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CARRIZO OIL & GAS INC
Form DEF 14A
April 23, 2004

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the registrant [X]

Filed by a party other than the registrant []

Check the appropriate box:

[] Preliminary proxy statement. [] Confidential, for use of the
Commission only (as permitted by
Rule 14a-6(e)(2)).

[X] Definitive proxy statement.

[] Definitive additional materials.

[] Soliciting material pursuant to Section 240.14a-12

Carrizo Oil & Gas, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[LOGO OF CARRIZO OIL & GAS, INC.]

April 26, 2004

Dear Fellow Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Carrizo Oil & Gas, Inc. (the "Company") to be held at 10:00 a.m. on Friday, May 21, 2004, at the Omni Houston Hotel Westside, 13210 Katy Freeway, Houston, Texas.

This booklet includes the notice of the meeting and the proxy statement, which contains information about the Board and its committees and personal information about the nominees for the Board. Other matters on which action is expected to be taken during the meeting are also described.

We hope you will find it convenient to attend in person. Whether or not you expect to attend, to assure representation at the meeting and the presence of a quorum, please date, sign and promptly mail the enclosed proxy in the return envelope provided.

A copy of the Company's 2003 Annual Report to Shareholders is also enclosed.

Sincerely,

/s/ S.P. JOHNSON IV
S.P. JOHNSON IV
Chief Executive Officer

CARRIZO OIL & GAS, INC.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 21, 2004

To The Shareholders of
Carrizo Oil & Gas, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Carrizo Oil & Gas, Inc. (the "Company") will be held at the Omni Houston Hotel Westside, 13210 Katy Freeway, Houston, Texas, on Friday, May 21, 2004, at 10:00 a.m. for the following purposes:

- (1) to elect nine members to the Board of Directors for the ensuing year;
- (2) to approve an amendment to the Incentive Plan (A) increasing by 500,000 the number of shares of Common Stock available for issuance under the Incentive Plan, (B) replacing automatic annual awards of options to purchase 2,500 shares of Common Stock to each nonemployee director with discretionary awards of stock options or restricted stock that are determined by the Company's compensation committee or Board of Directors, (C) providing for additional stock option grants to the chairman and certain members of the nominating committee of the Board of Directors and (D) making certain clarifications to other provisions of the Incentive Plan;
- (3) to approve the appointment of Ernst & Young LLP as independent public accountants of the Company for the fiscal year ending December 31, 2004; and
- (4) to transact such other business as may properly come before the meeting.

The Company has fixed the close of business on April 8, 2004, as the record date for determining shareholders entitled to notice of, and to vote at, such meeting or any adjournment thereof.

You are cordially invited to attend the meeting in person. Even if you plan to attend the meeting, you are requested to mark, sign, date and return the accompanying proxy as soon as possible.

By Order of the Board of Directors

/s/ Paul F. Boling
Paul F. Boling
Secretary

April 26, 2004
14701 St. Mary's Lane, Suite 800
Houston, TX 77079

CARRIZO OIL & GAS, INC.
14701 St. Mary's Lane, Suite 800
Houston, Texas 77079

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Carrizo Oil & Gas, Inc., a Texas corporation (the "Company"), to be voted at the 2004 Annual Meeting of

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Shareholders (the "Annual Meeting") to be held at the Omni Houston Hotel Westside, 13210 Katy Freeway, Houston, Texas on Friday, May 21, 2004, at 10:00 a.m., and any and all adjournments thereof.

This statement and the accompanying form of proxy are first being mailed to shareholders on or about the week of April 26, 2004. In addition to the solicitation of proxies by mail, regular officers and employees of the Company may, without additional compensation, solicit the return of proxies by mail, telephone, telegram or personal contact. The Company will pay the cost of soliciting proxies in the accompanying form. The Company will reimburse brokers or other persons holding stock in their names or in the names of their nominees for their reasonable expenses in forwarding proxy material to beneficial owners of stock.

VOTING PROCEDURES

Shareholders of record as of April 8, 2004 the record date for determining persons entitled to notice of, and to vote at, the Annual Meeting, are entitled to vote on all matters at the Annual Meeting and at any adjournments thereof. On that date, the issued and outstanding capital stock of the Company consisted of 18,410,386 shares of Common Stock, par value \$0.01 per share (the "Common Stock") and 71,987.01 shares of Series B Convertible Participating Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock"). No other class of stock is outstanding. Each share of Common Stock is entitled to one vote on each matter submitted to a vote of shareholders. The Series B Preferred Stock will not be entitled to vote at the Annual Meeting and generally has no right to vote for directors or on other matters except in certain specified circumstances or as required by law. Cumulative voting is not allowed. The holders of a majority of the shares entitled to vote at the Annual Meeting, represented in person or by proxy, constitute a quorum for the transaction of business at the Annual Meeting.

All duly executed proxies received prior to the Annual Meeting will be voted in accordance with the choices specified thereon and, in connection with any other business that may properly come before the meeting, in the discretion of the persons named in the proxy. As to any matter for which no choice has been specified in the proxy, the shares represented thereby will be voted by the persons named in the proxy, to the extent applicable, (1) for the election as a director of each nominee listed herein; (2) for the approval of an amendment to the Incentive Plan (A) increasing by 500,000 the number of shares of Common Stock available for issuance under the Incentive Plan, (B) replacing automatic annual awards of stock options to purchase 2,500 shares of Common Stock to each nonemployee director with discretionary awards of stock options or restricted stock that are determined by the Compensation Committee or the Board of Directors, (C) providing for additional stock option grants to the chairman and certain members of the Nominating Committee of the Board of Directors and (D) making certain clarifications to other provisions of the Incentive Plan; (3) for the appointment of Ernst & Young LLP as independent public accountants of the Company for the fiscal year ending December 31, 2004; and (4) in the discretion of the persons named in the proxy in connection with any other business that may properly come before the meeting. A shareholder giving a proxy may revoke it at any time before it is voted at the Annual Meeting by delivering written notice to the Secretary of the Company or by delivering a properly executed proxy bearing a later date. A shareholder who attends the Annual Meeting may, if he or she wishes, vote by ballot at the Annual Meeting and that vote will cancel any proxy previously given. Attendance at the Annual Meeting will not in itself, however, constitute the revocation of a proxy.

Proxies indicating shareholder abstentions will be counted for purposes of determining whether there is a quorum at the Annual Meeting, but will not be voted on any matter and therefore will have the same effect as a vote against a matter, except in the case of director elections, which are determined by a

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plurality of votes

cast, as to which those abstentions will have no effect. Shares represented by "broker nonvotes" (i.e., shares held by brokers or nominees for which instructions have not been received from the beneficial owners or persons entitled to vote and for which the broker or nominee does not have discretionary power to vote on a particular matter) will be counted for purposes of determining whether there is a quorum at the Annual Meeting, but will not be voted on any matter, and thus will be disregarded in the calculation of "votes cast" with respect to that matter (even though those shares may be considered as entitled to vote or be voted on other matters). Votes cast by proxy or in person at the Annual Meeting will be counted by the persons appointed as election inspectors for the Annual Meeting.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The table below sets forth information concerning (i) the only persons known by the Company, based on statements filed by such persons pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to own beneficially in excess of 5% of the Common Stock as of March 31, 2004, and (ii) the shares of Common Stock beneficially owned, as of March 31, 2004, by each director, one nominee for director, the Chief Executive Officer and the four other executive officers who were serving at the end of the Company's last fiscal year and one other individual who served as an executive officer in 2003 and by all executive officers and directors collectively. Except as indicated, each individual has sole voting power and sole investment power over all shares listed opposite his name.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	
	NUMBER OF SHARES	PERCENT OF COMMON STOCK (2) (ROUNDED)
Directors and Executive Officers:		
S. P. Johnson IV.....	703,890 (3) (4)	3.8%
Paul F. Boling.....	--	--
J. Bradley Fisher.....	43,333	*
Kendall A. Trahan.....	120,128	*
Jeremy T. Greene.....	8,333	*
Steven A. Webster.....	2,573,454 (3) (4) (5)	13.4%
Douglas A. P. Hamilton.....	533,011 (3) (4) (6)	2.9%
Paul B. Loyd, Jr.....	895,183 (3) (4)	4.8%
Christopher C. Behrens.....	3,750,369 (3) (4) (7)	18.2%
Bryan R. Martin.....	3,750,369 (3) (4) (7)	18.2%
F. Gardner Parker.....	55,000	*
Roger A. Ramsey.....	--	--
Frank A. Wojtek.....	804,699 (3) (4)	4.4%
Executive Officers and Directors as a Group (12 persons).....		
	13,237,769	66.5%
DAPHAM Partnership, L.P.....	395,960 (3) (4) (8)	2.2%
JPMorgan Partners (23A SBIC), LLC.....	3,750,369 (3) (9)	18.2%
Mellon Ventures, L.P.....	1,412,409 (3) (4) (10)	7.3%

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* Less than 1%.

- (1) Except as described in notes 3 and 4 below or otherwise noted and pursuant to applicable community property laws, each shareholder has sole voting and investment power with respect to the shares beneficially owned. The business address of each director and executive officer other than Messrs. Behrens and Martin is c/o Carrizo Oil & Gas, Inc., 14701 St. Mary's Lane, Suite 800, Houston, Texas 77079. The business address of Messrs. Behrens and Martin is 1221 6th Avenue of the Americas, 39th Floor, New York, New York 10020.
- (2) The table includes shares of Common Stock that can be acquired through the exercise of options, warrants or convertible securities within 60 days of March 31, 2004 as follows: Mr. Johnson - 171,667, Mr. Boling - 0, Mr. Fisher - 43,333, Mr. Trahan - 120,128, Mr. Greene - 8,333, Mr. Webster - 791,360, Mr. Hamilton - 114,506, Mr. Loyd - 114,506, Mr. Behrens - 3,750,369, Mr. Martin -

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3,750,369, Mr. Parker - 25,000, Mr. Wojtek - 70,000, all officers and directors as a group - 3,574,241, JPMorgan Partners - 3,750,369, and Mellon Ventures, L.P. - 1,048,773. The percent of the class owned by each person has been computed assuming the exercise of all options, warrants and convertible securities deemed to be beneficially owned by that person, and assuming that no options, warrants or convertible securities held by any other person have been exercised. The table excludes shares of Common Stock subject to options that cannot be exercised within 60 days of March 31, 2004, as follows: Mr. Johnson - 48,333, Mr. Boling - 45,000, Mr. Fisher - 26,667, Mr. Trahan - 6,667, Mr. Greene - 56,667, Mr. Webster - 78,333, Mr. Hamilton - 2,500, Mr. Loyd - 2,500, Mr. Behrens - 2,500, Mr. Martin - 5,833, Mr. Parker - 22,500, and all officers and directors as a group - 334,862.

- (3) Pursuant to a Shareholders Agreement dated December 15, 1999, among the Company, S.P. Johnson IV, Frank A. Wojtek, Steven A. Webster, Douglas A. P. Hamilton, Paul B. Loyd, Jr., DAPHAM Partnership L.P., JPMorgan Partners and Mellon Ventures, L.P., certain shareholders of the Company may be deemed to have formed a group pursuant to Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such group could be deemed to have beneficial ownership, for purposes of Sections 13(d) and 13(g) of the Exchange Act, of all equity securities of the Company beneficially owned by such parties. Such parties would, as of March 31, 2004 be deemed to beneficially own an aggregate of 10,365,085 shares (45.5%). Each party to the Shareholders Agreement listed above disclaims beneficial ownership of any common stock owned by the other parties to the Shareholders Agreement. As of April 2004 Messrs. Hamilton, Loyd and DAPHAM Partnership L.P., formerly parties to the agreement, were no longer parties to this agreement.
- (4) Pursuant to a Shareholders Agreement dated February 20, 2002, among the Company, S.P. Johnson IV, Frank A. Wojtek, Steven A. Webster, Douglas A. P. Hamilton, Paul B. Loyd, Jr., DAPHAM Partnership L.P., and Mellon Ventures, L.P., certain shareholders of the Company may be deemed to have formed a group pursuant to Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange

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Act"). Such group could be deemed to have beneficial ownership, for purposes of Sections 13(d) and 13(g) of the Exchange Act, of all equity securities of the Company beneficially owned by such parties. Such parties would, as of March 31, 2004 be deemed to beneficially own an aggregate of 6,614,716 shares (32.2%). Each party to the Shareholders Agreement listed above disclaims beneficial ownership of any common stock owned by the other parties to the Shareholders Agreement. As of April 2004 Messrs. Hamilton, Loyd and DAPHAM Partnership L.P., formerly parties to the agreement, were no longer parties to this agreement.

- (5) Shares shown include 1,725,228 shares of Common Stock owned by Mr. Webster and 56,866 shares owned by Cerrito Partners, of which Mr. Webster is one of three general partners and could be deemed to share voting and dispositive power with the other general partners. However, Mr. Webster does not admit to having such power and disclaims the beneficial ownership of the Common Stock held by Cerrito Partners.
- (6) Shares shown do not include 395,960 shares of Common Stock beneficially owned by DAPHAM Partnership, L.P., the limited partner of which is a charitable remainder trust of which Mr. Hamilton, his wife and children are among the beneficiaries, and 138,648 shares of Common Stock beneficially owned by certain trusts established for the benefit of Mr. Hamilton's children, and for each of which Mr. Hamilton's wife serves as trustee. Mr. Hamilton disclaims beneficial ownership of all of such shares.
- (7) Shares shown include 3,723,701 shares beneficially owned by JPMorgan Partners (23A SBIC), LLC (formerly CB Capital Investors, LLC). Messrs. Behrens and Martin may be deemed to have beneficial ownership of such shares because they are a general partner and a principal, respectively, of JPMorgan Partners, which is a member and the investment manager of JPMorgan Partners (23A SBIC), LLC. Each of Messrs. Behrens and Martin disclaims beneficial ownership of all such shares.
- (8) The address of DAPHAM Partnership, L.P. is 1114 Avenue of the Americas, 31st Floor, New York, New York 10036.
- (9) The name of CB Capital Investors, LLC was changed to JPMorgan Partners (23A SBIC), LLC as part of a business combination effective January 1, 2001. The address of JPMorgan Partners (23A SBIC),

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LLC is 1221 6th Avenue of the Americas, 39th Floor, New York, New York 10020. Shares shown include 17,500, 9,167 and 7,500 shares of Common Stock that can be acquired through the exercise of options within 60 days of March 31, 2004 by Mr. Behrens, Mr. Martin and Mr. Chavkin, a former director of the Company. Mr. Behrens, Mr. Martin and Mr. Chavkin are obligated to transfer any shares issued in connection with the exercise of the options to JPMorgan Partners (23A SBIC), LLC.

- (10) The address of Mellon Ventures, L.P. is 1114 Avenue of the Americas, 31st Floor, New York, New York 10036.

PROPOSAL I

ELECTION OF DIRECTORS

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The persons designated as proxies in the enclosed proxy card intend, unless the proxy is marked with contrary instructions, to vote for the following nominees as directors to serve until the 2005 Annual Meeting of Shareholders and until their successors have been duly elected and qualified: Mr. S.P. Johnson IV; Mr. Steven A. Webster; Christopher C. Behrens; Mr. Douglas A.P. Hamilton; Mr. Paul B. Loyd, Jr.; Mr. Bryan Martin; Mr. F. Gardner Parker; Mr. Roger A. Ramsey and Mr. Frank A. Wojtek. The Board of Directors has no reason to believe that any nominee for election as a director will not be a candidate or will be unable to serve, but if for any reason one or more of these nominees is unavailable as a candidate or unable to serve when election occurs, the persons designated as proxies in the enclosed proxy card, in the absence of contrary instructions, will in their discretion vote the proxies for the election of any of the other nominees or for a substitute nominee or nominees, if any, selected by the Board of Directors. The affirmative vote of a plurality of the votes cast by holders entitled to vote in the election of directors at the Annual Meeting is required for the election of each nominee for director.

NOMINEES

The following sets forth information concerning the nine nominees for election as directors at the Annual Meeting, including information as to each nominee's age as of April 1, 2004, position with the Company and business experience during the past five years. All nominees, except for Mr. Ramsey, are currently serving as directors and are standing for re-election. Mr. Ramsey was recommended for nomination by our Chairman of the Board and two non-management directors.

S.P. Johnson IV, age 48, has served as our President and Chief Executive Officer and a director since December 1993. Prior to that, he worked for Shell Oil Company for 15 years. His managerial positions included Operations Superintendent, Manager of Planning and Finance and Manager of Development Engineering. Mr. Johnson is also a director of Basic Energy Services, Inc. (a well servicing contractor). Mr. Johnson is a Registered Petroleum Engineer and has a B.S. in Mechanical Engineering from the University of Colorado.

