 1 of the Clean Streams Law, 35 P.S. § 691.1, defines, in relevant part, a "[p]erson" to be "... any natural person, partnership, association or corporation"

E. Cabot Oil & Gas Corporation constitutes a "person" as defined by Section 601.103, of the Oil and Gas Act, 58 P.S. § 601.103, and Section 1 of the Clean Streams Law, 35 P.S. § 691.1.

F. Section 601.103 of the Oil and Gas Act, 58 P.S. § 601.103, defines, in relevant part, an "[o]wner" to be "[a]ny person who owns, manages, leases, controls or possesses any well"

G. Section 601.103 of the Oil and Gas Act, 58 P.S. § 601.103, defines, in relevant part, a “[w]ell” to be “[a] bore hole drilled ... for the purpose of or to be used for producing, extracting or injecting any gas, petroleum or other liquid related to oil or gas production or storage, ..., but excluding bore holes drilled to produce potable water to be used as such.”

H. Section 601.103 of the Oil and Gas Act, 58 P.S. § 601.103, defines, in relevant part, a “[w]ell operator” to be “[t]he person designated as the well operator ... on the permit application or well registration.”

I. Cabot Oil & Gas Corporation constitutes an “owner” and a “well operator” as defined by Section 601.103 of the Oil and Gas Act, 58 P.S. § 601.103.

J. Cabot Oil & Gas Corporation is the “owner” and “operator”, as those terms are defined in Section 103 of the Oil and Gas Act, 58 P.S. § 601.103, of the A&M Hibbard 2H authorized by permit 37-115-20149-00 (hereinafter “Hibbard 2H”), and the A&M Hibbard 4H authorized by permit 37-115-20222-00 (hereinafter “Hibbard 4H”), both located in Dimock Township, Susquehanna County, Pennsylvania.

K. On March 17, 2010, the Department observed tanker trucks emptying a black fluid (hereinafter “black fluid”) directly into a reserve pit (hereinafter “reserve pit”) located on the well pad housing both the Hibbard 2H and the Hibbard 4H. No drilling or hydro-fracturing activities were taking place at either the Hibbard 2H or the Hibbard 4H on this date.

L. On March 21, 2010, the Department received a telephone report from Cabot Oil & Gas Corporation describing the presence of a black fluid observed in a ditch near the well pad housing both the Hibbard 2H and the Hibbard 4H.

M. In response to the reported presence of a black fluid in a ditch near the well pad housing both the Hibbard 2H and the Hibbard 4H, on March 21, 2010, Cabot Oil & Gas Corporation dispatched a vacuum truck to remove the black fluid from the ditch and a nearby hand dug well. Additionally, Cabot Oil & Gas Corporation constructed a shallow sump within a drainage swale to intercept the black fluid flowing towards the drainage ditch and continuously pump the black fluid to the vacuum truck.

N. On March 22, 23 and 24, 2010, the Department inspected the reported black fluid in a ditch near the well pad housing both the Hibbard 2H and the Hibbard 4H. The Department observed the black fluid in the reserve pit. Tears in the liner of the reserve pit had allowed the black fluid to discharge from the reserve pit. Black fluid was subsequently observed in an adjacent ditch and a nearby hand dug well and spring.

O. On April 8, 2010, the Department issued a Notice of Violation (hereinafter “NOV”) to Cabot Oil & Gas Corporation in response to the events described in Paragraphs K through N, above. The NOV requested, in part, that Cabot Oil & Gas Corporation remove all cuttings and fluids from the reserve pit. Further, the NOV requested that Cabot Oil & Gas Corporation notify the Department upon the completion of the cuttings and fluids removal from the reserve pit such that the Department could then adequately inspect the condition of the liner placed in the reserve pit.

P. Section 1 of the Clean Streams Law 35 P.S. § 691.1, defines, in relevant part, “[p]ollution” to mean “contamination of any waters of the Commonwealth such as will create or is likely to create a nuisance or to render such waters harmful, detrimental or injurious to public health, safety or welfare, or to domestic, ..., or other legitimate beneficial uses, ..., including but not limited to such contamination by alteration of the physical, chemical or biological properties of such waters, or change in temperature, taste, color or odor thereof, or the discharge of any liquid, gaseous, ..., solid or other substances into such waters.”

