

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following interim Management's Discussion and Analysis ("MD&A") of the financial results for Caza Oil & Gas, Inc. ("Caza" or the "Company") should be read in conjunction with the unaudited consolidated interim financial statements as at and for the three and six month periods ended June 30, 2009, the audited consolidated financial statements and corresponding MD&A for the year ended December 31, 2008. Additional information relating to the Company can be found on SEDAR at www.sedar.com. All figures herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") unless otherwise stated. This MD&A is dated August 7, 2009.

Forward Looking Information

In addition to historical information, the MD&A contains forward-looking statements that are generally identifiable as any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events of performance (often, but not always, through the use of words or phrases such as "will", "may", "will likely result," "expected," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook"), are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such forward-looking statements.

These statements are based on certain factors and assumptions regarding the results of operations, the performance of projected activities and business opportunities. Specifically, we have used historical knowledge and current industry trends to project budgeted expenditures for 2009 and into 2010. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: risks associated with the Company's stage of development; competitive conditions; share price volatility; risks associated with crude oil and natural gas exploration and development; risks related to the inherent uncertainty of reserves and resources estimates; possible imperfections in title to properties; the volatility of crude oil and natural gas prices and markets; environmental regulation and associated risks; loss of key personnel; operating and insurance risks; the inability to add reserves; risks associated with industry conditions; the ability to obtain additional financing on acceptable terms if at all; non operator activities; the inability of investors in certain jurisdictions to bring actions to enforce judgments; equipment unavailability; potential conflicts of interest; risks related to operations through subsidiaries; risks related to foreign operations; currency exchange rate risks and other factors, many of which are beyond the control of the Company. Accordingly, there is no representation by Caza that actual results achieved during the forecast period will be the same in whole or in part as that forecast. Further, Caza undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Non-GAAP Measures

The financial data presented herein has been prepared in accordance with GAAP. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A. The measures are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include "operating netback" and "funds flow from (used in) operations". Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales and is calculated by deducting royalties and operating expenses from revenues. Funds flow from (used in) operations is cash flow from operating activities before changes in non-cash

working capital, and is used to analyze operations, performance and liquidity. These measures are not defined under GAAP and should not be considered in isolation or as an alternative to conventional GAAP measures. These measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of another entity. When these measures are used, they are defined as “non GAAP” and should be given careful consideration by the reader.

Note Regarding Boe and Mcfe

In this MD&A, barrels of oil equivalent (“Boes”) are derived by converting gas to oil in the ratio of six thousand cubic feet (“Mcf”) of gas to one barrel (“bbl”) of oil (6 Mcf: 1 bbl) and one thousand cubic feet of gas equivalent (“Mcfes”) are derived by converting oil to gas in the ratio of one bbl of oil to six Mcf (1 bbl: 6 Mcf). Boes and Mcfes may be misleading, particularly if used in isolation. A Boe conversion of 6 Mcf of natural gas to 1 bbl of oil, or a Mcfe conversion ratio of 1 bbl of oil to 6 Mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

Currency

References to “dollars” and “\$” are of U.S. dollars and references to “CDN\$” are to Canadian dollars.

FINANCIAL AND OPERATING RESULTS

Petroleum and Production Revenue

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Natural gas				
Production (Mcf)	96,667	89,073	170,605	173,927
Revenue (\$)	307,097	1,017,719	636,556	1,710,627
Price (\$/Mcf)	3.18	11.43	3.73	9.84
Natural gas liquids				
Production (bbls)	387	202	763	477
Revenue (\$/bbl)	13,185	23,996	28,812	50,972
Price (\$/bbl)	34.03	118.97	37.75	106.95
Oil Production				
Production (bbls)	3,799	206	9,972	297
Revenue (\$/bbl)	240,801	25,650	449,631	35,050
Price (\$/bbl)	63.38	124.56	45.09	117.91
Combined				
Production (Mcfe)	121,786	91,519	235,019	178,267
Revenue (\$)	561,083	1,067,365	1,114,999	1,796,648
Price (\$/Mcfe)	4.61	11.66	4.74	10.08
Mcf/d	1,338	1,005	1,298	985
Boe/d	223	168	216	164