Steven A. Webster, age 52, has been the Chairman of our Board of Directors since June 1997 and has been a director since 1993. Mr. Webster serves as the Chairman of Global Energy Partners, Ltd., an affiliate of CSFB Private Equity, which makes private equity investments in the energy business. From December 1997 to May 1999, Mr. Webster was the Chief Executive Officer and President of R&B Falcon Corporation, an offshore drilling contractor, and prior to that, was Chairman and Chief Executive Officer of Falcon Drilling Company, which he founded in 1988. Mr. Webster is also a director of Grey Wolf, Inc. (an onshore drilling company), Seabulk International, Inc. (a marine transportation and service provider), Geokinetics, Inc. (a seismic acquisition and geophysical services company), Crown Resources Corporation (a precious metals exploration company), Goodrich Petroleum Corporation (an oil and gas exploration company), Basic Energy Services, Inc. (a well servicing company) and Brigham Exploration Company (an oil and gas exploration company), as well as various private companies. He is also a trust manager of Camden Property Trust (a real estate investment trust). Mr. Webster holds an M.B.A. degree from Harvard Business School and a Bachelor of Science in Industrial Management degree from Purdue University.

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Christopher C. Behrens, age 43, has been a director since December 1999. Since 1998, Mr. Behrens has been a General Partner of J.P. Morgan Partners, LLC (formerly Chase Capital Partners), the private equity investment affiliate of JP Morgan Chase & Co. which focuses on energy investments and industrial buyouts. Mr. Behrens is a director of Brand Services Inc., Interline Brands, Inc. and

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Berry Plastics Corporation, as well as various private companies. Mr. Behrens received a B.A. from the University of California at Berkeley and an M.A. from Columbia University.

Douglas A. P. Hamilton, age 57, has been a director since 1993. Mr. Hamilton, a private investor, has been an active investor in the oil and gas business since 1985. Mr. Hamilton has been the President of Anatar Investments, Inc., a diversified investment capital firm with active investments in oil and gas and offshore contract drilling, since 1979 and is a co-owner of the French Culinary Institute, a cooking school in New York City. Mr. Hamilton has a degree from the University of North Carolina and completed the Program for Management Development at Harvard Business School.

Paul B. Loyd, Jr., age 57, has been a director since 1993. Mr. Loyd was Chairman of the Board and Chief Executive Officer of Reading & Bates Corporation from 1991 to 1997 and from 1999 to 2001 until its merger with Transocean Inc. Mr. Loyd has been the principal of Loyd & Associates, Inc., a private financial consulting firm, since 1989. Mr. Loyd was Chief Executive Officer and a director of Chiles-Alexander International, Inc. from 1987 to 1989, President and a director of Griffin-Alexander Drilling Company, from 1984 to 1987, and prior to that, a director and Chief Financial Officer of Houston Offshore International, all of which are companies in the offshore drilling industry. Mr. Loyd is currently a director of Transocean Inc. (an offshore drilling contractor) and Frontier Oil Corporation (a refining and marketing company) and is a member of the Board of Trustees of Southern Methodist University. Mr. Loyd served as President of our company from its inception in September 1993 until December 1993. Mr. Loyd holds an undergraduate degree from Southern Methodist University and an M.B.A. degree from Harvard Business School.

Bryan R. Martin, age 37, has been a director since March 2002. Since 2000, he has been a Principal at J.P. Morgan Partners, LLC (formerly Chase Capital Partners), the private equity investment affiliate of JP Morgan Chase & Co. which focuses on energy investments and industrial buyouts. Prior to his role at J.P. Morgan Partners, LLC, Mr. Martin was a Partner of the Beacon Group since 1994 and co-manager of the Beacon Group Energy Funds. Prior to that Mr. Martin worked as an Equity Analyst at Fidelity Investments co-managing the Select Energy and Specialty Retail portfolios. Mr. Martin holds a bachelors degree from Yale University and a Masters in Management from the J. L. Kellogg Graduate School of Management. Mr. Martin is also a director of Coherent Networks, Crosstown Traders, SmartSynch, Shell Technology Investment Partners and Wellogix. In addition, Mr. Martin is a member of the Investment Committees of Lime Rock Partners and Shell Technology Investment Partners.

F. Gardner Parker, age 62, has been a director since 2000. He has been Managing Outside Trust Manager with Camden Property Trust since 1998. He also serves on the boards of Crown Resources Corporation and Sharps Compliance Corp. (a waste management services provider). In addition, he serves on the board of directors of the following private companies: Gillman Automobile Dealerships, Net Near U Communications, MCS Technologies, Camp Longhorn, Inc., nii communications, inc., Sherwood Healthcare Inc., and Arena Power. Mr. Parker also worked with Ernst & Ernst (now Ernst & Young LLP) for 14 years, seven of which he served as a partner. He is a graduate of The University of Texas.

Roger A. Ramsey, age 65, is the retired Chairman of the Board of Allied Waste Industries, Inc. He served as Chairman of the Board of Allied Waste Industries, Inc. from October 1989 through his retirement in December 1998, and Chief Executive Officer of that company from October 1989 through July 1997. Beginning in 1960, Mr. Ramsey was employed by the international accounting firm of Arthur Andersen LLP. In 1968, Mr. Ramsey co-founded Browning-Ferris Industries, Inc. ("BFI") and served as its Vice President and Chief Financial Officer until 1976. Mr. Ramsey is also a member of the Board of Trustees at Texas Christian University and Chairman of the Board of Vericenter, Inc. He is

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not currently one of our directors.

Frank A. Wojtek, age 48, has been a director since 1993. Mr. Wojtek served as our Chief Financial Officer, Vice President, Secretary and Treasurer from 1993 until August 2003. From 1992 to 1997, Mr. Wojtek was the Assistant to the Chairman of the Board of Reading & Bates Corporation (an offshore

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drilling company). Mr. Wojtek has also held the positions of Vice President and Secretary/Treasurer of Loyd & Associates, Inc., a private financial consulting firm, since 1989. Mr. Wojtek held the positions of Vice President and Chief Financial Officer of Griffin-Alexander Drilling Company from 1984 to 1987, Treasurer of Chiles-Alexander International Inc. from 1987 to 1989, and Vice President and Chief Financial Officer of India Offshore Inc. from 1989 to 1992, all of which were companies in the offshore drilling industry. Mr. Wojtek is a Certified Public Accountant and holds a B.B.A. in Accounting with Honors from The University of Texas.

DIRECTOR INDEPENDENCE

The Board has determined that Messrs. Behrens, Hamilton, Loyd, Martin, Parker and Ramsey are "independent directors" within the meaning of Marketplace Rule 4200(a)(15) of the Nasdaq Stock Market.

Nasdaq Marketplace Rule 4350(c) sets forth certain requirements for independent directors and independent directors as members of committees. A controlled company is exempt from the requirements of Rule 4350(c), except 4350(c)(2), which provides for executive sessions by independent directors. Prior to March 5, 2004, the Company qualified as a controlled company because Messrs. Webster, Hamilton, Johnson, Loyd and Wojtek, DAPHAM Partnership, L.P., JP Morgan and Mellon Ventures were deemed to have formed a group pursuant to Rule 13d-5(b)(1) of the Exchange Act as a result of entering into certain shareholders agreements described in "Related Transactions." Until March 5, 2004, the members of this group could be deemed to have beneficial ownership, for purposes of Sections 13(d) and 13(g) of the Exchange Act, of more than 50% of the voting power of the Company's equity securities. On March 5, 2004, the Company issued 235,500 shares of Common Stock and certain shareholders, including certain of the shareholders described above, sold shares of Common Stock in a registered, underwritten public offering. On completion of these sales, these shareholders no longer owned 50% of the voting power of the Company's equity securities on this basis and the Company ceased to be a controlled company; and ceased to qualify for the exemption. The transition rules of the Nasdaq Stock Market require that the Company have (i) at least one independent director on each of the Nominating Committee and the Compensation Committee on the day it ceased to be a controlled company; (ii) a majority of independent directors on those committees within 90 days after it ceased be a controlled company; and (iii) a majority of independent directors on the Board by March 5, 2005. The Company will comply with these transition rules.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company held seven meetings during the fiscal year ended December 31, 2003, and transacted business on ten occasions during the fiscal year by unanimous written consent.

During the fiscal year ended December 31, 2003, each director attended at least 75% of the aggregate of the total number of Board of Directors' meetings and of meetings of committees of the Board of Directors on which he served. The Company's Board of Directors has a Nominating Committee, an Audit Committee, a

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Compensation Committee and a Budget Committee.

The Board of Directors has a Nominating Committee, which currently consists of Messrs. Webster, Loyd and Martin. The primary responsibilities of the Nominating Committee include identifying, evaluating and recommending, for the approval of the entire Board of Directors, potential candidates to become members of the Board of Directors and recommending membership on standing committees of the Board of Directors. The Nominating Committee was established in March 2004, so it did not hold any meetings in 2003. The Board of Directors adopted a charter for the Nominating Committee. A copy of the Nominating Committee Charter may be found on the Company's website at www.carrizo.cc. The Board of Directors has determined that Messrs. Loyd and Martin are independent for purposes of Marketplace Rule 4200(a)(15) of the Nasdaq Stock Market. By March 5, 2005, the date that is one year after the date on which the Company ceased to be a controlled company under the rules of the Nasdaq Stock Market, all of the members of the Nominating Committee will be required to meet the applicable requirements for independence, subject to the exception contemplated by Nasdaq Marketplace Rule 4350 (c)(4)(C).

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The Board of Directors has an Audit Committee which, during the fiscal year ended December 31, 2003, consisted of Messrs. Parker, Loyd and Martin. The Audit Committee met four times during fiscal 2003. The Audit Committee has direct responsibility for the appointment, retention, compensation and oversight of the independent auditors for the purpose of preparing the Company's annual audit report or performing other audit, review or attest services for the Company. The Audit Committee has sole authority to approve all engagement fees and terms of the independent auditors and to establish policies and procedures for preapproval of audit and nonaudit services. The Audit Committee also reviews and discusses the annual audited financial statements with management and the independent auditors. The Board of Directors adopted a new Audit Committee charter, which is included in this proxy as Exhibit A and is available on the Company's website at www.carrizo.cc.

The Board has determined that all of the members of the Audit Committee satisfy the independence standards under the Nasdaq Marketplace Rules and will satisfy the standards for independence set forth in Securities Exchange Act Rule 10A-3 after the Annual Meeting, when the Company expects Mr. Martin to step down from the Audit Committee and to be replaced by Mr. Ramsey, if he is elected. In addition, the Board has determined that Mr. Parker is an "audit committee financial expert," as such term is defined in Item 401(h) of Regulation S-K promulgated by the Securities and Exchange Commission (the "SEC"). Mr. Parker is a certified public accountant and served as partner in a major accounting firm.

The Board of Directors has a Compensation Committee which, during the fiscal year ended December 31, 2003, consisted of Messrs. Parker, Hamilton and Behrens. The primary responsibilities of the Compensation Committee are to review and approve the compensation of the CEO and the Company's other executive officers and oversee and advise the Board on the policies that govern the Company's compensation programs. The Compensation Committee has been appointed by the Board of Directors to administer the Company's stock option plans (subject in some cases to action by the full Board). The Board of Directors adopted a charter for the Compensation Committee. A copy of the Compensation Committee Charter can be found on the Company's website at www.carrizo.cc. The Board of Directors has determined that Messrs. Parker, Hamilton and Behrens are independent for purposes of Marketplace Rule 4200(a)(15) of the Nasdaq Stock Market. The Compensation Committee held two meetings during fiscal 2003.

DIRECTOR NOMINATIONS PROCESS

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In assessing the qualifications of candidates for director, the Nominating Committee considers, in addition to qualifications set forth in the Company's bylaws, each potential nominee's personal and professional integrity, experience, reputation, skills, ability and willingness to devote the time and effort necessary to be an effective board member, and commitment to acting in the best interests of the Company and its shareholders. The Nominating Committee also considers requirements under the listing standards of the Nasdaq Stock Market, Inc. for a majority of independent directors, as well as qualifications applicable to membership on Board committees under the listing standards and various regulations. The Nominating Committee makes recommendations to the Board, which in turn makes the nominations for consideration by the shareholders. JPMorgan Partners (23A SBIC), LLC has the right, pursuant to a shareholders agreement, to designate two members for nomination to the Board of Directors.

Suggestions for potential nominees for director can come to the Nominating Committee from a number of sources, including incumbent directors, officers, executive search firms and others. The Nominating Committee will consider director candidates recommended by shareholders. The extent to which the Nominating Committee dedicates time and resources to the consideration and evaluation of any potential nominee brought to its attention depends on the information available to the Committee about the qualifications and suitability of the individual, viewed in light of the needs of the Board, and is at the Committee's discretion. Recognizing the contribution of incumbent directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole, the Nominating Committee reviews each incumbent director's qualifications to continue on the Board in connection with the selection of nominees to take office when that director's term expires, and conducts a more detailed review of each director's suitability to continue on the Board following expirations of the director's term.

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In addition, the Nominating Committee's policy is that it will consider candidates for the Board recommended by shareholders. Any such recommendation should include the candidate's name and qualifications for Board membership and should be submitted in writing to the Secretary, Carrizo Oil & Gas, Inc., 14701 St. Mary's Lane, Suite 800, Houston, Texas 77079, along with:

- o a signed statement of the proposed candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director;
- o a statement that the writer is a shareholder of the Company and is proposing a candidate for consideration by the Nominating Committee;
- o a statement detailing any relationship between the candidate and any customer, supplier or competitor of the Company;
- o the financial and accounting background of the candidate, to enable the Nominating Committee to determine whether the candidate would be suitable for Audit Committee membership; and
- o detailed information about any relationship or understanding between the proposing shareholder and the candidate.

Although the Nominating Committee will consider candidates recommended by shareholders, it may determine not to recommend that the Board, and the Board may determine not to, nominate those candidates for election to the Board of Directors.

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SHAREHOLDER COMMUNICATION WITH THE BOARD OF DIRECTORS

Shareholders may communicate with the Board by submitting their communications in writing, addressed to the Board as a whole or, at the election of the shareholder, to one or more specific directors, c/o Secretary, Carrizo Oil & Gas, Inc., 14701 St. Mary's Lane, Suite 800, Houston, Texas 77079.

The Audit Committee of the Board of Directors has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters. Shareholders who wish to submit a complaint under these procedures should submit the complaint in writing to: F. Gardner Parker, Chairman of the Audit Committee, Carrizo Oil & Gas, Inc., 14701 St. Mary's Lane, Suite 800, Houston, Texas 77079. The Company has also established a confidential hotline by which employees can communicate concerns or complaints regarding these matters.

DIRECTOR ATTENDANCE AT ANNUAL MEETING OF SHAREHOLDERS

The Company does not have a policy regarding director attendance at annual meetings of shareholders. Two of the Company's directors attended the 2003 Annual Meeting.

CODE OF CONDUCT

The Company has adopted a Code of Conduct applicable to all employees and directors that satisfies the requirements of Nasdaq Marketplace Rule 4350(n). The Code of Conduct is available on the Company's website at www.carrizo.cc.

SECTION 16(A) REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, file reports of ownership and changes of ownership with the SEC. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all such forms they file.

Based solely on its review of the copies of such forms received by the Company, and on written representations by the Company's officers and directors regarding their compliance with the filing requirements, the Company believes that during the fiscal year ended December 31, 2003, all reports required by Section 16(a) to be filed by its directors, officers and greater than 10% beneficial owners were filed on a timely

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basis, except one Form 4 reporting a sale pursuant to a plan adopted under Rule 10b5-1 of the Exchange Act filed by Mr. Wojtek one day late on December 2, 2003, one Form 4 reporting the acquisition of stock options on May 27, 2003 by Mr. Behrens filed on November 12, 2003, one Form 4 reporting the acquisition of stock options on May 27, 2003 by Mr. Martin filed on November 12, 2003, and one Form 4 reporting indirect beneficial ownership of the aforementioned options granted to Mr. Behrens and Mr. Martin filed by certain affiliates of JPMorgan Partners on November 12, 2003.

COMPENSATION OF NONEMPLOYEE DIRECTORS

The Board of Directors has recommended the following amendments to the Incentive Plan, subject to shareholder approval:

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- o replacing automatic annual awards of options to purchase 2,500 shares of Common Stock to each director not employed by the Company or any of its subsidiaries (an "Outside Director") with discretionary awards of stock options or restricted stock that are determined by the Compensation Committee or the Board of Directors;
- o automatically granting to the Chairman of the Nominating Committee additional options to purchase 2,000 shares of Common Stock on the first business day following the date on which the annual meeting of the Company's shareholders is held; and
- o providing that the Compensation Committee or the Board of Directors may, in their discretion, grant additional options to purchase 2,000 shares of Common Stock to non-chairman members of the Nominating Committee who are deemed "independent" for purposes of Nasdaq rules.

