

CARRIZO OIL & GAS INC
Form SC 13D
April 05, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Carrizo Oil & Gas, Inc.

(Name of Issuer)

Common Stock, \$0.01 Par Value

(Title of Class of Securities)

144577103

(CUSIP Number)

Benjamin Dell

KEMC Fund IV GP, LLC

c/o Kimmeridge Energy Management Company, LLC

400 Madison Avenue

New York, NY 10017

(646) 517-7252

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

(with copies to)

Manuel A. Miranda

Willkie Farr & Gallagher LLP

787 Seventh Avenue

New York, NY 10019

(212) 728-8000

March 26, 2018

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box:

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1 NAME OF REPORTING PERSON

KEMC Fund IV GP, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0

8 SHARED VOTING POWER

OWNED BY

EACH

REPORTING 9 6,587,300 (see Item 5)
SOLE DISPOSITIVE POWER

PERSON

WITH 0

10 SHARED DISPOSITIVE POWER

6,587,300 (see Item 5)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

6,587,300 (see Item 5)

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

8.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

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Item 1. Security and the Issuer.

This Schedule 13D relates to the common stock, \$0.01 par value per share (the Common Stock), of Carrizo Oil & Gas, Inc., a Texas corporation (the Issuer), and is being filed pursuant to Rule 13d-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act). The address of the Issuer's principal executive offices is 500 Dallas Street, Suite 2300, Houston, Texas 77002.

Item 2. Identity and Background.

(a) This Schedule 13D is being filed on behalf of KEMC Fund IV GP, LLC (the Reporting Person), a Delaware limited liability company, which is the general partner of each of Kimmeridge Energy Exploration Fund IV, LP (KEEP IV), Kimmeridge Energy Net Profits Interest Fund IV, LP (KENP IV) and Kimmeridge Energy (Public) Fund IV Co-Invest, LP (KEPF IV) and together with KEEP IV and KENP IV, the Kimmeridge Funds), with respect to shares of Common Stock indirectly beneficially owned by virtue of such position.

Attached as Schedule I to Item 2 is information concerning the officers and managers of the Reporting Person as required pursuant to Item 2 and General Instruction C to Schedule 13D. The Reporting Person is managed by a board of managers consisting of four persons (each such manager, a Kimmeridge Principal, and collectively, the Kimmeridge Principals).

(b)-(c) The address of the principal business and principal office of the Reporting Person, its officers and the Kimmeridge Principals is 400 Madison Avenue, Suite 14C, New York, New York 10017. The principal business of the Reporting Person is to serve as the general partner of each of the Kimmeridge Funds. The principal business of each of the officers of the Reporting Person is listed in Schedule I hereto. The principal business of the Kimmeridge Principals is to manage the business of the Reporting Person.

(d)-(e) Neither the Reporting Person, nor, to the best of its knowledge, any of its managers (including the Kimmeridge Principals), executive officers or members has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). Neither the Reporting Person, nor, to the best of its knowledge, any of its managers (including the Kimmeridge Principals), executive officers or members has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Benjamin Dell and Noam Lockshin are citizens of the United States. Neil McMahon is a citizen of the United Kingdom. K. Henry Maksani is a citizen of the Netherlands.

Item 3. Source and Amount of Funds or Other Consideration.

The 6,587,300 shares of Common Stock beneficially owned by the Reporting Person (the Shares) were purchased by the Kimmeridge Funds using the working capital of the Kimmeridge Funds. The total purchase price for the Shares reported herein was approximately \$99,181,035.

Item 4. Purpose of Transaction.

The Reporting Person acquired the Shares over which it exercises beneficial ownership on behalf of the Kimmeridge Funds in the belief that the Shares are undervalued and are an attractive investment.

The Kimmeridge Principals have had numerous constructive discussions with the Issuer's management to express their views as to the Issuer's business and its current strategies to enhance or maximize shareholder value. In these discussions, the Reporting Person and the Kimmeridge Principals have expressed the view that the Issuer has some of the most attractive leaseholds for oil and gas development in the Eagle Ford Shale and the Permian Basin.

However, despite these leading asset positions, the Issuer:

1. Maintains a relatively high level of indebtedness;
2. Employs an unfocused multi-basin approach, and
3. Operates with limited scale in each basin, resulting in underperformance in terms of valuation and shareholder returns.

Over the past year, the Issuer has made efforts to address these strategic challenges and to close the valuation gap. The Reporting Person believes that the sale of non-core assets and the partial sales in the Eagle Ford, Utica, Marcellus and Niobrara and repayment of debt are positive steps. However, these initial steps have not resulted in a material re-rating of the Common Stock and, as the Reporting Person believes, more is needed and could be readily accomplished.

The Reporting Person believes the Issuer should strongly consider specific actions that can be taken to enhance and maximize shareholder value. Over the next calendar year, the Reporting Person believes the Issuer should take one or more of the following courses of action to address its low valuation:

1. Completely divest its Eagle Ford position to pay down debt and become a Permian pure-play with an industry-leading balance sheet.
2. Merge with another operator with Permian overlap to increase scale. Following such a merger, the Eagle Ford position could either be divested or run as a smaller portion of the overall company.

3. Exit part of the Eagle Ford position and use the proceeds to repurchase a significant portion of the Common Stock of the Issuer.