Q. Section 401 of the Clean Streams Law 35 P.S. § 691.401, states, in relevant part, “PROHIBITION AGAINST OTHER POLLUTIONS. It shall be unlawful for any person ... to put or place into any of the waters of the Commonwealth, or allow or permit to be discharged from property ... occupied by such person ... into any of the waters of the Commonwealth, any substance of any kind or character resulting in pollution as herein defined. Any such discharge is hereby declared to be a nuisance.”

R. Section 78.56(a)(1) of the Department’s Rules and Regulations, 25 Pa. Code § 78.56(a)(1), states, in relevant part, “Pits and tanks for temporary containment. (a) Except as provided in §§ 78.60(b) and 78.61(b) (relating to discharge requirements; and disposal of drill cuttings), the operator shall contain polluttional substances and wastes from the drilling, altering, completing, recompleting, servicing and plugging the well, including brines, drill cuttings, drilling muds, oils, stimulation fluids, well treatment and servicing fluids, plugging and drilling fluids other than gases in a pit, ... or series or pits The operator shall install or construct and maintain the pit, ... or series of pits ... in accordance with the following requirements: (1) The pit, ... or series of pits ... shall be constructed and maintained ... to contain all polluttional substances and wastes which are used or produced during drilling, ... , [and] completing ... the well.”

S. As of the date of this Order, Cabot Oil & Gas Corporation has not completed the cuttings and fluids removal from the reserve pit such that the Department can adequately inspect the condition of the liner placed in the reserve pit. Cabot Oil & Gas Corporation has also not adequately addressed the black fluid discharge from the reserve pit as requested in Paragraph O, above.

T. The black fluid discharge to the ditch , the hand dug well, and the spring from the reserve pit located on the well pad housing both the Hibbard 2H and the Hibbard 4H constitutes “pollution” as defined in Section 1 of the Clean Streams Law, 35 P.S. § 691.1, and violates Section 401 of the Clean Streams Law 35 P.S. § 691.401.

U. The failure to contain the black fluid in the reserve pit located on the well pad housing both the Hibbard 2H and the Hibbard 4H violates Section 78.56(a)(1) of the Department’s Rules and Regulations, 25 Pa. Code § 78.56(a)(1).

V. The conditions described above constitute unlawful conduct under Section 611 of the Clean Streams Law, 35 P.S. §§ 691.611; and Section 509 of the Oil and Gas Act, 58 P.S. § 601.509; and a statutory nuisance under Section 601 of the Clean Streams Law, 35 P.S. §§ 691.601; and Section 502 of the Oil and Gas Act, 58 P.S. § 601.502.

NOW, THEREFORE, under the authority of Section 5 of the Clean Streams Law, 35 P.S. §§ 691.5; Section 503 of the Oil and Gas Act, 58 P.S. § 503; and Section 1917-A of the Administrative Code of 1929, 71 P.S. § 510-17, it is hereby **ORDERED** that:

1. Cabot Oil & Gas Corporation shall, within three (3) calendar days of receipt of this Order, remove all cuttings and fluids from the reserve pit.
2. Cabot Oil & Gas Corporation shall, within seven (7) calendar days of receipt of this Order, commence with the final closure and removal of the reserve pit.
3. Cabot Oil & Gas Corporation shall, within fourteen (14) calendar days of receipt of this Order, complete the final closure and removal of the reserve pit.
4. Cabot Oil & Gas Corporation shall simultaneously notify the Department of the date upon which each of the tasks described in Paragraphs 1 through 3, above are initiated and/or completed such that the Department can then adequately inspect the condition of the liner placed in the reserve pit and oversee the final closure and removal of the reserve pit.
5. Cabot Oil & Gas Corporation shall, within eighteen (18) calendar days of receipt of this Order, submit to the Department a letter describing the completion of the final closure and removal of the reserve pit.
6. Cabot Oil & Gas Corporation shall, within seven (7) calendar days of receipt of this Order, submit to the Department for review and approval a full and thorough Site Characterization work plan detailing all tasks necessary to define the horizontal and vertical extent of contamination in soil, groundwater, and surface water in the areas surrounding the well pad housing both the Hibbard 2H and the Hibbard 4H.
7. Cabot Oil & Gas Corporation shall, within thirty (30) calendar days of receipt of this Order, complete those tasks needed to conduct a full and thorough Site Characterization as necessary to define the horizontal and vertical extent of contamination in soil, groundwater, and surface water. Such investigation should include, but not be limited to, the taking of appropriate soil samples and placement of monitoring wells.
8. Cabot Oil & Gas Corporation shall, within forty-five (45) calendar days of receipt of this Order, submit to the Department a Site Characterization Report setting forth the results of its investigation and analysis. If necessary, the Department shall comment, in writing, on the report and, within fifteen (15) days of receipt of the Department's comments, Cabot Oil & Gas Corporation shall address the Department's comments and submit a revised report to the Department responding to the comments.
9. Cabot Oil & Gas Corporation shall, within fifteen (15) calendar days of submission to the Department of the Site Characterization Report, as described in Paragraph 8, above, submit to the Department a work plan outlining proposals for remediation of any soil, groundwater, and surface water contamination as identified in the Site Characterization Report in accordance with the Land Recycling Program Regulations, 25 Pa. Code Chapter 250 and setting forth a schedule