Effective January 1, 2001, the Compensation Committee proposed and the Board of Directors approved a \$1,000 per year annual retainer to be paid to each Outside Director plus compensation of \$3,000 per meeting attended (\$1,000 if attended via telephone) and \$500 per committee meeting attended (\$250 if attended via telephone). In April 2003, the Board of Directors, effective for the 2002-2003 director term, approved an additional retainer of \$5,000 per annual director term for the Chairman of the Compensation Committee and an additional retainer of \$10,000 per annual term for the Chairman of the Audit Committee. On February 19, 2003, the Company's Incentive Plan (the "Incentive Plan") was amended to provide for a one-time grant of options to purchase 25,000 shares of Common Stock to Mr. Parker at a price of \$4.65 per share, the fair market value as of the date of the grant, as compensation for serving as the Chairman of the Audit Committee. In March 2004, the Board of Directors increased the annual retainer to be paid to each outside Director to \$10,000 per year, reduced the compensation for attendance at regular meetings of the Board from \$3,000 per meeting attended to \$2,500 per meeting attended (\$1,000 if attended via telephone) and reduced the compensation for attendance at special meetings of the Board from \$3,000 per meeting attended to \$1,000 per meeting attended (\$500 if attended via telephone). In March 2004, the Board of Directors approved an annual retainer of \$2,000 per annual term for non-chairman members of the Audit Committee and \$1,000 per annual term for non-chairman members of the Compensation and Nominating Committees and \$2,500 for the Chairman of the Nominating Committee.

Directors who are also employees of the Company receive no payment for serving as directors. All directors are reimbursed for travel and lodging expenses of attending meetings. Under the Incentive Plan, Messrs. Webster, Hamilton and Loyd, the then-current Outside Directors, were granted options to purchase 10,000 shares of Common Stock at an exercise price per share of \$11.00 in connection with the Company's initial public offering in August 1997 (the "IPO"). Thereafter, each additional Outside Director was automatically granted nonqualified options to purchase 10,000 shares of Common Stock on the date that person first became an Outside Director of the Company. Currently, each Outside Director serving on the day after the date of the annual meeting of shareholders is automatically granted options to purchase an additional 2,500 shares of Common Stock, subject to the availability for issuance of those shares under the Incentive Plan. During the fiscal year ended December 31, 2003 options to purchase 2,500 shares were granted to each of Messrs. Behrens, Hamilton, Loyd, Martin and Parker at an exercise price per share of \$5.75. Each option granted to an Outside Director will (i) have a ten-year term, (ii) have an exercise price equal to the fair market value of a share of Common Stock on the date of grant and (iii) become exercisable in cumulative

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annual increments of one-third of the total number of shares of Common Stock subject thereto, beginning on the first anniversary of the date of grant.

At the 2003 Annual Meeting, the Board of Directors recommended and the shareholders approved certain changes to the Incentive Plan. The Chairman of the Audit Committee and the Chairman of the Compensation Committee are automatically granted additional options to purchase 3,000 and 2,000 shares of Common Stock, respectively, on the first business day following the date on which each annual meeting of the Company's shareholders is held; and the Board of Directors may, in its discretion, grant options to purchase of up to 3,000 shares and up to 2,000 shares, respectively, on the date specified above to nonchairmen members of the audit and compensation committees who are deemed by the Committee to be independent for purposes of the rules of the Nasdaq Stock Market. These grants may be made to the chairman or a member of the Audit Committee or Compensation Committee, respectively, notwithstanding that the same person may also receive grants as a chairman or member of the Compensation Committee or Audit Committee, respectively. During the fiscal year ended December 31, 2003 Mr. Parker was granted options to purchase 5,000 shares at an exercise price of \$5.75 as chairman of both the Audit Committee and the Compensation Committee.

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the annual, long-term and total compensation for (i) the Company's Chief Executive Officer for the fiscal years ended December 31, 2003, 2002 and 2001 and (ii) its other four executive officers, and (iii) one other individual who served as an executive officer in 2003, for the fiscal years ended December 31, 2003, 2002 and 2001 (collectively, the "Named Executives").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		OTHER ANNUAL COMPENSATION (\$) (1)	LONG TERM COMPENSATION AWARDS
		SALARY (\$)	BONUS (\$)		STOCK OPTIONS (#)
S.P. Johnson IV President and Chief Executive Officer	2003	241,668	48,017	--	50,000
	2002	233,604	1,296	--	--
	2001	228,501	500	--	45,000
Paul F. Boling (3) Chief Financial Officer, Vice President, Secretary and Treasurer	2003	68,626	1,382	--	20,000
Kendall A. Trahan Vice President of Land	2003	155,210	8,805	--	--
	2002	150,174	1,296	--	--
	2001	146,893	500	--	20,000
J. Bradley Fisher Vice President of Operations	2003	175,771	3,845	--	25,000
	2002	163,848	1,296	--	--
	2001	134,100	500	--	30,000
Jeremy T. Greene (4) Vice President of Exploration	2003	173,499	26,345	--	40,000
	2002	84,499	1,296	--	25,000

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Frank A. Wojtek (5)	2003	109,678	8,343	--	--
Chief Financial Officer,	2002	166,860	1,296	--	--
Vice President, Secretary and Treasurer	2001	163,215	500	--	20,000

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- (1) For the fiscal years 2001, 2002 and 2003 the Named Executives did not receive any annual compensation not properly categorized as salary or bonus, except for certain perquisites and other personal benefits which are not shown because the aggregate amount of such compensation, if any, for each Named Executive during each of those fiscal years did not exceed the lesser of \$50,000 or 10% of total salary and bonus reported for that Named Executive.

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- (2) For the fiscal year 2003, all other compensation consists of contributions of \$4,818, \$1,125, \$4,674, \$4,622, \$2,753 and \$3,222 by the Company under its 401(k) plan for Messrs. Johnson, Boling, Trahan, Fisher, Greene and Wojtek, respectively, life insurance premiums of \$697, \$124, \$595, \$604, \$688 and \$464 for Messrs. Johnson, Boling, Trahan, Fisher, Greene and Wojtek, respectively, overriding royalties of \$5,599 for Mr. Fisher and payments under an employment agreement of \$251,486 for Mr. Wojtek in accordance with his departure from the Company. For the fiscal year 2002, all other compensation consists of contributions of \$4,088, \$3,754, \$4,129 and \$3,947 by the Company under its 401(k) plan for Messrs. Johnson, Wojtek, Trahan and Fisher, respectively, life insurance premiums of \$648, \$642, \$546, \$533 and \$267 for Messrs. Johnson, Wojtek, Trahan, Fisher and Greene, respectively, and overriding royalties of \$7,368 for Mr. Fisher. For the fiscal year 2001, all other compensation consists of contributions of \$3,402, \$3,443, \$3,838, and \$3,078 by the Company under its 401(k) plan for Mr. Johnson, Mr. Wojtek, Mr. Trahan and Mr. Fisher, respectively, life insurance premiums of \$552, \$533, \$466 and \$399 for Mr. Johnson, Mr. Wojtek, Mr. Trahan and Mr. Fisher, respectively, and overriding royalties of \$15,823 for Mr. Fisher. The compensation from overriding royalties awarded to Mr. Fisher arises from a one-time award of an overriding royalty interest on the Pitchfork Ranch A-90 #1 well to Mr. Fisher in 2001. The Company has since adopted a policy that it will not grant any overriding royalty interests to its employees.
- (3) Mr. Boling commenced his employment with the Company in August 2003.
- (4) Mr. Greene commenced his employment with the Company in August 2002.
- (5) Mr. Wojtek served as the Company's Chief Financial Officer, Vice President, Secretary and Treasurer until August 2003.

OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

The following table sets forth information with respect to stock options granted during the fiscal year 2003 to the Named Executives.

POTENTIAL

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NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (\$/SHARE) (1)	EXPIRATION DATE	VALUES
					ANNUAL STOCK APPRECIATION OPTION 5% (\$)
S. P. Johnson IV....	50,000	37	4.43	4/6/13	157,500
Paul F. Boling.....	20,000	15	5.725	8/11/13	81,500
Kendall A. Trahan...	--	--	--	--	--
J. Bradley Fisher...	25,000	18	4.37	4/2/13	77,500
Jeremy T. Greene....	40,000	30	4.37	4/2/13	124,000
Frank A. Wojtek.....	--	--	--	--	--

(1) The exercise price of the options granted is equal to or greater than the market value of the Company's Common Stock on the date of grant.

(2) Potential realizable value of each grant assumes that the market price of the underlying security (based upon the value of the Common Stock on the date of grant) appreciates at annualized rates of 5% and 10% over the term of the award. Actual gains, if any, on stock option exercises are dependent on the future performance of Common Stock and overall market conditions. There can be no assurance that the amounts reflected on this table will be achieved.

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AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES

The following table sets forth information with respect to the unexercised options to purchase the Common Stock held by the Named Executives at December 31, 2003.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$) (1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED
			EXERCISABLE	UNEXERCISABLE	IN-THE-MONEY OF FISCAL YEAR-END EXERCISABLE UNEXERCISED
S. P. Johnson IV	--	--	155,000	65,000	692,185
Paul F. Boling	--	--	--	20,000	--
Kendall A. Trahan	4,500	18,708	120,128	6,667	363,258
J. Bradley Fisher	55,000	193,010	35,000	35,000	138,050
Jeremy T. Greene	--	--	8,333	56,667	28,667
Frank A. Wojtek	--	--	70,000	--	311,300

(1) Value realized is calculated based on the difference between the option exercise price and the closing market price of the Company's Common Stock on the date of exercise, multiplied by the number of shares underlying the options.

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- (2) Value of unexercised in-the-money options is calculated based upon the difference between the option price and the closing price of the Company's Common Stock at fiscal year-end, multiplied by the number of shares underlying the options. The closing price of the Company's Common Stock, as reported on the Nasdaq Stock Market on December 31, 2003, was \$7.20.

CERTAIN TRANSACTIONS

Pinnacle Transaction

During the second quarter of 2003, the Company and Rocky Mountain Gas, Inc. ("RMG") each contributed their interests in certain natural gas and oil leases in Wyoming and Montana in areas prospective for coalbed methane to a newly formed joint venture, Pinnacle Gas Resources, Inc. In exchange for the contribution of these assets, the Company received 37.5% of the common stock of Pinnacle and options to purchase additional Pinnacle common stock. The Company retained its interests in approximately 145,000 gross acres in the Castle Rock coalbed methane project area in Montana and the Oyster Ridge project area in Wyoming.

Simultaneously with the contribution of these assets, affiliates and related parties of CSFB Private Equity ("CSFB") contributed approximately \$17.6 million of cash to Pinnacle in return for redeemable preferred stock of Pinnacle, 25% of Pinnacle's common stock as of the closing date and warrants to purchase Pinnacle common stock. In February 2004, the CSFB contributed additional funds of \$11.8 million to Pinnacle to fund future drilling, development and acquisitions in return for additional shares of preferred stock and warrants. Currently, on a fully diluted basis, and assuming neither RMG nor the Company exercises its options, the CSFB parties own 66.7% of Pinnacle and RMG, and the Company each own 16.7% of Pinnacle.

The Company's Chairman, Steven A. Webster, is also Chairman of Global Energy Partners, Ltd., an affiliate of CSFB Private Equity.

The Company provides specified accounting, treasury, tax, insurance and financial reporting functions to Pinnacle under a transition services agreement for a monthly fee equal to the Company's actual cost to provide these services. The agreement automatically renews on a quarterly basis unless one of the parties gives notice of its intent to terminate the agreement.

The Company has mutually agreed with RMG, its majority shareholder and the CSFB parties to provide Pinnacle the right until June 23, 2008 to acquire at cost any interest in natural gas and oil leases or mineral interests in the Powder River Basin in Wyoming and Montana, but excluding most of Powder River County, Montana, that such parties may have acquired in the covered area, subject to specified exceptions.

The Company, the CSFB parties, RMG, RMG's parent company, Peter G. Schoonmaker, Gary W. Uhlund and Pinnacle also entered into a security holders' agreement providing for an initial eight person board of directors, which initially includes four directors nominated by the CSFB parties and two nominated by each of the Company and RMG, subject to change as their respective ownership percentages change. Each party to the security holders' agreement also granted to the others a right of first offer and co-sale rights. If the CSFB parties propose to sell all of their Pinnacle shares to a third party, under specified circumstances the CSFB parties may require the other security holders to include all of their Pinnacle shares in that sale. In event of such a sale, the Pinnacle preferred stock will have a preferred right to receive an amount

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equal to its liquidation value (as defined below) per share plus accrued and unpaid dividends prior to distributions to the holders of shares of Pinnacle common stock and common stock equivalents. Pinnacle also granted the security holders pre-emptive rights to purchase additional securities in order to maintain their proportionate ownership of Pinnacle. The security holders' agreement also provides generally for multiple demand registration rights with respect to the Pinnacle common stock in favor of the CSFB parties and certain piggyback registration rights for the Company and RMG subject to the satisfaction of specified conditions.

The Pinnacle redeemable preferred stock issued to the CSFB parties generally has the right to vote together with the Pinnacle common stock and has a class vote on specified matters, including specified extraordinary transactions. In the event of any dissolution, liquidation, or winding up by Pinnacle, the holder of each share of Pinnacle preferred stock will be entitled to be paid a liquidation value of \$100 per share out of the assets of Pinnacle available for distribution to its shareholders.

Dividends on the Pinnacle preferred stock are payable either in cash at a rate of 10.5% per annum through June 23, 2011 and 12.5% thereafter or, at Pinnacle's option, by payment in kind of additional shares of the Pinnacle preferred stock. For each additional share of Pinnacle preferred stock distributed to a holder as an in-kind dividend, Pinnacle will also deliver to that holder one Pinnacle warrant, which will have an exercise price equal to the exercise price of the outstanding Pinnacle warrants on the date of such distribution. On or after July 1, 2005, Pinnacle may redeem all or any portion of the Pinnacle preferred stock, provided that if any Pinnacle warrants are still outstanding, Pinnacle may redeem all but a single share; if the redemption occurs at any time before July 1, 2009, the redemption price will be at a premium to the liquidation value of the shares.

Pinnacle is required to redeem its preferred stock upon:

- o specified changes of control, at a price per share equal to 101% of its liquidation value; or
- o specified events of default, at a price per share equal to 110% of the liquidation value prior to June 30, 2005 and, thereafter, equal to an optional redemption price that decreases over time.

The Pinnacle warrants entitle the holders to purchase up to 130,000 shares of Pinnacle common stock at a price of \$100 per share and are exercisable at any time until June 30, 2013. The Pinnacle warrants can be exercised in cash, by tender of the Pinnacle preferred stock and on a cashless net exercise basis. The Pinnacle warrants are subject to adjustments, including, in specified cases, an adjustment of the exercise price to equal the lowest price at which Pinnacle common stock is sold if such shares are sold below the then-current exercise price.

2002 Financing

On February 20, 2002, the Company consummated the transactions (the "2002 Financing") contemplated by a Securities Purchase Agreement dated February 20, 2002 (the "2002 Securities Purchase Agreement") among the Company, Mellon and Steven A. Webster (excluding the Company, the "2002 Investors"). Such transactions included (i) the payment by the 2002 Investors of an aggregate purchase price of \$6,000,000, (ii) the sale of 60,000 shares of Series B Convertible Participating Preferred Stock (the "Series B Preferred Stock") the terms of which are set forth in the Statement of Resolution Establishing Series of Shares designated Series B Convertible Participating Preferred Stock (the "Statement of Resolution") and which include the right to convert such shares into Common Stock, par value \$0.01 (the "Common Stock") of the Company (the

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"Underlying Shares") at a price of \$5.70 per share, subject to adjustments, to the 2002 Investors pursuant to the terms of the 2002 Securities Purchase Agreement and

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(iii) the sale of warrants (the "2002 Warrants") to purchase up to 252,632 shares of the Company's Common Stock (the "2002 Warrant Shares") at the exercise price of \$5.94 per share, subject to adjustments, to the 2002 Investors pursuant to the terms of Warrant Agreement dated February 20, 2002 (the "2002 Warrant Agreement") among the Company, Mellon and Steven A. Webster, (iv) the execution of the Shareholders Agreement dated February 20, 2002 (the "2002 Shareholders Agreement") among the Company, Mellon, Paul B. Loyd, Jr., Douglas A.P. Hamilton, Steven A. Webster, S.P. Johnson IV, Frank A. Wojtek and DAPHAM Partnership, L.P., (v) the execution of the Registration Rights Agreement dated February 20, 2002 ("2002 Registration Rights Agreement") among the Company, Mellon and Steven A. Webster and (vi) the execution of a Compliance Sideletter dated as of February 20, 2002 by and between the Company and Mellon (the "2002 Compliance Sideletter"). The Company sold \$4.0 million and \$2.0 million of Series B Preferred Stock and 168,422 and 84,210 Warrants to Mellon and Mr. Webster, respectively. Holders of Series B Preferred Stock are entitled to receive cumulative dividends on each share of Series B Preferred Stock, payable semi-annually. Dividends will be paid, at the option of the Company, (i) in cash at the rate of \$8.00 per year or (ii) by issuing additional shares of Series B Preferred Stock at the annual rate of 0.10 of a share of Series B Preferred Stock on each share of Series B Preferred Stock as converted. The 2002 Shareholders Agreement was amended in April 2004 so that Messrs. Hamilton and Loyd and DAPHAM Partnership, L.P. are no longer parties to the agreement.