While the Issuer is in a relatively strong position right now in terms of certain leasehold assets, as time passes and inventory is reduced within the Eagle Ford and Permian basin, the Reporting Person believes that the Issuer's relative attractiveness and opportunity to re-rate the valuation will decline. Given its high level of indebtedness, the Reporting Person believes that the Issuer will not be able to increase its scale in the Permian sufficiently to become a dominant basin player absent a major sale or merger. As time passes, these issues will become more pronounced.

In the event that the Issuer's Board and management team are unable or unwilling to execute a viable strategic path within the next 12 months, the Reporting Person believes that the Issuer's shareholders would be best served by a sale of the Issuer.

The Reporting Person and the Kimmeridge Principals intend to review the Kimmeridge Funds' investment in the Issuer on a continuing basis and may from time to time and at any time in the future depending on various factors, including, without limitation, the Issuer's financial position and strategic direction, actions taken by the Issuer's Board of Directors and management, price levels of the Common Stock, other investment opportunities available to them, conditions in the securities market and general economic and industry conditions, take such actions with respect to such investments in the Issuer as they deem appropriate. These actions may include, without limitation: (i) acquiring additional Common Stock and/or other equity, debt, notes, other securities, or derivative or other instruments that are convertible into Common Stock, or are based upon or relate to the value of the Common Stock or the Issuer (collectively, Securities) in the open market or otherwise; (ii) disposing of any or all of their Securities in the open market or otherwise; (iii) engaging in any hedging or similar transactions with respect to the Securities; or (iv) proposing or considering one or more of the actions described in subsections (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) As of the date of this Schedule 13D, the Reporting Person beneficially owns shares of Common Stock in such numbers as set forth on the cover page of this Schedule 13D. The total number of shares the Reporting Person beneficially owns represents the percentages as set forth on the cover page to this Schedule 13D of the Common Stock outstanding. The percentages used in this Schedule 13D are calculated based upon the 81,469,593 shares of Common Stock outstanding as of February 23, 2018, as reported in the Issuer's Annual on Form 10-K for the fiscal year ended December 31, 2017 and filed with the Securities and Exchange Commission on February 28, 2018.

(b) The Reporting Person shares voting and dispositive power over 6,587,300 shares of Common Stock. The Reporting Person shares voting and dispositive power over 4,012,900 shares of Common Stock with KEEP IV, KENP IV and Kimmeridge Holdings, LLC (Kimmeridge Holdings). The Reporting Person shares voting and dispositive power over 2,574,400 shares of Common Stock with KEPF IV and Kimmeridge Madison, LLC (Kimmeridge Madison), and together with Kimmeridge Holdings and

the Kimmeridge Funds, the Kimmeridge Group). The principal business address of the Kimmeridge Group is 400 Madison Avenue, New York, New York 10017. The principal business of the Reporting Person is to serve as the general partner of the Kimmeridge Funds. The principal business of the Kimmeridge Group is to serve as private investment funds. None of the members of the Kimmeridge Group, nor, to the best of their knowledge, any of their directors, managers, executive officers or members has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(c) Schedule II hereto sets forth all transactions with respect to the Common Stock effected by the Reporting Person during the past sixty (60) days. All such transactions were effected in the open market, and per share prices include any commissions paid in connection with such transactions.

(d) Other than the members of the Kimmeridge Group, and except as set forth in this Item 5, no other person is known to have the right to receive, or the power to direct the receipt of, dividends from or proceeds from the sale, of such shares of Common Stock.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Other than as described herein, there are no contracts, arrangements, understandings or relationships (legal or otherwise) between the Reporting Person and any other person with respect to the securities of the Issuer.

SIGNATURES

After reasonable inquiry and to the best of the undersigned's knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: April 5, 2018

KEMC FUND IV GP, LLC

By: /s/ Benjamin Dell

Name: Benjamin Dell

Title: Chief Executive Officer

Schedule I

Managers of KEMC Fund IV GP, LLC:

1. Benjamin Dell
2. Henry Maksani
3. Neil McMahon
4. Noam Lockshin

Officers of KEMC Fund IV GP, LLC:

Name	Title
Benjamin Dell	Chief Executive Officer

Schedule II

This Schedule sets forth information with respect to each purchase and sale of Shares which was effectuated by the Reporting Person during the past sixty days, inclusive of any transactions effected through 9:30 a.m., New York City time, on April 5, 2018. The price per Share is the weighted average price of each purchase (or sale) on the relevant date and the actual range of prices on each date were within one dollar. Upon request by the SEC staff, the Reporting Person will provide information regarding the number of Shares purchased or sold at each separate price.

Date	Number of Shares Purchased (Sold)	Price per Share (\$)
2/8/2018	200,000	18.26
2/9/2018	200,000	17.76
2/28/2018	300,000	14.42
3/8/2018	11,355	14.25
3/9/2018	88,645	14.67
3/12/2018	22,500	14.80
3/13/2018	100,000	15.28
3/21/2018	150,000	15.63
3/22/2018	50,000	15.41
3/23/2018	100,000	15.38
3/26/2018	312,300	15.21
3/27/2018	576,000	15.56
3/28/2018	255,000	15.53
3/29/2018	200,000	15.58
4/2/2018	800,000	15.44
4/3/2018	341,000	15.47
4/4/2018	90,000	15.32