

KEY ENERGY SERVICES, INC.

CHARTER OF AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Adopted October 29, 2004

Organization: The Audit Committee (the “Committee”) shall be comprised of three or more directors as determined by the Board of Directors (the “Board”) of Key Energy Services, Inc., a Maryland corporation (the “Company”), each of whom the Board has determined has no material relationship with the Company and each of whom shall be otherwise “independent” under the rules of the New York Stock Exchange (“NYSE”) and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934. All members of the Committee shall be financially literate and at least one member shall possess accounting or related financial management expertise, each as determined by the Board in its business judgment. The Board shall determine whether at least one member of the Committee qualifies as an “audit committee financial expert” in compliance with the criteria established by the Securities and Exchange Commission (the “SEC”). The existence of such member, including his or her name and that he or she is independent, shall be disclosed in periodic filings as required by the SEC.

The members of the Committee shall be appointed annually and may be replaced by the Board. Resignation or removal of a Committee member from the Board, for whatever reason, shall automatically constitute resignation or removal, as applicable, from the Committee. Vacancies occurring on the Committee, for whatever reason, may be filled by the Board, relying on recommendation of the Corporate Governance and Nominating Committee. Unless a chairperson is appointed by the full Board, the members of the Committee may designate a chairperson by majority vote of the full Committee membership. No member of the Committee shall simultaneously serve on the audit committees of more than three public companies.

Statement of Purpose: The Committee is established by the Board for the purpose of:

1. Appointing, compensating, retaining and overseeing the work of the independent auditor;
2. Preparing the Committee report as required by the SEC to be included in the Company’s annual proxy statement; and
3. Assisting the Board in overseeing:
 - (a) the integrity of the Company’s financial statements,
 - (b) the Company’s compliance with legal and regulatory requirements,
 - (c) the independent auditor’s qualifications and independence, and
 - (d) the performance of the Company’s internal audit function and independent auditor.

Responsibilities: The function of the Committee is oversight. While the Committee has the responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits, to prepare the Company's financial statements, to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or to assure compliance with laws, regulations or any internal rules or policies of the Company. These are the responsibility of management and the independent auditor. The Committee has direct and sole responsibility for the appointment, compensation, oversight and replacement, if necessary, of the independent auditor, including the resolution of disagreements between management and the independent auditor regarding financial reporting.

Each member of the Committee shall be entitled to rely on:

1. the integrity of those persons and organizations within and outside the Company from which it receives information; and
2. the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (any such actual knowledge of which shall be promptly reported to the Board).

The Committee has the authority to retain legal, accounting or other experts that it determines to be necessary or appropriate to carry out its duties. The Company shall provide the appropriate funding, as determined by the Committee, for the payment of compensation to the independent auditor and to any legal, accounting or other experts retained by the Committee, and for the payment of the Committee's ordinary administrative expenses necessary and appropriate for carrying out the duties of the Committee.

Duties and Proceedings: The Committee shall assist the Board in fulfilling its oversight responsibilities by accomplishing the following:

Oversight of Independent Auditor.

1. Annually evaluate, determine the selection of, and if necessary, determine the replacement of or rotation of, the independent auditor.
2. Pre-approve all audit services to be provided to the Company (including comfort letters and statutory audits), whether provided by the principal auditor or other firms, and all other services to be provided to the Company by the independent auditor; provided, however, that de minimis non-audit services may be approved in accordance with applicable NYSE and SEC rules.
3. Receive formal written statements, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the auditor and the Company; discuss with the independent auditor any disclosed

relationships or services that may impact the objectivity and independence of the independent auditor, addressing at least the matters set forth in Independence Standards Board Standard No. 1; and if so determined by the Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

4. At least annually, obtain and review a report from the independent auditor describing (1) the firm's internal quality control procedures; (2) any material issues raised by the independent auditor's most recent internal quality control review or peer review of the firm or any material issues raised by any inquiry or investigation of any governmental or professional authorities within the preceding five years and any steps taken to deal with any such issues; and (3) all relationships between the independent auditor and the Company.
5. Set the compensation of the independent auditor.

Oversight of Audit Process and Company's Legal Compliance.