Revenues from oil and gas sales decreased 47% to \$561,083 for the three-month period ended June 30, 2009 from \$1,067,365 for the three-month period ended June 30, 2008 (the “comparative period”) and were 38% lower than the than the six-month period ended June 30, 2008. Caza’s production increased 33% to 121,786 Mcfe for

the three-month period ended June 30, 2009, up from 91,519 Mcfe for the comparative period. This represents an average daily production rate increase of 333 Mcfe/d for the three months ended June 30, 2009 to 1,338 Mcfe/d, as compared to 1,005 Mcfe/d for the comparative period. The average natural gas price received by Caza decreased 61% to \$4.61 per Mcfe during the three-month period ended June 30, 2009 from \$11.66 per Mcfe during the comparative period. The decrease in revenues from the second quarter of 2008 is a result of the decrease in commodity prices. Presently the Company has not hedged any of its production and does not have any commodity price management programs in place.

Operating Netback Summary

The following table reconciles the Company's operating netback which is considered to be a non-GAAP measure:

(on a Mcfe basis)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Oil and natural gas revenue	\$ 4.61	\$ 11.66	\$ 9.50	\$ 20.08
Production expense	(1.49)	(0.54)	(2.63)	(1.46)
Severance expense	(0.32)	(0.79)	(0.67)	(1.38)
Transportation expense	(0.13)	(0.12)	(0.21)	(0.24)
Operating netback (non-GAAP)	2.67	10.21	5.99	17.00

Production Expenses

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Severance (\$)	38,747	72,619	78,566	123,783
Transportation (\$)	15,500	11,891	24,784	22,183
Production (\$)	180,970	49,567	310,187	128,998
Severance, transportation and production (\$)	235,217	134,077	413,537	274,964
Severance, transportation and production (\$/Mcfe)	1.93	1.47	1.76	1.54

Severance taxes and transportation expenses totaled \$54,247 (\$0.45/Mcfe) for the three-month period ended June 30, 2009, representing a decrease of 36% from \$84,510 (\$0.91/Mcfe) incurred during the comparative period. Severance tax is a tax imposed by states on natural resources such as crude oil, natural gas and condensate extracted from the ground. The tax is calculated by applying a rate to the dollar amount of production from the property or a set dollar amount applied to the volumes produced from the property. The decrease in severance taxes and transportation costs are a result of a 61% decrease in the average commodity price received by Caza during the second quarter of 2009.

Production expenses for the three-month period ended June 30, 2009 were \$180,970 compared to \$49,567 for the comparative period. Caza's average lifting cost for the three-month period ended June 30, 2009 was \$1.49 per Mcfe versus \$0.54 per Mcfe for the comparative period. This increase in lifting costs occurred as a result of declining production rates, suspended production periods on the Matthys-McMillan GU #1 well where a siphon string was installed to improve production, replacing of two 750 bbl tanks on the SL18582 well and the reworking operations conducted on the Mud Slide Slim well. In addition, four wells were placed on pump at the Glass Ranch property which has inherently higher lifting costs.

Depletion, Depreciation and Accretion

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Depletion and depreciation (\$)	725,370	352,174	1,392,486	671,110
Accretion (\$)	6,154	3,567	12,307	7,132
Depletion, depletion and accretion (\$)	731,524	355,741	1,404,793	678,242
Depletion, depletion and accretion (\$/Mcf)	6.01	3.88	5.98	3.80

Depletion, depreciation, amortization and accretion expense for the three months ended June 30, 2009 increased to \$731,524 (\$6.01/Mcfe) from \$355,741 (\$3.88/Mcfe) in the comparative period. The increase resulted from drilling costs associated with, and production from, the wells drilled by Caza during 2008.

