

# ULTRA PETROLEUM CORP.

## Corporate Governance Principles

(As adopted August 2008)

These Corporate Governance Principles (the “*Principles*”) have been developed to assist the Board of Directors (the “*Board*”) in the exercise of its responsibilities. These guidelines should be interpreted in the context of all applicable laws and the Company’s Articles of Continuance, Bylaws and other corporate governance documents. The Principles are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations.

### 1. Role of the Board.

- 1.1. **Function.** The Board is elected by the shareholders to provide oversight, counseling and direction to the management of the Company for the benefit of the shareholders. This responsibility includes (i) monitoring senior management’s conduct of the Company’s business operations and affairs to evaluate whether the business is being properly managed; (ii) reviewing and, where appropriate, approving the Company’s fundamental financial and business objectives, strategies, plans and major corporate actions; (iii) assessing major risks facing the Company and reviewing options for their mitigation; (iv) selecting, regularly evaluating the performance of, and approving the compensation of the chief executive officer (“**CEO**”); (v) planning for succession with respect to the position of CEO and monitoring management’s succession planning for other senior executives; and (vi) overseeing the Company’s policies and procedures regarding corporate governance, ethical conduct and maintenance of financial and accounting controls.
- 1.2. **Management.** The Board has delegated to the CEO, working with the other executive officers of the Company, the authority and responsibility for managing the business of the Company in a manner consistent with the standards and practices of the Company, and in accordance with any specific plans, instructions or directions of the Board. The CEO and management are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company.

### 2. Board Members.

- 2.1. **Size.** The Articles of Continuance provide that the number of directors shall be not less than one (1) nor more than seven (7). The Board shall periodically assess the size of the Board and within these parameters establish the number of Board members. The Board of Directors currently believes that the optimal number of Board members is five, allowing, however, for changing circumstances that may warrant a higher or lower number from time to time.
- 2.2. **Candidates.** The Board of Directors has a duty to the Company’s shareholders to identify qualified candidates to serve as Board members. The Board is responsible for recommending director candidates for election by the shareholders and for electing

directors to fill vacancies or newly created directorships. The Board has delegated the screening and evaluation process for director candidates to the Nominating & Corporate Governance Committee, which will identify, evaluate and recruit highly qualified director candidates and recommend them to the Board.

- 2.3. **Composition.** A majority of the members of the Board shall meet the independence requirements of the New York Stock Exchange (“*NYSE*”) and any other applicable regulatory requirements, as such requirements may change from time to time. The Board recognizes, however, that directors who do not meet the *NYSE*’s independence standards have historically made, and can be expected to continue to make, valuable contributions to the Board and to the Company by reason of their experience, judgment, intelligence and wisdom. The Board will affirmatively determine on an annual basis, and the Company will disclose as required, as to each Board member, whether he is independent.
- 2.4. **Independence.** To be considered independent under the *NYSE* rules, the Board must affirmatively determine that a director does not have any direct or indirect material relationship with the Company. The Board has established the following guidelines to assist it in determining director independence in accordance with the *NYSE* rules:
  - 2.4.1. No director who is an employee or former employee of the Company, or whose immediate family member is an executive officer or former executive officer of the Company, shall be considered “independent” until three years after such employment has ended.
  - 2.4.2. No director who is receiving, or in the last three years has received, or whose immediate family member is receiving, or in the last three years has received, more than \$100,000 per year in direct compensation from the Company, other than fees received in such director’s capacity as a member of the Board or any Board committee and pension payments or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) shall be considered “independent.” Compensation received by an immediate family member for service as a non-executive employee of the Company need not be considered in determining independence under this Section 2.4.2.
  - 2.4.3. No director who is, or in the past three years has been, affiliated with or employed by, or whose immediate family member is, or in the past three years has been, affiliated with or employed in a professional capacity by, a present or former internal auditor or independent auditing firm of the Company shall be considered “independent.”
  - 2.4.4. No director who is, or in the past three years has been, employed as, or whose immediate family member is, or in the past three years has been, employed as, an executive officer by any company for which any executive officer of the Company serves as a member of its compensation committee (or, in the absence of a compensation committee, the board committee performing equivalent

functions, or, in the absence of such committee, the board of directors) shall be considered “independent.”