Sale of Common Stock, Notes and Warrants

On December 15, 1999, the Company consummated the transactions (the "1999 Financing") contemplated by a Securities Purchase Agreement dated December 15, 1999 (the "1999 Securities Purchase Agreement") among the Company, CB Capital Investors, L.P. ("Chase") (now JPMorgan Partners (23A SBIC), LLC), Mellon Ventures, L.P. ("Mellon"), Paul B. Loyd, Jr., Douglas A.P. Hamilton and Steven A. Webster (excluding the Company, the "Investors"). Such transactions included (i) the payment by the Investors of an aggregate purchase price of \$30,000,000, (ii) the sale of an aggregate of \$22,000,000 principal amount of 9% Senior Subordinated Notes due 2007 (the "Notes") to the Investors, (iii) the sale of an aggregate of 3,636,364 shares of the Company's Common Stock for \$2.20 per share to the Investors, (iv) the sale of warrants (the "Warrants") to purchase up to 2,760,189 shares of the Company's Common Stock (the "Warrant Shares") at the exercise price of \$2.20 per share, subject to adjustments, to the Investors, (v) the execution of the Shareholders Agreement dated December 15, 1999 (the "1999 Shareholders Agreement") among the Company, Chase, Mellon, Paul B. Loyd, Jr., Douglas A.P. Hamilton, Steven A. Webster, S.P. Johnson IV, Frank A. Wojtek and DAPHAM Partnership, L.P., (vi) the execution and delivery of the Warrant Agreement dated December 15, 1999 (the "Warrant Agreement") among the Company, Chase, Mellon, Paul B. Loyd, Jr., Douglas A.P. Hamilton and Steven A. Webster, (vii) the execution of the Registration Rights Agreement dated December 15, 1999 ("Chase Registration Rights Agreement") among the Company, Chase and Mellon, (viii) the execution of the Amended and Restated Registration Rights Agreement dated December 15, 1999 ("Amended Founders Registration Rights Agreement") among the Company, Paul B. Loyd, Jr., Douglas A.P. Hamilton, Steven A. Webster, S.P. Johnson IV, Frank A. Wojtek and DAPHAM Partnership, L.P., and (ix) the execution of a Compliance Sideletter dated December 15, 1999 among the Company, Chase and Mellon (the "1999 Compliance Sideletter"). The Company sold \$17.6 million, \$2.2 million, \$0.8 million, \$0.8 million and \$0.8 million principal amount of the Notes; 2,909,091, 363,636, 121,212, 121,212 and 121,212 shares of the Company's common stock and 2,208,151, 276,019, 92,006, 92,006 and 92,006 Warrants to

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Chase, Mellon, Mr. Loyd, Mr. Hamilton and Mr. Webster, respectively. The 1999 Shareholders Agreement was amended in April 2004 so that Messrs. Hamilton and Loyd and DAPHAM Partnership, L.P. are no longer parties to the agreement.

Under the 1999 Shareholders Agreement each of S.P. Johnson IV, Frank A. Wojtek, Steven A. Webster, Chase and Mellon (the "Shareholders") have agreed not to transfer shares of the Common Stock or the Warrants to a competitor of the Company and have agreed to cause certain transferees to be bound by the Shareholders Agreement.

The 1999 Shareholders Agreement provides that so long as Chase owns at least 15% of the Common Stock of the Company (with percentage ownership being determined as specified in the 1999 Shareholders

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Agreement), the Shareholders agree to vote their shares to cause the election of two directors to be nominated by Chase. The Shareholders have agreed, so long as Chase owns at least 7.5% of the Common Stock (with percentage ownership being determined as specified in the 1999 Shareholders Agreement) of the Company but less than 15%, to vote their shares to cause the election of one director to be nominated by Chase. The Shareholders have also agreed if at any time after December 15, 2004, Chase then owns at least 15% of the Common Stock (with percentage ownership being determined as specified in the 1999 Shareholders Agreement) that, unless there shall have occurred certain completed or proposed sale transactions involving the Company or there has occurred a specified minimum public float of Common Stock, then Chase has the right to designate two additional members to the Board and the size of the Board shall be increased accordingly. The Company believes that these requirements have been satisfied following the completion of a public offering in early 2004. The Company, upon Board approval, was entitled to increase the size of the Board by one additional member at any time after the first shareholders meeting following the Financing, and, as such, approved the addition to the Board of Mr. Parker in fiscal 2000. If the Company at any other time increases the size of the Board of Directors, the Shareholders have agreed to take action, including the voting of their securities, to cause to be elected the number of directors nominated by Chase necessary to maintain the applicable proportion of directors nominated by Chase to the Board of Directors.

Pursuant to the 1999 Shareholders Agreement, Messrs. Christopher Behrens and Arnold Chavkin were appointed to the Company's Board of Directors. Upon Mr. Chavkin's resignation from the Board of Directors of the Company effective March 2002, JPMorgan Partners designated Bryan R. Martin as his replacement, and Mr. Martin was appointed to the Board of Directors.

For so long as Chase is entitled to designate a director, at least one such director is required to be a member of each committee of the Company's Board of Directors and the board of directors of any subsidiary of the Company.

The Company agreed in the 1999 Shareholders Agreement to limit the maximum number of common stock equivalents issuable under the Company's equity incentive plans to 2.5 million shares and equivalents (including any shares and equivalents issued or issuable as of the date of the 1999 Shareholders Agreement). In April 2004 the Company received a waiver under the 1999 Shareholders Agreement allowing the Company to increase the number of authorized shares available under the Incentive Plan to 2,350,000.

The Shareholders have also agreed in the 1999 Shareholders Agreement to cooperate with the Company in complying with the terms of the 1999 Compliance Sideletter (described below), including by voting in favor of actions taken to remedy certain regulatory problems.

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If S.P. Johnson IV, Frank A. Wojtek, Steven A. Webster or certain transferees thereof (each, a "Founder Shareholder") desires to make certain transfers of shares of Common Stock that are not Public Sales (as determined in the 1999 Shareholders Agreement), such Founder Shareholder must allow Mellon and any Shareholder who holds at least 10% of the Common Stock of the Company and is not a Founder Shareholder (collectively, the "Significant Shareholders") the option also to include shares in the transfer. If the prospective transferee is unwilling or unable to acquire all such shares, then the transferring Founder Shareholder may either cancel the proposed transfer or allocate on a proportional basis the number of shares the prospective transferee is willing to acquire among the transferring Founder Shareholder and the Significant Shareholders.

Under the 1999 Shareholders Agreement, the Company has granted to the Significant Shareholders rights to purchase certain (i) equity securities, (ii) debt securities, (iii) options, warrants and other rights to acquire each of such securities and (iv) common stock equivalents convertible into or exchangeable for equity securities issuable by the Company, provided that securities issued pursuant to equity incentive plans, securities issued in certain public offerings, securities issued as consideration in a merger, business combination or acquisition, certain securities issued upon conversion of other securities, the Warrant Shares, and certain distributions of securities are all excluded from this right.

The 1999 Shareholders Agreement terminates upon the first to occur of (a) notice of termination by holders of 50% of the shares held by Chase or Mellon (and certain of their transferees), (b) certain sale

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transactions involving the Company or (c) the time neither Chase nor Mellon (or certain of their transferees) owns more than 7 1/2% of the Common Stock.

Additional information concerning the Notes, the Warrants, the 1999 Shareholders Agreement and the transactions relating to the 1999 Securities Purchase Agreement may be found in the Company's Current Report on Form 8-K dated December 15, 1999, including the exhibits to that document.

Other Transactions

In 2000, the Company received a finder's fee valued at \$1,544,180 from affiliates of Donaldson, Lufkin & Jenrette ("DLJ") in connection with their purchase of a significant minority shareholder interest in Michael Petroleum Corporation ("MPC"). MPC is a privately-held exploration and production company which focuses on the prolific gas producing Lobo Trend in South Texas. The minority shareholder interest in MPC was purchased by entities affiliated with DLJ. The Company elected to receive the fee in the form of 18,947 shares of common stock, 1.9% of the outstanding common shares of MPC, which is accounted for as a cost basis investment. Steven A. Webster, who is the Chairman of the Board of the Company, is also the Chairman of Global Energy Partners Ltd., a merchant banking affiliate of DLJ (now known as CSFB Private Equity) which makes investments in energy companies, and joined the Board of Directors of MPC in connection with the transaction. MPC could be deemed to be a competitor of the Company.

During the third quarter of 2001, the Company sold its interest in MPC pursuant to an agreement between MPC and its shareholders for the sale of a majority interest in MPC to Calpine Natural Gas Company. The Company received total cash proceeds of \$5.7 million, of which \$5.5 million was paid to the Company during the third quarter of 2001 and the balance was paid during 2002

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and 2003.

In December 2001, the Company sold to Mr. Webster a 2% working interest in certain leases in Matagorda County and the right to participate in the Staubach #1 well located within those leases in exchange for \$20,000 and the payment by Mr. Webster of a 33% promoted interest for the drilling costs through casing point of that well. The terms of this sale were consistent with the terms of sales to other participants in this project.

In November 1999, the Company entered into a month-to-month agreement with San Felipe Resource Company, an entity owned by Mr. Webster, under which Mr. Webster provides consulting services to the Company in exchange for a fee of \$9,000 per month, which was increased to \$12,000 per month effective April 2003.

In April 2004, due to the low number of shares of Common Stock available for issuance under the Incentive Plan, the Compensation Committee recommended and the Board of Directors approved the award of a special cash bonus in lieu of stock options to Mr. Webster. The special bonus is paid to Mr. Webster over three equal installments on April 15, 2004, August 31, 2004 and February 28, 2005. Mr. Webster received his first installment on April 15, 2004 of \$40,000.

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EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with each executive officer listed below. The following chart shows the annual base salaries that the executive officers listed therein are currently being paid by the Company.

NAME AND CURRENT POSITION	ANNUAL SALARY
S. P. Johnson IV..... President and Chief Executive Officer	\$ 257,548
Paul F. Boling..... Chief Financial Officer, Vice President, Secretary and Treasurer(1)	\$ 157,500
Jeremy T. Greene..... Vice President of Exploration	\$ 181,913
Kendall A. Trahan..... Vice President of Land	\$ 165,567
J. Bradley Fisher..... Vice President of Operations	\$ 187,425

(1) Mr. Boling assumed this position effective August 2003.

Each of the employment agreements of Mr. Johnson, Mr. Trahan, Mr. Greene and Mr. Fisher has an initial three-year term; provided that at the end of the second year of such initial term and on every day thereafter, the term of each such employment agreement will automatically be extended for one day, such that the remaining term of the agreement shall never be less than one year. The employment agreement for Mr. Boling has an initial one year term; provided that at the date of the agreement and on every day thereafter, the term of such employment agreement is automatically extended for one day, such that the remaining term of the agreement shall never be less than one year. Under each agreement, both the Company and the employee may terminate the employee's

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employment at any time. Upon termination of employment on account of disability or if employment is terminated by the Company for any reason (except under certain limited circumstances defined as "for cause" in the agreement), or if employment is terminated either (x) by the employee subsequent to a change of control (as defined and including certain terminations prior to a change of control if caused by a person involved in precipitating a change of control) or (y) by reason of death during a sixty day period following the elapse of one year after such a change of control ("window period") or with good reason (as defined), under the agreement the employee will generally be entitled to (i) an immediate lump sum cash payment equal to 150% for Messrs. Johnson, Trahan and Fisher, 125% in the case of Mr. Greene and 100% in the case of Mr. Boling (375% for Messrs. Johnson and Trahan, 275% for Mr. Fisher and 175% for Mr. Greene, if termination occurs after a change of control) of his annual base salary that would have been payable for the remainder of the term of the applicable agreement discounted at 6%, (ii) continued participation in all the Company's welfare benefit plans and continued life insurance and medical benefits coverage and (iii) the immediate vesting of any stock options or restricted stock previously granted to such employee and outstanding as of the time immediately prior to the date of his termination, or a cash payment in lieu thereof (the "Cash Election"). Provided that the awards vest only if the termination of employment is by Mr. Trahan with good reason or during a window period or is by the Company without cause, then in the event of a Cash Election, Mr. Trahan will receive in exchange for any or all compensatory awards that are either denominated in or payable in Common Stock, including options and restricted stock, an amount in cash equal to the excess of (x) the highest price per share (as defined below) over (y) the exercise or purchase price, if any, of such awards. The Term "Highest Price Per Share" generally means the highest price per share that can be determined to have been paid or agreed to be paid for any share of Common Stock by certain classes of persons, including (1) a beneficial owner of 10% or more of the outstanding voting stock of the Company and (2) a person who has any material involvement in proposing or effectuating a change of control (as defined). If employment terminates due to death of the employee and other than in a window period, the Company will pay a sum equal to the amount of the employee's annual base salary for the remaining term of the agreement, reduced by the amount payable under any life insurance policies to the extent that such amounts are attributable to premiums paid by the Company. The salaries in each of these

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agreements are subject to periodic review and provide for increases consistent with increases in base salary generally awarded to other executives of the Company. Each agreement entitles the employee to participate in all of the Company's incentive, savings, retirement and welfare benefit plans in which other executive officers of the Company participate. The agreements each provide for an annual bonus in an amount comparable to the annual bonus of other Company executives, taking into account the individual's position and responsibilities.

AUDIT COMMITTEE REPORT

The Audit Committee's purpose is to assist the Board of Directors in its oversight of the Company's internal controls and financial statements and the audit process. The Board of Directors, in its business judgment, has determined that the members of the Audit Committee, are "independent," as required by applicable standards of the Nasdaq Stock Market. See "Board of Directors and Committees of the Board." The Audit Committee operates pursuant to a written charter adopted by our Board of Directors; a copy of the current Audit Committee charter is attached to this proxy statement as Appendix A.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting

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principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

In performing its oversight role, the Audit Committee has reviewed and discussed the audited financial statements with management and the independent auditors. The Audit Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as currently in effect. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect.

Based on the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to below and in the charter, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the independent auditors are in fact "independent."

The Audit Committee

F. Gardner Parker
Paul B. Loyd, Jr.
Bryan R. Martin

PURSUANT TO SEC RULES, THE FOREGOING COMPENSATION COMMITTEE REPORT IS NOT DEEMED "FILED" WITH THE SEC AND IS NOT INCORPORATED BY REFERENCE INTO CARRIZO'S ANNUAL REPORT ON FORM 10-K.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's executive compensation programs are designed to attract and retain highly qualified executives and to motivate them to maximize shareholder returns. The Company's executive compensation

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program is intended to provide competitive compensation levels and incentive pay levels that vary based on corporate and individual performance.

There are three basic components to the Company's current compensation system: base pay; annual incentive compensation in the form of a cash bonus; and long-term equity-based incentive compensation. Each component is addressed in the context of individual and Company performance and competitive conditions. In determining competitive compensation levels, the Company analyzes data that includes information regarding the general oil and natural gas exploration and production industry.

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Actual individual awards and changes in remuneration to the individual executives are recommended by the Compensation Committee but approved by the Board of Directors. The Chief Executive Officer works with the Compensation Committee in the design of the plans and makes recommendations to the Committee regarding the salaries and bonuses of Company employees that report directly to him. Grants or awards of stock, including stock options, are individually determined and administered by the Compensation Committee.

Base Pay. Base pay is designed to be competitive with salary levels for comparable executive positions at other oil and natural gas exploration and production companies and the Compensation Committee reviews such comparable salary information as one factor to be considered in determining the base pay for the Company's executive officers. Other factors the Compensation Committee considers in determining base pay for each of the executive officers are that officer's responsibilities, experience, leadership, potential future contribution, and demonstrated individual performance. The types and relative importance of specific financial and other business objectives vary among the Company's executives depending on their positions and the particular operations and functions for which they are responsible. The Compensation Committee also considers the Company's earnings levels and progress in implementing its business strategy in establishing base salary increases for executives. The employment contracts of the executive officers provide that base pay is to be reviewed at least annually and will be increased at any time and from time to time, and that any increase will be substantially consistent with increases in base salary generally awarded in the ordinary course of business to executives of the Company. As a result of the Company's positive financial results and continued drilling success, the base salary of each of Messrs. Johnson, Boling, Greene, Trahan and Fisher was increased by 5% effective April, 2004.

Annual Bonus. The annual bonus is determined by the Compensation Committee. The employment contracts with the executive officers contemplate annual bonus awards in an amount comparable to the annual bonus of other Company executives, taking into account the individual's position and responsibilities. As a result of the Company's positive financial results and continued drilling success, each of Messrs. Johnson, Boling, Greene, Trahan and Fisher was awarded a bonus equal to 40%, 20%, 40%, 20% and 40%, respectively, of their annual base pay.

Special Cash Bonus in lieu of Stock Options. Due to the low number of shares of Common Stock available for issuance under the Incentive Plan, the Compensation Committee recommended and the Board of Directors approved the award of a special cash bonus in lieu of stock options to a number of key employees, including the Company's executive officers. The special bonuses are paid to each recipient over three equal installments on April 15, 2004, August 31, 2004 and February 28, 2005. Accordingly, Messrs. Johnson, Greene, Fisher and Trahan received their first installments on April 15, 2004 of \$25,000, \$15,000, \$15,000 and \$7,500, respectively.