Costs of acquiring unproved properties of \$10,927,505 were excluded from depletable costs in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 16. A proportionate amount of the carrying value will be transferred to the depletable pool as reserves are proven up through the execution of Caza's exploration program.

General and Administrative Expenses

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
General and administrative (\$)	1,182,202	1,451,564	2,239,805	2,712,934
Joint venture partner reimbursements (\$)	(575,823)	-	(575,823)	-
General and administrative recovery (\$)	(29,609)	(73,945)	(47,050)	(117,064)
Net general and administrative (\$)	576,770	1,377,619	1,616,932	2,595,870
General and administrative (\$/Mcf)	9.70	15.87	9.53	15.22
Net general and administrative (\$/Mcf)	4.74	15.06	6.88	14.56

Net general and administrative expenses were \$576,770 for the three-month period ended June 30, 2009 and \$1,377,619 for the comparative period. Stock-based compensation expense in the amount of \$132,915 is included in general and administrative expenses for the three-month period ended June 30, 2009 (\$67,639 in 2008). During the three-month period ended June 30, 2009, Caza capitalized general and administrative expenses relating to exploration and development activities of \$170,292, of which \$61,041 related to capitalized stock-based compensation. Under certain joint venture agreements Caza receives reimbursements of general and administrative expenses.

Net loss

Caza incurred a net loss of \$982,247 for the three-month period ended June 30, 2009 compared to a net loss of \$536,701 during the comparative period. The increase in net loss from the comparative period occurred as a result of significant reductions in commodity prices and the recognition of future income tax recovery in the second quarter of 2008. The net loss in the quarter was mitigated through reductions in general and administrative expenses.

Investments

Interest income for the three-month period ended June 30, 2009 was \$740 down from \$33,461 during the same period in 2008. Caza invested its cash in short-term money market funds. The Company does not hold any asset backed commercial paper.

Funds flow from (used in) operations (Non-GAAP)

The following is a reconciliation of funds flow used in operations to net loss:

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Net loss	(982,247)	(536,701)	(2,318,127)	(1,172,386)
Depletion, depreciation, amortization and accretion	731,524	355,741	1,404,793	678,242
Stock-based compensation	132,915	67,639	272,649	252,227
Asset retirement obligations settled	-	-	-	(9,767)
Future income tax expense (recovery)	-	(213,529)	-	(424,478)
Funds flow from (used in) operations	(117,808)	(326,850)	(640,685)	(676,162)
Funds loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

Capital Expenditures

By Type (\$)	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Drilling and completions	74,493	2,535,064	230,158	5,556,436
Seismic	(275,500)	16,314	19,427	166,314
Facilities and lease equipment	120,021	434,314	202,151	1,375,045
Office furnishings and equipment	-	60,124	-	100,156
Leasehold /geological /geophysical	(50,563)	40,688	636,648	178,443
Other costs (recovery)	(70,590)	150,638	24,582	13,914
Total	(202,139)	3,237,142	1,112,966	7,390,308

During the three month period ended June 30, 2009 Caza initiated the 2009 drilling schedule with the Lucky Penny 10 State #1 well located in Lea County, New Mexico. Caza plans to drill sequentially 4 Abo-Wolfcamp wells in 2009. During the three month period ended June 30, 2009, the Company received payments for prior period costs incurred as a result of new joint exploration agreements. This resulted in a decrease to capitalized lease acquisition costs of \$556,589 and payments for seismic reprocessing costs previously incurred of \$435,500. In addition, the Company increased its working interests in certain oil and gas properties in consideration for the settlement of certain joint venture accounts receivable due to the Company.

Outstanding Share Data

Caza is authorized to issue an unlimited number of common shares without par value, of which 119,319,000 common shares are currently issued and outstanding. An additional 26,502,000 common shares are issuable pursuant to certain exchange rights attached to certain outstanding common shares of Caza Petroleum (as defined herein).

The following table sets forth the classes and number of outstanding securities of the Company and the number of issued and issuable Common Shares on a fully diluted basis. See note 5 to the interim financial statements.

