

The mission of the Board of Directors of The Reserve Petroleum Company (the “Company” or “Reserve”) is to be a strategic asset to the Company, both collectively and as individual directors (“Director(s)”), measured by the contribution it makes to the long-term success of the Company and the creation of stockholder value.

**STATEMENT OF GOVERNANCE PRINCIPLES
OF
THE RESERVE PETROLEUM COMPANY
(AS OF MARCH 29, 2011)**

The following Principles have been approved by the Board to emphasize its strong commitment to good corporate governance practices. Along with the charters and key practices of the Board committees as they may be established from time to time, these Principles are designed to provide the framework for the governance of Reserve and to assist the Board in the performance of its duties and the exercise of its responsibilities. The Board recognizes that the issues involved in corporate governance are dynamic and it will review these Principles and other aspects of Reserve governance not less than every three years or more often if deemed necessary. These Principles, as well as the charter of the Nominating Committees, the Company’s Bylaws and its Code of Business Conduct and Ethics, are available in print to any stockholder who requests them.

Role of Board and Management

The business and affairs of Reserve are conducted and managed by its employees, officers and chief executive officer (“CEO”) under the direction and oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board is elected by and accountable to the stockholders to oversee management, to provide strategic direction and to assure that the long-term interests of the stockholders are being served. In carrying out its responsibilities, the Board will exercise sound, informed, and independent business judgment. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing and adhering to good corporate governance principles. The Board also recognizes that to do so requires individual preparation by each Director and group deliberation by the Board, and that the Board’s responsibilities include both decision-making and oversight.

Qualifications

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. They also should be intelligent, inquisitive, independent and objective in thought, have practical wisdom and mature judgment and a willingness to gain an understanding of Reserve, its competitive position in its industry and its business strategy. Reserve

endeavors to have a Board representing diverse experience at policy-making levels with a complimentary mix of skills and experience in areas relevant to the Company's activities.

Among other things, the Board expects each Director to:

- possess a college degree;
- possess business experience and acumen in a field beneficial to the Company such as: Geology, Geophysical, Engineering, Legal, Financial, Accounting, or Information Technology;
- possess a genuine interest in the Company, together with an understanding of the obligation to rank and file stockholders;
- possess a reputation for honesty and integrity;
- understand Reserve's businesses;
- review the materials provided in advance of meetings and any other materials provided to the Board from time to time, and to take the time and effort to be fully informed on the materials and issues presented;
- strive for a collegial atmosphere showing mutual respect for all Directors and opinions;
- actively, objectively and constructively participate in meetings and the strategic decision-making processes;
- share his or her perspective, background, experience, knowledge and insights as they relate to the matters before the Board and its committees;
- make decisions based on his or her honest, independent opinion of merit and the best long-term interest of Reserve; and
- be available when requested to advise the CEO and Management on specific issues not requiring the attention of the full Board, but where an individual Director's insights might be helpful to the CEO or Management.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serving on the Board for an extended period of time.

The Company values the experience Directors bring from other boards on which they might serve and other activities in which they participate, but recognizes that those boards and activities may also present demands on a Director's time and availability that may present conflicts or legal issues, including independence issues.

Directors should advise the chairperson of the Nominating Committee and the CEO before accepting membership on other boards of directors or any Audit Committee or other significant committee assignment on any other board of directors; or before establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the Director's relationship to the Company. The Board

believes that individuals should limit the number of boards of publicly traded, for-profit corporations on which they serve in order to give proper attention to their responsibility to each board. As a general policy, the Board believes that Directors should limit their service to not more than three boards of publicly traded companies in addition to that of the Company, but exceptions to this policy may be made in appropriate cases. Where a Director seeks to serve on more than three such boards, he or she should seek and obtain approval of the Nominating Committee for that service. At its discretion, the Nominating Committee may refer the approval to the full Board.

All memberships on other boards by the CEO will be considered and decided by the full Board based upon the Nominating Committee's recommendation. As a general rule, the Board will discourage the CEO from serving on more than two boards of publicly traded for profit corporations, in addition to the Board of the Company. Regardless of whether Nominating Committee or Board approval is required for service on other boards, a Director seeking to serve on another board should notify the Nominating Committee, the CEO in advance of accepting such service, and should defer final acceptance of such a position until advised by the CEO that such service does not present legal or other serious problems for Reserve. The Board does not believe that arbitrary term limits on Directors' service are appropriate, nor does it believe that Directors should expect to be re-nominated annually.

Independence of Directors

While the Board recognizes that Directors who do not meet the Company's independence standards also make valuable contributions to the Board and to the Company by reason of their experience and wisdom, it is the Board's goal that at least three of the Directors will be independent under the Marketplace Rules of the NASDAQ Stock Market and those additional guidelines adopted by the Board. The full Board will make affirmative determinations of the independence of each Director. Such determinations shall be made using the standards and processes approved and adopted from time to time by the full Board.

The Board has established the following guidelines to assist it in determining Director independence:

An independent director is a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship that, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. The Company is required to disclose in its annual proxy statement those Directors that the Board has determined to be independent under the rules of an exchange even though the Company is not a listed Company. Ownership of Reserve stock by itself should not preclude the Board from concluding that such Director is independent.

