

**November 5, 2009**

**Caza Oil & Gas Announces Third Quarter Results**

HOUSTON, TEXAS--(Marketwire - Nov. 5, 2009) - Caza Oil & Gas, Inc. ("Caza" or the "Company") (TSX:CAZ)([AIM:CAZA](#)) is pleased to provide unaudited financial and operational results for the three month period ended September 30, 2009.

Operational highlights for the quarter include:

- Lucky Penny 10 State #1 and Moore Bailout 11 State #1 wells placed on production in New Mexico;
- Drilling operations in New Mexico continue at the Bada Bing 23 State #1; scheduled to be followed by drilling of the Moore Cowbell 27 State #1;
- Caza continues to increase its acreage position in the Abo-Wolfcamp play in New Mexico;
- Caza's production was 116,016 Mcfe for the period, up 27% from 91,463 Mcfe for the comparative period in 2008.

Financial highlights for the quarter include:

- Caza had a positive funds flow from operations for the period of \$157,545 as compared to \$117,808 funds flow used in operations in the 2nd quarter 2009 and \$841,092 funds flow used for the same period in 2008;
- G&A expenses for the period were \$267,295, down from \$1,857,337 for the comparative period in 2008, due to reductions in G&A expenses and reimbursements from joint venture partners;
- Caza maintained a cash balance of \$11.1 million for the period, relatively unchanged from the previous quarter (\$11.2 million) despite drilling and leasing activity.

W. Michael Ford, Chief Executive Officer commented:

"We have been active during the quarter acquiring acreage and drilling along with our partners Endeavour International and Wise Oil & Gas. The Endeavour farmout de-risked and accelerated our drilling activities, which provides Caza opportunities for growth in both production and reserves. Additionally, Caza has maintained its strong cash position and posted positive funds flow from operations for the quarter."

Copies of the Company's unaudited financial statements for the third quarter ended September 30, 2009, and the accompanying management's discussion and analysis are available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.cazapetro.com](http://www.cazapetro.com).

In accordance with AIM Rules - Guidance Note for Mining, Oil and Gas Companies, the information contained in this announcement has been reviewed and approved by Anthony B. Sam, Vice President Operations of Caza who is a Petroleum Engineer and a member of The Society of Petroleum Engineers.

**ADVISORY REGARDING FORWARD LOOKING STATEMENTS**

Information in this news release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws. Such

information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "schedule", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information regarding the Endeavour farmout agreement contained in this news release constitutes forward-looking information within the meaning of securities laws.

Implicit in this information, particularly in respect of "joint ventures", "Endeavour farmout", "operations" and "leasing and drilling activity" are assumptions regarding projected revenue and expenses. Specifically, the Company has assumed that these agreements and/or activities will produce positive results. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company are subject to a number of risks and uncertainties, including general economic, market and business conditions and could differ materially from what is currently expected as set out above.

For more exhaustive information on these risks and uncertainties you should refer to the Company's most recently filed annual information form which is available at [www.sedar.com](http://www.sedar.com). You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.

Mcfe may be misleading, particularly if used in isolation. An Mcfe conversion ratio of 1 bbl:6 Mcf 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.

## 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 nine month periods ended September 30, 2009, the audited consolidated financial statements and MD&A for the year ended December 31, 2008 and the corresponding Annual Information Form. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://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 November 5, 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

ended	Three months ended		Nine months
September 30,	September 30,		
2008	2009	2008	2009
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Natural gas			
Production (Mcf)	92,429	83,727	263,034
257,655			
Revenue (\$)	297,718	772,393	934,274
2,483,020			
Price (\$/Mcf)	3.22	9.23	3.55
9.64			
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Natural gas liquids			
Production (bbls)	248	884	1,011
1,361			
Revenue (\$/bbl)	16,227	85,583	45,039
136,554			
Price (\$/bbl)	65.38	96.78	44.53
100.34			
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Oil Production			
Production (bbls)	3,682	405	13,655
702			
Revenue (\$/bbl)	239,848	47,079	689,479
82,129			
Price (\$/bbl)	65.13	116.22	50.49
116.94			
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Combined			

Production (Mcf)	116,013	91,463	351,032
270,033			
Revenue (\$)	553,793	905,055	1,668,792
2,701,703			
Price (\$/Mcf)	4.77	9.90	4.74
10.01			

