

**Basic Energy Services, Inc.**

**Audit Committee Charter**

**(As of November 16, 2010)**

**Article I. Purpose**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Basic Energy Services, Inc. (the “Company”) has been appointed by the Board for the purpose of overseeing:

1. the Company’s accounting and financial reporting processes;
2. the integrity of the Company’s financial statements;
3. the Company’s compliance with legal and regulatory requirements;
4. the qualifications and independence of the Company’s independent auditor; and
5. the performance of the Company’s internal audit function and its independent auditor.

The Committee is also charged with making regular reports to the Board. The Committee is further charged with preparing any reports of the Committee that may from time to time be required by the rules of the New York Stock Exchange (“NYSE”) or the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement or annual report on Form 10-K.

**Article II. Membership**

The Committee shall consist of no fewer than three members of the Board. Prior to their election and annually thereafter, the members of the Committee shall each have been affirmatively determined by the Board (i) not to be an officer or employee of the Company, (ii) to have no relationship that would interfere with their exercise of independent judgment in carrying out the responsibilities of a director and (iii) to be “independent” under (x) the rules of the NYSE and (y) the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC thereunder (collectively, the “Exchange Act”); provided, with respect to the foregoing independence requirements, the Board may rely on applicable exemptions under Rule 10A-3(b) of the Exchange Act.

In addition:

1. No member of the Committee shall have participated in the preparation of the financial statements of the Company or any then-current subsidiary of the Company at any time during the three years preceding the date of the annual determination of independence;

2. Each member of the Committee shall be “financially literate,” as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after such member’s appointment to the Committee;
3. At least one member of the Committee shall (a) have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment, in accordance with NYSE rules and (b) be an “audit committee financial expert” within the meaning of Regulation S-K under the Securities Act of 1933, as amended (the “Securities Act”) and the Exchange Act; and
4. If a member of the Committee simultaneously serves on the audit committees of more than three public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

Each member of the Committee shall first be nominated by the Nominating and Corporate Governance Committee of the Board and then be elected by the full Board, and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation, retirement or removal. The members of the Committee may be removed at any time, with or without cause, by majority vote of the Board.

The Board shall elect a Chairperson of the Committee. The Chairperson of the Committee will chair all regular and special sessions of the Committee, be responsible for scheduling regular and special meetings and set the agendas for Committee meetings. This Chairperson shall serve until his or her successor is duly elected and qualified or until his or her earlier resignation, retirement or removal. If the Chairperson is absent from a particular meeting, another member of the Committee shall serve as chairperson for purposes of that meeting.

The Committee may delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

### **Article III. Meetings**

The Committee shall meet at least four times per year. Additional meetings may occur as the Committee or its Chairperson deem advisable. As part of the Committee’s oversight function, the Committee shall meet with the Company’s independent auditor and management at least quarterly to review the Company’s financial statements. The Committee (1) may meet separately in executive session with (a) the Company’s independent auditors, (b) members of management, (c) non-management members of the Board who are not members of the Committee, (d) internal auditors (or other personnel responsible for the internal audit function) or (e) any other persons the Committee deems appropriate to discuss any matters that any member of the Committee or any other such individual or group believes should be discussed privately and (2) shall meet separately in executive session at least annually with each of (x) the Company’s management, including its chief financial officer and chief accounting officer, (y) the Company’s internal auditors (or other personnel responsible for the internal audit function), and

(z) the Company's independent auditor. In addition, the Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of Committee members shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent to the fullest extent permitted by the Delaware General Corporation Law.

The Committee will cause to be kept adequate minutes of all its proceedings and will report its actions to the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent.

#### **Article IV. Authority**

The Committee shall have the resources and authority necessary to discharge its duties and responsibilities as it deems appropriate. In connection therewith, the Committee shall have:

1. Such unrestricted access to Company personnel and documents as is necessary to carry out its responsibilities;
2. The sole authority to retain, compensate, evaluate and terminate the Company's independent auditors and the authority to retain independent legal counsel or other outside advisors, including other auditors or accountants, as the Committee determines necessary to carry out its duties; and
3. The appropriate funding provided by the Company, as determined by the Committee, for payment of compensation to the independent auditors and any advisors employed by the Committee and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

#### **Article V. Responsibilities and Duties**

The Committee shall have the following responsibilities and duties:

##### **A. Independent Auditors**

1. The Committee shall have sole authority to appoint, engage and terminate the Company's independent auditors. The Committee shall also be responsible for setting the compensation and retention terms for, and overseeing and evaluating the performance of, the Company's independent auditors. The Company's independent auditors shall report directly to the Committee.