- 2.4.5. No director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1,000,000 or 2% of such other company’s consolidated gross revenue shall be considered “independent” until three years after such payments fall below such threshold.
- 2.4.6. The following commercial, charitable and educational relationships will not be considered to be material relationships that would impair a director’s independence:
- 2.4.6.1. A director of the Company serving as an executive officer or employee of another company (or an immediately family member of the director serving as an executive officer of such company) that does business with the Company and either: (i) the annual sales to the Company do not exceed the greater of \$1,000,000 or two percent of the total annual revenues of such company, or (ii) the annual purchases from the Company do not exceed \$1,000,000 or two percent of the total annual revenues of the Company, in each case for the most recently completed fiscal year.
- 2.4.6.2.A A director of the Company serving as an executive officer of another company which is indebted to the Company, or to which the Company is indebted, and either: (i) the total amount of such other company’s indebtedness to the Company does not exceed the greater of \$1,000,000 or two percent of the total consolidated assets of the Company, or (ii) the total amount of the Company’s indebtedness to such other company does not exceed the greater of \$1,000,000 or two percent of the total consolidated assets of such other company, in each case for the most recently completed fiscal year.
- 2.4.6.3. A director of the Company serving as an executive officer, director or trustee of a charitable or educational organization, and the Company’s discretionary contributions to the organization does not exceed the greater of \$1,000,000 or two percent of that organization’s total annual discretionary receipts for the most recently completed fiscal year. (Any automatic matching of employee charitable contributions by the Company will not be included in the amount of the Company’s contributions for this purpose.)
- 2.4.7. The term “*immediate family member*” includes a person’s spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than such person’s domestic employees) who shares such person’s home. The term “*executive officer*” shall have the same meaning as given to the term “officer” in Rule 16a-1(f) under the Securities

Exchange Act of 1934, as amended (the “*Exchange Act*”), or any successor provision to such rule.

For relationships not qualifying within the above guidelines, the determination of whether the relationship is material, and therefore whether the director is independent, shall be made by the directors who satisfy the above independence guidelines. The Company will explain in the next proxy statement prepared in connection with its annual meeting of shareholders the basis for any Board determination that a relationship was immaterial despite the fact that it did not meet the categorical standards of immateriality set forth in the above guidelines.

- 2.5. **Board Leadership.** The Chairman of the Board shall be selected by the Board. The positions of Chairman of the Board and CEO may or may not be held by the same person as the Board shall, in its sole discretion, determine from time to time.
- 2.6. **Selection of Board Nominees.** On the recommendation of the Nominating and Corporate Governance Committee, the Board shall nominate persons for election to the Board and fill vacancies on the Board that may occur between annual meetings of shareholders. The Nominating and Corporate Governance Committee shall be responsible for identifying and recommending to the Board qualified director candidates for election as new directors. The Nominating and Corporate Governance Committee shall also annually review each incumbent director’s past performance and recommend to the Board whether such director should be nominated for reelection.
- 2.7. **Board Membership Criteria.** The membership of the Board shall be balanced as to its diversity, experience, skills and expertise. The Nominating and Corporate Governance Committee may establish additional criteria for persons to be nominated for election to the Board, taking into account the composition of the Board as a whole, and shall submit such criteria to the Board for its approval. The following criteria should be evaluated by the Board and the Nominating and Corporate Governance Committee when evaluating persons to be nominated to serve on the Company’s Board: (i) a candidate’s qualification as “independent” under the various standards applicable to the Board and each of its committees, (ii) a candidate’s depth of experience at the policy-making level in business, government or education; (iii) the balance of the business interest and experience of the incumbent or nominated directors; (iv) a candidate’s availability and willingness to devote adequate time to Board duties; (v) the need for any required expertise on the Board or one of its committees; (vi) a candidate’s character and judgment and ability to make independent analytical, probing and other inquiries; (vii) the candidate’s willingness to exercise independent judgment; (viii) the candidate’s financial independence to ensure such candidate will not be financially dependent on director compensation; and (ix) in the case of an incumbent director, such director’s past performance on the Board.
- 2.8. **Simultaneous Service on Other Boards of Directors.** No director shall serve on the board of directors of more than five other public companies. Ordinarily, directors who also serve as CEOs or in equivalent positions should not serve on the board of directors of more than two other public companies.