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Mcf/d	1,261	994	1,286
989			

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Boe/d	210	166	214
165			

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Revenues from oil and gas sales decreased 39% to \$553,793 for the three-month period ended September 30, 2009 from \$905,055 for the three-month period ended September 30, 2008 (the "comparative period") and were 38% lower than the nine-month period ended September 30, 2008. Caza's production increased 27% to 116,016 Mcfe for the three-month period ended September 30, 2009, up from 91,463 Mcfe for the comparative period. This represents an average daily production rate increase of 267 Mcfe/d for the three months ended September 30, 2009 to 1,261 Mcfe/d, as compared to 994 Mcfe/d for the comparative period. The average natural gas price received by Caza decreased 52% to \$4.77 per Mcfe during the three-month period ended September 30, 2009 from \$9.90 per Mcfe during the comparative period. The decrease in revenues from the third 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:

ended	Three months ended		Nine months	
	September 30,			
September 30, (on a Mcfe basis) 2008	2009	2008	2009	
Oil and natural gas revenue	\$ 4.77	\$ 9.90	\$ 4.75	\$
10.01				
Production expense (0.74)	(1.36)	(0.77)	(1.33)	
Severance expense (0.71)	(0.35)	(0.73)	(0.34)	

Transportation expense (0.14)	(0.18)	(0.17)	(0.13)
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Operating netback (non-GAAP) 8.42	2.88	8.23	2.95

#### Production Expenses

ended	Three months ended		Nine months
September 30,	September 30,		2009
2008	2009	2008	2009
-----			
Severance (\$) 190,857	40,867	67,074	119,433
Transportation (\$) 37,672	21,079	15,489	45,863
Production (\$) 199,764	157,763	70,766	467,950
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Severance, transportation and production (\$) 428,293	219,709	153,329	633,246
Severance, transportation and production (\$/Mcf) 1.59	1.89	1.68	1.80
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Severance taxes and transportation expenses totaled \$61,946 (\$0.53/Mcfe) for the three-month period ended September 30, 2009, representing a decrease of 25% from \$82,563 (\$0.90/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 52% decrease in the average commodity price received by Caza during the third quarter of 2009.

Production expenses for the three-month period ended September 30, 2009 was \$157,763 compared to \$70,766 for the comparative period. Caza's average lifting cost for the three-month period ended September 30, 2009 was \$1.36 per Mcfe versus \$0.77 per Mcfe for the comparative period. This increase in lifting costs occurred as a result of the natural decline in production of certain wells and the bringing on of new wells which currently have higher lifting costs than our historical average.

#### Depletion, Depreciation and Accretion

ended	Three months ended		Nine months
September 30,	September 30,		
2008	2009	2008	2009
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Depletion and depreciation (\$) 991,152	614,251	320,042	2,006,738
Accretion (\$) 10,698	6,154	3,566	18,461
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Depletion, depletion and accretion (\$) 1,001,850	620,405	323,608	2,025,199
Depletion, depletion and accretion (\$/Mcf) 3.71	5.35	3.54	5.77
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Depletion, depreciation, amortization and accretion expense for the three months ended September 30, 2009 increased to \$620,405 (\$5.35/Mcfe) from \$323,608 (\$3.54/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 \$11,364,481 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 programs.

#### General and Administrative Expenses

ended	Three months ended		Nine months
September 30,	September 30,		
2008	2009	2008	2009
-----			
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General and administrative (\$) 4,606,074	938,483	1,889,194	3,179,031
Joint venture partner reimbursements (\$) -	(608,854)	-	(1,184,676)
General and administrative			

recovery (\$) (148,921)	(62,334)	(31,857)	(109,384)
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Net general and administrative (\$) 4,457,153	267,295	1,857,337	1,884,971
General and administrative (\$/Mcfe) 17.08	8.09	20.66	9.05
Net general and administrative (\$/Mcfe) 16.52	2.30	20.31	5.37
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Net general and administrative expenses were \$267,291 for the three-month period ended September 30, 2009 and \$1,857,337 for the comparative period. Stock-based compensation expense in the amount of \$114,229 is included in general and administrative expenses for the three-month period ended September 30, 2009 (\$149,215 in 2008). During the three-month period ended September 30, 2009, Caza capitalized general and administrative expenses relating to exploration and development activities of \$58,887, of which \$39,422 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 \$553,423 for the three-month period ended September 30, 2009 compared to a net loss of \$2,164,475 during the comparative period. The decrease in net loss from the comparative period occurred as a result of significant reductions in general and administrative expenses, reimbursements from joint venture partners and the de-recognition of future income tax assets in the second quarter of 2008.