2. The Committee shall have sole authority and responsibility to approve in advance (a) the retention of independent auditors for the performance of all audit and lawfully permitted non-audit services and (b) the fees to be paid for such services. Pre-approval of non-audit services (other than review and attestation services) will not be required if such services fall within exceptions established by the SEC.
3. The Committee shall, at least annually, obtain and review a report by the independent auditor describing:
  - (a) the internal quality-control procedures of the auditor;
  - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
  - (c) all relationships between the independent auditor and the Company.

The Committee shall present its conclusions with respect to the independent auditor to the Board.

4. The Committee shall ensure that it receives from the independent auditor all written disclosures and letters required by Independence Standards Board Standard 1 delineating all relationships between the independent auditor and the Company. The Committee shall discuss with the Company's independent auditors their independence, including any disclosed relationships or services that may impact the auditor's objectivity and independence. If deemed appropriate by the Committee, the Committee may take, or recommend that the Board take, appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence. The Committee shall also confirm with the Company's independent auditors that the independent auditor rotate (a) the lead (or coordinating) audit partner of the audit team as well as the concurring or reviewing partner at least once every five years and (b) any other audit team members within any applicable period required under Regulation S-X under the Securities Act and the Exchange Act. Additionally, in order to ensure continuing auditor independence, the Committee shall periodically consider whether to rotate the independent audit firm itself.
5. On at least an annual basis, the Committee shall evaluate the qualifications, independence and performance of the Company's independent auditor, taking into account the opinions of the Company's management and internal auditor. This evaluation shall include a review and evaluation of the lead audit partner. On at least an annual basis, the Committee shall confirm that the independent auditor is registered with the Public Company Accounting Oversight Board and that its registration is in good standing.

B. Audit and Accounting Process

1. The Committee shall review and discuss with the Company's independent auditor reports that the independent auditors are required to provide to the Committee relating to significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including, among other things, (a) all critical accounting policies and practices used, (b) all alternative treatments of financial information within U.S. generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of such treatments and the treatment preferred by the Company's independent auditor and (c) any material written communications between the Company's independent auditor and management.
2. Following the completion of the annual audit, the Committee shall inquire as to whether there was, and review with the independent auditor, any significant difference of opinion or disagreement between management and the Company's independent auditor in connection with the preparation of the Company's audited financial statements.
3. Following the completion of the annual audit, the Committee shall also review with the independent auditors any audit problems or difficulties (including any restrictions on the scope of activities or access to requested information) and management's responses to such problems or difficulties. This review shall include the responsibilities, budget and staffing of the Company's internal audit function.
4. To the extent required by applicable law or the NYSE rules, the Committee shall discuss with the Company's independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, "Communication with Audit Committees" ("SAS 61"). SAS 61 requires that independent auditors provide audit committees with such additional information regarding the scope and results of outside audits as may be necessary to assist such committees in overseeing the financial reporting and disclosure process for which management is responsible. To ensure that all matters required to be discussed by SAS 61 have already been discussed pursuant to the other provisions of this Charter, the Committee may ask the Company's independent auditor to advise them as to whether the requirements of SAS 61 have been satisfied.

C. Financial Reporting Process

1. The Committee shall review and discuss with members of management and the Company's independent auditor the annual audited financial statements to be included in the Company's annual reports on Form 10-K (including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations") prior to the filing of each Form 10-K. These discussions shall review particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments (whether or not

recorded) and include other inquiries as the Committee or the independent auditor shall deem appropriate. Based on such review, the Committee shall make its recommendation to the Board as to the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders, if distributed prior to the filing of the Form 10-K).

2. The Committee shall review and discuss with members of management and the Company's independent auditor the quarterly financial statements to be included in the Company's quarterly reports on Form 10-Q (including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations") prior to the filing of each Form 10-Q.
3. The Committee shall review with members of management and discuss with the Company's independent auditors any registration statement of the Company that contains new or pro forma financial information prior to the initial filing of such registration statement with the SEC. The Chairperson of the Committee or a quorum of the Committee may represent the entire Committee for the purpose of these reviews.
4. The Committee shall discuss with management the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee may discuss this information generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and is not required to address in advance each earnings release or instance when guidance is provided.
5. The Committee shall be directly responsible for the resolution of any disagreements between management and the independent auditor regarding financial reporting.