6. Review with the internal auditors and the independent auditor the overall scope and plans for audits, including authority and organizational reporting lines and adequacy of staffing and compensation.
7. Review with the independent auditor any audit problems or difficulties and management's response. Periodically review with the independent auditor the responsibilities, budget and staffing of the Company's internal audit function.
8. Review and discuss with management, the internal auditors and the independent auditor the Company's system of internal controls, its financial and critical accounting practices, and policies relating to risk assessment and risk management.
9. Receive and review reports of the independent auditor regarding:
 - (a) all critical accounting policies and practices to be used in the firm's audit of the Company's financial statements;
 - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - (c) other material written communications between the independent auditor and Company management, such as any management letter or schedule of unadjusted differences.

10. Meet to review and discuss with management and the independent auditor the Company's annual and quarterly financial statements and the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
11. Discuss results of the annual audit and quarterly reviews and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.
12. Discuss with management and independent auditor their judgment about the quality of accounting principles, the reasonableness of significant judgments, including a description of any transactions as to which the management obtained Statement on Auditing Standards No. 50 letters, and the clarity of disclosures in the financial statements, including the Company's disclosures of critical accounting policies and other disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations."
13. Discuss, or establish standards for the type of information and the type of presentation of such information to be included in, the Company's earnings press releases and earnings guidance provided to analysts and rating agencies.
14. Review and discuss with management and the independent auditor any changes in the Company's critical accounting principles and the effects of alternative GAAP methods, off-balance sheet structures and regulatory and accounting initiatives.
15. Review the effectiveness of the system for monitoring compliance with laws and regulations. The results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance should also be reviewed.
16. Obtain from the independent auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934 has not been implicated.
17. 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, including review of the process for communicating the Code of Business Conduct and Ethics to Company personnel and for monitoring compliance.
18. Review with management the policies and procedures with respect to executive officers' expense accounts and perquisites, including their use of corporate assets.
19. Review with the independent auditor material pending legal proceedings involving the Company and other contingent liabilities.

20. Obtain regular updates from management and Company counsel regarding compliance matters and legal matters that may have a significant impact on the financial statements or the Company's compliance policies, including disclosure of insider and affiliated party transactions.
21. Meet, periodically, with the Chief Executive Officer, Chief Financial Officer, General Counsel (or person serving in such capacity), the senior internal auditing executive and the independent auditor in separate executive sessions. In connection with and prior to giving their required certifications, the Chief Executive Officer and Chief Financial Officer must disclose to the auditors and the Committee all significant deficiencies and material weaknesses in the design or operation of internal controls, and any fraud that involves management or other employees who have a significant role in the Company's internal controls.
22. Review and discuss with the independent auditor the matters required to be communicated to audit committees in accordance with Statement on Auditing Standards No. 61.
23. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
24. Establish clear hiring policies for employees or former employees of the independent auditor.
25. Review activities, organizational structure, and qualifications of the internal audit function.
26. Annually, review and recommend changes (if any) to the internal audit charter.
27. Periodically review with the internal audit director any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.
28. Review and advise on the selection and replacement of the internal audit director.
29. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

Other Responsibilities.

30. Review the adequacy of this audit committee charter annually and submit the charter to the Board for approval.
31. Prepare report for inclusion in the Company's annual proxy statement as required by the rules of the SEC.
32. Ensure that the Company's management has put in place an appropriate control process for reviewing and approving the Company's internal transactions and accounting.
33. Report recommendations to the Board on a regular basis and prepare and present to the Board the annual performance evaluation of the Committee described in "Performance Evaluation" below.
34. Perform any other activities consistent with the Charter, By-laws and governing law as the Board or the Committee shall deem appropriate, including holding meetings with the Company's investment bankers and financial analysts.

Meetings: The Committee shall hold regularly scheduled meetings at least four times annually and shall hold special meetings or undertake actions by written consent as circumstances dictate. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. The Committee shall maintain minutes for each regular or special meeting. The Committee shall meet separately, periodically, with management, the internal auditors and the independent auditor to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. The Committee shall report regularly to the Board.

Performance Evaluation: The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any revisions to the Committee's charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

Written Affirmation to NYSE: On an annual basis, no later than one month after the Annual Meeting of Stockholders, and after each change in the composition of the Committee, the Committee shall direct the Company to prepare and provide to the NYSE such written confirmations regarding the membership and operation of the Committee as the NYSE rules require.

Disclosure of Committee Charter: This charter shall be made available on the Company's website at www.keyenergy.com.

Amendment: The Board must approve any amendment or other modification of this charter.