#### Investments

Interest income for the three-month period ended September 30, 2009 was \$193 down from \$132,295 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:

The Company had a funds flow from operations for the three month period ended September 30, 2009 of \$157,545 as compared to a funds flow used in operations for the three month period ended September 30, 2008 of \$841,092.

	Three months ended		Nine months
ended	September 30,		
September 30,	2009	2008	2009
2008			

Net loss (3,336,861)	(553,423)	(2,164,475)	(2,871,550)
Depletion, depreciation, amortization and accretion 1,001,850	620,405	323,608	2,025,199
Stock-based compensation 401,441	90,563	149,215	363,212
Asset retirement obligations settled (9,767)	-	-	-
Future income tax expense (recovery) 426,082	-	850,560	-

Funds flow from (used in) operations (1,517,255)	157,545	(841,092)	(483,139)
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Funds loss per share - basic and diluted (0.01)	0.00	(0.01)	(0.00)
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#### Capital Expenditures

ended	Three months ended		Nine months
September 30, By Type (\$) 2008	September 30,		2009
	2009	2008	
Drilling and completions 9,840,167	(79,393)	4,283,732	150,765
Seismic 166,314	-	-	19,427
Facilities and lease equipment 1,438,223	28,616	175,690	230,765
Office furnishings and equipment 121,969	7,464	47,761	7,464
Leasehold/geological /geophysical 1,955,737	286,301	1,664,782	922,950

Other costs (recovery)	118,323	519,147	142,907
559,009			
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Total	361,311	6,691,112	1,474,278
14,081,419			

During the nine month period ended September 30, 2009 Caza initiated the 2009 drilling schedule with the Lucky Penny 10 State #1 and the Moore Bailout 11 State #1 wells located in Lea County, New Mexico. Caza plans to drill sequentially 4 Abo-Wolfcamp wells in 2009. During the nine month period ended September 30, 2009, as a result of joint venture agreements the Company received payments for prior period costs of \$556,589 of lease acquisition costs and seismic reprocessing costs 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.

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 corresponding 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	6,118,334
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Total Common Shares issued and issuable	172,439,334
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Warrants Issued	
Warrants to purchase common shares	19,800,000
Broker warrants	700,000
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Total warrants	20,500,000
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Stock Options Issued	
Total stock options outstanding	6,118,334
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## Commitments

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

Type of Obligation (\$) Thereafter	Total	less than 1 Year	1-3 Years	4-5 Years
Operating leases	48,674	48,674	-	-
Asset obligations retirement	571,090	11,714	105,909	79,259
Total commitments contractual	571,090	60,388	105,909	79,259

## Liquidity and Capital Resources

At September 30, 2009, Caza had a working capital surplus of \$8,854,631 (December 31, 2008 \$10,812,048). The decrease in working capital of \$1,957,416 for the nine month period was a result of a net funds outflow from operations of \$483,139 and capital expenditures of \$1,474,278. During the quarter ended September 30, 2009 the Company's cash position decreased to \$11,116,454 from \$14,103,827 at December 31, 2008. This was a result of joint venture partner lease acquisition reimbursements of \$992,089 offset by a net outflow of working capital of \$1,029,956 which was accompanied by a net use of funds in operations of \$483,139 and by exploration and leasehold expenditures of \$2,466,367. 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 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

months ended December 31, 2008	Three months ended September 30, 2009	Three months ended June 30, 2009	Three months ended March 31, 2009
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Petroleum and natural gas sales 650,186	553,793	561,083	553,916
Net income (loss) (1,749,825)	(553,423)	(982,247)	(1,335,880)
Per share			
- basic and diluted (0.01)	(0.00)	(0.01)	(0.01)
Funds flow from operations (non-GAAP) (1) (1,046,915)	157,545	(117,808)	(522,877)
Per share			
- basic and diluted (0.00)	0.00	(0.00)	(0.00)
Net capital expenditures (recovery) 3,851,867	(361,311)	(202,139)	1,315,105
Average daily production (mcf/d) 1,130	1,261	1,338	1,258
Weighted average shares			

outstanding 145,821,000	145,821,000	145,821,000	145,821,000
months ended December 31, 2007	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended March 31, 2008

