

UNIVERSAL COMPRESSION HOLDINGS, INC.

AUDIT COMMITTEE CHARTER

May 2005

AUDIT COMMITTEE CHARTER

- I. Purposes of the Audit Committee: The purposes of the Audit Committee (the “Committee”) of Universal Compression Holdings, Inc. (the “Company”) are to assist the Company’s Board of Directors’ (the “Board”) oversight of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the independent auditors’ qualifications and independence, (iv) the performance of the independent auditors and the Company’s internal audit function and (v) the Company’s systems of disclosure controls and procedures, and internal controls over financial reporting. The Committee also shall be responsible for the preparation of the report required to be prepared by the Committee pursuant to the rules of the U. S. Securities and Exchange Commission (the “Commission”) for inclusion in the Company’s annual proxy statement.

The function of the Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit of the Company’s annual financial statements, reviews of the Company’s quarterly financial statements prior to the filing, and other procedures.

- II. Composition of the Committee: The Committee shall be comprised of at least three directors, each of whom the Board has determined is “independent” under the rules of the New York Stock Exchange (the “NYSE”). The Board shall also determine that each member is “financially literate,” and that one member of the Committee is an “audit committee financial expert” as defined by the Commission (or, if no member is an “audit committee financial expert,” the reason for not having an “audit committee financial expert” on the Committee), as such qualifications are interpreted by the Board in its business judgment.

No director may serve as a member of the Committee if such director serves on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee, and discloses this determination in the Company’s annual proxy statement. No member of the Committee may receive any compensation from the Company other than (i) director’s fees, which may be received in cash, stock options or other in-kind consideration ordinarily available to directors and (ii) a pension or other deferred compensation for prior service that is not contingent on future service.

Members shall be appointed by the Board based on nominations recommended by the Company's Nominating Committee, or, in the absence of a Nominating Committee or committee serving the function of a Nominating Committee, the full Board, and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

The Board shall designate one member of the Committee as its chairperson.

- III. Meetings of the Committee: The Committee shall meet once every fiscal quarter, or more frequently if circumstances dictate, to discuss with management the annual audited financial statements and quarterly financial statements, as applicable. The Committee should meet separately, periodically with management, the senior staff of the internal auditing department and the independent auditors to discuss any matters that the Committee or any of these persons or firms believes should be discussed privately. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communication system by means of which all persons participating in the meeting can hear each other.
- IV. Duties and Powers of the Committee: To carry out its purposes, the Committee shall have the following duties and powers:
- A. Engagement and Oversight of the Company's Independent Auditors
1. to directly appoint, retain, terminate, compensate, evaluate and oversee the work of the independent auditors (subject, if applicable, to stockholder ratification);
 2. to approve all audit and audit-related engagement fees and terms;
 3. to approve in advance all non-audit engagements, including the fees and terms thereof, and to ensure that the independent auditors' provision of non-audit services to the Company is compatible with maintaining the independence of the independent auditors under the Securities Exchange Act of 1934, and the rules and regulations thereunder, and the rules and standards of the NYSE;
 4. to ensure that the independent auditors prepare and deliver any reports or statements required by any applicable law, rule or regulation or the NYSE;

5. to review the qualifications, performance and independence of the independent auditors, including the “audit partners” of the independent auditors (as such term is defined by the rules and regulations of the Commission), and to discharge the independent auditors when circumstances warrant. The Committee should obtain and review annually a report of the independent auditors, describing (i) the firm’s quality control procedures, (ii) any material issues raised by the most recent internal quality control review or peer review of the firm, (iii) any material issues raised by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the firm and steps taken to deal with such issues, and (iv) all relationships between the independent auditors and the Company. When evaluating the independent auditors and its audit partners, the Committee should consider: (a) the opinions of the Company’s management and internal auditing department (with whom the Committee may either agree or disagree in the judgment of the Committee); (b) considerations as to independence of the independent auditors, including whether permitted non-audit services are compatible with maintaining the independent auditors’ independence; (c) whether the independent auditors’ quality controls are adequate; and (d) whether, to assure continuing auditor independence, rotation of the audit partners has occurred in accordance with the rules and regulations of the Commission. The Committee shall present the conclusions of its evaluations of the independent auditors and its audit partners to the independent auditors and the Board; and
6. to review regularly with the independent auditors: (a) any accounting adjustments that were noted or proposed by the independent auditors but were “passed” by management as immaterial or otherwise; (b) any communications between the persons comprising the audit team of the independent auditors and the national office of the independent auditors respecting auditing or accounting issues presented by the engagement; (c) any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditors to the Company; and (d) any disagreement within Company’s management regarding accounting or disclosure issues.