Long-Term Equity-Based Compensation. To date, the Company has relied primarily upon stock option awards to provide long-term incentives for executives. Prior to the Company's IPO, the shareholders and the Board of Directors of the Company approved the Company's Incentive Plan. The objectives of the Incentive Plan are to (i) attract and retain the services of key employees, qualified independent directors and qualified consultants and other independent contractors and (ii) encourage a sense of proprietorship in and stimulate the active interest of those persons in the development and financial success of the Company by making awards designed to provide participants in the Incentive Plan with proprietary interest in the growth and performance of the Company. Long-term equity-based compensation is tied to shareholder return.

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Under the Company's Incentive Plan, long-term incentive compensation consists of stock options, which generally have a ten-year term and vest in 33% increments in each of the three years following the date of the grant. The exercise price of stock options granted is equal to or greater than the fair market value of the Common Stock on the date of grant; accordingly, executives receiving stock options are rewarded only if the market price of the Common Stock appreciates. Stock options are thus designed to align the interests of the Company's executives with those of its shareholders by encouraging executives to enhance the value of the Company and, hence, the price of the Common Stock and each shareholder's return.

On April 7, 2003, the Company granted options to purchase 40,000 and 20,000 shares of Common Stock, respectively, to Mr. Greene and Mr. Fisher at an exercise price per share of \$4.43. On August 12, 2003, the Company granted options to purchase 20,000 shares of Common Stock to Mr. Boling at an exercise price per share of \$5.725. As a result of the Company's positive financial results and continued drilling success, on April 17, 2003, the Company granted options to purchase 50,000 shares of Common Stock to Mr. Johnson at an exercise price per share of \$4.43. On February 19, 2004, the Company granted options to purchase 25,000 shares of Common Stock to Mr. Boling at an exercise price per share of \$6.98. These options have a ten-year term and vest in 33% increments in each of the three years following the date of the grant.

The Company may periodically grant new options to provide continuing incentive for future performance. In making the decision to grant additional options, the Compensation Committee would expect to consider factors such as the size of previous grants and the number of options held. In determining whether to grant executive officers stock options under the Plan, the Compensation Committee considers factors, including that executive's current ownership stake in the Company, the degree to which increasing that ownership stake would provide the executive with additional incentives for future performance, the likelihood that the grant of those options would encourage the executive to remain with the Company and the value of the executive's service to the Company.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code of 1986, as amended, generally limits (to \$1 million per covered executive) the deductibility for federal income tax purposes of annual compensation paid to a company's chief executive officer and each of its other four most highly compensated executive officers. The Compensation Committee and the Board of Directors will take deductibility or nondeductibility of compensation into account but have in the past authorized, and will retain the discretion in the future to authorize, the payment of potentially nondeductible amounts.

Compensation of the Chief Executive Officer. The Compensation Committee based the compensation of the Company's Chief Executive Officer, Mr. Johnson, on the same considerations described above for other executive officers. As a result of the Company's positive financial results and continued drilling success, on April 1, 2004, the Company increased Mr. Johnson's salary by 5%, and awarded him a bonus of \$122,500.

Executive compensation is an evolving field. The Compensation Committee monitors trends in this area, as well as changes in law, regulation and accounting practices, that may affect either its compensation practices or its philosophy. Accordingly, the Committee reserves the right to alter its approach in response to changing conditions.

The Compensation Committee

F. Gardner Parker
Christopher C. Behrens

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Douglas A.P. Hamilton

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PERFORMANCE GRAPH

The following graph presents a comparison of the yearly percentage change in the cumulative total return on the Common Stock over the period from December 31, 1998 to December 31, 2003, with the cumulative total return of the S&P 500 Index and of the American Stock Exchange Natural Resource Industry Index of publicly traded companies over the same period. The graph assumes that \$100 was invested on December 31, 1998, in the Common Stock at the closing market price at the beginning of this period and in each of the other two indices and the reinvestment of all dividends, if any.

The graph is presented in accordance with SEC requirements. Shareholders are cautioned against drawing any conclusions from the data contained therein, as past results are not necessarily indicative of future financial performance.

COMPARISON OF CUMULATIVE TOTAL RETURN*
AMONG CARRIZO OIL & GAS, INC., THE S&P 500 INDEX AND
THE AMERICAN STOCK EXCHANGE NATURAL RESOURCE INDUSTRY INDEX

(PERFORMANCE GRAPH)

	S & P	AMEX	C O & G
12/31/98	100	100	100
03/31/99	105	110	82
06/30/99	112	125	141
09/30/99	104	133	141
12/31/99	120	136	145
03/31/00	122	149	282
06/30/00	118	162	436
09/30/00	117	176	1,018
12/31/00	107	190	664
03/31/01	94	178	473
06/30/01	100	165	393
09/30/01	85	150	321
12/31/01	93	154	322
03/31/02	93	178	404
06/30/02	81	177	310

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09/30/02	66	167	306
-----	-----	-----	-----
12/31/02	72	170	383
-----	-----	-----	-----
03/31/03	69	182	335
-----	-----	-----	-----
06/30/03	79	200	444
-----	-----	-----	-----
09/30/03	81	203	516
-----	-----	-----	-----
12/31/03	90	252	524
-----	-----	-----	-----

* \$100 Invested on December 31, 1998 in Stock or Index (Including Reinvestment of Dividends).

PURSUANT TO SEC RULES, THE FOREGOING COMPENSATION COMMITTEE REPORT AND STOCK PERFORMANCE GRAPH ARE NOT DEEMED "FILED" WITH THE SEC AND ARE NOT INCORPORATED BY REFERENCE INTO CARRIZO'S ANNUAL REPORT ON FORM 10-K.

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PROPOSAL 2

PROPOSAL TO AMEND INCENTIVE PLAN

At the time of its initial public offering, the Company adopted the Incentive Plan. The objectives of the Incentive Plan are to:

- o attract and retain the services of key employees, qualified directors and qualified consultants and other independent contractors; and
- o encourage the sense of proprietorship in and stimulate the active interest of those persons in the development and financial success of the Company by making awards ("Awards") designed to provide participants in the Incentive Plan with proprietary interest in the growth and performance of the Company.

The Company currently has reserved 1,850,000 shares of Common Stock for use in connection with the Incentive Plan. Persons eligible for Awards are (i) employees holding positions of responsibility with the Company and whose performance can have a significant effect on the success of the Company, (ii) nonemployee directors and (iii) certain nonemployee consultants and other independent contractors. As described in "Certain Transactions" the Company has agreed in the Shareholders Agreement dated December 15, 1999 to limit the maximum number of common stock equivalents issuable under the Company's equity incentive plans to 2.5 million shares and equivalents (including any shares and equivalents issued or issuable as of December 15, 1999 without the consent of certain parties to that Agreement). In April 2004 the Company received a waiver under this agreement allowing the Company to increase the number of authorized shares available under the Incentive Plan to 2,350,000.

As of March 31, 2004, options under the Incentive Plan had been granted to 53 current and former employees and directors of the Company to purchase a total of approximately 1,638,500 shares of Common Stock at an exercise price per share not less than fair market value on the date of grant (the initial public offering price to the public in the case of options awarded in connection with the initial public offering). As of March 31, 2004, there were only 81,500

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shares available for issuance under the Plan. If the shareholders vote in favor of the proposal set forth herein, an additional 500,000 shares of Common Stock will be available for issuance under the Plan. The proposed increase in the number of authorized shares available under the Plan is equal to approximately 2.7% of the currently outstanding Common Stock. Shares of Common Stock that are the subject of awards under the Incentive Plan that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or in a manner such that all or some of the shares covered by an award are not issued or are exchanged for awards that do not involve Common Stock, will not count against this limit and may be regranted under the Incentive Plan.

The Company is proposing to amend the Incentive Plan to replace the automatic annual grant of options to nonemployee directors to purchase 2,500 shares of Common Stock with discretionary awards of options to purchase Common Stock and shares of restricted stock that are determined by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") or the Board of Directors, subject to the availability for issuance of those shares under the Incentive Plan. If the proposal is approved by shareholders, on the first business day following the Annual Meeting, the Company plans to grant each nonemployee director a number of shares of restricted stock equal to \$20,000 (based on the fair market value of a share of Common Stock on such date). All shares of restricted stock granted to nonemployee directors would vest in cumulative annual increments of one-third, beginning on the first anniversary of the date of grant; provided, however, that upon a change of control (as defined in the Incentive Plan), the shares of restricted stock will vest immediately. If a nonemployee director resigns from the Board without the consent of a majority of the other directors, all of his unvested shares of restricted stock would be forfeited. The Company believes the amendment is necessary to allow flexibility in the awards granted to directors under the Incentive Plan.

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The Company is also proposing to amend the Incentive Plan to provide:

- o for an additional grant of options to purchase 2,000 shares of Common Stock to be awarded automatically on an annual basis to the Chairman of the Nominating Committee;
- o that the Compensation Committee or the Board of Directors may, in their discretion, annually grant additional options to purchase up to 2,000 shares of Common Stock to non-chairman members of the Nominating Committee who are deemed "independent" for purposes of Nasdaq rules; and
- o for a clarification that the "Annual Director Award Date" defined in the Incentive Plan is the first business day following the date on which the annual meeting of the Company's shareholders is held.

If approved by shareholders, the grant to the Chairman of the Nominating Committee could be made notwithstanding the fact that the same person may also receive grants as a chairman or member of the Audit Committee or the Compensation Committee. The Company is proposing the amendments providing for grants of options to the Chairman and certain other members of the Nominating Committee because the Nominating Committee was established by the Board of Directors in March 2004.

The Compensation Committee administers the Incentive Plan and has broad power to take actions thereunder, to interpret the Incentive Plan and to adopt rules, regulations and guidelines for carrying out its purposes. With respect to Awards to employees and independent contractors, the Compensation Committee may, in its discretion, among other things, extend or accelerate the exercisability

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of, accelerate the vesting of or eliminate or make less restrictive any restrictions contained in any Award, waive any restrictions or other provision of the Incentive Plan or in any Award or otherwise amend or modify any Award in any manner that is either (i) not adverse to that participant holding the Award or (ii) consented to by that participant. The Compensation Committee also may delegate to the chief executive officer and other senior officers of the Company its duties under the Incentive Plan. In recent times, any action taken with respect to executive officers or directors of the Company has also been approved by the entire Board.

The Board of Directors may amend, modify, suspend or terminate the Incentive Plan for the purpose of addressing any changes in legal requirements or for any other lawful purpose, except that (i) no amendment or alteration that would adversely affect the rights of any participant under any Award previously granted to such participant shall be made without the consent of such participant and (ii) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent such approval is then required pursuant to Rule 16b-3 in order to preserve the applicability of any exemption provided by such rule to any Award then outstanding (unless the holder of such Award consents) or to the extent shareholder approval is otherwise required by applicable legal requirements. The Board of Directors may make certain adjustments in the event of any subdivision, split or consolidation of outstanding shares of Common Stock, any declaration of a stock dividend payable in shares of Common Stock, any recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, any adoption by the Company of any plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends).

Awards to employees and independent contractors may be in the form of (i) rights to purchase a specified number of shares of Common Stock at a specified price not less than that of the fair market value on the date of grant ("Options"), (ii) rights to receive a payment, in cash or Common Stock, equal to the fair market value or other specified value of a number of shares of Common Stock on the rights exercise date over a specified strike price, (iii) grants of restricted or unrestricted Common Stock units denominated in Common Stock, (iv) grants denominated in cash and (v) grants denominated in cash, Common Stock, units denominated in Common Stock or any other property which are made subject to the attainment of one or more performance goals ("Performance Awards"). Subject to certain limitations, the Compensation Committee has the authority to determine the other terms, conditions and limitations of Awards under the Incentive Plan. An Option may be either an incentive stock option ("ISO") that qualifies, or a nonqualified stock option ("NSO") that does not qualify, with the requirements of Sections 422 of the Code; provided that independent contractors cannot be awarded ISOs. The Compensation Committee will determine the employees and independent contractors to receive Awards and the terms, conditions and limitations applicable to each such Award, which conditions may, but need not, include continuous service with the Company, achievement of

specific business objectives, attainment of specified growth rates, increases in specified indices or other comparable measures of performance. Performance Awards may include more than one performance goal, and a performance goal may be based on one or more business criteria applicable to the grantee, the Company as a whole or one or more of the Company's business units and may include any of the following: increased revenue, net income, stock price, market share, earnings per share, return on equity or assets or decrease in costs.

On the date of his or her first appointment or election to the Board of Directors, a nonemployee director will be granted NSOs to purchase 10,000 shares

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of Common Stock. In addition, on the first business day following the date on which each Annual Report meeting of the Company's shareholders is held, each nonemployee director then serving currently is automatically granted NSOs to purchase 2,500 shares of Common Stock. Each NSO granted to nonemployee directors will (i) have a ten-year term, (ii) have an exercise price per share equal to the fair market value of a Common Stock share on the date of grant and (iii) become exercisable in cumulative annual increments of one-third of the total number of shares of Common Stock subject thereto, beginning on the first anniversary of the date of grant. If a nonemployee director resigns from the Board without the consent of a majority of the other directors, such director's NSOs may be exercised only to the extent that they were exercisable on the resignation date. If the proposal is approved by shareholders, this automatic award of NSOs to purchase 2,500 shares of Common Stock will be replaced by discretionary awards of NSOs or shares of restricted stock that are determined by the Compensation Committee or the Board of Directors.

On February 18, 2003, the Board of Directors amended the Incentive Plan in order to make a special grant to Mr. Parker of NSOs to purchase 25,000 shares of Common Stock.

At the 2003 Annual Meeting, the Board recommended and the shareholders approved certain changes to the Incentive Plan. The Chairman of the Audit Committee and the Chairman of the Compensation Committee are automatically granted additional NSOs to purchase 3,000 and 2,000 shares of Common Stock, respectively, on the first business day following the date on which each annual meeting of the Company's shareholders is held; and the Board of Directors may, in its discretion, grant NSOs to purchase of up to 3,000 shares and up to 2,000 shares, respectively, on the date specified to nonchairman members of the Audit and Compensation Committees who are deemed by the Compensation Committee to be "independent" for purposes of the rules of the Nasdaq Stock Market. These grants could be made to the chairman or a member of the Audit Committee or Compensation Committee, respectively, notwithstanding that the same person may also receive grants as a chairman or member of the Compensation Committee or Audit Committee, respectively. See "Compensation of Nonemployee Directors" above.

If the shareholders vote in favor of the proposal set forth herein, the number of shares of common stock available for issuance under the Incentive Plan will increase by 500,000 shares to 2,350,000 shares of Common Stock; automatic awards of options to purchase 2,500 shares of Common Stock to each nonemployee director will be replaced by discretionary awards of stock options or shares of restricted stock that are determined by the Compensation Committee or the Board of Directors; the Chairman of the Nominating Committee will automatically be granted options to purchase 2,000 shares of Common Stock on the first business day following the date on which each annual meeting of the Company's shareholders is held; and the Compensation Committee or the Board of Directors may, in their discretion, grant options to purchase up to 2,000 shares of Common Stock to non-chairman members of the Nominating Committee who are deemed "independent" for purposes of Nasdaq rules on the first business day following the date on which each annual meeting of the Company's shareholders is held.

Section 162(m) of the Code, generally limits the deductibility for federal income tax purposes of annual compensation paid to a company's executive officers to \$1 million per covered executive in a taxable year. The Compensation Committee and the Board of Directors may take deductibility and nondeductibility of compensation into account but have in the past authorized, and retain in the future the discretion to authorize, the payment of potentially nondeductible amounts.

As of March 31, 2004, the last reported sales price of Common Stock on the Nasdaq National Market was \$7.25.

NEW PLAN BENEFITS

The allocation of some of the proposed new benefits under the Incentive Plan is not currently determinable as such allocation depends on future decisions to be made by the Compensation Committee or the Board of Directors in their sole discretion, subject to applicable provisions of the Incentive Plan. Since Mr. Webster, the current chairman of the Nominating Committee, is not considered a nonemployee director, he will not receive a grant of options to purchase 2,000 shares of Common Stock if this amendment to the Incentive Plan is approved by shareholders. The Company expects to award each nonemployee director a number of shares of restricted stock equal to \$20,000 (based on the fair market value of a share of Common Stock on the date of grant) on the first business day following the date on which the annual meeting of the Company's shareholders is held.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the general rules of present federal income tax law relating to the tax treatment of stock awards, ISOs and NSOs issued under the Incentive Plan. The discussion is general in nature and does not take into account a number of considerations which may apply in light of the particular circumstances of a participant under the Incentive Plan.

Stock Awards and Related Tax Payments

Under the Code, federal income tax consequences with respect to a stock award depend on the facts and circumstances of each stock award and, in particular, the nature of the restrictions imposed with respect to the shares which are the subject of the stock award. In general, if shares which are the subject of the stock award are actually issued to a participant, but are subject to a "substantial risk of forfeiture" (for example, if rights to ownership of the shares are conditioned upon the future performance of substantial services by the participant), a taxable event generally occurs only when the risk of forfeiture lapses. At such time as the substantial risk of forfeiture lapses, the participant will realize ordinary income to the extent of the excess of the fair market value of the shares on the date the risk of forfeiture lapses over the participant's cost for such shares (if any), and the same amount is then deductible by the Company as compensation expense. If the restrictions with respect to the shares that are the subject of such stock award, by their nature, do not subject the key employee to a "substantial risk of forfeiture" of the shares, then the participant will realize ordinary income with respect to the shares to the extent of the excess at the time of the grant of the fair market value of the shares over the participant's cost; and the same amount is then deductible by the Company. If no shares are actually issued to the participant at the time the stock award is granted, the participant will generally realize ordinary income at the time the participant receives shares free of any substantial risk of forfeiture, and the amount of such income will be equal to the fair market value of the shares at such time over the participant's cost, if any; and the same amount is then deductible by the Company. The Company's deductions for compensation paid under the Incentive Plan are in all cases subject to certain applicable tax law limitations.

