

**MESA ENERGY HOLDINGS, INC.**  
**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

(As adopted December 15, 2011)

**I. PURPOSE**

The purpose of the Audit Committee of the Board of Directors of Mesa Energy Holdings, Inc. (the “Corporation”) shall be to:

- A. Assist the Board of Directors in fulfilling its oversight of:
  - 1. The quality and integrity of the Corporation’s financial statements;
  - 2. The Corporation’s compliance with legal and regulatory requirements;
  - 3. The qualifications and independence of the Corporation’s independent auditors; and
  - 4. The performance of the Corporation’s independent auditors.
- B. Prepare any reports that the rules of the Securities and Exchange Commission (“SEC”) require be included in the Corporation’s annual proxy statement.

**II. STRUCTURE AND OPERATIONS**

A. Composition and Qualifications

- 1. The Audit Committee shall be comprised of three or more members of the Board of Directors and shall comply with the “independent director” requirements under the rules of the NYSE Amex (the “Amex”), the federal securities laws and the rules of the SEC promulgated thereunder.
- 2. Each member of the Audit Committee shall have a working familiarity with basic finance and accounting terminology and practices, and at least one member shall have accounting or related financial management expertise.

B. Compensation

No member of the Audit Committee shall receive from the Corporation or any of its subsidiaries (collectively, the “Company”) compensation prohibited by, or which violates the independence requirements of, applicable laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC and the Amex.

### C. Appointment and Removal

Each member of the Audit Committee shall be appointed by the Board of Directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Audit Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

### D. Chairman

Unless a Chairman is elected by the Board of Directors, the members of the Audit Committee shall designate a Chairman by the majority vote of the Audit Committee membership. The Chairman will chair all regular sessions of the Audit Committee.

## **III. MEETINGS**

- A. The Audit Committee shall meet at least quarterly, or more frequently as circumstances dictate. The Audit Committee shall periodically meet separately with each of management and the independent auditors to discuss any matters that the Audit Committee or any of these persons or groups believes would be appropriate to discuss privately. In addition, the Audit Committee shall meet with the Corporation's independent auditors and management quarterly to review the Corporation's financial statements in a manner consistent with that outlined in Section IV of this Charter. The Chairman of the Board or any member of the Audit Committee may call meetings of the Audit Committee. All meetings of the Audit Committee may be held telephonically, provided that all persons participating in the meeting can hear each other.
- B. All non-employee directors that are not members of the Audit Committee may attend meetings of the Audit Committee but may not vote. Additionally, the Audit Committee may invite to its meetings any other director or member of management of the Corporation and such other persons as it deems appropriate in order to carry out its responsibilities. The Audit Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

## **IV. RESPONSIBILITIES AND DUTIES**

The following functions shall be the ordinary recurring activities of the Audit Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Audit Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Audit Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Audit Committee outlined in Section I of this Charter.

The Audit Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Audit Committee deems appropriate. In this regard, the Audit Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to and expenses

of such advisors and any other terms of retention, and any such fees and expenses so approved shall be obligations of the Corporation.

The Audit Committee shall be given full access to the Company's books and records, the Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the Audit Committee shall have all the authority of the Board of Directors.

Notwithstanding the foregoing, the Audit Committee is not responsible for certifying the Corporation's financial statements or guaranteeing the independent auditors' report. The fundamental responsibility for the Corporation's financial statements and disclosures rests with management. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

#### A. Documents/Reports Review

1. Meet to review and discuss with management and the independent auditors prior to public dissemination the Corporation's annual audited financial statements and quarterly financial statements, including the notes thereto, and the Corporation's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", contained or incorporated in its annual and quarterly reports filed with the SEC, and discuss with the independent auditors the matters required to be discussed by Statements of Auditing Standards Nos. 61 and 90.
2. Review and discuss the Corporation's earnings press releases (paying particular attention to the use of any "pro forma", "adjusted" or other non-GAAP financial measures and compliance thereof with relevant rules of the SEC), as well as financial information and earnings guidance provided to analysts and rating agencies, as required by applicable laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC, the Public Company Accounting Oversight Board (the "PCAOB") or the Amex.
3. Review reports from management or Compliance of material findings, and the responses thereto, resulting from examinations by regulatory agencies, and discuss the foregoing, where appropriate, with the independent auditors.
4. Perform any functions required to be performed by it or otherwise appropriate under applicable laws, rules and regulations, the Corporation's By-Laws and the resolutions or other directives of the Board.

#### B. Registered Public Accounting Firms

1. Appoint, retain and terminate the Corporation's independent auditors (subject to shareholder ratification) and each other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.

