



**AUDIT COMMITTEE CHARTER**  
**As Amended and Restated by the Board of Directors**  
**January 26, 2005**

**Purpose**

The Audit Committee (Committee) is appointed by the Board of Directors (Board) to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) compliance by the Company with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) performance of the Company's internal and independent auditors, and (5) the business practices and ethical standards of the Company. The Committee is also directly responsible for (a) the appointment, compensation, retention and oversight of the work of the Company's independent auditors, (b) the appointment, compensation, retention and oversight of the work of the Company's independent reserve engineering consultants, (c) the preparation of the report that the Securities and Exchange Commission (Commission) requires to be included in the Company's annual proxy statement, (d) the approval of audit and non-audit services to be performed by the independent auditors, and (e) the performance of such other functions as the Board may from time to time assign to the Committee. In performing its duties, the Committee shall seek to maintain an effective working relationship with the Board, the independent auditors, the independent reserve engineers, the internal auditors and management of the Company. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are presented fairly in all material respects in accordance with generally accepted accounting principles. These are the responsibility of management and the independent auditor.

**Committee Membership**

***Independence.*** The Committee shall consist of three or more independent members of the Board of Directors. Independence shall be determined as to each member by the full Board. To be considered independent, each Committee member (1) must meet the independence requirements of the New York Stock Exchange (NYSE), the Sarbanes-Oxley Act of 2002 (SOX) and the rules and regulations of the Commission, (2) must not accept any compensation from the Company either directly or indirectly other than compensation as a Board or Committee member and (3) must not be an affiliated person of the Company or any of its subsidiaries. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

***Financial Literacy.*** All members of the Committee shall be financially literate as defined by the Commission, or must become financially literate within a reasonable period of time after their appointment to the Committee, and at least one member of the Committee shall be an audit committee financial expert, as determined in the judgment of the Board.

**Committee Composition**

The members of the Committee shall be nominated by the Nominating and Corporate Governance Committee and elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified.

**Chairman.** Unless a Chairman is elected by the full Board, the members of the Committee shall designate a Chairman by majority vote of all the Committee members.

### **Meetings**

The Committee shall meet at least four times annually or more frequently as circumstances dictate. Meetings may be in person or by telephone, or by any other means permitted by law or the Company's By-laws as needed to conduct the business of the Committee. The Committee shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions.

A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may take action by the unanimous written consent of the members in the absence of a meeting. The Committee shall determine its own rules and procedures, including designation of a chairperson pro tempore, in the absence of the Chairman, and designation of a secretary. The secretary need not be a member of the Committee and shall attend Committee meetings and prepare minutes. The Committee shall keep written minutes of its meetings, which shall be recorded or filed with the books and records of the Company. Any member of the Board shall be provided with copies of such Committee minutes if requested.

The Chairman of the Committee shall be responsible for leadership of the Committee, including approving the agenda, presiding over Committee meetings, making Committee assignments and reporting the Committee's actions to the Board from time to time (but at least once each year) as requested by the Board. The Committee will discuss with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.

### **Authority of the Committee**

The Audit Committee shall have the authority (1) to exercise all powers with respect to the appointment, compensation, retention and oversight of the work of the independent auditor and independent reserve engineering consultants for the Company and its subsidiaries, (2) to retain special legal, accounting or other consultants to advise the Committee and (3) to approve funds to pay the fees for such advisors. As part of its oversight role, the Committee may investigate any matter brought to its attention, with the full power to retain outside counsel or other experts for this purpose. The Committee may ask members of management, internal auditors, or any other employees, outside counsel, the independent auditors, the independent reserve engineering consultant, or others whose advice and counsel are relevant to the issues then being considered by the Committee, to attend any meetings of the Committee or to meet with any member of, or consultant to, the Committee and to provide such pertinent information as the Committee may request.

## **Committee's Goals and Responsibilities**

The Audit Committee shall:

### **Financial Statement and Disclosure Matters**

1. Review and discuss prior to public dissemination the annual audited and quarterly unaudited financial statements with management and the independent auditor, including major issues regarding accounting, disclosure and auditing procedures and practices as well as the adequacy of internal controls that could materially affect the Company's financial statements. In addition, the review shall include the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Based on the annual review, recommend inclusion of the financial statements in the Annual Report on Form 10-K to the Board. The Committee shall also review and discuss prior to public dissemination with management and the independent auditor any earnings releases, financial restatements or Reports on Form 8-K relating to any financial reports of the Company, including any certification, report, opinion or review rendered by the independent auditors, considering, as appropriate, whether the information contained in these documents is consistent with the information contained in the financial statements and whether the independent auditors and legal counsel are satisfied with the disclosure and content of such documents.
2. Review and discuss with management and the independent auditor significant financial reporting issues, judgments and use of estimates (including proved reserve estimates) made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any transactions as to which management obtained Statement of Auditing Standards No. 50 letters,<sup>1</sup> any significant deficiencies or material weaknesses in the Company's internal controls over financial reporting and any procedures adopted in light of material control deficiencies.
3. Review and discuss, at least annually, the Company's proved reserves, and changes in proved reserves, as well as any report of the independent reserve engineering consultants regarding such reserves submitted to any governmental body or the public, excluding any data provided to the Energy Information Administration.
4. Review and discuss with management, the independent reserve engineering consultants and the Company's internal reserve engineers, as appropriate, the evaluation of the Company's proved reserves and any other matters of concern relating to the evaluation of the Company's proved reserves.
5. Communicate with the independent auditors on:
  - A. All critical accounting policies and practices to be used.
  - B. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

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<sup>1</sup> SAS No. 50 provides performance and reporting standards for written reports from accountants with respect to the application of accounting principles to new transactions and financial products or regarding specific financial reporting issues.

