

**Blue Dolphin Energy Blue Dolphin
Amended and Restated Audit Committee Charter**

PURPOSE

The Audit Committee is appointed by the Board of Directors (the “Board”) of Blue Dolphin Energy Blue Dolphin (“Blue Dolphin”) to assist the Board in its general oversight of accounting and financial reporting processes, audits of the financial statements, the internal control and audit functions, compliance with legal and regulatory requirements and ethical standards. The Audit Committee members are not professional accountants or auditors and their functions are not intended to duplicate or certify the activities of management and the independent registered public accounting firm.

Management is responsible for: (a) the preparation, presentation and integrity of Blue Dolphin’s financial statements, (b) accounting and financial reporting principles, and (c) Blue Dolphin’s internal controls and procedures designed to promote compliance with accounting standards, applicable laws and regulations and Blue Dolphin’s ethical standards. Blue Dolphin’s independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

The Audit Committee shall have the authority to retain, at Blue Dolphin’s expense, special legal, accounting or other consultants or experts to advise the Audit Committee. The Audit Committee may request any officer or employee of the Blue Dolphin or Blue Dolphin’s outside counsel or independent registered public accounting firm to attend a meeting of the Audit Committee or to meet with any member of, or consultants to, the Audit Committee.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall meet at least four times each year and hold such other meetings from time to time as may be called by its Chairman or any two members of the Audit Committee. At least quarterly, the Audit Committee will meet separately in an executive session with representatives from the independent registered public accounting firm.

COMMITTEE MEMBERSHIP

The Audit Committee shall be comprised of at least three directors who shall be appointed by the Board. The Audit Committee shall only include directors who satisfy the independence requirements of the Securities and Exchange Commission (the “SEC”) and the NASDAQ Stock Market, Inc. (the “NASDAQ”) applicable to Blue Dolphin and are free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as an Audit Committee member. No member of the Audit Committee may receive any payment from the Blue Dolphin other than payment for services as a director or member of a committee of the Board.

Audit Committee members must be able to read and understand fundamental financial statements, including Blue Dolphin’s balance sheet, income statement and cash flow statement. As required by NASDAQ, one member of the Audit Committee shall have accounting or related financial management expertise and qualify as a “financial expert” in accordance with the requirements of the SEC and the NASDAQ (as may be modified or supplemented). The role of the financial expert will be that of assisting the Audit Committee in overseeing the audit process, not auditing the Blue Dolphin.

COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Audit Committee shall:

1. Review and reassess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board for approval.
2. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect Blue Dolphin's financial statements.
3. Review with management and representative(s) from the independent registered public accounting firm: (a) significant financial reporting issues, critical accounting principles and practices and judgments made in connection with the preparation of Blue Dolphin's financial statements, including an analysis of the effect of alternative generally accepted accounting principles ("GAAP") methods on Blue Dolphin's financial statements and a description of any transactions as to which management obtained Statement on Auditing Standards ("SAS") No. 50, *Reports on the Application of Accounting Principles* letters, and (b) any material reports or estimates prepared by outside consultants, reserve engineers, or other experts or specialists.
4. Review with management and representative(s) from the independent registered public accounting firm the effect of regulatory and accounting initiatives as well as off-balance sheet structures on Blue Dolphin's financial statements, if any.
5. Review with management and representative(s) from the independent registered public accounting firm Blue Dolphin's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent registered public accounting firm's reviews of the quarterly financial statements. The Chair of the Audit Committee may perform this task and convene the Audit Committee when appropriate.
6. Meet periodically with management to review Blue Dolphin's major financial risk exposures and the steps management has taken to monitor and control such exposures.
7. Review major changes to Blue Dolphin's auditing and accounting principles and practices as suggested by the independent registered public accounting firm or management.
8. Review the experience and qualifications of the senior members of the independent registered public accounting firm and the quality control procedures of the independent registered public accounting firm.
9. Retain, review performance of and, where warranted in the Audit Committee's judgment, terminate the independent registered public accounting firm selected to audit the financial statements of the Blue Dolphin.
10. Approve all permissible non-audit services to be performed by the independent registered public accounting firm.
11. Approve the fees to be paid to the independent registered public accounting firm.

12. Receive periodic reports from the independent registered public accounting firm regarding the registered public accounting firm's independence consistent with Independence Standards Board Standard 1, *Independence Discussions with Audit Committees*, and discuss such reports with the registered public accounting firm, and if so determined by the Audit Committee, take or recommend that the Board to take appropriate action to oversee the independence of the registered public accounting firm.
13. Obtain and review annually: (a) a report by the independent registered public accounting firm describing the firm's internal quality-control procedures, and (b) any material issues raised by the most recent internal quality-control review, peer review, Public Company Accounting Oversight Board ("PCAOB") inspection, or by an inquiry or investigation by government or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues.
14. Establish procedures for the receipt, retention, and treatment of complaints received by Blue Dolphin regarding accounting, internal accounting controls, or auditing matters.
15. Review and discuss with management and the independent registered public accounting firm various topics and events that may have significant financial impact on Blue Dolphin or that are the subject of discussions between management and the independent registered public accounting firm.
16. Approve all related-party transactions.
17. Review and discuss with management and the independent registered public accounting firm: (a) the adequacy and effectiveness of Blue Dolphin's internal controls (including any significant deficiencies or material weaknesses) and significant changes in internal controls reported to the Audit Committee by the independent registered public accounting firm or management, (b) Blue Dolphin's internal audit procedures, and (c) the adequacy of Blue Dolphin's disclosure controls and procedures, and management reports thereon.
18. Review and discuss with management and the independent registered public accounting firm significant risk exposures and control issues.
19. Meet with the independent registered public accounting firm prior to the audit to review: (a) its audit plan and audit procedures, including the scope, staffing and timing of the audit, (b) the results of the annual audit examination and accompanying management letters, and (c) the result of the independent registered public accounting firm's procedures with respect to interim periods.
20. Obtain from the independent registered public accounting firm assurance that Section 10A of the Securities Exchange Act of 1934 (added by the Private Securities Litigation Reform Act of 1995) has not been implicated.
21. Review with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding Blue Dolphin's financial statements or accounting policies.

22. Discuss with the independent auditor the matters required to be discussed by SAS No. 16, *Communications with Audit Committees*, and related amendments, relating to the conduct of the audit.
23. Review with the independent registered public accounting firm any problems or difficulties the registered public accounting firm may have encountered and any management letter provided by the registered public accounting firm and Blue Dolphin's response to that letter. Such review should include:
 - a. any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information; and
 - b. any changes required in the planned scope of the audit.
24. Prepare the Audit Committee report required by the rules of the SEC to be included in Blue Dolphin's annual proxy statement.
25. Advise the Board with respect to Blue Dolphin's policies and procedures regarding compliance with applicable laws and regulations.
26. Review with the outside legal counsel matters that may have a material impact on the financial statements, Blue Dolphin's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

LIMITATION OF AUDIT COMMITTEE'S ROLE

While the Audit Committee has the responsibilities and powers set forth in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Blue Dolphin's financial statements are complete and accurate and are in accordance with GAAP. This is the responsibility of management and the independent registered public accounting firm. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent registered public accounting firm or to assure compliance with laws and regulations.