



Vital Energy Inc.

CORPORATE GOVERNANCE GUIDELINES

OCTOBER 2014



VITAL ENERGY INC. (the “Corporation”)

Introduction

The business of the Corporation is conducted by its employees, managers, executives and officers, under the direction of the Chief Executive Officer and the oversight of the Board of Directors (“**Board**”), to enhance the long term value of the Corporation for its shareholders. Management is responsible for management of the Corporation while the Board is responsible for the stewardship of the Corporation and for monitoring the actions of, and providing overall leadership, guidance and direction to, management.

1. Purpose

The Corporation’s Board and management are committed to responsible corporate governance practices. These guidelines are the framework for the way in which corporate governance is carried out within the Corporation. These guidelines operate in conjunction with the Corporation’s By-laws, Articles, Code of Conduct and Corporate Governance and Compensation Committee Terms of Reference. The Board and management review these guidelines annually to ensure they include the most current governance standards and best practices.

2. Independence

The Corporation understands that the Board must be independent of management in order to be effective. In essence, this means that a majority of the Board is not part of the management of the Corporation and does not have relationships with the Corporation or its management that would make them beholden or interfere with their independent judgment (“**Independent Director**”).

To enhance this independence, the Corporation has implemented the following:

- **The Corporation shall strive to have at least a majority of the members of the Board be Independent Directors and to have all committees be comprised of a majority of Independent Directors;**
- The Independent Directors meet without management at every regularly scheduled meeting;
- The Board and its Committees have the authority to engage their own independent advisors, at the Corporation’s expense, to assist them in carrying out their responsibilities; and
- Management provides high-quality information for the Directors, orientation for new Directors, meaningful presentations, access to management and sufficient time to review materials.

3. Compensation

The Corporation reviews the compensation of Directors and the Committee Chairs regularly. All compensation paid to Directors shall be publicly disclosed in accordance with securities regulation.



4. Orientation and Continuing Education

The Corporation provides a comprehensive educational session to orient new Directors by providing them with specialized and streamlined information about how the Corporation is structured and managed, its strategic direction and the significant issues and key risks it faces. Members of the Corporation's executive team make targeted, highly relevant presentations to new Directors and are available to answer questions directly. All new Directors are provided with a Board manual.

The Corporation ensures that presentations are made regularly to the Board and Committees to educate and keep them informed of changes within the Corporation, the operations and issues within its particular industry and in regulatory and industry standards and legal requirements. Where applicable, trips to various operating sites are also arranged for Directors.

At the request and recommendation of the Corporate Governance and Compensation Committee, the Corporation may pay a portion of tuition and expenses for Directors to attend relevant external educational sessions.

5. Director Qualifications

Nominees for Director will be selected on the basis of their experience, background, judgment, integrity, ability to make independent analytical inquiries, understanding of the Corporation's business environment and willingness to devote adequate time to Board duties.

At least a majority of the Board's members shall meet applicable requirements and guidelines for Board service, including requirements and guidelines with respect to being independent and unrelated to the Corporation, as set forth in applicable securities laws, Canadian Securities Administrators' policies or the rules of any stock exchange on which the Corporation's securities are listed for trading. Determinations as to whether a particular Director satisfies the requirements for Board membership shall be affirmatively made by the full Board based on a broad consideration of all relevant facts and circumstances. In 2015, the Corporation shall actively pursue the addition of an independent Director who has experience and expertise in the oil and gas industry to serve as a member of the Reserves Committee and an independent Director who has experience and expertise in accounting and financial reporting to serve as a member of the Audit Committee.

Subject to the Corporation's Bylaws and Articles, the number of Directors of the Corporation may be fixed from time to time by resolution of the Board.

A Director shall cease to hold office:

- When the Director ceases to be qualified as a Director under applicable laws; or
- At the close of the annual meeting of shareholders next held following the date on which the Director reaches the age of 75 years.

All Independent Directors shall submit promptly for review by the Corporate Governance and Compensation Committee of the Board details of any significant change in their principal occupation or business associations and offer to resign from the Board if so required by that committee.

All Directors shall meet the requirements established by the Board from time to time regarding shareholdings of Directors in the Corporation.



6. Director Compensation

Management will report to the Corporate Governance and Compensation Committee on an annual basis as to how the Corporation's Director Compensation practices compare with those of public companies of comparable size and complexity. Changes in the compensation of Directors will be made by the full Board, acting upon the recommendation of the Corporate Governance and Compensation Committee, and taking into account such issues as the time commitment, compensation provided by comparable companies, responsibilities of Directors, and similar matters.

Directors who are also officers of the Corporation shall not be entitled to receive any Directors' fees or other compensation in respect of their duties as Directors of the Corporation.

Except for Directors who are also officers of the Corporation, no Director shall receive from the Corporation any compensation other than the fees to which he or she is entitled as a Director of the Corporation or a member of a committee of the Board.

7. Election and Resignation of Directors

In any election of Directors, the form of proxy shall provide the shareholders with the opportunity to vote for, or withhold their vote from, each nominee for Director.

In an uncontested election of Directors, any nominee who receives from the votes cast a greater number of votes "withheld" from his or her election than votes "for" his or her election shall promptly following the certification of the shareholder vote submit his or her resignation, to take effect upon acceptance by the Board.

The Corporate Governance and Compensation Committee shall consider the offer of resignation and make a recommendation to the Board as to whether or not to accept it.

