

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.

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

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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.

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 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.

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- (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 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.

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.

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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 those financial statements, internal control over financial reporting and for 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 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.