2. Inform the Corporation's independent auditors and each other such registered public accounting firm that such firm shall report directly to the Audit Committee.
3. Oversee the work of the Corporation's independent auditors and each other such registered public accounting firm, including the resolution of any disagreement between management and the registered public accounting firm regarding financial reporting.
4. (a) Approve in advance all audit, review and attest services and all non-audit services (including, in each case, the engagement fees therefor and terms thereof) to be performed by the independent auditors, in accordance with applicable laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC, the PCAOB or the Amex.  
  
(b) The fees and expenses of the independent auditors approved by the Audit Committee shall be obligations of the Corporation.  
  
(c) Notwithstanding the foregoing, the Audit Committee shall not approve or permit the performance by the independent auditors of any non-audit services that are prohibited or that, in the judgment of the Audit Committee, impair the independence of the auditors under applicable laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC, the PCAOB or the Amex.
5. Review, at least annually, the qualifications, performance and independence of the independent auditors (including financial, employment and business relationships between the independent auditors and the Company and rotation and compensation of audit personnel (each as defined in, and as prohibited or required by, applicable laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC, the PCAOB and the Amex)) and present its conclusions to the Board of Directors. The Audit Committee shall ensue its receipt from the independent auditors of a formal written statement delineating all relationships between the independent auditor and the Corporation, consistent with PCAOB Rule 3526, and the Audit Committee shall be responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and for taking, or recommending that the full Board of Directors take, appropriate action to oversee the independence of the independent auditors.

#### C. Financial Reporting Process

1. In consultation with the independent auditors, management and the Financial Control Department, review the Corporation's disclosure controls and procedures and accounting and financial reporting processes and controls.  
  
(a) The Audit Committee shall review with management and the independent auditors the scope of the proposed audit for the current year and the audit procedures to be utilized, including the staffing plan;

- (b) The Audit Committee shall obtain and discuss with management and the independent auditors, prior to the filing of each audit report with the SEC, a report regarding:
  - (i) all critical accounting policies and practices of the Company;
  - (ii) all alternative treatments within GAAP, for policies and practices related to material items, that have been discussed with management, including the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors;
  - (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
  - (iv) major issues as to the adequacy of the Corporation's internal controls and any specific audit steps adopted in light of material control deficiencies; and
  - (v) any other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- 2. Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
- 3. Review with the independent auditors (i) any audit problems or other difficulties encountered by the auditors in the course of the audit process, including any restrictions on the scope of the independent auditors' activities or on access to requested information and any significant disagreements with management, and (ii) management's responses to such matters. The Audit Committee should review with the independent auditors (i) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise), (ii) any material communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iii) any letter issued, or proposed to be issued, by the independent auditors to the Corporation reporting material observations or recommendations regarding the Company's internal controls.

#### D. Legal/Compliance

- 1. Review periodically the scope of legal and compliance activities and confer with legal and compliance representatives on significant compliance issues and the management process for correcting them.
- 2. Review any reports from management, legal advisors and the independent auditors with respect to any material failures by the Company to comply with applicable laws, rules and regulations.

3. Review significant cases of employee misconduct or fraud as brought to the Committee's attention by management, legal advisors or the independent auditors.

#### E. Other

1. Discuss with management and the independent auditors the Corporation's guidelines and policies with respect to risk assessment and risk management. The Audit Committee should discuss the Corporation's major financial and other risk exposures (including technology risks) and the steps management has taken to monitor and control such exposures.
2. Set clear policies for hiring by the Company of current employees of the independent auditors (and their close family members), and of former employees of the independent auditors, that satisfy all applicable provisions of laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC, the PCAOB and the Amex.
3. Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
4. Perform such other functions as from time to time may be mandated by applicable laws and rules and regulations of governmental bodies and self-regulatory organizations, including the SEC, the PCAOB and the Amex.

#### F. Reports

1. Prepare or cause to be prepared all reports, policies and procedures of the Audit Committee required to be included in the Corporation's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.
2. Report regularly to the Board of Directors including:
  - (a) with respect to any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditors or the performance of the Financial Control department;
  - (b) with respect to meetings of the Audit Committee; and
  - (c) with respect to such other matters as are relevant to the Audit Committee's discharge of its responsibilities.

The Audit Committee shall provide such recommendations as the Audit Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

3. Maintain or cause to be maintained minutes or other records of meetings and activities of the Audit Committee.

## **V. ANNUAL PERFORMANCE EVALUATION AND CHARTER REVIEW**

- A. The Audit Committee shall perform a review and evaluation, at least annually, of the performance of the Audit Committee and its members. Furthermore, the Audit Committee shall review, at least annually, the compliance of the Audit Committee with this Charter.
- B. In addition, the Audit Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Audit Committee considers necessary or valuable.
- C. The Audit Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.