

**KEY ENERGY SERVICES, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

*Adopted October 29, 2004*

**1. Introduction**

The following guidelines (the “Guidelines”) have been recommended by the Corporate Governance and Nominating Committee (the “Governance Committee”) of the board of directors (the “Board”) of Key Energy Services, Inc. (the “Company”) and approved by the Board. Along with the certificate of incorporation, bylaws, committee charters, and key policies and practices of the Board and its committees, these Guidelines provide the framework for the governance of the Company. These Guidelines are intended to be a statement of general principles to guide the Board in formulating corporate policy, which the Board may depart from when circumstances dictate and the Board determines that a departure is in the best interest of the Company and its stockholders. These Guidelines will be amended from time to time to ensure consistency with new legislative and regulatory developments as well as evolving “best practices” in the area of corporate governance.

**2. Guidelines**

**A. Role of Board and Management**

The day-to-day leadership and operations of the Company are conducted through the Chief Executive Officer (“CEO”) and senior management, under the oversight of the Board. The primary responsibility of the Board is to enhance the long-term success of the Company consistent with the Board’s fiduciary responsibility to the Company and its stockholders.

The Board has the responsibility to act in good faith and in a manner it reasonably believes to be in or not opposed to the best interests of the Company and its stockholders. Both the Board and management recognize that the long-term interests of the Company and its stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, customers, suppliers, government officials and the public at large.

a. The Board’s role:

1. The Board reviews the goals and strategic plans of the Company as well as the objectives and policies with which it is managed.
2. Once the Board has approved the plans, objectives and policies, its role is to support and guide the CEO and senior management in their implementation.

3. Subject to certain legal obligations and to the applicable governing documents of the Company, the Board retains the responsibility for managing its own affairs, including planning its composition, selecting the Chair of the Board (“Chair”), the Lead director of the Board, nominating candidates for election to the Board, electing Board committees and committee Chairs, and determining directors’ compensation.
  4. The Board reviews compliance with all relevant legal and regulatory requirements, as well as matters relating to compliance with disclosure requirements, internal controls, evaluation of major risks, audits, financial reporting and strategic planning.
- b. The CEO and Senior Management’s Role:
1. The CEO’s primary responsibility is to lead the Company.
  2. The CEO, along with senior management, formulates policies and proposed actions for the Company and presents them to the Board for review or approval.
  3. The CEO, along with senior management, keeps the Board fully informed in a timely and candid manner of the progress of the Company towards the achievement of its established goals and of all material deviations from these goals and the strategic plans, objectives and policies established by the Board, including without limitation the Code of Conduct.

These Guidelines, the Company’s Code of Conduct, and the charters of the Audit Committee, the Governance Committee, the Compensation Committee and any other committee established by the Board are reviewed and approved by the Board.

## **B. Responsibilities of the Board**

The Board has four regularly scheduled meetings a year in which it reviews and discusses reports by the CEO and senior management on the performance of the Company and its strategic plans and prospects. The Board holds other meetings and undertakes actions by written consent as it determines are necessary in its discretion. From time to time, Board meetings may be held by teleconference calls in accordance with the governing documents of the Company. The Chair of the Board, the CEO and the Lead Director, in conjunction with the Corporate Secretary, establish the agenda for each Board meeting.

Directors are expected to attend all scheduled meetings of the board and all scheduled meetings of any committee of which they are a member and to review the applicable meeting materials which are available in advance of the meeting. A notice of meeting and agenda will be prepared by the Corporate Secretary, and management will distribute the notices of meeting, agendas and relevant background materials.

Management will seek to provide these agendas and background materials in advance of meetings although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the business and in certain cases it may not be possible. The Notice of Meeting will describe significant matters to be dealt with at each meeting to enable directors to focus on reviewing the related materials. Materials presented to the Board should be as concise as possible, while still providing the information needed for directors to make an informed judgment. Senior management will be accessible to directors at Board and committee meetings. Presentations on specific subjects at Board meetings will briefly summarize the materials previously sent to directors so that discussion can be focused on questions and decisions regarding the materials and any other topics that are raised during a meeting. Directors are also expected to attend annual meetings of shareholders.

### **C. Executive Sessions of Non-Management Directors**

The Board will have an executive session for the non-management directors on a regular basis without management present. Non-management directors who are not independent under the rules of the New York Stock Exchange may participate in these executive sessions, but the independent directors should meet in an executive session at least once a year. Unless the Chair is an independent director, the Board will select a Lead Director from among the independent directors serving on the Company's Board. The Lead Director will act as a liaison between the non-management directors and the Company's management, chair the executive sessions of non-management directors and consult with the Chair on agendas for Board meetings and other matters pertinent to the Company and the Board.

### **D. Communication with Stockholders**

The Board will give appropriate attention to written communications that are submitted by stockholders and other interested parties and will respond if and as appropriate. Anyone who has concerns about the Company may communicate those concerns by a writing addressed to a particular non-management director or to the non-management directors as a group. Management will forward all relevant communications to the Board. Absent unusual circumstances, the Chair of the Board (if an independent director), or the Lead Director shall, subject to advice and assistance from the General Counsel, be primarily responsible for monitoring communications from stockholders and other interested parties and shall provide copies or summaries of such communications to the other directors as he or she considers appropriate.

