



CORPORATE GOVERNANCE AND NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Purpose

The Corporate Governance and Nominating Committee (the "Committee") of the Board of Directors of Parallel Petroleum Corporation (the "Company") will assist the Board of Directors (the "Board") in fulfilling its responsibilities relating to corporate governance principles and practices applicable to the Board and the Company and to the oversight of Board composition, evaluation, procedures and composition of Board committees. The purposes of the Committee are to (i) advise and assist the Board with respect to corporate governance matters, (ii) recommend and oversee corporate governance guidelines and policies of the Company as they are adopted and modified from time to time, and (iii) identify qualified individuals to serve as directors of the Company, recommend candidates to the Board of Directors as director nominees for election at the annual meeting of stockholders and fill Board vacancies.

Membership

The Committee will be composed of three or more Directors appointed by the Board, each of whom will meet the applicable independence requirements prescribed by the Nasdaq Stock Market, Inc., as determined by the Board in its business judgment. One member of the Committee may be appointed by the Committee as Chair of the Committee.

Meetings and Procedures

The Committee will meet as often as may be deemed necessary to fulfill its responsibilities. Meetings will be conducted in accordance with applicable provisions of the Delaware General Corporation Law and the Company's bylaws. The Committee will keep minutes of its meetings, which will be maintained with the books and records of the Company. The Committee will provide the Board reports of its activities.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to any subcommittee such power and authority as the Committee deems appropriate; provided, that no subcommittee will consist of fewer than two members. The Committee will not delegate to a subcommittee any power or authority required by any law, regulation or listing standards to be exercised by the Committee as a whole.

Outside Advisors

The Committee will have the authority, at the expense of the Company, to retain such outside advisors as it deems appropriate to assist it in the performance of its duties and responsibilities, including the sole authority to retain and terminate any search firm for identifying qualified director candidates and to approve the firm's fees and other retention terms.

Duties and Responsibilities of the Committee

As part of its duties and responsibilities, the Committee will from time to time:

- (1) Develop and modify criteria for identifying and evaluating candidates for the Board, including standards for assessing independence. Among these criteria are business and management experience, accessibility, familiarity with the Company and its business, integrity, diverse talents, backgrounds and perspectives, and relevant regulatory and stock exchange membership requirements for the Board and its committees. The Committee will also consider qualified candidates for director suggested by the Company's stockholders in written submissions to the Committee.
- (2) Identify and recruit qualified director candidates for the Board and review such director candidates as may be recommended to the Committee by the stockholders or directors of the Company.
- (3) Review annually the contributions and independence of existing directors and recommend director nominee candidates to the Board for election or re-election at the annual meeting of stockholders and to fill such Board vacancies as may occur during the year.
- (4) Conduct a periodic review of (i) corporate governance trends and practices, including evaluation of Board size, composition and activities, (ii) committees and committee membership, (iii) director compensation and stock ownership, and (iv) the Company's corporate governance guidelines and policies, and make recommendations to the Board with respect to the implementation and modification of the Company's corporate governance guidelines and policies.
- (5) Oversee the Company's code of ethics, make recommendations to the Board with respect to modifications of the code and oversee procedures for administering and promoting compliance with the code.
- (6) Establish and maintain procedures for the conduct of executive sessions of non-management directors.
- (7) Oversee the Company's process for evaluation of senior management.

- (8) Oversee the annual self-evaluation by the Board of Directors.
- (9) Evaluate the performance of the Committee and assess the adequacy of the Committee's charter on an annual basis and make reports thereon to the Board.

Composition of the Board

The Board will consist of the number of directors provided for in the Company's organizational documents, as amended from time to time, who are elected by the stockholders. A majority of the Board will consist of directors who satisfy independence requirements determined by the Board, in accordance with the Company's bylaws, federal laws and rules and regulations promulgated, from time to time, by the Securities and Exchange Commission and Nasdaq. The Board may, from time to time, designate a former director to serve as an Emeritus Director. An Emeritus Director may serve in an advisory capacity to the Board, but will not be a voting member. The Board does not have a policy on the number of Emeritus Directors that may serve the Company at any one time.

The Board will form and delegate authority to committees when determined appropriate by the Board. However, generally these committees are limited to those the Board determines are necessary for the operation of a public company similar to that of the Company. It is the Board's policy that all significant decisions and actions be considered by the full Board. The Board has standing Audit, Compensation, and Corporate Governance and Nominating committees, each consisting entirely of independent directors, as determined by the Board. Changes in the members of the Board's committees are made by the Board after appropriate consultation or consideration by the Corporate Governance and Nominating Committee.

The Board, through its Corporate Governance and Nominating Committee, will periodically assesses whether the current size of the Board and each committee is appropriate and sufficient to function effectively as a body.

It is the Board's policy that its directors may not serve concurrently on more than three public company boards.