	Issued and Issuable Securities
Common Shares	
Issued and outstanding	119,319,000
Issuable from exchangeable shares	26,502,000
Issuable from exercise of warrants	19,800,000
Issuable from exercise of broker warrants	700,000
Issuable from exercise of stock options	<u>6,585,000</u>
Total Common Shares issued and issuable	<u>172,906,000</u>
Warrants Issued	
Warrants to purchase common shares	19,800,000
Broker warrants	<u>700,000</u>
Total warrants	<u>20,500,000</u>
Stock Options Issued	
Total stock options outstanding	<u>6,585,000</u>

Commitments

The following is a summary of the estimated amounts required to fulfill Caza's remaining contractual commitments as at June 30, 2009:

Type of Obligation (\$)	Total	<1 Year	1-3 Years	4-5 Years	Thereafter
Operating leases	110,336	110,336	-	-	-
Asset retirement obligations	767,972	11,714	94,195	90,973	571,090
Total contractual commitments	878,308	122,050	94,195	90,973	571,090

Liquidity and Capital Resources

At June 30, 2009, Caza had a working capital surplus of \$9,058,397 (December 31, 2008 \$10,812,048). The decrease in working capital of \$1,753,651 for the six month period was a result of a net funds outflow from operations of \$640,685 and capital expenditures of \$1,112,966. During the quarter ended June 30, 2009 the Company's cash position increased to \$11,215,814 from \$9,765,472 at March 31, 2009. This was a result of joint venture partner lease acquisition reimbursements of \$992,089, a net inflow of working capital of \$944,024 which was offset by a net use of funds in operations of \$117,808 and by exploration and leasehold expenditures of \$367,963. Caza had no bank credit facilities drawn or in place.

On April 8, 2009, the Company entered into a participation agreement with Endeavour Operating Corporation to participate in a jointly established exploration and development program in the United States. The exploration program will primarily focus on Caza's existing onshore acreage position and portfolio of identified opportunities throughout Texas, Louisiana and New Mexico. Under the terms of the Agreement, Endeavour has the right to participate in assets presented to it in its sole discretion. With respect to those assets in which Endeavour elects to participate, Endeavour will fund the acquisition, exploration and appraisal activity costs attributable to Caza's interest in such assets. In consideration for these payments, Endeavour will earn a 75% participating interest in any interest then owned by Caza in any particular asset in which Endeavour elects to participate. The term of the Agreement will run for two years. Endeavour has also agreed to pay a program fee of US\$3 million per annum to be paid monthly. However, either party may terminate the Agreement as of the end of each anniversary period by giving 60 days prior written notice. If neither party terminates the Agreement, it shall automatically renew for subsequent one-year periods.

Caza will typically use four sources of funding to finance its capital expenditure program: internally generated cash flow from operations, proceeds from the sale of properties, bank debt where appropriate and if available new equity issues.

The Company's investing activities in the quarter consisted primarily of expenditures on its capital program. As a result of the current international credit crisis, capital markets with respect to both equities and debt have tightened significantly. However, due to the \$21.4 million financing completed in June and July of 2008 and the joint venture with Endeavour Operating Corporation completed on April 8, 2009, management anticipates that the Company will have adequate liquidity to fund its operations and budgeted capital expenditures.

Caza and its subsidiary, Caza Petroleum, Inc. ("Caza Petroleum") may be considered to be "related parties" for the purposes of Multilateral Instrument 61-101 of the Canadian Securities Administrators. As a result, Caza or Caza Petroleum may therefore be required to obtain a formal valuation or disinterested shareholder approval before completing certain transactions with the other party.