Options

Some of the options issuable under the Incentive Plan may constitute ISOs within the meaning of Section 422 of the Code, while other options granted under the Incentive Plan may be NSOs. Grants to nonemployee directors are NSOs. The Code provides for tax treatment of stock options qualifying as ISOs that may be more favorable to participants than the tax treatment accorded NSOs. Generally, upon the exercise of an ISO, the optionee will recognize no income for federal

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income tax purposes. The difference between the exercise price of the ISO and the fair market value of the stock at the time of exercise is an addition to income in determining alternative minimum taxable income and such amount may be sufficient in amount to subject the optionee to the alternative minimum tax. On the sale of shares acquired by exercise of an ISO (assuming that the sale does not occur within two years of the date of grant of the option or within one year from the date of exercise), any gain will be taxed to the optionee as long-term capital gain. In contrast, upon the exercise of an NSO, the optionee recognizes taxable income (subject to withholding) in an amount equal to the difference between the then-fair market value of the shares on the date of exercise and the

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exercise price. Upon any sale of such shares by the optionee, any difference between the sale price and the fair market value of the shares on the date of exercise of the NSO will be treated generally as capital gain or loss. No deduction is available to the Company upon the grant or exercise of an ISO (although a deduction may be available if the participant disposes of the shares so purchased before the applicable holding periods expire), whereas, upon exercise of an NSO, the Company is entitled to a deduction in an amount equal to the income recognized by the participant. Except with respect to death or disability, an optionee has three months after termination of employment in which to exercise an ISO and retain favorable tax treatment at exercise.

Other

In general, a federal income tax deduction is allowed to the Company in an amount equal to the ordinary income recognized by a participant with respect to awards under the Incentive Plan, provided that such amount constitutes an ordinary and necessary business expense of the Company, that such amount is reasonable and that the Company satisfies any withholding obligation with respect to such income.

Copies of the Amended and Restated Incentive Plan, the First, Second and Third Amendments to the Incentive Plan, and the proposed Fourth Amendment to the Incentive Plan are attached as Appendix B.

BOARD RECOMMENDATION

The Board believes that the amendment of the Incentive Plan is in the best interest of the Company and its shareholders. THE BOARD THEREFORE RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT, AND IT IS INTENDED THAT THE PROXIES NOT MARKED TO THE CONTRARY WILL BE SO VOTED. Since the amendment will increase the number of shares available for issuance under the Incentive Plan to all directors and executive officers of the Company, each of the directors and executive officers of the Company has an interest in and may benefit from the adoption of the amendment. Directors also have an interest in and may benefit from the adoption of the amendment because it provides for discretionary awards of stock options and restricted stock to the nonemployee directors of the Company, an additional annual award of stock options to the Chairman of the Nominating Committee and a discretionary additional award of stock options to non-chairman members of the Nominating Committee. Approval of the amendment to the Incentive Plan will require the affirmative vote of a majority of the shares of Common Stock cast with respect to the consideration of the amendment. Accordingly, abstentions and broker nonvotes will not be included in the tabulation of votes cast on this matter.

EQUITY COMPENSATION PLANS

Information concerning our equity compensation plan at December 31, 2003 is as follows:

PLAN CATEGORY -----	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A) -----	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B) -----	NUMB REM FOR COM (EXC REFLEC -----
Equity compensation plans approved by security holders.....	1,506,702	\$3.71	
Equity compensation plans not approved by security holders (1).....	131,120	\$3.60	
	-----	-----	
Total.....	1,637,822	\$3.70	
	=====	=====	

(1) Includes options to purchase 77,295 and 53,825 shares of Common Stock granted to Mr. Trahan and a former officer, respectively, prior to the closing of the Company's IPO. These options, which were not granted under the Company's Incentive Plan, have vested and are fully exercisable at the exercise price stated above.

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PROPOSAL 3
APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has appointed, and recommends the approval of the appointment of, Ernst & Young LLP, as independent public accountants for the fiscal year ending December 31, 2004. Ernst & Young LLP served as independent public accountants for the fiscal year ended December 31, 2003. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

Unless shareholders specify otherwise in the proxy, proxies solicited by the Board of Directors will be voted by the persons named in the proxy at the Annual Meeting to ratify the selection of Ernst & Young LLP as the Company's auditors for 2004. The affirmative vote of a majority of the votes cast at the Annual Meeting will be required for ratification.

PRINCIPAL AUDITOR FEES

Ernst & Young LLP billed the Company as set forth in the table below for professional services rendered in the fiscal year ended December 31, 2003.

DESCRIPTION -----	AMOUNT -----
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Audit Fees	
2003.....	\$ 472,033
2002.....	87,750
Audit - Related Fees	
2003.....	0
2002.....	0
Tax Fees	
2003.....	0
2002.....	0
All Other Fees	
2003.....	2,500
2002.....	0

Audit fees for 2003 include consulting for the Pinnacle transaction, audit services, and consents and comfort letters for the Company's registration statement on Form S-2 and related public offering.

AUDIT COMMITTEE PREAPPROVAL POLICY

The Audit Committee has adopted a policy that all audit, review or attest engagements and permissible non-audit services, including the fees and terms thereof, to be performed by the independent auditors, (subject to, and in compliance with, the de minimis exception for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 and the applicable rules and regulations of the SEC) will be subject to specific pre-approval of the Audit Committee. No non-audit services were performed pursuant to the de minimis exception in 2003.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & Young LLP.

ADDITIONAL INFORMATION

OTHER BUSINESS

As of the date of this proxy statement, the Board of Directors is not informed of any other matters, other than those above, that may be brought before the meeting. The persons named in the enclosed form of proxy or their substitutes will vote with respect to any such matters in accordance with their best judgment.

SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

Rule 14a-8 under the Securities Exchange Act of 1934, as amended, addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. Under Rule 14a-8, proposals that shareholders intend to have included in the Company's proxy statement and form of proxy for the 2005 Annual Meeting of Shareholders must be received by the Company no later than December 15, 2004. However, if the date of the 2004 Annual Meeting of Shareholders changes by more than 30 days from the date of the 2005 Annual Meeting of Shareholders, the deadline is a reasonable time before the Company begins to print and mail its proxy materials, which deadline will be set forth in a Quarterly Report on Form 10-Q or will otherwise be communicated to shareholders. Shareholder proposals must also be otherwise eligible for inclusion.

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If a shareholder desires to bring a matter before an annual or special meeting and the proposal is submitted outside the process of Rule 14a-8, the shareholder must follow the procedures set forth in the Company's Bylaws. The Company's Bylaws provide generally that shareholders who wish to nominate directors or to bring business before a shareholders' meeting must notify the Company and provide certain pertinent information at least 80 days before the meeting date (or within ten days after public announcement pursuant to the Bylaws of the meeting date, if the meeting date has not been publicly announced more than 90 days in advance). If the date of the 2005 Annual Meeting of Shareholders is the same as the date of the 2004 Annual Meeting of Shareholders, shareholders who wish to nominate directors or to bring business before the 2005 Annual Meeting of Shareholders must notify the Company no later than March 2, 2005.

A copy of the Company's Bylaws setting forth the requirements for the nomination of director candidates by stockholders and the requirements for proposals by stockholders may be obtained from the Company's Secretary at the address indicated on the first page of this proxy statement. A nomination or proposal that does not comply with the above procedures will be disregarded. Compliance with the above procedures does not require the Company to include the proposed nominee or proposal in the Company's proxy solicitation material.

ANNUAL REPORT ON FORM 10-K

CARRIZO WILL PROVIDE TO EACH STOCKHOLDER, WITHOUT CHARGE AND UPON WRITTEN REQUEST, A COPY OF ITS ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS, SCHEDULES AND A LIST OF EXHIBITS. ANY SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO PAUL F. BOLING, THE SECRETARY OF THE COMPANY, AT THE ADDRESS INDICATED ON THE FIRST PAGE OF THIS PROXY STATEMENT.

By Order of the Board of Directors

/s/ PAUL F. BOLING
Paul F. Boling
Secretary

Dated: April 26, 2004
Houston, Texas

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APPENDIX A

CARRIZO OIL & GAS, INC. AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee of the Board of Directors (the "Committee") is appointed by the Board to oversee the accounting and financial reporting processes and audits of the financial statements of the Company and to assist the Board in monitoring (i) the integrity of the Company's financial statements, (ii) the performance of the Company's internal audit function and independent auditors, (iii) the independence and qualifications of the firm of independent public auditors hired to audit the Company's financial statements (the "independent auditors"), and (iv) the compliance by the Company with legal and regulatory requirements.

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MEMBERSHIP AND MEETINGS

The Committee shall consist of not less than three directors, each of whom shall serve at the discretion of the Board. The Committee's composition shall meet the independence and experience requirements of the Nasdaq Stock Market, Inc. ("Nasdaq"), Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), and applicable rules and regulations of the Commission, subject to an exception for purposes of the Nasdaq rules for one member to the extent allowed by Nasdaq rule 4350(d)(2)(B)(i). Each member shall be able to read and understand fundamental financial statements, and at least one member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication. The members of the Committee shall be appointed by the Board.

The Committee shall meet at least quarterly, with special meetings called as circumstances dictate, and shall meet periodically with management, the internal auditors and the independent auditors.

COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Committee has the authority to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.

The Committee shall provide regular reports of Committee activities to the Board, and perform such other functions, as requested by the Board or required by law or Nasdaq rules.

Oversight of the Independent Auditors

The Committee shall be directly responsible for the appointment, compensation, and retention of the independent auditors (subject, if applicable, to shareholder ratification). The Committee shall be directly responsible for the oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The Committee shall be responsible for ensuring the independence of the independent auditors. The independent auditors shall report directly to the Committee.

The Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Committee at its next scheduled meeting.

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The Committee, to the extent it deems necessary or appropriate, shall:

1. Ensure that the independent auditors submit to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Company, actively engage in a dialogue with the independent auditors with

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respect to any such disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and recommend that the Board take appropriate action in response to the written statement to satisfy itself of the independence of the independent auditors.

2. Review and evaluate the lead partner of the independent auditor team.

Retention and Compensation of External Advisors

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

Financial Statement and Disclosure Matters

The Committee, to the extent it deems necessary or appropriate, shall:

1. Review and discuss with management and the independent auditors the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

2. Review and discuss with management and the independent auditors the Company's quarterly financial statements prior to the filing of its Form 10-Q.

3. Review, discuss and document quarterly reports from the independent auditors on:

- (a) All critical accounting policies and practices to be used.

- (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.

- (c) Other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

4. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

5. Discuss with the independent auditors any matters brought to the Committee's attention as a result of the application of the Statement of Auditing Standards No. 71 (Interim Financial Information).

6. Discuss with management and the independent auditors the design, quality and adequacy of the Company's internal control over financial reporting.

7. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q

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about any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

8. Prepare a report to shareholders as required by the SEC to be included in the Company's annual proxy statement.

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Compliance Oversight Responsibilities

The Committee, to the extent it deems necessary or appropriate, shall:

1. Receive reports from the independent auditors under Section 10A(b) of the Exchange Act if the independent auditors detect or become aware of any illegal acts.

2. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

3. Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

4. Discuss with the Company's Chief Financial Officer or other personnel, including counsel, legal matters that may have a material impact on the financial statements or the Company's compliance policies.

Review and Approval of Related Party Transactions

The Committee shall review all related party transactions (as that term is defined by Item 404 of Regulation S-K) for potential conflicts of interest. All such transactions shall be approved by the Committee.

Annual Review of Charter and Committee Performance

At least annually, the Committee shall review and reassess the adequacy of this Charter. The Committee shall report the results of the review to the Board and, if necessary, recommend that the Board amend this Charter.

OVERSIGHT/RELIANCE

While the Committee has the responsibilities and powers set forth in this Charter, the Board and the Committee recognize that the Company's management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing the financial statements, the internal controls over financial reporting and reviewing the Company's unaudited interim financial statements. Therefore, the Committee's responsibility is in the nature of oversight. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with generally acceptable accounting principles. In carrying out its oversight responsibilities, the Committee is not providing any expert or special assurances as to the Company's financial statements or the work of the independent auditors. Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to assume and rely upon (i) the integrity of those persons and

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organizations within and outside the Company from which it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons and organizations.

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APPENDIX B

INCENTIVE PLAN OF CARRIZO OIL & GAS, INC.

(AS AMENDED AND RESTATED EFFECTIVE AS OF FEBRUARY 17, 2000.
HOWEVER, THE CHANGES TO THE DEFINITION OF "INDEPENDENT CONTRACTOR" IN SECTION 3 AND TO THE NUMBER OF AUTHORIZED SHARES IN SECTION 5 ARE SUBJECT TO SHAREHOLDER APPROVAL AT THE 2000 MEETING OF SHAREHOLDERS.)

1. Plan. This Incentive Plan of Carrizo Oil & Gas, Inc. (the "Plan") was adopted by Carrizo Oil & Gas, Inc. to reward certain corporate officers and key employees of Carrizo Oil & Gas, Inc. and certain independent consultants by enabling them to acquire shares of common stock of Carrizo Oil & Gas, Inc.

2. Objectives. This Plan is designed to attract and retain key employees of the Company and its Subsidiaries (as hereinafter defined), to attract and retain qualified directors of the Company, to attract and retain consultants and other independent contractors, to encourage the sense of proprietorship of such employees, directors and independent contractors and to stimulate the active interest of such persons in the development and financial success of the Company and its Subsidiaries. These objectives are to be accomplished by making Awards (as hereinafter defined) under this Plan and thereby providing Participants (as hereinafter defined) with a proprietary interest in the growth and performance of the Company and its Subsidiaries.

3. Definitions. As used herein, the terms set forth below shall have the following respective meanings:

"Annual Director Award Date" means, for each year beginning on or after the IPO Closing Date, the first business day of the month next succeeding the date upon which the annual meeting of stockholders of the Company is held in such year.

"Authorized Officer" means the Chairman of the Board or the Chief Executive Officer of the Company (or any other senior officer of the Company to whom either of them shall delegate the authority to execute any Award Agreement).

"Award" means an Employee Award, a Director Award or an Independent Contractor Award.

"Award Agreement" means any Employee Award Agreement, Director Award Agreement or Independent Contractor Award Agreement.

"Board" means the Board of Directors of the Company.

"Cash Award" means an award denominated in cash.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means (i) the Compensation Committee of the Board or (ii)

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such other committee of the Board as is designated by the Board to administer the Plan or (iii) to the extent contemplated hereby, the Board.

"Common Stock" means the Common Stock, par value \$.01 per share, of the Company.

"Company" means Carrizo Oil & Gas, Inc., a Texas corporation.

"Director" means an individual serving as a member of the Board.

"Director Award" means the grant of a Director Option.

"Director Award Agreement" means a written agreement between the Company and a Participant who is a Nonemployee Director setting forth the terms, conditions and limitations applicable to a Director Award.

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"Disability" means, with respect to a Nonemployee Director, the inability to perform the duties of a Director for a continuous period of more than three months by reason of any medically determinable physical or mental impairment.

"Dividend Equivalents" means, with respect to shares of Restricted Stock that are to be issued at the end of the Restriction Period, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to stockholders of record during the Restriction Period on a like number of shares of Common Stock.

"Employee" means an employee of the Company or any of its Subsidiaries and an individual who has agreed to become an Employee of the Company or any of its Subsidiaries and is expected to become such an Employee within the following six months.

"Employee Award" means the grant of any Option, SAR, Stock Award, Cash Award or Performance Award, whether granted singly, in combination or in tandem, to a Participant who is an Employee pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

"Employee Award Agreement" means a written agreement between the Company and a Participant who is an Employee setting forth the terms, conditions and limitations applicable to an Employee Award.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Fair Market Value" of a share of Common Stock means, as of a particular date, (i) if shares of Common Stock are listed on a national securities exchange, the mean between the highest and lowest sales price per share of Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (ii) if shares of Common Stock are not so listed but are quoted on the Nasdaq National Market, the mean between the highest and lowest sales price per share of Common Stock reported by the Nasdaq National Market on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (iii) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no

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quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by the Nasdaq Stock Market, or, if not reported by the Nasdaq Stock Market, by the National Quotation Bureau Incorporated or (iv) if shares of Common Stock are not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose; provided that, notwithstanding the foregoing, "Fair Market Value" in the case of any Award made in connection with the IPO, means the price per share to the public of the Common Stock in the IPO, as set forth in the final prospectus relating to the IPO.

"Incentive Option" means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

"Independent Contractor" means a person providing services to the Company or any of its Subsidiaries, including an Employee or Nonemployee Director.

