

CARRIZO OIL & GAS, INC.

COMPENSATION COMMITTEE CHARTER

Purpose

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Carrizo Oil & Gas, Inc. (the “Company”) is (i) to review and approve the compensation of the Company’s “Section 16 Officers” (as hereinafter defined), (ii) to oversee and advise the Board on the adoption of policies that govern the Company’s compensation programs, (iii) to the extent provided for herein, to administer the Company’s Long-Term Incentive Plan and other equity-based compensation plans, all in accordance with the terms and conditions thereof, and (iv) to produce an annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”).

Committee Membership

The Committee shall consist of a number of directors fixed from time to time by the Board but not fewer than two. The members of the Committee shall be appointed annually by the Board in its discretion. The Company’s Nominating Committee shall make recommendations to the Board regarding members to serve on the Committee. Committee members may be replaced by the Board between annual appointments in the Board’s discretion. 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, Inc. (“Nasdaq”), the Committee shall consist solely of “independent directors,” i.e., those directors who neither are officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise “independent” under the Nasdaq rules, except that, in limited and extraordinary circumstances, one director will not be required to be “independent,” as contemplated by Nasdaq rule 4350(c)(3)(C). The Company is currently required under the terms of an agreement with J.P. Morgan Partners to appoint a director designated by J.P. Morgan Partners to the Committee. In addition, it is expected that at least two members of the Committee shall be (i) “non-employee directors” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (ii) “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) and, to the extent any additional member is not a “non-employee director” or an “outside director,” it is expected that such member will abstain from all voting by the Committee.

Committee Structure and Operations

The Board shall designate one member of the Committee as its chairperson. The chairperson shall be responsible for scheduling all meetings of the Committee, determining the agenda for each meeting, presiding over meetings of the Committee and coordinating reporting to the Board. In the absence of the chairperson, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting.

The Committee shall meet in person or telephonically at such times and with such frequency as it determines to be necessary or appropriate. Members of the Committee are expected to use all reasonable efforts to attend each meeting. The Committee may, to the extent consistent with the maintenance of the confidentiality of compensation discussions, invite members of management, legal counsel, compensation consultants or other advisors to attend meetings of the Committee; however, the Company's Chief Executive Officer ("CEO") may not be present during any discussions and deliberations of the Committee regarding the CEO's compensation. The Committee may take action by the unanimous written consent of its members.

A majority of the members of the Committee may determine its actions.

Committee Duties and Responsibilities

The Committee shall:

1. Annually review and approve the Company's general compensation philosophy and oversee the development and implementation of the Company's compensation programs.
2. Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives, and have the sole authority to determine the CEO's compensation level based on this evaluation.
3. Review and approve the compensation of all other "officers" of the Company (as defined in Rule 16a-1 promulgated under Section 16 of the Exchange Act; herein called "Section 16 Officers"), except to the extent otherwise contemplated hereby for action by the Board or by a subcommittee or the Secondary Committee (as defined below).
4. Make recommendations to the Board with respect to the Company's incentive compensation plans and equity-based compensation plans, including the Long-Term Incentive Plan.
5. Administer the Company's Long-Term Incentive Plan and other equity-based compensation plans in accordance with the terms and conditions thereof, discharge any responsibilities imposed on, and exercise all rights and powers granted to, the Committee by any of these plans, and oversee the activities of the individuals and entities responsible for the day-to-day operation and administration of these plans. To the extent required in order for awards under the Long-Term Incentive Plan to be exempt from Section 16 of the Securities Exchange Act of 1934 by virtue of Rule 16b-3, such awards may be granted by, and the Plan may be administered by, the Board, including, without limitation, by the simultaneous grant of awards by the Committee and the Board.
6. Approve issuances under, or any material amendment of, any tax qualified, non-discriminatory employee benefit plan or parallel nonqualified plan pursuant to which a director, officer, employee or consultant will acquire stock or options.

7. Approve issuances under, or any material amendment of, any stock option or other similar plan pursuant to which a person not previously an employee or director of the Company, as an inducement material to the individual's entering into employment with the Company, will acquire stock or options.
8. Consult with management to oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Code.
9. Review and approve any employment agreement to be entered into between the Company and any Section 16 Officer.
10. To the extent not provided for in any employment agreement approved by the Committee in accordance with the preceding paragraph, review and approve any severance or similar termination payments proposed to be made to any current or former Section 16 Officer.
11. Prepare and issue the evaluations and reports required under "Committee Reports" below.
12. Review from time to time when and as it deems appropriate the compensation and benefits of non-employee directors, including compensation pursuant to equity-based plans and approve or recommend to the Board for its action, any changes in such compensation or benefits.
13. Perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

Delegation to Subcommittee; Appointment of Secondary Committee

1. The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee consisting of one or more members. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee who are (i) "Non-Employee Directors" for the purposes of Rule 16b-3 under the Exchange Act and (ii) "outside directors" for the purposes of Section 162(m) of the Code, as in effect from time to time.
2. The Board may appoint a Secondary Compensation Committee of the Board (the "Secondary Committee), which shall be composed of one or more directors of the Company who need not be (i) "Non-Employee Directors" for the purposes of Rule 16b-3 under the Exchange Act or (ii) "outside directors" for the purposes of Section 162(m) of the Code. The Secondary Committee may administer the Company's equity-based compensation plans with respect to employees and consultants who are not directors or Section 16 Officers of the Company, may grant awards under such plans to such employees and consultants, and may determine all features and conditions of such awards, all in accordance with the applicable plan documents.

Committee Reports

The Committee shall produce the following reports and provide them to the Board:

1. An annual report of the Committee on executive compensation for inclusion in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.
2. A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel, compensation consultants or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management.

As adopted by the Board of Directors.