

**Blue Dolphin Energy Company
Compensation Committee Charter**

PURPOSE

The Compensation Committee is appointed by the Board of Directors (the “Board”) of Blue Dolphin Energy Company (“Blue Dolphin”) to discharge the Board’s responsibilities relating to compensation of the directors, the Chief Executive Officer and President (collectively, the “CEO”), and senior executives of Blue Dolphin. The Compensation Committee has overall responsibility for evaluating and either approving or recommending to the Board, as set forth below, the director, CEO, and senior executive compensation plans, policies and programs of Blue Dolphin. If applicable, the Compensation Committee is also responsible for producing a report on executive compensation for inclusion in Blue Dolphin’s Annual Report on Form 10-K and/or annual proxy statement. The Compensation Committee is also responsible for making recommendations to the Board regarding succession planning and development for the CEO and other senior executives of Blue Dolphin. All references herein to “the senior executives of Blue Dolphin” shall be deemed to exclude the CEO of Blue Dolphin unless otherwise stated.

COMMITTEE MEMBERSHIP

The Compensation Committee shall consist of at least two members. Each member of the Compensation Committee shall be a member of the Board. One of the members shall serve as the chairperson of the Compensation Committee (the “Chairperson”). The Board shall appoint the members of the Compensation Committee. The Chairperson shall be designated by the Board or, if no such designation is made, shall be selected by the affirmative vote of the majority of the Compensation Committee. The Board may remove or replace the Chairperson and any other member of the Compensation Committee at any time.

COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Compensation Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Compensation Committee. The Compensation Committee may form and delegate some or all of its authority to subcommittees comprised of Committee members when it deems appropriate.

Without limiting the generality of the preceding statements and subject to any contractual arrangements in place that may limit its actions, the Compensation Committee shall have authority, and is entrusted with the responsibility, to do the following actions:

1. Each year, the Compensation Committee, or a subcommittee thereof, shall:
 - review and recommend to the Board for its approval corporate goals and objectives relevant to the compensation of the CEO;

- evaluate (which evaluation need not be in written form) the performance of the CEO in light of those goals and objectives; and
- based on this evaluation, review and recommend to the Board for its approval all annual salary and other compensation arrangements and components, and the level thereof, for the CEO, which may include the following:
 - the annual base salary level,
 - any equity compensation amounts pursuant to an incentive or successor plan,
 - any incentives and awards pursuant to cash bonus or incentive compensation plans or programs, and
 - any special or supplemental benefits.

In determining its recommendations for any forms of compensation other than the base salary component of the CEO's compensation, the Compensation Committee should consider Blue Dolphin's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the CEO in past years.

2. Except as set forth below, each year, the Compensation Committee shall review and approve, for the senior executives of Blue Dolphin, all annual salary and other compensation arrangements and components, and the level thereof, which may include the following:
 - the annual base salary level,
 - any equity compensation amounts pursuant to an incentive or successor plan,
 - any incentives and awards pursuant to cash bonus or incentive compensation plans or programs, and
 - any special or supplemental benefits.

In determining any forms of compensation other than the base salary component of compensation, the Compensation Committee should consider Blue Dolphin's performance and relative shareholder return, the value of similar incentive awards to senior executives at comparable companies and the awards given to senior executives in past years.

3. Each year, the Compensation Committee shall review and make a recommendation to the Board for its approval regarding the compensation of all directors.

4. Each year, the Compensation Committee shall review and make recommendations to the Board for its approval with respect to any of Blue Dolphin's equity compensation-based plans or any cash bonus or incentive compensation plans or programs. Such review and recommendations shall include the appropriate terms and operations of such plans or programs, as well as the particular thresholds at which awards should be granted. Each year, the Compensation Committee shall determine and approve grants and awards or any cash bonus or incentive compensation plans or programs, make determinations with respect to achievement of performance goals and take action on other matters provided in such plans or programs. If required by law, applicable listing standards, shareholders shall be given the opportunity to vote on the adoption of, or modification to, any of Blue Dolphin's equity-based plans.
5. The Compensation Committee shall review and recommend to the Board for its approval, for each of the CEO and the senior executives of Blue Dolphin, any new employment agreements, severance arrangements and change-in-control agreements and provisions, or amendments to those in existence.
6. The Compensation Committee shall review and recommend to the Board for its approval any transaction in equity securities of Blue Dolphin, or derivatives of those equity securities, between Blue Dolphin and any officer or director of Blue Dolphin who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended.
7. Each year, the Compensation Committee shall review succession planning and development strategies for the CEO and senior executives of Blue Dolphin and report its findings to the Board.
8. The Compensation Committee shall have the authority to retain, amend the engagement with and terminate any compensation consultant to be used to assist it in the evaluation of director, CEO and senior executive compensation. The Compensation Committee shall have authority to approve the consultant's fees and other retention terms and shall have authority to cause Blue Dolphin to pay the fees and expenses of such consultants. The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors, to approve the fees and expenses of such outside advisors, and to cause Blue Dolphin to pay the fees and expenses of such outside advisors.

PROCEDURES

1. *Meetings.* The Compensation Committee shall meet at the call of the Chairperson, two or more members of the Compensation Committee or the Chairman of the Board. Meetings may, at the discretion of the Compensation Committee, include members of Blue Dolphin's management, independent consultants and such other persons as the Compensation Committee or the Chairperson may determine. The Compensation Committee may meet in person, by telephone conference call or in any other manner in which the Board is permitted to meet under law or Blue Dolphin's by-laws, as amended and restated.
2. *Quorum and Approval.* A majority of the members of the Compensation Committee shall constitute a quorum. The Compensation Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Compensation Committee may also act by unanimous written consent in lieu of a meeting.
3. *Rules.* The Compensation Committee may determine additional rules and procedures, including designation of a chairperson pro tempore in the absence of the Chairperson, at any meeting thereof.

4. *Reports.* The Compensation Committee shall make regular reports to the Board, directly or through the Chairperson.
5. *Review of Charter.* Each year the Compensation Committee shall review the need for changes in this Charter and recommend any proposed changes to the Board for approval.