D. Pre-Approval and Disclosure of Audit and Non-Audit Services

1. The Committee shall pre-approve any audit services and any permissible non-audit services to be provided by the Company's independent auditor on behalf of the Company that do not fall within any exception to the pre-approval requirements established by the SEC. The Committee may delegate to one or more members of the Committee the authority to pre-approve audit or permissible non-audit services, but any such delegate or delegates must present their pre-approval decisions to the Committee at its next meeting. In the event that any audit or permissible non-audit services are approved by the Committee or a delegate or delegates thereof, the Committee shall take steps to ensure that such approval is appropriately disclosed in the Company's periodic reports filed with the SEC to the extent such disclosure is required.

2. The Committee shall ensure that Company's independent auditor is not engaged to perform for the Company any of the non-audit services set forth on Exhibit A hereto.

E. Compliance Oversight

1. The Committee shall establish and maintain procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters.
2. The Committee shall establish procedures for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
3. The Committee shall review reports received from the Company's independent auditors under Section 10A(b) or the Exchange Act if the independent auditors detect or become aware of any illegal acts.

F. Controls and Procedures

1. The Committee shall discuss periodically with members of management, the internal auditors and the Company's independent auditor the scope and plan for the Company's testing and assessment of internal control over financial reporting and the adequacy and effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting, any changes in internal controls, and any significant deficiencies or material weaknesses in the design or operation of internal controls. The Committee shall seek to elicit recommendations to improve these controls. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions or procedures that may involve fraud or other illegal or improper conduct.
2. The Committee shall review and discuss with management, the internal auditors and the independent auditors: (a) the annual report of management affirming management's responsibility for establishing and maintaining adequate internal control over financial reporting and assessing the effectiveness of the Company's internal control over financial reporting and (b) the independent auditors' attestation report on management's report.
3. The Committee shall review with appropriate persons any fraud involving management or other employees that is reported to the Committee.

G. Evaluation of Performance

1. The Committee shall annually evaluate its own performance, which evaluation should include a comparison of the performance of the Committee with the requirements of this Charter, and deliver a report to the Board setting forth the results of the evaluation.

2. The Committee shall annually review the adequacy of this Charter and submit any recommended changes to the Board for its approval.
3. The Committee shall, through its Chairperson, regularly report to the Board on the Committee's activities and actions, as well as 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 auditors, or the performance of the internal audit function.

#### H. Other Compliance

1. The Committee shall meet periodically with management and the Company's Chief Financial Officer and Controller to review and discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including guidelines and policies with respect to risk management and risk assessment.
2. The Committee shall meet periodically with the Company's Chief Financial Officer and Controller to review the effects of regulatory and accounting changes.
3. The Committee shall set clear policies for the hiring by the Company of employees or former employees of the independent auditor.
4. The Committee shall establish procedures for the approval of all "related party transactions" between the Company and any executive officer or director that would potentially require disclosure pursuant to Item 404 of Regulation S-K under the Securities Act.
5. The Committee shall publish this Charter in accordance with applicable SEC and NYSE rules.
6. The Committee shall prepare the report required to be included in the Company's annual proxy statement under the applicable rules of the SEC.
7. The Committee shall perform any other activities consistent with this Charter, the Company's Bylaws and applicable law as the Committee or the Board deems necessary or appropriate.

#### **Article VI. Explanatory Note**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to ensure that the Company complies with laws and regulations and its internal policies, codes and procedures. It is also not the duty of the Committee to determine that the Company's financial statements are complete and accurate and are prepared in accordance with generally accepted accounting principles, or to assess and manage the Company's exposure to risk. The Company's financial statements are the responsibility of management. The Company's independent auditor is responsible for planning and conducting audits to determine whether the Company's financial statements fairly present, in all material respects, the financial

position of the Company. The Committee shall be entitled to rely on management and the independent auditor in fulfilling its oversight and other responsibilities under this charter.

## Exhibit A

Under the Sarbanes Oxley Act of 2002 (“Sarbanes-Oxley”), as a company with securities registered under the Securities Exchange Act of 1934, as amended, the Company’s independent auditors cannot contemporaneously provide any of the following non-audit services to the Company:

- (1) bookkeeping or other services related to accounting records or financial statements;
- (2) financial information systems design and implementation;
- (3) appraisal or valuation services, fairness opinions or contribution-in-kind-reports;
- (4) actuarial services;
- (5) internal audit outsourcing services;
- (6) management functions or human resources;
- (7) broker-dealer, investment adviser or investment banking services;
- (8) legal services and expert services unrelated to the audit; or
- (9) any other service determined to be impermissible by the Public Company Accounting Oversight Board established pursuant to Sarbanes-Oxley.