Summary of Quarterly Results

	Three months ended June 30, 2009	Three months ended March 31, 2009	Three months ended December 31, 2008	Three months ended September 30, 2008
Petroleum and natural gas sales	561,083	553,916	650,186	905,055
Net income (loss)	(982,247)	(1,335,880)	(1,749,825)	(2,164,475)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Funds flow from operations (non-GAAP) ⁽¹⁾	(117,808)	(522,877)	(1,046,915)	(841,092)
Per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)
Net capital expenditures (recovery)	(202,139)	1,315,105	3,851,867	6,691,112
Average daily production (mcf/d)	1,338	1,258	1,130	994
Weighted average shares outstanding	145,821,000	145,821,000	145,821,000	145,675,139

	Three months ended June 30, 2008	Three months ended March 31, 2008	Three months ended December 31, 2007	Three months ended September 30, 2007
Petroleum and natural gas sales	1,067,364	729,284	600,431	272,543
Net income (loss)	(536,701)	(635,685)	(554,402)	(673,096)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Funds flow from(used in) operations (non-GAAP) ⁽¹⁾	(326,850)	(349,312)	(427,152)	(808,214)
Per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)
Net capital expenditures	3,237,140	4,153,166	3,047,631	3,730,017
Average daily production (mcf/d)	1,005	957	1,019	489
Weighted average shares outstanding	97,723,874	95,821,000	80,782,196	73,336,717

(1) Calculated based on cash flow from operating activities before changes in non-cash working capital.

Factors that have caused variations over the quarters:

- In 2008 and 2009, Caza purchased a 50% participation right in approximately 7,082 gross acres in three separate properties located in Lea County New Mexico. Caza refers to the three properties as Moore Cap (4,002 gross acres), Bada-Bing (2,760 gross acres) and Bada Bing North (320 gross acres). Caza also purchased a 75% participation right in approximately 1120 gross acres in Chaves County, New Mexico. Caza refers to this property as Round Tank.
- On April 8, 2009, the Company completed a participation agreement with Endeavour Operating Corporation to participate in a jointly established exploration and development program in the United States.
- The Company drilled 16 gross (6.15 net) wells in Texas, New Mexico and Louisiana during 2007 and 2008 of which 13 gross (4.33 net) wells were completed. One well is waiting further completion operations pending the drilling of an appraisal well.
- In two separate transactions during the first quarter of 2008, Caza purchased the participation rights of third parties who had the option to participate for 25% of Caza's potential working interest in all projects located under certain Transition Zone seismic data volumes covering approximately 2,300 square miles located in South Louisiana and the Texas Gulf Coast Regions. As a result of the transactions, Caza increased its potential working interest and has a controlling interest in projects derived from these data volumes.

Financial Instruments

For a discussion about financial instruments, please refer to the corresponding June 30, 2009 consolidated interim financial statements and our Management's Discussion and Analysis for the year ended December 31, 2008 available at www.sedar.com.

Critical Accounting Estimates

Certain of our accounting policies require that we make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those accounting policies, please refer to our annual management's discussion and analysis and Note 2 of the corresponding audited consolidated financial statements for the year ended December 31, 2008 available at www.sedar.com.

Recent Accounting Pronouncements

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that effective January 1, 2011, Canadian GAAP for publicly accountable entities will be replaced in full with International Financial Reporting Standards (IFRS) as promulgated by the International AcSB. Management is currently assessing the impact of adopting IFRS and is developing a plan to achieve convergence to IFRS by January 1, 2011. Based on management's initial assessments, the Company has identified that the accounting and disclosure of capital assets are the areas that will have the greatest potential impact upon conversion.

In January 2009, the AcSB issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

In January 2009, the AcSB issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. Management is currently assessing the impact of the adoption of this section on the results of operations, financial position and disclosures.

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, *Financial Instruments — Disclosures*. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in IFRS. The Company will include these additional disclosures in its annual consolidated financial statements for the year ending December 31, 2009.

Risks and Uncertainties

For a discussion about risk and uncertainties, please refer to our Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2008 available at www.sedar.com.

Internal Control Over Financial Reporting

There was no change to Caza's internal control over financial reporting during the period from January 1, 2009 to June 30, 2009 that materially affected, or is reasonably likely to materially affect, Casa's internal control over financial reporting.