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Petroleum and natural gas sales 600,431	905,055	1,067,364	729,284
Net income (loss) (554,402)	(2,164,475)	(536,701)	(635,685)
Per share			
- basic and diluted (0.01)	(0.01)	(0.01)	(0.01)
Funds flow from (used in) operations (non-GAAP) (1) (427,152)	(841,092)	(326,850)	(349,312)
Per share			
- basic and diluted (0.01)	(0.01)	(0.00)	(0.00)
Net capital expenditures 3,047,631	6,691,112	3,237,140	4,153,166
Average daily production (mcfe/d) 1,019	994	1,005	957
Weighted average shares outstanding 80,782,196	145,675,139	97,723,874	95,821,000

(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 2009 Caza acquired all of the working interest of Probe Resources, Inc. in the Safari Project located in Wharton County, Texas. The acquisition dated April 1, 2009, included among other lease hold Probe's 19.2% working interest in the Andel #2201 well, 18.36% working interest in the Hinton #1501 well, 18.36% working interest in the Rachunek #201 well and 19.2% working interest in the Gavranovic #701 well. All four wells are operated by Caza.

- In 2009 the Company drilled 2 gross (0.25 net) wells in Lea County New Mexico. The two wells are the Lucky Penny 10 State #1 and the Moore Bailout 11 State #1, both wells are currently undergoing completion operations.

- 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.

#### Financial Instruments

For a discussion about financial instruments, please refer to the corresponding September 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](http://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](http://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 February 2008, the AcSB issued Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for recognizing assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard was adopted on January 1, 2009 and did not have a material impact on our results of operations or financial position.

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 does not expect the adoption of this section to have a material impact on the results of operations or financial position.

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 does not expect the adoption of this section to have a material impact on the results of operations or financial position.

#### 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](http://www.sedar.com).

#### Internal Control Over Financial Reporting

There was no change to Caza's internal control over financial reporting during the nine month period ended September 30, 2009 that would materially affect, or is reasonably likely to materially affect, Casa's internal control over financial reporting.

Caza Oil & Gas, Inc.  
Consolidated Balance Sheets  
(Unaudited)

December 31, (In United States dollars) 2008	September 30, 2009	
-----		
Assets		
Current		
Cash and cash equivalents	\$ 11,116,454	\$
14,103,827		
Accounts receivable	2,173,605	
3,346,720		
Prepaid and other	47,562	
215,301		
	-----	
	13,337,621	
17,665,848		
Property and equipment (Note 3)	36,684,362	
37,112,470		
	-----	
	\$ 50,021,983	\$
54,778,318		

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Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 4,482,990		\$
6,853,800			
Asset retirement obligations (Note 4)	526,929		
493,919			
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	5,009,919		
7,347,719			
-----	-----		
Shareholders' Equity			
Share capital (Note 5(b))	51,481,597		
51,481,597			
Contributed surplus (Note 5(f))	4,670,150		
4,217,135			
Deficit	(11,139,683)		
(8,268,133)			
-----	-----		
	45,012,064		
47,430,599			
-----	-----		
	\$ 50,021,983		\$
54,778,318			
-----	-----		

See accompanying notes to the interim consolidated financial statements

Caza Oil & Gas, Inc.  
Consolidated Statements of Net Loss, Comprehensive Loss, and Deficit  
(Unaudited)

	Three months ended		Nine months
ended			
	September 30,		
September 30,			
(In United States dollars)	2009	2008	2009
2008			

-----  
 -----  
 Revenue  
 Petroleum and  
 natural gas           \$    553,793   \$    905,055   \$  1,668,792   \$  
 2,701,703  
 Interest income  
 and other income                   193           132,295           3,074  
 277,208

-----  
   553,986           1,037,350           1,671,866  
 2,978,911

-----  
 Expenses  
 Production                   219,709           153,329           633,246  
 428,293  
 General and  
 administrative               267,295           1,857,337           1,884,971  
 4,457,153  
 Depletion,  
 depreciation,  
 amortization  
 and accretion               620,405           323,608           2,025,199  
 1,001,850

-----  
   1,107,409           2,334,274           4,543,416  
 5,887,296

-----  
 Loss before income  
 taxes                               (553,423)   (1,296,924)   (2,871,550)  
 (2,908,385)

Income taxes  
 Current income taxes               -           16,991           -  
 2,394  
 Future income tax  
 recovery                           -           850,560           -  
 426,082

-----  
   -           867,551           -  
 428,476

-----  
 Net loss and

comprehensive loss	(553,423)	(2,164,475)	(2,871,550)
(3,336,861)			

