

Carbon Energy Corporation
Compensation, Nominating and Governance Committee
of the Board of Directors Charter

1. Purpose

The Compensation, Nominating and Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of Carbon Energy Corporation (the “Company”) is appointed by the Board to assist the Board in fulfilling its responsibility to stockholders by taking a leadership role in (a) the design and administration of executive compensation programs, (b) the annual evaluation of the performance of the CEO and senior management, (c) the recommendation of the annual compensation of senior management, and (d) shaping the governance of the Company with a view towards enhancing (i) the independence and quality of nominees to the Board and (ii) the manner in which the Board conducts its stewardship of the Company.

2. Composition and Qualifications

The Committee shall be comprised of three or more members of the Board, a majority of whom are independent in accordance with the criteria established in the Company’s Corporate Governance Guidelines and each of whom (i) qualifies as a “non-employee director,” as that term is defined in Rule 16b-3 promulgated under the Securities and Exchange Act of 1934, as amended and (ii) qualifies as an “outside director,” as that term is defined in Treasury Regulations §1.162-27(e)(3). The Board shall make determinations as to whether a particular Director satisfies the requirements for membership on the Committee.

The members of the Committee shall be appointed by the Board and shall serve such terms as the Board may determine, or until their earlier resignation, death or removal by the Board.

3. Meetings

The Committee shall meet at least two times annually, or more frequently as circumstances dictate.

4. Authority and Responsibilities

In the furtherance of its purpose, the Committee shall have the following authority and responsibilities. In addition, the Committee may carry out additional duties and responsibilities as may be appropriate and such other duties and responsibilities delegated to it from time to time by the Board.

- (a) To establish and review the overall compensation philosophy of the Company.
- (b) To review the corporate goals and objectives set by the Board, determine how to apply those goals and objectives to the CEO and other executive officers’ compensation, including

annual performance objectives, evaluate the performance of such officers in light of these criteria, either as a committee or together with the other independent directors (as directed by the Board), and determine and approve the annual salary, bonus, stock incentive awards and other benefits, direct and indirect, of the CEO and other executive officers based on this evaluation.

(c) To review and make recommendations to the Board with respect to the Company's incentive-compensation plans and equity-based plans.

(d) To review and approve all equity compensation plans of the Company that are not otherwise subject to the approval of the Company's stockholders.

(e) To review and make recommendations to the Board, all awards of shares or share options pursuant to the Company's equity-based plans.

(f) To review and monitor employee retirement, profit-sharing and benefit plans.

(g) To make recommendations to the Board with regard to the Company's compensation programs and practices for employees.

(h) To review and discuss with management the disclosures under the Compensation Discussion & Analysis to be included in its annual proxy statement filed on Schedule 14A or its annual information statement filed on Schedule 14C, and incorporated by reference in the Company's annual report on Form 10-K filed with the SEC.

(i) To review, discuss and make recommendations with respect to the outcome of any Say-on-Pay and Say-When-on-Pay votes by the stockholders.

(j) To lead the search for and identify individuals qualified to serve on the Board, to review the qualifications of individuals for consideration as Board candidates, including individuals recommended by stockholders, and consistent with criteria approved by the Board, to recommend to the Board the director nominees to be presented for approval at meetings of the stockholders or to be presented to the Board for election and in making any such recommendations, the Committee shall:

(i) consider the competencies and skills the Board as a whole should possess;

(ii) consider criteria for candidates, after considering the competencies and skills of the existing directors; and

(iii) consider the attributes of each potential nominee, which consideration may include the following: independence, judgment, integrity, business or other organizational experience, diversity and the ability to complement the Board by providing special expertise in matters relevant to the Company.

(k) To establish, monitor and recommend the purpose, structure, operations, and charters of the committees of the Board and annually recommend to the Board members to serve on the

committees as well as the individual member to serve as the chairman of each respective committee.

(l) To develop and recommend to the Board a set of corporate governance guidelines and to annually review the guidelines and recommend any changes.

(m) To review and evaluate annually the performance of the Board as a whole, its committees, and management and discuss its findings with the Board.

(n) To periodically assess the need for adoption of stock ownership guidelines and recommend such adoption, if any, to the Board for approval.

(o) To review the Code of Business Conduct and Ethics and to recommend any proposed changes to the Board for approval.

(p) To review on an annual basis director compensation and recommend any changes to the Board.

(q) To oversee and approve the management continuity planning process.

(r) To review the Board's policy regarding the structure of the offices of Chairman of the Board and CEO. If the offices of the Chairman of the Board and the CEO are filled by the same individual, the Committee shall recommend to the Board that it appoint an independent director as the Lead Director of the Board and that the Board provide the Lead Director with such responsibilities and authority as the Board from time to time determines including, but not limited to, the following:

(i) organize and preside over executive sessions of the Board, other than the portions of such sessions that are led by the chairs of the Audit Committee and the Compensation, Nominating and Governance Committee;

(ii) coordinate the activities of the independent directors;

(iii) make recommendations to the Board regarding the structure and timing of Board meetings;

(iv) suggest and recommend to the Chairman of the Board matters that should be considered by the Board;

(v) assist the Chairman of the Board in setting Board meeting agendas;

(vi) counsel the Chairman of the Board as to appropriate materials to be provided to the Board; and

(vii) such other matters as the Board may from time to time determine.

The Committee shall have the sole authority to retain any compensation and benefits consultants to provide independent advice to the Committee, and to retain outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall have authority to delegate to its Chairman, any one of its members or any subcommittee it may form, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. However, subcommittees shall not have authority to engage independent legal counsel, accounting experts or other advisors unless expressly granted such authority by the Committee.

The Committee shall report its actions and recommendations to the Board after each Committee meeting and shall review and reassess annually the performance of the Committee and the adequacy of this charter and recommend any changes to the Board for approval.

While the 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 Committee members, except to the extent otherwise provided under applicable law.