

CANO PETROLEUM, INC.
NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

This Nominating and Corporate Governance Committee Charter (the “Charter”) sets forth the purpose and membership requirements of the Nominating and Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board”) and establishes the authority and responsibilities delegated to it by the Board.

1. **Purpose.** The purpose of the Committee is to identify and recommend to the Board individuals qualified to be nominated for election to the Board, recommend to the Board the members and Chairperson for each Board committee, and periodically review and assess the Company’s Code of Ethics and Business Conduct and make recommendations for changes thereto to the Board.
2. **Committee Members.**
 - 2.1. **Composition and Appointment.** The Committee shall consist of three or more members of the Board that meet the independence requirements specified in Section 2.2 below. The Board shall appoint the members and the Chairperson of the Committee on the recommendation of the Committee. Membership on the Committee shall rotate at the Board’s discretion. The Board shall fill vacancies on the Committee and may remove a Committee member from the membership of the Committee at any time without cause.
 - 2.2. **Independence.** Each member of the Committee must meet the independence requirements of the American Stock Exchange (“AMEX”) and applicable state and federal law, including the rules and regulations of the Securities and Exchange Commission (“SEC”). ,
3. **Subcommittees.** The Committee shall have the authority to delegate authority and responsibilities to subcommittees, so long as no subcommittee consists of less than two members.
4. **Advisors.** The Committee shall have the authority to (i) retain, at the Company’s expense, a search firm and other expert advisors (“Advisors”) as it deems necessary to fulfill its responsibilities and (ii) determine, on behalf of the Company, the compensation of such Advisors.
5. **Board and Committee Members.**
 - 5.1. **Nominee Qualifications.** The Committee shall evaluate the qualifications of each candidate for election to the Board against the criteria for Board membership as established from time to time by the Board, taking into account the composition of the Board as a whole. In addition, the Committee shall determine whether qualifications for membership on each committee of the Board of Directors are met.
 - 5.2. **Consideration of Stockholder Recommendations.** The Committee shall be responsible for establishing a policy regarding consideration of director candidates recommended by the Company’s stockholders and the procedures to be followed by stockholders that desire to submit such a recommendation.
 - 5.3. **Identification of Board Candidates.** When the circumstances require, the Committee shall identify and recommend to the Board new persons qualified to be nominated for election as directors.

- 5.4. **Recommendation of Board Nominees.** Prior to each annual meeting of the stockholders of the Company, the Committee shall recommend to the Board nominees for election to the Board.
- 5.5. **Recommendation of Committee Members.** The Committee shall annually recommend to the Board the membership of each Board committee (including this Committee) and a Chairperson for each committee. The Committee shall review the qualifications of the members of each committee to ensure that each committee has a membership that meets any applicable criteria of the rules and regulations of the SEC and AMEX. There is no policy limiting the length of service on any committee.
6. **Communications with Security Holders.** The Committee shall be responsible for establishing a process for security holders to send security holder communications to Board members.
7. **Meetings.**
- 7.1. **Frequency of Meetings.** The Committee shall meet at least [two times] during each fiscal year. The schedule for regular meetings of the Committee shall be established by the Committee. The Chairperson of the Committee may call a special meeting at any time as he or she deems advisable.
- 7.2. **Minutes.** Minutes of each meeting of the Committee shall be kept to document the discharge by the Committee of its responsibilities.
- 7.3. **Presiding Officer.** The Chairperson of the Committee shall preside at all Committee meetings. If the Chairperson is absent at a meeting, a majority of the Committee members present at a meeting shall appoint a different presiding officer for that meeting
8. **Reports and Assessments.**
- 8.1. **Board Reports.** The Chairperson of the Committee shall report from time to time to the Board on Committee actions and on the fulfillment of the Committee's responsibilities under this Charter.
- 8.2. **Evaluation of Committee Charters.** The Committee shall annually assess, with the assistance of management and the Company's outside law firm, the adequacy of this Charter.
- 8.3. **Code of Ethics and Business Conduct.** The Committee shall conduct an annual review and assessment of the Company's Code of Ethics and Business Conduct and recommend to the Board any changes to such Code that it deems necessary.