"Independent Contractor Award" means the grant of any Nonqualified Stock Option, SAR, Stock Award, Cash Award or Performance Award, whether granted singly, in combination or in tandem, to a Participant who is an Independent Contractor pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

"Independent Contractor Award Agreement" means a written agreement between the Company and a Participant who is an Independent Contractor setting forth the terms, conditions and limitations applicable to an Independent Contractor Award.

"IPO" means the first time a registration statement filed under the Securities Act of 1933 and respecting an underwritten primary offering by the Company of shares of Common Stock is declared

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effective under that Act and the shares registered by that registration statement are issued and sold by the Company (otherwise than pursuant to the exercise of any overallotment option).

"IPO Closing Date" means the date on which the Company first receives payment for the shares of Common Stock it sells in the IPO.

"Nonemployee Director" has the meaning set forth in paragraph 4(b) hereof.

"Nonqualified Stock Option" means an Option that is not an Incentive Option.

"Option" means a right to purchase a specified number of shares of Common Stock at a specified price.

"Participant" means an Employee, Director or Independent Contractor to whom an Award has been made under this Plan.

"Performance Award" means an award made pursuant to this Plan to a Participant who is an Employee or Independent Contractor who is subject to the attainment of one or more Performance Goals.

"Performance Goal" means a standard established by the Committee, to determine in whole or in part whether a Performance Award shall be earned.

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"Restricted Stock" means any Common Stock that is restricted or subject to forfeiture provisions.

"Restriction Period" means a period of time beginning as of the date upon which an Award of Restricted Stock is made pursuant to this Plan and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

"Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act, or any successor rule.

"SAR" means a right to receive a payment, in cash or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified strike price, in each case, as determined by the Committee.

"Stock Award" means an award in the form of shares of Common Stock or units denominated in shares of Common Stock.

"Subsidiary" means (i) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing more than 50% of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation and (ii) in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns more than 50% of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise).

4. Eligibility.

(a) Employees. Key Employees eligible for Employee Awards under this Plan are those who hold positions of responsibility and whose performance, in the judgment of the Committee, can have a significant effect on the success of the Company and its Subsidiaries.

(b) Directors. Directors eligible for Director Awards under this Plan are those who are not employees of the Company or any of its Subsidiaries ("Nonemployee Directors").

(c) Independent Contractors. Independent Contractors eligible for Independent Contractor Awards under this Plan are those Independent Contractors providing services to, or who will provide services to, the Company or any of its Subsidiaries.

5. Common Stock Available for Awards. Subject to the provisions of paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Common Stock (including rights or options that may be exercised for or settled in Common Stock) an aggregate of 1,500,000 shares of Common

Stock, all of which shall be available for Incentive Options. The number of shares of Common Stock that are the subject of Awards under this Plan, that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or in a manner such that all or some of the shares covered by an Award are not issued to a Participant or are exchanged for Awards that do not

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involve Common Stock, shall again immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such procedures concerning the counting of shares against the Plan maximum as it may deem appropriate. The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

6. Administration.

(a) This Plan, as it applies to Participants who are Employees or Independent Contractors but not with respect to Participants who are Nonemployee Directors, shall be administered by the Committee. To the extent required in order for Employee Awards to be exempt from Section 16 of the Exchange Act by virtue of the provisions of Rule 16b-3, (i) the Committee shall consist of at least two members of the Board who meet the requirements of the definition of "non-employee director" set forth in Rule 16b-3(b)(3)(i) promulgated under the Exchange Act or (ii) Awards may be granted by, and the Plan may be administered by, the Board.

(b) Subject to the provisions hereof, insofar as this Plan relates to the Employee Awards or Independent Contractor Awards, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. Insofar as this Plan relates to Employee Awards or Independent Contractor Awards, the Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. The Committee may, in its discretion, provide for the extension of the exercisability of an Employee Award or Independent Contractor Award, accelerate the vesting or exercisability of an Employee Award or Independent Contractor Award, eliminate or make less restrictive any restrictions contained in an Employee Award or Independent Contractor Award, waive any restriction or other provision of this Plan (insofar as such provision relates to Employee Awards or to Independent Contractor Awards) or an Employee Award or Independent Contractor Award or otherwise amend or modify an Employee Award or Independent Contractor Award in any manner that is either (i) not adverse to the Participant to whom such Employee Award or Independent Contractor Award was granted or (ii) consented to by such Participant. The Committee may make an award to an individual who it expects to become an Employee of the Company or any of its Subsidiaries within the next six months, with such award being subject to the individual's actually becoming an Employee within such time period, and subject to such other terms and conditions as may be established by the Committee. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Employee Award or Independent Contractor Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(c) No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. Delegation of Authority. The Committee may delegate to the Chief

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Executive Officer and to other senior officers of the Company its duties under this Plan pursuant to such conditions or limitations as the Committee may establish, except that the Committee may not delegate to any person the authority to grant Awards to, or take other action with respect to, Participants who are subject to Section 16 of the Exchange Act.

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8. Employee and Independent Contractor Awards.

(a) The Committee shall determine the type or types of Employee Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Employee Award may be embodied in an Employee Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and shall be signed by the Participant to whom the Employee Award is made and by an Authorized Officer for and on behalf of the Company. Employee Awards may consist of those listed in this paragraph 8(a) hereof and may be granted singly, in combination or in tandem. Employee Awards may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. An Employee Award may provide for the grant or issuance of additional, replacement or alternative Employee Awards upon the occurrence of specified events, including the exercise of the original Employee Award granted to a Participant. All or part of an Employee Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Company and its Subsidiaries, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance. Upon the termination of employment by a Participant who is an Employee, any unexercised, deferred, unvested or unpaid Employee Awards shall be treated as set forth in the applicable Employee Award Agreement.

(i) Stock Option. An Employee Award may be in the form of an Option. An Option awarded pursuant to this Plan may consist of an Incentive Option or a Nonqualified Option. The price at which shares of Common Stock may be purchased upon the exercise of an Incentive Option shall be not less than the Fair Market Value of the Common Stock on the date of grant. The price at which shares of Common Stock may be purchased upon the exercise of a Nonqualified Option shall be not less than the Fair Market Value of the Common Stock on the date of grant. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded pursuant to this Plan, including the term of any Options and the date or dates upon which they become exercisable, shall be determined by the Committee.

(ii) Stock Appreciation Right. An Employee Award may be in the form of an SAR. The terms, conditions and limitations applicable to any SARs awarded pursuant to this Plan, including the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.

(iii) Stock Award. An Employee Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Awards granted pursuant to this Plan shall be determined by the Committee.

(iv) Cash Award. An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to this Plan shall be determined by the Committee.

(v) Performance Award. Without limiting the type or number of Employee

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Awards that may be made under the other provisions of this Plan, an Employee Award may be in the form of a Performance Award. A Performance Award shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee prior to the earlier to occur of (x) 90 days after the commencement of the period of service to which the Performance Goal relates and (y) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. Such a Performance Goal may be based on one or more business criteria that apply to the individual, one or more business units of the Company, or the Company as a whole, and may include one or more of the following: increased revenue, net income, stock price, market share, earnings per share, return on equity, return on assets or decrease in costs. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business

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criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Performance Awards, it is the intent of the Plan to conform with the standards of Section 162(m) of the Code and Treasury Regulation ss. 1.162-27(e)(2)(i), and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Performance Awards made pursuant to this Plan shall be determined by the Committee.

(b) Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Employee Awards made hereunder:

(i) no Participant may be granted, during any one-year period, Employee Awards consisting of Options or SARs that are exercisable for more than 250,000 shares of Common Stock;

(ii) no Participant may be granted, during any one-year period, Stock Awards covering or relating to more than 50,000 shares of Common Stock (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above, being hereinafter collectively referred to as the "Stock Based Awards Limitations"); and

(iii) no Participant may be granted Employee Awards consisting of cash or in any other form permitted under this Plan (other than Employee Awards consisting of Options or SARs or otherwise consisting of shares of Common Stock or units denominated in such shares) in respect of any one-year period having a value determined on the date of grant in excess of \$500,000.

(c) The Committee shall have the sole responsibility and authority to determine the type or types of Independent Contractor Awards to be made under this Plan and may make any such Awards as could be made to an Employee, other than Incentive Options.

9. Director Awards. Each Nonemployee Director of the Company shall be

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granted Director Awards in accordance with this paragraph 9 and subject to the applicable terms, conditions and limitations set forth in this Plan and the applicable Director Award Agreement. Notwithstanding anything to the contrary contained herein, Director Awards shall not be made in any year in which a sufficient number of shares of Common Stock are not available to make such Awards under this Plan.

(a) Initial Director Options. On the IPO Closing Date, each Nonemployee Director shall be automatically awarded a Director Option on 10,000 shares of Common Stock.

(b) Other Director Options. Effective upon the IPO Closing Date, on the date of his or her first appointment or election to the Board of Directors, a Nonemployee Director shall automatically be granted a Director Option that provides for the purchase of 10,000 shares of Common Stock. In addition, on each Annual Director Award Date, each Nonemployee Director shall automatically be granted a Director Option that provides for the purchase of 2,500 shares of Common Stock.

(c) Terms. Each Director Option shall have a term of ten years from the date of grant, notwithstanding any earlier termination of the status of the holder as a Nonemployee Director. The purchase price of each share of Common Stock subject to a Director Option shall be equal to the Fair Market Value of the Common Stock on the date of grant. All Director Options shall vest and become exercisable in increments of one-third of the total number of shares of Common Stock that are subject thereto (rounded up to the nearest whole number) on the first and second anniversaries of the date of grant and of all remaining shares of Common Stock that are subject thereto on the third anniversary of the date of grant. All unvested Director Options shall be forfeited if the Nonemployee Director resigns as a Director without the consent of a majority of the other Directors.

(d) Agreements. Any Award of Director Options shall be embodied in a Director Award Agreement, which shall contain the terms, conditions and limitations set forth above and shall be signed by the Participant to whom the Director Options are granted and by an Authorized Officer for and on behalf of the Company.

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10. Payment of Awards.

(a) General. Payment of Employee Awards or Independent Contractor Awards may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions. If payment of an Employee Award or Independent Contractor Award is made in the form of Restricted Stock, the applicable Award Agreement relating to such shares shall specify whether they are to be issued at the beginning or end of the Restriction Period. In the event that shares of Restricted Stock are to be issued at the beginning of the Restriction Period, the certificates evidencing such shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. In the event that shares of Restricted Stock are to be issued at the end of the Restriction Period, the right to receive such shares shall be evidenced by book entry registration or in such other manner as the Committee may determine.

(b) Deferral. With the approval of the Committee, amounts payable in respect of Employee Awards or Independent Contractor Awards may be deferred and paid either in the form of installments or as a lump-sum payment. The Committee

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may permit selected Participants to elect to defer payments of some or all types of Employee Awards or Independent Contractor Awards in accordance with procedures established by the Committee. Any deferred payment of an Employee Award or Independent Contractor Award, whether elected by the Participant or specified by the Award Agreement or by the Committee, may be forfeited if and to the extent that the Award Agreement so provides.

(c) Dividends and Interest. Rights to dividends or Dividend Equivalents may be extended to and made part of any Employee Award or Independent Contractor Award consisting of shares of Common Stock or units denominated in shares of Common Stock, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and Dividend Equivalents for Employee Awards or Independent Contractor Awards consisting of shares of Common Stock or units denominated in shares of Common Stock.

(d) Substitution of Awards. At the discretion of the Committee, a Participant who is an Employee or Independent Contractor may be offered an election to substitute an Employee Award or Independent Contractor Award for another Employee Award or Independent Contractor Award or Employee Awards or Independent Contractor Awards of the same or different type.

11. Stock Option Exercise. The price at which shares of Common Stock may be purchased under an Option shall be paid in full at the time of exercise in cash or, if elected by the optionee, the optionee may purchase such shares by means of tendering Common Stock or surrendering another Award, including Restricted Stock or Director Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for Participants who are Employees or Independent Contractors to tender Common Stock or other Employee Awards or Independent Contractor Awards; provided that any Common Stock that is or was the subject of an Employee Award or Independent Contractor Award may be so tendered only if it has been held by the Participant for six months. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Employee Award or Independent Contractor Award. Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock or Director Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock or Director Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee.

12. Taxes. The Company shall have the right to deduct applicable taxes from any Employee Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by

the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Employee Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made. The Committee may provide for loans, on either a short term or demand basis, from the Company to a Participant who is an Employee or Independent Contractor to permit the payment of taxes required by law.

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13. Amendment, Modification, Suspension or Termination. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Company to the extent such approval is then required pursuant to Rule 16b-3 in order to preserve the applicability of any exemption provided by such rule to any Award then outstanding (unless the holder of such Award consents) or to the extent stockholder approval is otherwise required by applicable legal requirements.

14. Assignability. Unless otherwise determined by the Committee and provided in the Award Agreement, no Award or any other benefit under this Plan constituting a derivative security within the meaning of Rule 16a-1(c) under the Exchange Act shall be assignable or otherwise transferable except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 14 shall be null and void.

15. Adjustments.

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then, except with respect to the Existing Options, (i) the number of shares of Common Stock reserved under this Plan, (ii) the number of shares of Common Stock covered by outstanding Awards in the form of Common Stock or units denominated in Common Stock, (iii) the exercise or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, (v) the number of shares of Common Stock covered by Director Options automatically granted pursuant to paragraph 9 hereof and (vi) the Stock Based Awards Limitations shall each be proportionately adjusted by the Board to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (i) the number of shares of Common Stock covered by Awards in the form of Common Stock or units denominated in Common Stock, (ii) the exercise or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, (iv) the number of shares of Common Stock covered by Director Options automatically granted pursuant to paragraph 9 hereof and (v) the Stock Based Awards Limitations to give effect to such transaction shall each be proportionately adjusted by the Board to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate

interest of the holders of the Awards and preserve, without exceeding, the value of such Awards. In the event of a corporate merger, consolidation, acquisition of property or stock,

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separation, reorganization or liquidation, the Board shall be authorized to issue or assume Awards by means of substitution of new Awards, as appropriate, for previously issued Awards or to assume previously issued Awards as part of such adjustment.

(c) In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board may make such adjustments to outstanding Awards or other provisions for the disposition of outstanding Awards as it deems equitable, and shall be authorized, in its discretion, (i) to provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Board determines) for an outstanding Award or the assumption of an outstanding Award, regardless of whether in a transaction to which Section 424(a) of the Code applies, (ii) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the outstanding Award and, if the transaction is a cash merger, to provide for the termination of any portion of the Award that remains unexercised at the time of such transaction or (iii) to provide for the acceleration of the vesting and exercisability of an outstanding Award and the cancellation thereof in exchange for such payment as shall be mutually agreeable to the Participant and the Board.

16. Restrictions. No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. It is the intent of the Company that grants of Awards under this Plan comply with Rule 16b-3 with respect to persons subject to Section 16 of the Exchange Act unless otherwise provided herein or in an Award Agreement, that any ambiguities or inconsistencies in the construction of such an Award or this Plan be interpreted to give effect to such intention. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

17. Unfunded Plan. Insofar as it provides for Awards of cash, Common Stock or rights thereto, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any cash, Common Stock or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award of cash, Common Stock or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required

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to give any security or bond for the performance of any obligation that may be created by this Plan.

18. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Texas.

19. Effectiveness. The Plan as hereby amended and restated shall be effective as of February 17, 2000, except for the change to the definition of "Independent Contractor" and to the number of authorized shares in Section 5, which shall become effective upon shareholder approval at the 2000 Annual Meeting of Shareholders.

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INCENTIVE PLAN OF CARRIZO OIL & GAS, INC.

(As Amended and Restated Effective February 17, 2000)

FIRST AMENDMENT

WHEREAS, Carrizo Oil & Gas, Inc., a Texas corporation (the "Company"), maintains the Incentive Plan of Carrizo Oil & Gas, Inc., as amended and restated effective February 17, 2000 (the "Plan");

WHEREAS, the Company desires amend the Plan to increase the aggregate number of shares the Company's common stock available for issuance under the Plan from 1,500,000 shares to 1,850,000 shares;

WHEREAS, the Company's shareholders approved such increase in the aggregate number of shares of the Company's common stock available for issuance under the Plan at the Company's annual shareholder meeting held on May 22, 2002; and

WHEREAS, under Section 13 of the Plan, the Board of Directors of the Company has reserved the right to amend the Plan;

NOW, THEREFORE, the Plan is hereby amended, effective May 22, 2002, to increase the aggregate number of shares of the Company's common stock available for issuance under the Plan by deleting the number "1,500,000" from Section 5 of the Plan and replacing said number with the number "1,850,000."

IN WITNESS WHEREOF, The Board of Directors of Carrizo Oil & Gas, Inc. has caused this amendment to be executed by a duly authorized officer of the Company in a number of copies, all of which shall constitute one and the same instrument, which may be sufficiently evidenced by any executed copy hereof, this 13th day of August, 2002, but effective as of the date specified herein.

CARRIZO OIL & GAS, INC.

By: /s/ FRANK A. WOJTEK

Name: Frank A. Wojtek
Title: V.P. and Chief
Financial Officer

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INCENTIVE PLAN OF CARRIZO OIL & GAS, INC.

