

# OIL STATES INTERNATIONAL, INC.

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## AMENDED AND RESTATED AUDIT COMMITTEE CHARTER

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**Effective as of May 15, 2008**

The Board of Directors (the “Board”) of Oil States International, Inc. (the “Company”) established the Audit Committee of the Board on February 7, 2001. The Charter of the Audit Committee is amended and restated as set forth herein as of the effective date set forth above.

### **Purposes**

The purposes of the Audit Committee are to:

1. Assist the Board in fulfilling its oversight responsibilities regarding the:
  - Integrity of the Company’s financial statements;
  - Qualifications, independence and performance of the Company’s independent registered public accounting firm (“independent accountants”);
  - Effectiveness and performance of the Company’s internal audit function; and
  - Company’s compliance with legal and regulatory requirements;
2. Prepare for inclusion in the Company’s proxy statement for its annual meeting of stockholders the report required by the rules of the Securities and Exchange Commission (“SEC”); and
3. Perform such other functions as the Board may assign to the Audit Committee from time to time.

### **Composition**

The Audit Committee shall consist of at least three members, all of whom must be members of the Board. One of the members shall serve as the chairperson of the Audit Committee. The members of the Audit Committee shall meet the independence, qualification and experience requirements of the New York Stock Exchange, the Securities Exchange Act of 1934 (“Exchange Act”) and the rules and regulations of the SEC. In addition, at least one

member of the Audit Committee shall be an “audit committee financial expert” (as defined by applicable rules of the SEC).<sup>1</sup> Audit committee members shall not simultaneously serve on the audit committees of more than two other public companies.

The Board shall appoint the members of the Audit Committee based on the recommendation of the Nominating & Corporate Governance Committee. The chairperson of the Audit Committee shall be designated by the Board, based on the recommendation of the Nominating and Corporate Governance Committee, or, if no such designation is made, shall be selected by the affirmative vote of the majority of the Audit Committee. The Board may remove or replace the chairperson and any other member of the Audit Committee at any time by the affirmative vote of the majority of the Board.

### **Committee Authority and Responsibilities**

The Audit Committee shall have the sole authority to appoint, retain and terminate the Company’s independent accountants hired for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (subject, if applicable, to stockholder ratification). The Audit Committee shall be directly responsible for the compensation, oversight and evaluation of the work of the independent accountants (including resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent accountants shall report directly to the Audit Committee. The Audit Committee may consult with management in the performance of these duties but shall not delegate these duties to management.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services to be performed for the Company by its independent accountants, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which are approved by the Audit Committee prior to the completion of the audit. Such pre-approval may be accomplished by engagement arrangements entered into pursuant to pre-approval policies and procedures previously established by the Audit Committee, but only if the policies are detailed as to the particular services that are pre-approved, the Audit Committee is informed of each such service provided and the policies do not delegate the Audit Committee’s responsibilities to management. The Audit Committee shall have sole authority to approve all audit engagement fees and terms and non-audit engagements with the Company’s independent accountants.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit

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<sup>1</sup> The Company is not required to have an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, but it must disclose whether it has at least one and if not, the Company must disclose this fact and the reason why there is none. The more common practice is to require that at least one member of the audit committee qualify as an “audit committee financial expert.” As such, this Charter reflects this practice.

and permitted non-audit services, provided that the decisions of such subcommittee to grant pre-approvals are within the pre-approval policies and procedures previously established by the Audit Committee and presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors without the approval of the Board. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent accountants for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

Without limiting the generality of the preceding statements, the Audit Committee shall have authority, and is entrusted with the responsibility, to perform the following actions:

#### Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent accountants the Company's annual audited financial statements prior to the filing of its Annual Report on Form 10-K, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations", and based on the review and discussions with the independent accountants set forth below, and based on the disclosures received from the independent accountants regarding its independence, determine whether to recommend to the Board that the audited financial statements should be included in the Annual Report on Form 10-K.

2. Discuss with management and the independent accountants the Company's quarterly financial statements prior to the filing of its Quarterly Report on Form 10-Q, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the results of the independent accountants' review of the quarterly financial statements.

3. Review and discuss with management and the independent accountants any analyses prepared by management and/or the independent accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative treatments of financial information within generally accepted accounting principles ("GAAP") on the Company's financial statements.

4. Discuss with management and the independent accountants: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and (b) any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.

5. Review and discuss regular reports from the independent accountants on:

- All accounting policies and practices to be used that the independent accountants identify as critical.
- All alternative treatments of financial information within GAAP for policies and practices related to material items that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants.
- Any accounting adjustments that were noted or proposed by the independent accountants that were “passed” as immaterial or otherwise.
- Other material written communications between the independent accountants and management, such as any management letter, management representation letter, reports on observations and recommendations on internal control over financial reporting, the independent accountants’ engagement letter, the independent accountants’ independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any.<sup>2</sup>

6. Discuss with management the type and presentation of information to be included in the Company’s earnings press releases prior to public release, including the use of “pro forma” or “adjusted” non-GAAP information, and the type and presentation of any financial information and earnings guidance to be provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and need not precede each earnings release or each instance in which the Company provides guidance.

7. Discuss with management and the independent accountants the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company’s financial statements.

8. Discuss with management the Company’s significant financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company’s risk assessment and risk management policies.

9. Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work and management’s response, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management and management’s responses to such matters.

10. Review disclosures made to the Audit Committee by the Company’s CEO and CFO during their certification process for the Annual Report on Form 10-K and Quarterly Report

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<sup>2</sup> Rule 10A-3 of the Exchange Act, Section 10A(k) of the Exchange Act and Section 303A.07(c)(iii)(F) and related Commentary of the NYSE Manual.

on Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

11. The Audit Committee shall review and discuss with management and the independent accountants the Company's report on internal control over financial reporting prior to filing the Company's Annual Report on Form 10-K.<sup>3</sup>

12. Oversight of the Company's Relationship with the Independent Accountants

13. Review and evaluate the lead partner of the independent accountants team.

14. At least annually, obtain and review a report from the independent accountants describing (a) the independent accountants' internal quality-control procedures, (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 involving 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 accountants and the Company, consistent with Independence Standards Board Standard No. 1. Based on this report and the independent accountants' work throughout the year, evaluate the qualifications, performance and independence of the independent accountants, including considering whether the provision of permitted non-audit services is compatible with maintaining the firm's independence, and taking into account the opinions of management and the internal auditing department (or outside auditor performing the function of an internal auditing department). The Audit Committee shall present its conclusions with respect to the independent accountants to the Board.

15. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring (or reviewing) audit partner responsible for reviewing the audit and other audit partners performing services for the Company and/or its subsidiaries as required by law. Consider whether, in order to assure continuing independence, it is appropriate to adopt a policy of rotating the independent accountants on a regular basis.

16. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent accountants.

17. Discuss with the independent accountants any communications between the audit team and the national office of the independent accountant with respect to auditing or accounting issues presented by the engagement.

18. Meet with the independent accountants prior to the audit to discuss the planning and staffing of the audit.

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<sup>3</sup> Implicit in the audit committee's responsibility to oversee the Company's internal auditing function is its review with management and the independent registered public accounting firm of management's report on internal control over financial reporting pursuant to Item 308 of Regulation S-K.

## Oversight of the Company's Internal Audit Function

19. Review any decision by management to appoint or replace the senior internal auditing executive or, if a decision is made to outsource this function, review management's selection and engagement of an outside auditor (other than the Company's independent accountants) to perform the function of an internal auditing department. The senior internal auditing executive (or any outside auditor performing the function of an internal auditing department) shall report directly to management, with oversight provided by the Audit Committee. The Audit Committee shall review the scope and duties of the internal audit function with the senior internal auditing executive (or any outside auditor performing the function of an internal auditing department) during at least one Audit Committee meeting annually. Despite this delegation of authority to management, the senior internal auditing executive (or any outside auditor performing the function of an internal auditing department) shall have full and direct access to the Audit Committee.

20. Review the executive summary reports to management prepared by the internal auditing department (or any outside auditor performing the function of an internal auditing department) and any responses from management.

21. Discuss with the independent accountants and management the responsibilities, budget and staffing of the internal auditing department (or any outside auditor performing the function of an internal auditing department), and any recommended changes in the planned scope of the internal audit.

