

BLUE DOLPHIN ENERGY COMPANY
AMENDED AND RESTATED
AUDIT COMMITTEE CHARTER
Effective August 12, 2008

The Audit Committee is appointed by the Board of Directors (the "Board") to assist the Board in its general oversight of the Company's 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 the Company's financial statements, (b) accounting and financial reporting principles, and (c) the Company's internal controls and procedures designed to promote compliance with accounting standards, applicable laws and regulations and the Company's ethical standards. The Company'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 the Company'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 Company or the Company'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.

Composition

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 the Company 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 Company 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 the Company'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 Company.

Responsibilities and Duties

The Audit Committee shall:

1. Review and reassess the adequacy of this 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 the Company'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 the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements and a description of any transactions as to which management obtained Statement on Auditing Standards No. 50 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 the Company's financial statements.
5. Review with management and representative(s) from the independent registered public accounting firm the Company'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 Committee may perform this task and convene the Committee when appropriate.
6. Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
7. Review major changes to the Company'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 Committee's judgment, terminate the independent registered public accounting firm selected to audit the financial statements of the Company.
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, discuss such reports with the registered public accounting firm, and if so determined by the Audit Committee, take or recommend that the full Board 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, 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 the Company 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 the Company 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 the Company'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) the Company's internal audit procedures, and (c) the adequacy of the Company'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 the Company's financial statements or accounting policies.
22. Obtain reports from management and the independent registered public accounting firm that the acts and conduct of the Company's executives are in conformity with applicable legal requirements.
23. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, and related amendments, relating to the conduct of the audit.
24. 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 the Company'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.
25. Prepare the Audit Committee report required by the rules of the SEC to be included in the Company's annual proxy statement.
26. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
27. Review with the outside legal counsel matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. 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.

Approved by the Board of Directors



T. Scott Howard

Assistant Secretary

Principal Accounting Officer