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(As Amended and Restated Effective as of February 17, 2000)

AMENDMENT

Carrizo Oil & Gas, Inc., a Texas corporation (the "Company"), having reserved the right under Section 13 of the Incentive Plan of Carrizo Oil & Gas, Inc. (the "Plan"), to amend the Plan, does hereby add at the end of Section 9 of the Plan, effective as of February 18, 2003, a new subsection (e), to read as follows:

(e) Special Grant of Audit Committee Chairman Options. Effective February 18, the chairman of the audit committee of the Company shall as a one-time grant be granted a Director Option that provides for the purchase of 25,000 shares of Common Stock, has a term of ten years from the date of such grant, notwithstanding any earlier termination of the status of the holder as a Nonemployee Director, and vests and becomes exercisable in increments of one-third of the total number of shares of Common Stock that are subject thereto (rounded up to the nearest whole number) on the first and second anniversaries of the date of grant and of all remaining shares of Common Stock that are subject thereto on the third anniversary of the date of grant and the purchase price of each share of Common Stock subject to such Director Option shall be equal to the Fair Market Value of the Common Stock on the date of grant.

IN WITNESS WHEREOF, this Amendment has been executed effective as of February 18, 2003.

CARRIZO OIL & GAS, INC.

By: /s/ FRANK A. WOJTEK

Frank A. Wojtek
Vice President, Chief Financial
Officer, Secretary and Treasurer

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INCENTIVE PLAN OF CARRIZO OIL & GAS, INC.

THIRD AMENDMENT

Carrizo Oil & Gas, Inc., a Texas corporation (the "Company"), having reserved the right under Section 13 of the Incentive Plan of Carrizo Oil & Gas, Inc. (the "Plan"), to amend the Plan, does hereby amend and restate Section 9(b) of the Plan, effective as of May 23, 2003, to read in its entirety as follows:

(b) Other Director Options. On the date of his or her first appointment or election to the Board of Directors, a Nonemployee Director shall automatically be granted a Director Option that provides for the purchase of 10,000 shares of Common Stock. In addition, on each Annual Director Award Date:

(i) each Nonemployee Director shall automatically be granted a Director Option that provides for the purchase of 2,500 shares of Common Stock;

(ii) each Nonemployee Director that is the chairman of each of the audit and compensation committees, in addition to the Director Options granted under Section 9(b)(i), also shall automatically be granted a Director Option that provides for the purchase of an additional 3,000 and 2,000 shares, respectively; and

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(iii) the Board or the Committee may, in its discretion, in addition to the Director Options granted under Section 9(b)(i), grant Director Options for the purchase of up to 3,000 shares and up to 2,000 shares, respectively, to non-chairmen members of the audit and compensation committees who are deemed by the Committee to be "independent" for purposes of the rules of The Nasdaq Stock Market, Inc.

Grants under Sections 9(b)(ii) and (iii) may be made to the chairman or a member of the audit committee or compensation committee, respectively, notwithstanding that the same person may also receive grants under Section 9(b)(ii) or (iii) as a chairman or member of the compensation committee or audit committee, respectively.

The Company also does hereby amend and restate Section 19 of the Plan, effective as of May 23, 2003, to read in its entirety as follows:

19. Effectiveness. The Plan was amended and restated effective February 17, 2000 and subsequently amended by a First Amendment effective May 22, 2002, a Second Amendment effective February 18, 2003 and a Third Amendment effective May 23, 2003.

IN WITNESS WHEREOF, this Amendment has been executed effective as of May 23, 2003.

CARRIZO OIL & GAS, INC.

By: /s/ FRANK A. WOJTEK

Frank A. Wojtek
Vice President, Chief Financial
Officer, Secretary and Treasurer

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INCENTIVE PLAN OF CARRIZO OIL & GAS, INC.

FOURTH AMENDMENT

Carrizo Oil & Gas, Inc., a Texas corporation (the "Company"), having reserved the right under Section 13 of the Incentive Plan of Carrizo Oil & Gas, Inc. (the "Plan"), to amend the Plan, does hereby amend the Plan, effective as of May 21, 2004, as follows:

1. The definition of "Annual Director Award Date" in Section 3 of the Plan is hereby amended in its entirety to read as follows:

"'Annual Director Award Date' means, for each year, the first business day following the date on which the annual meeting of stockholders of the Company is held in such year."

2. The definition of "Director Award" in Section 3 of the Plan is hereby amended in its entirety to read as follows:

"'Director Award' means the grant of a Director Option or Director Restricted Stock."

3. Section 3 of the Plan is hereby amended by adding the following definitions to Section 3 of the Plan in their respective alphabetical

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order:

"'Change in Control' is defined in Attachment A."

"'Director Restricted Stock' means Restricted Stock granted to Nonemployee Directors pursuant to the applicable terms, conditions and limitations specified in Section 9(f) hereof."

4. Section 5 of the Plan is hereby amended by replacing the number "1,850,000" with the number "2,350,000."

5. Subsection 9(b) of the Plan is hereby amended to read in its entirety as follow:

"(b) Other Director Options. On the date of his or her first appointment or election to the Board of Directors, a Nonemployee Director shall automatically be granted a Director Option that provides for the purchase of 10,000 shares of Common Stock. In addition, on each Annual Director Award Date:

(i) the Board or the Committee may, in its discretion, grant each Nonemployee Director a Director Option that provides for the purchase of such number of shares of Common Stock as the Board or the Committee may determine in its discretion, subject to the limitation that such awards may not exceed the number of shares of Common Stock then available for award under this Plan;

(ii) each Nonemployee Director that is the chairman of each of the audit, compensation and nominating committees, in addition to the Director Options granted under Section 9(b)(i), also shall automatically be granted a Director Option that provides for, in the case of the chairman of the audit committee, the purchase of an additional 3,000 shares of Common Stock and, in the case of the chairman of each of the compensation or nominating committees, the purchase of an additional 2,000 shares of Common Stock, respectively; and

(iii) the Board or the Committee may, in its discretion, in addition to the Director Options granted under Section 9(b)(i), grant Director Options for the purchase of up to 3,000 shares to each Nonemployee Director who is a non-chairman member of the audit committee and may grant Director Options for the purchase of up to 2,000 shares to each Nonemployee Director who is a non-chairman member of the compensation or nominating committees, provided that each such non-chairman member of the audit, compensation or nominating committees to whom such Director Option is to be granted is deemed by the Committee to be "independent" for purposes of the rules of The Nasdaq Stock Market, Inc."

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6. Section 9 of the Plan is hereby amended by adding to the end thereof a new subsection (f), to read in its entirety as follows:

"(f) Director Restricted Stock.

(i) On each Annual Director Award Date, the Board or the Committee may, in its discretion, grant each Nonemployee Director an Award of Director Restricted Stock for such number of shares of Restricted Stock as the Board or the Committee may determine in its discretion, subject to the limitation that such Awards may not exceed

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the number of shares of Common Stock then available for award under this Plan.

(ii) Each Award of Director Restricted Stock shall vest in increments of one-third of the total number of shares of Restricted Stock that are subject thereto (rounded up to the nearest whole number) on the first and second anniversaries of the date of grant and of all remaining shares of Restricted Stock that are subject thereto on the third anniversary of the date of grant; provided, however, that upon a Change in Control, all shares of Director Restricted Stock shall immediately vest. All unvested shares of Director Restricted Stock shall be forfeited if the Nonemployee Director resigns as a Director without the consent of a majority of the other Directors.

(iii) Any Award of Director Restricted Stock shall be embodied in a Director Award Agreement, which shall contain the terms, conditions and limitations set forth above and shall be signed by the Participant to whom the Director Restricted Stock is granted and by an Authorized Officer for and on behalf of the Company."

7. The Plan is hereby amended by adding "Attachment A" attached to this Amendment to the end of the Plan as a new "Attachment A" thereto.

IN WITNESS WHEREOF, this Amendment has been executed effective as of May 21, 2004.

CARRIZO OIL & GAS, INC.

By:

Paul F. Boling
Vice President, Chief Financial
Officer, Secretary and Treasurer

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ATTACHMENT A

"CHANGE IN CONTROL"

The following definitions apply regarding Change in Control provisions of the foregoing Plan:

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement.

"Associate" shall mean, with reference to any Person, (a) any corporation, firm, partnership, association, unincorporated organization or other entity (other than the Company or a subsidiary of the Company) of which such Person is an officer or general partner (or officer or general partner of a general partner) or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities, (b) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

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"Beneficial Owner" shall mean, with reference to any securities, any Person if:

(a) such Person or any of such Person's Affiliates and Associates, directly or indirectly, is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) such securities or otherwise has the right to vote or dispose of such securities, including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection (a) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (i) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a-2(b)(2) of the General Rules and Regulations under the Exchange Act) proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (ii) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report);

(b) such Person or any of such Person's Affiliates and Associates, directly or indirectly, has the right or obligation to acquire such securities (whether such right or obligation is exercisable or effective immediately or only after the passage of time or the occurrence of an event) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to "beneficially own," (i) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange or (ii) securities issuable upon exercise of Exempt Rights; or

(c) such Person or any such Person's Affiliates or Associates (i) has any agreement, arrangement or understanding (whether or not in writing) with any other Person (or any Affiliate or Associate thereof) that beneficially owns such securities for the purpose of acquiring, holding, voting (except as set forth in the proviso to subsection (a) of this definition) or disposing of such securities or (ii) is a member of a group (as that term is used in Rule 13d-5(b) of the General Rules and Regulations under the Exchange Act) that includes any other Person that beneficially owns such securities;

provided, however, that nothing in this definition shall cause a Person engaged in business as an underwriter of securities to be the Beneficial Owner of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition. For purposes hereof, "voting" a security shall include voting, granting a proxy, consenting or making a request or demand relating to corporate action (including, without limitation, a demand for stockholder list, to call a stockholder meeting or to inspect corporate books and records) or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act) in respect of such security.

The terms "beneficially own" and "beneficially owning" shall have meanings that are correlative to this definition of the term "Beneficial Owner".

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"Change of Control" shall mean any of the following:

(a) any Person (other than an Exempt Person) shall become the Beneficial Owner of 40% or more of the shares of Common Stock then outstanding or 40% or more of the combined voting power of the Voting Stock of the Company then outstanding; provided, however, that no Change of Control shall be deemed to occur for purposes of this subsection (a) if such Person shall become a Beneficial Owner of 40% or more of the shares of Common Stock or 40% or more of the combined voting power of the Voting Stock of the Company solely as a result of (i) an Exempt Transaction or (ii) an acquisition by a Person pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this definition are satisfied; or

(b) individuals who, as of May 21, 2004, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to May 21, 2004 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; provided, further, that there shall be excluded, for this purpose, any such individual whose initial assumption of office occurs as a result of any actual or threatened election contest that is subject to the provisions of Rule 14a-11 under the Exchange Act; or

(c) the Company engages in and completes a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (i) more than 85% of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding Voting Stock of such corporation beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such reorganization, merger, or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the outstanding Common Stock, (ii) no Person (excluding any Exempt Person or any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 40% or more of the Common Stock then outstanding or 40% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding Voting Stock of such corporation and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action by the Board providing for such reorganization, merger or consolidation; or

(d) the Company engages in and completes (i) a complete liquidation or dissolution of the Company unless such liquidation or dissolution is approved as part of a plan of liquidation and dissolution involving a sale or disposition of all or substantially all of the assets of the Company to a corporation with respect to which, following such sale or other disposition, all of the requirements of clauses (ii) (A), (B) and (C) of this subsection (d) are satisfied, or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which, following such sale or other

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disposition, (A) more than 85% of the then outstanding shares of common stock or such corporation and the combined voting power of the Voting Stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock, (B) no Person (excluding any Exempt Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 40% or more of the Common

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Stock then outstanding or 40% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding Voting Stock of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action of the Board providing for such sale or other disposition of assets of the Company.

Notwithstanding the foregoing, no Change of Control shall be deemed to have occurred pursuant to subsections (a), (c) or (d) of this definition as a result of (i) any Person that is currently party to the Shareholders Agreement dated as of December 15, 1999 among the Company, C.B. Capital Investors, L.P. (now J.P. Morgan Partners (23A SBIC), LLC), S.P. Johnson IV, Frank A. Wojtek, Steven A. Webster and Mellon Ventures, L.P., as amended from time to time, or the Shareholders Agreement dated as of February 20, 2002 among the Company, Mellon Ventures, L.P., S.P. Johnson IV, Frank A. Wojtek and Steven A. Webster, as amended from time to time (collectively, the "Shareholders Agreements"), becoming the Beneficial Owner at any time of 40% or more of the shares of Common Stock or 40% or more of the combined voting power of the Voting Stock of the Company, or (ii) any other Person becoming the Beneficial Owner at any time of 40% or more of the shares of Common Stock or 40% or more of the combined voting power of the Voting Stock of the Company to the extent caused by the attribution to that other Person of the beneficial ownership of the Common Stock or Voting Stock of a Person who is listed in clause (i) above and is a member of a group with such other Person solely because of a voting agreement, tag-along rights or other rights substantially similar to the rights set forth in the Shareholders Agreements.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exempt Person" shall mean the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, and any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan.

"Exempt Rights" shall mean any rights to purchase shares of Common Stock or other Voting Stock of the Company if at the time of the issuance thereof such rights are not separable from such Common Stock or other Voting Stock (i.e., are not transferable otherwise than in connection with a transfer of the underlying Common Stock or other Voting Stock) except upon the occurrence of a contingency, whether such rights exist as of May 21, 2004 or are thereafter issued by the Company as a dividend on shares of Common Stock or other Voting Securities or otherwise.

"Exempt Transaction" shall mean an increase in the percentage of the

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outstanding shares of Common Stock or the percentage of the combined voting power of the outstanding Voting Stock of the Company beneficially owned by any Person solely as a result of a reduction in the number of shares of Common Stock then outstanding due to the repurchase of Common Stock or Voting Stock by the Company, unless and until such time as (a) such Person or any Affiliate or Associate of such Person shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or additional Voting Stock representing 1% or more of the combined voting power of the then outstanding Voting Stock, or (b) any other Person (or Persons) who is (or collectively are) the Beneficial Owner of shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or Voting Stock representing 1% or more of the combined voting power of the then outstanding Voting Stock shall become an Affiliate or Associate of such Person.

"Person" shall mean any individual, firm, corporation, partnership, association, trust, unincorporated organization or other entity.

"Voting Stock" shall mean, with respect to a corporation, all securities of such corporation of any class or series that are entitled to vote generally in the election of directors of such corporation (excluding any class or series that would be entitled so to vote by reason of the occurrence of any contingency, so long as such contingency has not occurred).

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Shares Class Common

HOLDER ACCOUNT NUMBER

[] Mark this box with an X if you have made changes to your name or address details above.

ANNUAL MEETING PROXY CARD

(A) ELECTION OF DIRECTORS

1. The Board of Directors recommends a vote FOR the listed nominees.

	FOR	WITHHOLD		FOR	WITHHOLD	
01 - S.P. Johnson IV	[]	[]	05 - Paul B. Loyd, Jr.	[]	[]	09
02 - Steven A. Webster	[]	[]	06 - Bryan R. Martin	[]	[]	
03 - Christopher C. Behrens	[]	[]	07 - F. Gardner Parker	[]	[]	
04 - Douglas A.P. Hamilton	[]	[]	08 - Roger A. Ramsey	[]	[]	

(B) ISSUES

The Board of Directors recommends a vote FOR the following proposals.

FOR AGAINST ABSTAIN

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2. APPROVAL OF THE AMENDMENT TO THE INCENTIVE PLAN. [] [] []

3. APPROVAL OF THE APPOINTMENT OF ERNST & YOUNG, LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004. FOR [] AGAINST [] ABSTAIN []

4. With discretionary authority as to such other matters as may properly come before the meeting.

(C) AUTHORIZED SIGNATURES - SIGN HERE - THIS SECTION MUST BE COMPLETED FOR YOUR INSTRUCTIONS TO BE EXECUTED.

Sign exactly as name appears hereon.

(Joint owners should each sign. When signing as attorney, executor, officer, administrator, trustee or guardian, please give full title as such.)

Signature 1 - Please keep signature within the box []

Signature 2 - Please keep signature within the box []

Date (mm/dd/yyyy) [/ /]

PROXY -- CARRIZO OIL & GAS, INC.

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 21, 2004

The undersigned hereby appoints S.P. Johnson IV and Paul F. Boling, jointly and severally, proxies, with full power of substitution and with discretionary authority to vote all shares of Common Stock that the undersigned is entitled to vote at the Annual Meeting of Shareholders of Carrizo Oil & Gas, Inc. (the "Company") to be held on Friday, May 21, 2004, at the Omni Houston Hotel Westside, 13210 Katy Freeway, Houston, Texas at 10:00 a.m., or at any adjournment thereof, hereby revoking any proxy heretofore given. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IN THE ABSENCE OF SPECIFIC DIRECTIONS TO THE CONTRARY, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, 3 AND 4.

The undersigned hereby acknowledges receipt of the Notice of, and Proxy Statement for, the aforementioned Annual Meeting.

PLEASE SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE.