PATTERSON-UTI ENERGY, INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Purpose

The Audit Committee shall oversee management’s conduct of the Corporation’s accounting and financial reporting process including review of the financial reports and other financial information provided by the Corporation to the public and government and regulatory bodies, the Corporation’s system of internal accounting, the Corporations’ financial controls, and the annual independent audit of the Corporation’s financial statements. The Audit Committee shall also oversee compliance with the Corporation’s codes of conduct and ethics and with legal and regulatory requirements.

In discharging its role, the Audit Committee is empowered to investigate any matter brought to its attention or developed on its own initiative, with full access to all books, records, facilities and personnel to the Corporation and the power to retain outside counsel, auditors or other experts for this purpose. The Board and the Audit Committee are in place to represent the corporation’s stockholders; and, accordingly, the independent auditors are ultimately accountable to the Board through the Audit Committee.

Composition

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the requirements of Rule 5605(c)(2)(A) of the NASDAQ Stock Market Rules and Rule 10A-3(b)(1) of the rules and regulations under the Securities Exchange Act of 1934, as amended. All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Audit Committee shall have accounting or related financial management expertise.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board and until their successors shall be duly elected and qualified. Unless a Chairperson is elected by the full Board, the members of the Audit Committee may designate a Chairperson by majority vote of the full Audit Committee membership. A member of the Audit Committee may be removed at any time by the Board.

Additionally, the Audit Committee shall have at least one audit committee financial expert within the meaning of Item 407(d)(5)(ii) and (iii) of Regulation S-K of the Securities and Exchange Commission and meeting the requirements of Rule 5605(c)(2)(A) of the NASDAQ Stock Market Rules.
Meetings

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee should meet at least quarterly with management, including the Chief Financial Officer, the Company’s internal auditors and the independent auditors separately to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or at least its Chairperson should meet with the independent auditors and management quarterly to review the Corporation’s financial statements consistent with paragraph number 3 below.

Responsibilities and Duties

The Audit Committee’s job is one of review and it recognizes that the Corporation’s management is responsible for preparing the Corporations’ financial statements and that the independent auditors are responsible for auditing those financial statements. Additionally, the Audit Committee recognizes that management, the internal auditors and the independent auditors have more time, knowledge, and detailed information concerning the Corporation than do Audit Committee members. Consequently, in performing its functions, the Audit Committee is not providing any expert or special assurance as to the Corporation’s financial statements or any professional certification as to the independent auditors’ work.

The following functions will be the common recurring activities of the Audit Committee. These functions are set forth as a guide with the understanding that the Audit Committee may diverge from this guide as appropriate given the circumstances.

Documents/Reports Review

1. Review and reassess, at least annually, the adequacy of this Charter. Make recommendations to the Board, as conditions dictate, to update this Charter.

2. Review with management and the independent auditors the Corporation’s audited financial statements, including a discussion with the independent auditors of the matters required to be discussed by the standards of the Public Company Accounting Oversight Board (the “PCAOB”) and the rules and regulations of the Securities and Exchange Commission.

3. Review with management and the independent auditors the interim financial results prior to the release of earnings and filing of the Quarterly Report on Form 10-Q, and including a discussion with the independent auditors of the matters to be discussed by the standards of the PCAOB. The Chairperson of the Audit Committee may represent the entire Audit Committee for purposes of this review.

4. Review with management, the Company’s internal auditors and the independent auditors, the quality and adequacy of the Corporation’s internal controls.

5. Discuss with management its philosophy and approach to earnings releases and guidance given to analysts and rating agencies.
Independent Auditors

6. Pre-approve all audit and non-audit services provided by the independent auditors to the Corporation (subject to any de minimis exceptions permitted by law for non-audit services, which must, in any event, be approved annually by the Audit Committee prior to completion of the annual audit). The Audit Committee may take any measures that it determines to be appropriate to assure that the independent auditors are not engaged to perform specific non-audit services proscribed by law or regulation. The Audit Committee may delegate pre-approval authority to a member or members of the Audit Committee or to a subcommittee of the Audit Committee. The decisions of any Audit Committee member or members or subcommittee to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.

7. Review the performance of the independent auditors and make decisions with respect to the appointment, compensation, retention and oversight of the independent auditors (including resolutions of disagreements between management and the independent auditors). The independent auditors shall report directly to the Audit Committee.

8. Oversee independence of the accountants by:

   • receiving from the independent auditors, on an annual basis, a formal written statement delineating all relationships between the accountants and the Corporation consistent with the standards of the PCAOB;

   • reviewing, and actively discussing with the Board, if necessary, and the independent auditors, on a periodic basis, any disclosed relationships or services between the independent auditors and the Corporation or any other disclosed relationships or services that may impact the objectivity and independence of the independent auditors; and

   • taking appropriate action to satisfy itself of the accountant’s independence.

9. Based on the review and discussions referred to in Paragraphs numbered 2, 4, 7 and 8 above, the Audit Committee shall determine whether to recommend to the Board that the Corporation’s audited financial statements be included in the Corporation’s Annual Report on Form 10-K.

10. The Audit Committee shall receive quarterly reports, and other reports as requested by it from time to time, from the independent auditors on, and assess, (i) the critical accounting policies and practices of the Corporation and (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications thereof and the preferred treatment thereof and shall receive from
both (at the time they are sent) all material written communications between the independent auditors and the Corporation’s management.

Internal Audit

11. Review with the appropriate internal audit personnel, the internal audit plan for each fiscal year.

12. Meet at least quarterly with the most senior internal audit person to review the work against the internal audit plan and review any significant reports to management.

13. Review at least annually with the independent auditor and the most senior internal audit person the Corporation’s internal audit function, including the adequacy of personnel and resources, and consider any recommendation with regard thereto.

14. Review and concur on the appointment, replacement, reassignment or dismissal of the senior internal audit person and approve the compensation arrangement therefore.

15. Meet in executive session at least quarterly with the senior internal audit person.

Financial Reporting Process

16. In conjunction with the independent auditors, the internal auditors and the Chief Financial Officer, review at least annually the operation and integrity of the Corporation’s financial reporting processes, both internal and external.

17. Consider and approve, if appropriate, major changes to the Corporation’s auditing and accounting principles and practices as recommended by the independent auditors, management, or the internal auditing department.

18. Establish regular systems of reporting to the Audit Committee by each of management, the independent auditors and the internal auditors regarding any significant judgments made in management’s preparation of the financial statements and any significant difficulties encountered during the course of the review or audit; including any restrictions on the scope of the work or access to required information.

19. Review any significant disagreement among management and the independent auditors or the internal auditing department in connection with the preparation of the financial statements.

20. Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
21. Establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

**Legal Compliance/General**

22. The Audit Committee shall, from time to time, discuss with management (including the person charged with the responsibility to oversee corporate compliance by the Corporation), the internal auditors and the independent auditors the Corporation’s adherence to legal and ethical compliance programs (e.g., Corporation’s code of conduct) and the steps management has taken to require and monitor such adherence by Corporation employees and agents. The person charged with the responsibility to oversee corporate compliance shall report at least annually to the Committee with respect to the foregoing.

23. The Audit Committee shall, from time to time as it deems appropriate, discuss with Corporation counsel matters that may have a material impact on the Corporation’s financial statements and compliance with legal requirements and shall receive any attorney’s report, required by law to be submitted to the committee or the Board of Directors, of evidence of a material violation of securities laws or breaches of fiduciary duty or similar violation by the Corporation or any agent thereof.

24. The Audit Committee shall periodically require each of its members to certify that such person meets the independence requirements prescribed by law and NASDAQ Stock Market Rules, including that such person has received no compensation from the Company other than director and Board committee fees.

25. The Audit Committee shall report through its Chairperson to the Board following meetings of the Audit Committee.

26. The Audit Committee shall maintain minutes or other records of meetings and activities of the Audit Committee.

27. The Audit Committee shall have full authority to engage and cause the Corporation to compensate, as and when deemed necessary or appropriate by the Audit Committee, independent counsel and other advisers, including accounting advisers.

28. The Corporation shall provide appropriate funding, as determined by the Audit Committee, for the payment of compensation to the independent accountant, and to any advisers engaged by the Audit Committee and for the ordinary administrative expenses of the Audit Committee necessary or appropriate to the carrying out of its duties.

29. No Audit Committee member shall simultaneously serve on the audit committee of more than two other public companies without notice to and approval by the Board of Directors.
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 Corporation’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.