

GREY WOLF, INC.

Charter of the Compensation Committee Of the Board of Directors

GENERAL

The Board of Directors of Grey Wolf, Inc. (the “Company”) has constituted and established a compensation committee (the “Committee”) with authority, responsibility and specific duties as described in this charter. The primary purpose of the Committee shall be to:

- fix, from time to time the salaries of the executive officers of the Company and grant such bonuses and awards pursuant to the Company’s compensation plans, or otherwise, to officers and employees of the Company as it deems appropriate;
- establish, or recommend the establishment of, compensation plans for officers and employees of the Company as it deems appropriate; and
- oversee the general compensation policies of the Company

POWERS

The Committee will have the resources and the authority necessary to discharge its duties and responsibilities, the Committee may draw on the expertise of management and the corporate staff and, if appropriate, retain outside counsel, accountants and other experts or advisors to assist the Committee with its work.

In addition, the Committee shall have sole authority, at the Company’s expense, to retain and terminate any compensation consultant or consultants who assist in the evaluation of the compensation of the Chief Executive Officer or senior executives, including sole authority to approve the consultant’s fees and other retention terms.

MEMBERSHIP

The Committee shall consist of at least three Directors. Each member of the Committee shall (1) be independent and qualified under standards established by applicable law and the listing standards of the American Stock Exchange, (2) qualify as an “outside director” under Section 162(m) of the Internal Revenue Code, as amended, and (3) meet the requirements of a “non-employee director” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

Committee members shall be appointed by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee. The Board shall appoint one member of the Committee as chairperson. He or she shall be

responsible for leadership of the Committee, including overseeing the agenda, presiding over the meetings and reporting to the Board of Directors. If the chair of the Committee is not present at a meeting, the members of the Committee may designate a chair.

RESPONSIBILITIES

The following functions shall be the common recurring activities of the Committee in carrying out its duties and responsibilities. In addition to any other responsibilities which may be properly assigned by the Board, the Committee will have the following authorities and responsibilities.

- A. Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer; evaluate the Chief Executive Officer's performance at least annually in light of those goals and objectives; and to determine the Chief Executive Officer's compensation level based on this evaluation, subject to ratification by the Company's independent Directors. In determining the long-term incentive component of Chief Executive Officer's compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the Company's Chief Executive Officer in past years. Nothing in this Charter should be construed as precluding discussion of the Chief Executive Officer's compensation with the Board generally.
- B. Fix the salaries to be paid and the bonuses and awards to be granted, pursuant to the Company's compensation plans or otherwise, to the executive officers of the Company.
- C. Grant stock options and other stock and stock-based awards to the Company's officers, employees and others when permitted to do so by the terms of the Company's compensation plans.
- D. Establish, or recommend the establishment of, compensation plans for officers and employees of the Company as it deems appropriate.
- E. Oversee the Company's employee benefit programs.
- F. Produce a Compensation Committee report on executive compensation as required by the U.S. Securities and Exchange Commission to be included in the Company's annual proxy statement filed with the Securities and Exchange Commission.
- G. Establish, or recommend the establishment of, compensation policies and philosophies to the Board.
- H. Meet regularly and at such times as may be determined by the Committee or its Chairman, and report regularly to the Board.

- I. Delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee.

Notwithstanding the foregoing, the Committee may fix bonuses and stock and non-stock awards, with or without ratification by the Board, to the extent the Committee deems it necessary that it, rather than the Board of Directors, do so in order to qualify such compensation under Section 162(m) of the U.S. Internal Revenue Code or comply with the provisions of a compensation program approved by the Company's shareholders.

ANNUAL EVALUATION

The Committee shall conduct a self-evaluation of its performance at least annually. The Committee shall report to the Board of Directors or such committee of the Board of Directors as the Board may designate the results of its evaluation.

REVIEW AND AMENDMENT

The Committee shall review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval. This Charter may be amended only by the Board.