

KCS Energy, Inc.
Corporate Governance Guidelines

Director Qualification Standards

At least a majority of the members of the Board of Directors (the “*Board*”) of KCS Energy, Inc. (the “*Company*”) shall be independent directors under the definition of the New York Stock Exchange, and free from any relationship that in the determination of the Board would interfere with the exercise of independent judgment as a director of the Company. All members of the Company’s Compensation Committee, the Nominating and Corporate Governance Committee and the Audit Committee shall be independent directors. The number of other public company boards on which a director may serve shall be subject to a case-by-case review by the Nominating and Corporate Governance Committee, in order to ensure that each director is able to devote sufficient time to perform his or her duties as a director. A member of the Company’s Audit Committee shall not serve on more than three audit committees of publicly-traded companies unless the Board determines that such simultaneous service does not impair the ability of the director to serve on the Company’s Audit Committee, which determination of the Board shall be disclosed in the Company’s annual proxy statement. Each Director shall serve on the Board until his or her successor is elected and qualified or until death, retirement, resignation or removal for cause in accordance with the Company’s Certificate of Incorporation or By-laws.

Director Responsibilities

The Board’s primary responsibility is to provide effective governance over the Company’s affairs for the benefit of its stockholders, and to balance the interests of its diverse constituencies, including its customers, employees, suppliers and local communities. In all actions taken by the Board, the directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, directors may rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors. Directors are expected to attend at least 75% of the meetings of the Board and all committees of the Board on which they serve. Directors are expected to devote as much time as necessary to discharge their responsibilities as directors of the Company and the committees on which they serve. Directors are expected to review in advance the information furnished to them prior to Board or committee meetings.

Director Access to Management and Independent Advisors

The Board shall have regular access to members of the management of the Company. The Board may, in its discretion, engage independent advisors as necessary and appropriate.

Director Compensation

Director compensation shall be set by the full Board based upon a recommendation by the Compensation Committee of the Board. Director compensation shall take into account information available to the Board regarding practices in comparable companies and the time

required for directors to fulfill their responsibilities as members of the Board and Board committees. At the time of considering compensation of directors, the Board shall be informed by each Director of all substantial charitable contributions made by the Company to an organization with which such director is affiliated, any consulting contracts between the Company and such director and all other forms of indirect compensation, if any, provided to such director.

Director Orientation and Continuing Education

The Company will assist directors who are newly appointed to the Board in acquainting themselves with the Company's business and its policies. Newly appointed directors shall also become knowledgeable, if not already so knowledgeable, about the responsibilities of directors of publicly-traded companies. On a regular basis in connection with the meetings of directors, the Company will provide appropriate information to directors regarding changes in the Company's business and industry as well as the responsibilities of directors in fulfilling their duties.

Management Succession

At least on an annual basis, the Nominating and Corporate Governance Committee will consider policies and principles for chief executive officer selection and performance review. In addition, the Nominating and Corporate Governance Committee will consider and approve at least annually a policy regarding succession in the event of an emergency or the retirement of the chief executive officer.

Annual Performance Evaluation of the Board

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall recommend to the Board the guidelines and procedures for such self-evaluation.

Meetings of the Board

The non-management directors shall conduct executive sessions without management present following each regularly scheduled meeting of the Board of Directors.

Presiding Director

The Board shall have a Presiding Director who shall act as the chair at executive sessions of the Board.