The following persons shall not be considered independent:

- a director who is, or at any time during the past three years was, employed by the Company;

- a director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - compensation for Board or Board committee service;
 - compensation paid to a Family Member who is an employee (other than an executive officer) of the Company; or
 - benefits under a tax-qualified retirement plan, or non-discretionary compensation.
- a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the company as an Executive Officer;
- a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
 - payments arising solely from investments in the Company's securities; or
 - payments under non-discretionary charitable contribution matching programs.
- a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity;
- a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years; or
- a director who serves on the Board of another publicly traded E&P company.

The three year look-back periods referenced above commence on the date the relationship ceases. For example, a Director employed by the Company is not independent until three years after such employment terminates.

For purposes of determining independence, "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

As used in these Principles, "Executive Officer" means the Company's President, chief operating officer, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice president in charge of a principal business unit, division or function (such as marketing, merchandising, administration or finance), any other officer who performs a policy-making function, or any other person

who performs similar policy-making functions for the Company, in all cases including officers of the Company's subsidiaries if they perform policy-making functions for the Company.

Size of Board and Selection Process

Nominees for Director will be selected on the basis of their integrity, experience, achievements, judgment, intelligence, personal character, ability to make independent analytical inquiries, willingness to devote adequate time to Board duties, and likelihood that he or she will be able to serve on the Board for a sustained period. In connection with the selection of nominees for Director, due consideration will be given to the Board's overall balance of perspectives, backgrounds and experiences. The Nominating Committee will consider any suggestions offered by other Directors or stockholders with respect to potential Directors. Stockholders may propose nominees for consideration by the Nominating Committee by submitting the names and supporting information in accordance with the Company's Bylaws to: Secretary, The Reserve Petroleum Company at 6801 N. Broadway, Suite 300, Oklahoma City, Oklahoma 73116.

The Board proposes a slate of nominees to the stockholders for election to the Board. The Board also determines the number of Directors on the Board provided that there are at least three and no more than fifteen. Between annual stockholder meetings, the Board may elect Directors to serve until the next annual meeting for electing that class of directors. The Board as a whole will be responsible for nominating individuals for election to the Board by the Stockholders, and for filling vacancies on the Board that may occur between annual meetings of the Stockholders. The Nominating Committee will be responsible for identifying, screening, and recommending candidates to the entire Board.

Board Committees

The Board currently has two standing Committees - Nominating Committee and the Executive Committee. The Board may, from time to time, expand the number of standing committees or form ad hoc committees. The Nominating Committee will be composed of at least three Directors, a majority of which will be Independent Directors and will have a written charter. The current charters of these committees will be mailed to stockholders on written request. The committee chairs report the highlights of their meetings to the full Board following each meeting of the respective committees. The Nominating Committee normally holds meetings in conjunction with meetings of the full Board. The size, membership, and chairs of each committee will be determined by the Board and will comply with legal requirements. The membership and chairs of the standing committees may be rotated from time to time to allow Directors to serve on various committees over time and to promote continuity of membership and leadership on each committee. The Nominating Committee will provide recommendations to the Board regarding the size, membership, chairs and rotation of committees. The Chairman and CEO may participate in any committee meeting except when such participation would present a conflict of interest or, in the case of a Chairman who is also the CEO, when the meeting is a non-management executive session of the committee or Board.

Setting Board Agenda

The Chairman of the Board, CEO (if not the Chairman) and Secretary establish the agenda for each Board meeting, taking into account suggestions of other Directors. Directors are encouraged to suggest the inclusion of agenda items or revisions to meeting materials; the Chairman is expected from time to time to ask Directors for their suggestions on these items. Each Director is free to raise at any Board meetings items that are not on the agenda for that meeting. Proposed agendas and materials for meetings are generally delivered well in advance of each Board and Committee meeting. In certain cases, due to the sensitive nature of a matter, presentations are provided only at the Board or Committee meeting. Directors are expected to review and devote appropriate time to studying Board materials. In addition, the CEO periodically distributes to all Board members items of topical interest relating to Reserve, its operating environment, and the markets that it serves.

Communication with Directors

A shareholder may contact one or more members of the Board of Directors by writing to the Company's Secretary. Anyone who has a concern about Reserve's conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Company's Secretary. Such communications may be confidential or anonymous, and may be e-mailed, or submitted by mail. All such concerns will be forwarded to the appropriate Directors for their review. The status of all outstanding concerns will be reported to the Board on a quarterly basis. The Board may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company is prohibited from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern. Reserve will provide upon request a mailing address and an e-mail address for communications with the designated representative of the Independent Directors as a group, regarding a shareholder proposal, or any accounting, internal accounting controls or auditing matters.

Access to Senior Management

Directors have complete and open access to the Company's management. In addition, the Company's executive officers routinely attend Board and Committee meetings. The Board encourages its executive officers to bring other officers and managers into Board or Committee meetings or other scheduled events from time to time to provide additional insight into matters being considered or to expose the Board to individuals with high potential for significant leadership roles in the Company. Additionally, Directors may from time to time meet individually with members of management. Independent Directors are encouraged to contact senior managers of the Company without executive officers or the CEO present. Board members use judgment to be sure that this contact is not distracting to the business operation of the Company. Such contact, if in writing, is copied to the CEO.

Access to Independent Advisors

The Board and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

Evaluation of Corporate Governance Principles

The Nominating Committee will review Reserve's Corporate Governance Principles from time to time as developments or circumstances make review of particular Principles appropriate. The Committee will report to the full Board for its consideration and adoption any recommendations for additions or amendments to the Principles.

Confidentiality

The proceedings and deliberations of the Board and its committees shall be confidential. Each Director shall maintain the confidentiality of information received in connection with his or her service as a Director.