for initiation and completion dates. If the plan is disapproved, Cabot Oil & Gas Corporation shall modify the plan, incorporate the Department's comments, and submit a revised plan to the Department within fifteen (15) days. The cleanup levels set forth in the work plan for remediation of soil, groundwater, and surface water contamination shall be governed by the cleanup standards established in 25 Pa. Code Chapter 250.

10. Upon approval of the work plan by the Department, Cabot Oil & Gas Corporation shall implement the remediation activities outlined in the work plan. Cabot Oil & Gas Corporation shall submit Quarterly Progress Reports outlining activities undertaken in the implementation of the work plan.

11. Cabot Oil & Gas Corporation shall submit a Final Report to the Department demonstrating attainment of the cleanup levels established in the work plan. The Final Report shall be submitted in accordance with Act 2, 35 P.S. §§ 6026.302, 6026.303, and/or 6026.304.

12. All correspondence with the Department regarding this Order shall be sent to:

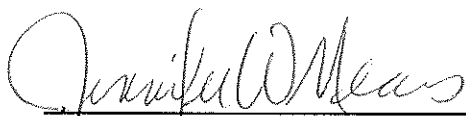
Jennifer W. Means
Environmental Program Manager
East Region Oil and Gas Management
Department of Environmental Protection
208 West Third Street - Suite 101
Williamsport, PA 17701-6448
Phone: (570) 321-6557
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Any person aggrieved by this action may appeal, pursuant to Section 4 of the Environmental Hearing Board Act, 35 P.S. Section 7514, and the Administrative Agency Law, 2 Pa. C.S. Chapter 5A, to the Environmental Hearing Board, Second Floor, Rachel Carson State Office Building, P.O. Box 8457, Harrisburg, PA 17105-8457, 717-787-3483. TDD users may contact the Board through the Pennsylvania Relay Service, 800-654-5984. Appeals must be filed with the Environmental Hearing Board within 30 days of receipt of written notice of this action unless the appropriate statute provides a different time period. Copies of the appeal form and the Board's rules of practice and procedure may be obtained from the Board. The appeal form and the Board's rules of practice and procedure are also available in braille or on audiotape from the Secretary to the Board at 717-787-3483. This paragraph does not, in and of itself, create any right of appeal beyond that permitted by applicable statutes and decisional law.

IF YOU WANT TO CHALLENGE THIS ACTION, YOUR APPEAL MUST REACH THE BOARD WITHIN 30 DAYS. YOU DO NOT NEED A LAWYER TO FILE AN APPEAL WITH THE BOARD.

IMPORTANT LEGAL RIGHTS ARE AT STAKE, HOWEVER, SO YOU SHOULD SHOW THIS DOCUMENT TO A LAWYER AT ONCE. IF YOU CANNOT AFFORD A LAWYER, YOU MAY QUALIFY FOR FREE PRO BONO REPRESENTATION. CALL THE SECRETARY TO THE BOARD (717-787-3483) FOR MORE INFORMATION.

FOR THE DEPARTMENT OF
ENVIRONMENTAL PROTECTION:



Jennifer W. Means
Environmental Program Manager