

KEY ENERGY SERVICES, INC.

CHARTER OF COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Adopted July 5, 2007

Organization: The Compensation Committee (the “Committee”) shall be comprised of three or more directors as determined by the Board of Directors (the “Board”) of Key Energy Services, Inc., a Maryland corporation (the “Company”), each of whom the Board has determined has no material relationship with the Company and each of whom shall be otherwise “independent” under the rules of the New York Stock Exchange.

The members of the Committee shall be appointed annually and may be replaced by the Board. Resignation or removal of a Committee member from the Board, for whatever reason, shall automatically constitute resignation or removal, as applicable, from the Committee. Vacancies occurring on the Committee, for whatever reason, may be filled by the Board, relying on recommendation of the Corporate Governance and Nominating Committee. Unless a chairperson is appointed by the full Board, the members of the Committee may designate a chairperson by majority vote of the full Committee membership.

Statement of Purpose: The Committee shall provide assistance to the Board in fulfilling its responsibilities to the shareholders, potential shareholders, and the investment community to ensure that the Company’s officers, key executives, and board members are compensated in accordance with the Company’s total compensation objectives. The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. With respect to compensation consultants retained to assist in the evaluation of director, CEO or executive officer compensation, this authority shall be vested solely in the Committee.

Responsibilities: The Committee shall:

1. Review and approve corporate goals and objectives relevant to the compensation of the Company’s Chief Executive Officer (“CEO”), evaluate the CEO’s performance in light of those goals and objectives, and together with the other independent directors (as directed by the Board), determine and approve the CEO’s compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee shall consider, among other factors, the Company’s performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years.

2. If subject to Board approval, review and approve the compensation of executive officers other than the CEO and any incentive-compensation plans or equity-based plans; oversee the activities of the individuals and committees responsible for administering these plans, including the 401(k) Committee; and discharge any responsibilities imposed on the Committee by any of these plans.
3. Approve any new equity compensation plan or any material change to an existing plan where shareholder approval has not been obtained.
4. In consultation with management, oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
5. Make recommendations to the Board with respect to any severance or similar termination payments proposed to be made to any current or former executive officer or member of senior management of the Company.
6. At least once every three years, review and make recommendations to the Board with respect to director compensation.
7. Review and discuss annually with management the Company's "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K (the "CD&A") and consider annually whether to recommend to the Board that the CD&A be included in the Company's Annual Report on Form 10-K, proxy statement on Schedule 14A or information statement on Schedule 14C.
8. Prepare an annual Compensation Committee Report for inclusion in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.
9. Prepare and issue the evaluation required under "Performance Evaluation" below.
10. Report to the Board on a regular basis, and not less than once per year.
11. Perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

Meetings: The Committee shall hold regularly scheduled meetings at least four times annually and shall hold such special meetings as circumstances dictate, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson. Notice of meetings shall be sent in accordance with the Company's By-Laws. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means

of which all persons participating in the meeting can hear each other. The Committee shall maintain minutes of each regularly scheduled and special meeting of the Committee. The Committee shall report regularly to the Board.

The Committee may invite such members of management to its meetings as it deems appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The CEO should not attend any meeting where the CEO's performance or compensation is discussed, unless specifically invited by the Committee.

Delegation to Subcommittee: The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee, each of whom qualifies as (i) a "Non-Employee Director" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and (ii) an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

Performance Evaluation: The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any revisions to the Committee's charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

Disclosure of Committee Charter: This charter shall be made available on the Company's website at www.keyenergy.com.

Amendment: The Board must approve any amendment or other modification of this charter.

This charter supersedes the charter of the Committee adopted on October 29, 2004.