- C. Other material written communications between the independent auditor and management, such as any management letter.
  - D. Such other matters as the SEC and the NYSE may direct by rule or regulation.
6. Discuss with management the Company's financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally consisting of discussing the types of information to be disclosed and the types of presentations to be made.
  7. Discuss with management and the independent auditor the effect on the Company's financial statements of significant regulatory and accounting initiatives as well as off-balance sheet structures.
  8. Review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
  9. Review the Company's CEO and CFO certifications for the Form 10-K and Form 10-Q for any significant deficiencies in the design or operation of disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls.
  10. Discuss at least annually with the independent auditor the matters required to be discussed by Statement of Auditing Standards No. 61 – Communication with Audit Committees.
  11. Prepare the report that the Commission requires in the Company's annual proxy statement and review the matters described in such report.
  12. Obtain quarterly assurances from the senior internal auditing executive and management that the Company's internal controls over financial reporting are adequate and effective. Obtain annual attestation from management that the Company's internal controls over financial reporting are adequate and effective. Obtain annually a report from the independent auditor of the adequacy and effectiveness of the internal controls over financial reporting and management's assessment of internal controls.

#### **Responsibility for the Company's Relationship With the Independent Auditor**

13. Be solely responsible for the appointment, compensation, retention and oversight of the work of the independent auditors employed by the Company. The independent auditor shall report directly to the Audit Committee. If the appointment of the independent auditors is submitted for any ratification by stockholders, the Audit Committee shall be responsible for making the recommendation of the independent auditors.
14. Review, at least annually, the qualifications, performance and independence of the independent auditor. In conducting such review, the Committee shall obtain and review a report by the independent auditor describing (1) the firm's internal quality-control procedures, (2) any material issues raised by the most recent internal quality-control review of the firm or by any formal investigation by governmental or professional authorities regarding services provided by the firm which could affect the financial statements of the Company, and any steps taken to deal with any such issues, and (3) all relationships between the independent auditor and the Company that could be considered to bear on the auditor's independence. This evaluation shall include the

review and evaluation of the lead partner of the independent auditor and shall ensure the rotation of partners in accordance with Commission rules and the securities laws. In making such evaluation, the Committee shall take into account the opinions of management and the Company's internal auditors. In addition, the Committee shall consider the advisability of regularly rotating the audit firm in order to maintain the independence between the independent auditor and the Company.

15. Approve in advance any audit or permissible non-audit engagement or relationship between the Company and the independent auditors. The Committee shall establish guidelines for the retention of the independent auditor for any permissible non-audit services. The Committee hereby delegates to the Chairman of the Committee the authority to approve in advance all audit or non-audit services to be provided by the independent auditor if presented to the full Committee at the next regularly scheduled meeting.
16. Meet with the independent auditor prior to the audit to review the scope of and planning and staffing for the audit including the responsibilities and staffing of the Company's internal audit department personnel who will assist in the audit.
17. Recommend to the Board and periodically review policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.

#### **Oversight of the Company's Internal Audit Function**

18. Review and concur in the appointment and replacement of the senior internal auditing executive.
19. Review the activities, organizational structure and qualifications of the internal auditing department and the significant reports to management prepared by the internal auditing department and management's responses.
20. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit department.

#### **Compliance Oversight Responsibility**

21. Obtain from the independent auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934, as amended, has not been implicated.
22. Obtain reports from management and the Company's senior internal auditing executive on the Company's conformity with the Company's Code of Business Conduct and Ethics. Review disclosures required to be made under the securities laws of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics. Review the procedures that the Company has implemented regarding compliance with the Company's Code of Business Conduct and Ethics.
23. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters. Also, the Committee shall maintain procedures for the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting, internal controls or auditing matters.

24. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
25. Review at least annually with management and the Company's General Counsel the status of pending legal matters that may have a material impact on the financial statements, the Company's compliance policies and other areas of oversight applicable to the legal and compliance area as may be appropriate, including but not limited to the Foreign Corrupt Practices Act, and any material reports or inquiries received from regulators or governmental agencies.
26. Following completion of the annual external audit, review separately with each of management, the independent auditors and the internal auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information. The Committee will resolve any disagreements between the auditors and management regarding financial reporting.
27. Review with the independent auditors, the internal auditors and management the extent to which changes or improvements in financial or accounting practices have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.

#### **Other**

28. Report regularly to the Board with respect to any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, the performance of the internal audit function, or any other matter within the scope of the Committee's functions.
29. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
30. Perform an annual performance evaluation of the Committee.
31. Ensure that the independent auditors have full access to the Committee and the Board to report on any and all appropriate matters.