B. Oversight of the Company’s Internal Auditing Department

1. to review the appointment and replacement of the senior internal auditing department staff;
2. to review the budget, plan, changes in plan, activities, organization structure, and qualifications of the senior staff of the internal auditing department. The internal audit function shall be responsible to senior

management, but shall have a direct reporting responsibility to the Board through the Committee;

3. to review a summary of findings from completed internal audits and, where appropriate, review significant reports prepared by the internal audit department together with management's response and follow-up to these reports; and
4. to discuss any difficulties encountered in the course of internal audits, including any restrictions on the scope of work or access to required information.

C. Financial Reporting, Controls and Procedures Oversight

1. to advise management, the internal auditing department and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices;
2. to consider any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Committee by the independent auditors required by or referred to in SAS 61 (as codified by AU Section 380) and Rule 2-07 of Regulation S-X, as may be modified or supplemented;
3. to meet with management, the independent auditors and, if appropriate, the senior staff of the internal auditing department:
 - to discuss the annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
 - to discuss the scope of the annual audit;
 - to discuss any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal auditing department or the independent auditors, relating to the Company's financial statements;
 - to discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;

- to review the form of report the independent auditors propose to render to the Board and stockholders;
 - to discuss any significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the independent auditors, the internal auditing department or management; and
 - to discuss, as appropriate: (i) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (iii) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the financial statements of the Company; and (iv) the type and presentation of information to be included in earnings releases (paying particular attention to any use of non-GAAP financial measures as defined in the rules and regulations of the Commission).
4. to discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company assess and manage the Company's exposure to risk, and to discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
 5. to obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, which sets forth certain procedures to be followed in any audit of financial statements required under the Securities Exchange Act of 1934;
 6. to discuss with the Company's General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the Company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;

7. to discuss earnings press releases;
8. to discuss the types of financial information and earnings guidance provided, and the types of presentations made, to analysts and rating agencies;
9. to establish hiring policies and appropriate restrictions with respect to employees or former employees of the independent auditors;
10. to establish procedures for the receipt, retention and treatment of complaints from Company employees regarding the Company's accounting, internal accounting controls or auditing matters, and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
11. to review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer in accordance with the periodic report certification requirements imposed by the rules and regulations of the Commission, regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls; and
12. to obtain and review reports made to the Committee by the independent auditors regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls and management's response to and actions taken with respect to such reports.

D. Administrative and Reporting Responsibilities

1. to prepare any report or other disclosures, including any recommendation of the Committee, required by the rules of the Commission to be included in the Company's annual proxy statement;
2. to review this Charter at least annually and recommend any changes to the full Board;
3. to report its activities to the full Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate;

4. to prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this charter. 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; and

E. General

Perform any other activities consistent with this Charter, the Company's By-laws and applicable law as the Committee or the Board deems necessary or appropriate.

- V. 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.
- VI. Resources and Authority of the Committee: The Committee shall have the resources, including funding, 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 the independent auditor and of outside legal counsel, accounting or other advisors to assist or advise the Committee, as it deems necessary to carry out its duties, without seeking approval of the Board or management. The Committee shall have authority to obtain from the Company, and shall receive appropriate funding, as determined by the Committee, from the Company, for payment or compensation to the independent auditor and to outside legal, accounting and other advisors employed by it and administrative expenses incurred by it.