## Compliance Oversight Responsibilities

22. Obtain from the independent accountants assurance that Section 10A(b)<sup>4</sup> of the Exchange Act has not been implicated.

23. Obtain and review any reports from management and the Company's senior internal auditing executive (or any outside auditor performing the function of an internal auditing department) that the Company and its subsidiaries are in material violation of applicable laws and regulations, the Company's Amended and Restated Code of Business Conduct and Ethics, the Company's Amended and Restated Financial Code of Ethics for Senior Officers and the Company's other codes, policies and procedures relating to compliance with applicable laws and regulations. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Amended and Restated Code of Business Conduct and Ethics, the Company's Amended and Restated Financial Code of Ethics for Senior Officers and the Company's other codes, policies and procedures relating to compliance with applicable laws and regulations.

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<sup>4</sup> Section 10A(b) relates to requirements of independent accountants if they detect or become aware of an illegal act.

24. 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 submission by employees of concerns regarding questionable accounting or auditing matters.

25. Discuss with management and the independent accountants any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or internal audit functions.

26. Discuss with the Company's internal or outside legal counsel legal matters that could reasonably be expected to have a material impact on the financial statements or the Company's compliance policies.

### General

27. The Audit Committee shall prepare for inclusion in the Company's proxy statement for its annual meeting of stockholders the report required by the rules of the SEC.

28. Perform any other activities consistent with this Charter, the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws (each as may be amended), the rules of the New York Stock Exchange applicable to domestic listed companies, and governing law as the Audit Committee or the Board deems necessary or appropriate.

### **Limitation of Audit Committee's Role**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent accountants.

### **Committee Procedures**

1. **Meetings.** The Audit Committee shall meet at the call of its chairperson, two or more members of the Audit Committee, or the Chairman of the Board. The Audit Committee shall meet as frequently as circumstances dictate (but in no event less than quarterly) in order to fulfill its responsibilities and to complete the activities required by this Charter. The Audit Committee may meet in person, by telephone conference call, or in any other manner in which the Board is permitted to meet under law or the Company's Bylaws.

The Audit Committee shall meet periodically with management, the internal auditing department (or any outside auditor performing the function of an internal auditing department) and the independent accountants in separate executive sessions. Other meetings may, at the discretion of the Audit Committee, include non-independent directors, members of the

Company's management, independent advisors and consultants or any other persons whose presence the Audit Committee believes to be necessary or appropriate. Those in attendance may observe meetings of the Audit Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Audit Committee, and in any event shall not be entitled to vote. Notwithstanding the foregoing, the Audit Committee may also exclude from its meetings any persons it deems appropriate, including, but not limited to, any director that is not a member of the Audit Committee.

2. **Quorum and Approval.** A majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Audit Committee may also act by unanimous written consent in lieu of a meeting.

3. **Rules.** Except as expressly provided in this Charter, the Company's Certificate of Incorporation or Bylaws, or the Company's Amended and Restated Corporate Governance Guidelines, the Audit Committee may determine additional rules and procedures to govern it or any of its subcommittees, including designation of a chairperson pro tempore in the absence of the chairperson and designation of a secretary of the Audit Committee or any meeting thereof.

4. **Reports.** The Audit Committee shall maintain minutes of its meetings and make regular reports of its actions and any recommendations to the Board, directly or through the chairperson.

5. **Review of Charter.** Each year, the Audit Committee shall review the adequacy of this Charter and recommend any proposed changes to the Board for approval.

6. **Performance Review.** Each year, the Audit Committee shall review and evaluate its own performance and shall submit itself to the review and evaluation of the Board.

7. **Fees; Reimbursement of Expenses.** Each member of the Audit Committee shall be paid the fee set by the Board for his or her services as a member or chairperson of the Audit Committee. Subject to the Company's Amended and Restated Corporate Governance Guidelines and other policies, members of the Audit Committee will be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as members of the Audit Committee.

#### Posting Requirement

This Charter shall be posted on the Company's website as required by applicable rules and regulations. In addition, the Company shall disclose in its proxy statement for its annual meeting of stockholders that a copy of this Charter is available on the Company's website.

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While the Audit Committee members have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as

creating, any responsibility or liability of the Audit Committee members, except to the extent otherwise provided under applicable federal or state law.