- 2.9. **Changes in Present Responsibilities.** The Board should consider whether a change in an individual's professional responsibilities directly or indirectly impacts that person's ability to fulfill directorship obligations. To facilitate the Board's consideration, the CEO and other inside directors must submit a resignation as a matter of course upon retirement, resignation, or other significant change in professional roles and responsibilities. All directors must submit a resignation as a matter of course upon retirement, a change in employer, or other significant change in their professional roles and responsibilities. The Board, based upon recommendations from the Nominating and Corporate Governance Committee will evaluate the change in a director's employment or professional responsibilities and determine whether or not the Board should accept such director's resignation or request such director's continued membership on the Board.
- 2.10. **Consideration of Shareholder Recommendations.** The Nominating and Corporate Governance Committee shall be responsible for establishing a policy regarding consideration of director candidates recommended by the Company's shareholders and the procedures to be followed by shareholders that desire to submit such a recommendation.

### 3. Meetings.

- 3.1. **Frequency of Meetings.** The Board shall have at least four (4) regularly scheduled meetings per year. Special Board meetings may be called at any time by the Chairman of the Board or a majority of the directors.
- 3.2. **Agenda for Board Meetings.** The Chairman of the Board shall establish the agenda for each Board meeting, in consultation with Board members and any appropriate member of the Company's management staff as necessary. Any member of the Board may suggest items for inclusion on the agenda and raise at any Board meeting subjects that are not on the agenda for that meeting.
- 3.3. **Meeting Materials.** In advance of each Board meeting, a proposed agenda shall be distributed to each director. In addition, to the extent feasible or appropriate (based on confidentiality requirements, time limitations and other factors), information and data important to the directors' understanding of the matters to be considered at the meeting, including background summaries of presentations to be made at the meeting, shall be distributed sufficiently in advance of each meeting so that the directors will have an opportunity to review and consider such materials in preparation for the meeting. As requested by the Chairman, members of the Company's management and staff shall assist the Chairman with the preparation of any background materials necessary for any Board meeting.
- 3.4. **Executive Sessions of Non-Management Directors.** To promote open discussion among the non-management directors, the non-management directors shall meet in separate executive (private) sessions at each regularly scheduled meeting of the Board. The Chairman of such executive sessions shall be the Chairman of the Nominating and Corporate Governance Committee unless, at the first executive session held in each fiscal year, the independent directors select a different independent director to serve as

the Chairman for all executive sessions held during that fiscal year. If one or more non-management directors are not “independent” under the rules and regulations of the NYSE, then the independent directors shall at least once a year meet in a separate executive session. The schedule for such executive session or sessions of independent directors shall be established at the first executive session of non-management directors held in each fiscal year.

3.5. **Director Attendance.** A director is expected to spend the time and effort necessary to properly discharge such director’s responsibilities. Accordingly, a director is expected to regularly attend, either in person or by telephone, all of the meetings of the Board and Board committees on which such director sits, with the understanding that on occasion a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting. The Nominating and Corporate Governance Committee shall be responsible for determining whether or not the Company should have a policy regarding Board members’ attendance at the Company’s annual meeting of shareholders.

3.6. **Attendance of Non-Directors at Board Meetings.** The Board encourages the CEO to bring members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board that involve the manager; (ii) make presentations to the Board on matters that involve the manager; and (iii) bring into contact with the Board managers with significant potential. Attendance of such non-directors at Board meetings is at the discretion of the Board. The Corporate Secretary, Chief Financial Officer and, if the Company has an officer serving in such role, the general counsel or other officer in charge of legal affairs may be present during Board meetings, except where there is a specific reason for one or more of them to be excluded.