The Board shall act on the recommendation of the Corporate Governance and Compensation Committee within 90 days of the certification of the shareholder vote. The Board shall immediately publicly disclose its decision whether to accept a Director's offer of resignation in a press release disseminated in the same manner as press releases of material announcements of the Corporation.

The resigning Director(s) shall not participate in the Corporate Governance and Compensation Committee or Board deliberations concerning his or her offer of resignation. Directors who are not independent shall not participate in the Board deliberations concerning an offer of resignation.

If a sufficient number of Directors receive "withheld" votes to prevent a quorum of the Board or the Board having a majority of Independent Directors, the offer of resignation of the number of Directors required to constitute a quorum and meet the independence requirements shall be refused. Resignations will be refused of the resigning Independent Directors who receive the greatest number of affirmative votes from the shareholders until there is a quorum of the Board and the independence requirements are met.

If a majority of the members of the Corporate Governance and Compensation Committee fail to receive a majority of affirmative votes from the shareholders voting, a special committee of the members of the Corporate Governance and Compensation Committee receiving a majority affirmative vote shall be formed to consider the offers of resignation of the Directors who failed to receive a majority of affirmative votes.



The Board may fill any vacancy among the Directors resulting from the acceptance of the offer of resignation of a Director who has failed to receive a majority affirmative vote of the shareholders.

8. Director Responsibilities and Board Functions

The Board is elected by the shareholders to oversee management and ensure that the long-term interests of the shareholders are served. The Board is the ultimate decision-making authority within the Corporation, except with respect to those matters, including the election of Directors, that are reserved to the Corporation's shareholders.

The full Board shall hold a minimum of four regularly-scheduled meetings per year, with additional meetings held as necessary. Each Director is expected to attend each meeting in person or by telephone.

Information relevant to the Board's consideration of matters to be discussed at a meeting will, whenever possible, be distributed to Directors sufficiently in advance of the meeting date to permit Directors to prepare for a discussion of such matters. Sensitive subject matters may be discussed at meetings of the Board without written materials being distributed to Directors.

Directors may consider the interests of constituencies such as employees, customers, suppliers and the public at large in determining the long- and short-term interests of the Corporation and its shareholders.

9. Board Committees

The Board currently has the following committees:

- **Audit Committee;**
- **Corporate Governance and Compensation Committee — currently includes Compensation and Nominating Committee roles; and**
- **Reserves Committee**

These committees may be changed or re-named, and additional committees may be appointed, from time to time at the discretion of the Board, provided that the Board shall maintain at all times a nominating committee, an audit committee, a reserves committee and a compensation committee with such powers and responsibilities as may be prescribed by applicable securities laws, Canadian Securities Administrators' policies or the rules of any stock exchange on which the Corporation's securities are listed for trading. All Board committees will meet applicable requirements and guidelines for committee service, including requirements and guidelines with respect to being independent and unrelated to the Corporation, set forth in applicable securities laws or the rules of any stock exchange on which the Corporation's securities are listed for trading.

Each of such committees will have written Terms of Reference. A printed copy of the Terms of Reference will be available to any shareholder who requests it.

Each of the Board committees will meet at least once annually, with the exception of the Audit Committee, which will meet at least four times annually. Directors are expected to attend all meetings of the Board committees on which they serve.



10. Codes of Conduct and Ethics

The Board shall adopt and maintain a code of conduct applicable to Directors, officers and employees of the Corporation, prescribing standards that are reasonably designed to promote integrity and honest and ethical conduct and to deter wrongdoing, and shall monitor any waivers granted by the Corporate Governance and Compensation Committee from such Code of Ethics and Business Conduct.

The Board shall also ensure that there is in place a code of ethics for the Chief Executive Officer and Chief Financial Officer, reasonably designed to deter wrongdoing and to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in accordance with applicable legal requirements; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Chief Executive Officer and Chief Financial Officers Code of Ethics and accountability for adherence to that code; monitor any waivers granted by the Corporate Governance and Compensation Committee from that code.

11. Conflicts of Interest

Directors shall promptly disclose to the Chief Executive Officer and the Chairman of the Board all conflicts, or potential conflicts, of interest and must resign if such conflict or conflicts cannot be resolved.

12. Director Access to Management

The Board, and any individual Director or group of Directors, will have full access to all employees of the Corporation and its subsidiaries, if applicable. The Board encourages the Chief Executive Officer to invite non-Director members of management to address the Board in those instances where a manager's expertise can enhance the Board's understanding of an issue under its consideration.

13. Annual Performance Evaluation of the Chief Executive Officer

The Corporate Governance and Compensation Committee shall design the performance evaluation process and establish performance objectives and measures for the Chief Executive Officer, and shall conduct an annual performance evaluation of the Chief Executive Officer in accordance with the process. The Compensation Committee will take this evaluation into account when considering the compensation of the Chief Executive Officer.

14. Annual Performance Evaluation of the Board, Board Committees and Directors

Commencing in 2015, the Corporate Governance and Compensation Committee shall annually review and evaluate the performance and effectiveness of the Board, the Board committees, including the Corporate Governance and Compensation Committee, and individual Directors and make recommendations thereon to the full Board. The Corporate Governance and Compensation Committee shall also assess the effectiveness of the working relationship and communications between the Board and management of the Corporation and its subsidiaries.

Every other Board Committee shall each evaluate its own performance on an annual basis.

15. Amendment

These guidelines will be periodically reviewed by the Board and may be amended from time to time.