### **E. Qualifications and Composition of the Board**

The Board is responsible for the composition of the Board and for selecting its own nominee members. The composition of the Board should reflect a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company's business. While the size of the board shall be set in accordance with the governing documents of the Company, the Board believes it should be such to facilitate

substantive discussions of the whole Board in which each director can participate meaningfully and that, generally, the maximum number of members of the Board should be nine. At least a majority of the Board shall consist of directors that the Board has affirmatively determined have no direct or indirect material relationship with the Company and who are otherwise “independent” under the rules of the NYSE, as amended from time to time.

The Governance Committee, with direct input from the Board, is responsible for identifying and screening candidates for Board membership. In making its selections, the Governance Committee will follow the Company’s Guidelines for Nomination as a Director. The Governance Committee will also consider proposals for nominees for director from stockholders that meet the requirements set forth under “Stockholder Proposals of Candidates” in the Company’s policy entitled “Selection Process for New Director Candidates and Guidelines for Nomination as a Director”.

The Board does not believe that term limits on directors’ service are appropriate, and the Board’s self-evaluation process will be considered in determining Board tenure. A director whose place or type of employment or responsibility changes after election to the Board will have his or her Board membership status reviewed at that time. Unless otherwise recommended by the Board, a director who would be age 75 or older at the time of the next meeting of the Board shall retire at that meeting.

Directors should advise the Chair of the Board in advance of accepting an invitation to serve on another public company board.

#### **F. Board Access to Management and Independent Advisors**

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board shall have the authority to retain advisors at the Company’s expense, and to approve the fees and retention terms of its outside advisors.

Directors shall have full and free access to officers and employees of the Company. In connection with each regular Board meeting, the non-management directors shall meet in separate executive sessions with the Company’s Chief Financial Officer and General Counsel (or the person acting in that capacity). To the extent the Chief Financial Officer and General Counsel are not available for the meeting, the Board will initiate contact outside of the Board meeting. Any additional meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Corporate Secretary upon request by the director or directly by the director. Furthermore, the Board encourages the CEO to, from time to time, bring managers into Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas.

#### **G. Director Compensation**

Employees of the Company that are also directors will not receive additional compensation for their services as director. With respect to non-employee directors, the

Board should conduct a review at least once every three years of the components and amount of Board compensation in relation to that paid to directors at other companies comparable to the Company. The Board should consider that a director's independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director.

#### **H. Director Orientation and Continuing Education**

Management, working with the Board and the Governance Committee, will provide an orientation process for new directors, including presentations on the Company's principal officers, its internal and independent auditors, its strategic plans, its significant financial, accounting and risk management issues, its Code of Conduct and these Guidelines. Periodically, management should prepare additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile, or any changes to the Code of Conduct, these Guidelines or governance issues.

#### **I. Management Succession**

The Governance Committee should make an annual report to the Board on succession planning for the Company's CEO and other senior management. At least annually, the Board shall review and concur with a succession plan, focusing especially on the policies and principles for selecting a successor to the CEO, both in an emergency situation, and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

The Board shall be free to select the Chair and the Company's CEO in the best interests of the Company at any given point in time. Therefore, the Board does not have a policy, one way or the other, on whether or not the role of the CEO and Chair should be separate and, if it is to be separate, whether the Chair should be selected from among non-management Directors.

#### **J. Performance Evaluation of the Board and Committees**

The Board will annually review its own performance and the performance of its committees to determine whether they are functioning effectively. This review will be led by the Governance Committee as specified in its charter. The Board should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

Each committee of the Board should conduct a self-evaluation at least annually and report the results to the Governance Committee and the Board. Each committee's evaluation must compare the performance of the Committee with the requirements of its written charter.

## **K. The Committees of the Board**

The Board shall have at least the committees required by the applicable rules of the NYSE, the SEC or other applicable law. Currently, these are the Audit Committee, the Compensation Committee and the Governance Committee. Each of these committees, and any other committee the Board deems it advisable to establish, must have a written charter satisfying the applicable rules of the SEC and the NYSE and other applicable law.

All directors, whether members of a committee or not, are invited to make suggestions to a committee Chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee Chair will give a report of his or her committee's activities to the Board at the next following meeting of the Board.

Committee members will be appointed by the Board upon recommendation of the Governance Committee and may be removed by the Board in its discretion. Each of the Audit Committee, the Compensation Committee and the Governance Committee shall be composed of at least three directors who the Board has determined have no material relationship with the Company and who are otherwise "independent" under the applicable rules of the SEC and the NYSE, each as amended from time to time. The required qualifications for the members of each committee shall be set out in the respective committees' charters. A director may serve on more than one committee for which he or she qualifies.

The Chair of each committee will report to the full Board, no later than the next regularly scheduled meeting of the Board following a committee meeting, on all significant matters discussed, actions taken and recommendations made by the committee. The Chair and other committee members will have an opportunity to comment on committee activities at each Board meeting. Copies of the final minutes of all committee meetings will be distributed to all committee members.

## **K. Disclosure of Corporate Governance Guidelines, Committee Charters and Code of Conduct**

These Guidelines shall be made available on the Company's website at [www.keyenergy.com](http://www.keyenergy.com). The Company's code of conduct and the charters of the Audit, Compensation and Governance Committees shall also be available on the Company's website.

## **L. Limitation**

These Guidelines are not intended to, and do not, create any legal or fiduciary duties or other responsibilities or form a basis for a claim of breach of fiduciary duty or potential liability. These Guidelines are subject to modification and interpretation by the Board. These Guidelines do not modify the Company's bylaws and are subject to the Company's bylaws and certificate of incorporation.