4. **Board Access to Senior Management.** Directors shall have full access to the Company’s senior management. Except in unusual circumstances, the CEO shall be advised of significant contacts with senior management.

5. **Board Interaction with Third Parties.** The CEO shall be responsible for establishing effective communications with the Company’s stakeholder groups, i.e., shareholders, customers, employees, communities, suppliers, creditors, governments and corporate partners. It is the policy of the Company that the CEO, or his designee, speaks for the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

6. **Communications with Security Holders.** The Nominating and Corporate Governance Committee shall be responsible for establishing a process for security holders to send security holder communications to Board members, including whether security holder communications will be screened to determine the communications that will be relayed to Board members..

7. **Director Orientation and Continuing Education.** The Company shall provide an orientation program for new directors to familiarize them with, among other things, the Company’s business, strategies, plans, significant financial, accounting and risk management issues, compliance policies, Code of Conduct and executive officers. The Nominating and

Corporate Governance Committee shall periodically, at its discretion, review and approve the orientation program. To help ensure that members of the Board have the proper knowledge to perform their responsibilities, Board members shall have the authority, at the Company's expense, to attend outside educational programs, retain outside professionals to conduct educational programs and undertake other appropriate steps, including visits to Company facilities, as they deem necessary or appropriate to keep current with matters that are relevant to the carrying out of their responsibilities as directors.

**8. Advisors.** The Board shall have the authority to retain, at the Company's expense, independent legal, financial and other advisors it deems necessary to fulfill its responsibilities.

**9. Committee Matters.**

9.1. **Standing Committees.** The standing committees of the Board shall be the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The Board may from time to time establish ad hoc or special committees as it deems appropriate and determine the areas of competence of any such committee.

9.2. **Committee Charters.** The purpose, authority and responsibilities of each Committee shall be set forth in its charter as approved by the Board from time to time.

9.3. **Selection of Committee Members.** The Nominating and Corporate Governance Committee shall be responsible for recommending to the Board the membership of each Board committee and a Chairman for each committee. In making its recommendations to the Board, the Nominating and Corporate Governance Committee shall consider (i) the need for continuity, (ii) expertise in the subject matter of the Board committee, (iii) applicable Securities and Exchange Commission ("**SEC**") and NYSE requirements, (iv) the performance of the incumbent member(s), (v) the need for committee member rotation, and (vi) the desires of individual Board members. The members and Chairman of each Board committee shall be selected by the Board on the recommendation of the Nominating and Corporate Governance Committee. There is no policy limiting the length of service on any committee.

9.4. **Evaluation of Committee Charters.** The Nominating and Corporate Governance Committee shall conduct periodic reviews of all committee charters and recommend to the Board any changes it deems necessary. In connection therewith, the Nominating and Corporate Governance Committee shall review the recommendations of each Board committee regarding the charter of its committee.

10. **Succession Plan.** The Board of Directors shall undertake appropriate CEO succession planning, including policies and principles for CEO selection and performance review, as well as policies regarding succession in case of emergency or the retirement of the CEO.

11. **Periodic Review of Director Compensation.** The Compensation Committee shall periodically review director compensation and make recommendations to the Board regarding the compensation paid to the Company's directors. The Board shall periodically review and establish the compensation paid to the Company's directors.

12. **Loans to Directors and Executive Officers.** The Company will not make any personal loans or extensions of credit to directors or executive officers.

13. **Evaluation of Board.** The Nominating and Corporate Governance Committee shall annually assess the Board's and management's performance, the results of which shall be discussed with the Board. The Nominating and Corporate Governance Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation. The assessment shall include a review of any areas in which the Board or the Company's management believes the Board can make a better contribution to the governance of the Company.

14. **Review of Corporate Governance Policies and Charters.** The Nominating and Corporate Governance Committee shall periodically review (i) these Principles and (ii) the Company's Code of Conduct and recommend to the Board any changes it deems necessary.