Deficit, Beginning of Period	(10,586,260)	(4,353,826)	(8,268,133)
(3,181,440)			

-----

Deficit, End of Period	\$ (11,139,683)	\$ (6,518,301)	\$ (11,139,683)
\$ (6,518,301)			

-----

-----

Loss per share basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)
(0.03)			

-----

-----

Weighted average shares outstanding basic and diluted(1)	145,821,000	145,675,139	145,821,000
113,192,322			

-----

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

See accompanying notes to the interim consolidated financial statements

Caza Oil & Gas, Inc.  
Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended		Nine months
ended			
	September 30,		
September 30,			
(In United States dollars)	2009	2008	2009
2008			

-----  
----  
CASH FLOWS RELATED TO  
THE FOLLOWING ACTIVITIES:

OPERATING			
Net loss	(553,423)	(2,164,475)	(2,871,550)
(3,336,681)			
Adjustments for items not affecting cash:			
Depletion, depreciation, amortization and accretion	620,405	323,608	2,025,199
1,001,850			
Stock-based compensation	90,563	149,215	363,212
401,441			
Future income tax expense (recovery)	-	850,560	-
(426,082)			
Asset retirement obligations settled	-	-	-
(9,767)			
Changes in non-cash working capital (Note 8(a))	(232,037)	1,529,745	(2,928,631)
1,232,985			

-----

Cash flows from (used in) operating activities	(74,492)	688,653	(3,411,770)
(284,270)			

-----

FINANCING			
Proceeds from issuance of shares, net of issue costs	-	3,084,668	-
21,386,409			
Changes in non-cash working capital (Note 8(a))	-	-	-
(650,899)			

-----  
Cash flows from  
financing

activities	-	3,084,668	-
20,735,510			
-----			
INVESTING			
Exploration and development expenditures	(775,835)	(6,643,351)	(2,458,903)
(13,959,449)			
Purchase of equipment	(7,464)	(47,761)	(7,464)
(121,970)			
Partner reimbursement	-	-	992,089
-			
Changes in non-cash working capital (Note 8(a))	758,431	(780,235)	1,898,675
(1,770,723)			
-----			
Cash flows used in investing activities	(24,868)	(7,471,347)	424,397
(15,852,142)			
-----			
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,360)	(3,698,026)	(2,987,373)
4,599,098			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,215,814	21,491,713	14,103,827
13,194,589			
-----			
CASH AND CASH EQUIVALENTS, END OF PERIOD	11,116,454	17,793,687	11,116,454
17,793,687			
-----			
-----			

## 1. Basis of Presentation

Caza Oil & Gas, Inc. ("Caza" or the "Company") was incorporated under the laws of British Columbia on June 9, 2006 for the purposes of acquiring shares of Caza Petroleum, Inc.

("Caza Petroleum"). The Company and its subsidiaries are engaged in the exploration for and the development, production and acquisition of, petroleum and natural gas reserves.

The interim unaudited consolidated financial statements of Caza have been prepared by management, in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality. These interim consolidated financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008. The interim consolidated financial statements have been prepared following the same significant accounting policies as the most recently reported audited consolidated financial statements of Caza except as disclosed in Note 2.

Caza's reporting currency is the United States ("US") dollar as the majority of its transactions are denominated in that currency.

## 2. Changes in Significant Accounting Policies

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after January 1, 2009.

(a) The Company adopted Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for recognizing assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The adoption of this section did not have a material impact on the results of operations or financial position.

(b) On January 20, 2009 the Emerging Issues Committee ("EIC") issued a new abstract EIC 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not have a significant impact on the Company's financial statements.

(c) In February 2008, the AcSB confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the results of operations, financial position and disclosures.

(d) 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.



properties and equipment \$36,649,251	\$39,330,883	\$2,681,632	
Office equipment and furniture 463,219	\$ 718,523	\$ 255,304	\$
-----			
	\$40,049,406	\$2,936,936	
\$37,112,470			
-----			

At September 30, 2009 the cost of petroleum and natural gas properties includes \$11,364,481 (December 31, 2008 - \$10,778,079) relating to unproven properties which have been excluded from costs subject to depletion and depreciation. No events or circumstances suggest that the undeveloped properties, and all associated costs are impaired at September 30, 2009. Future development costs of proved undeveloped reserves of \$4,366,750 were included in the depletion calculation at September 30, 2009 and \$11,224,800 was included in the depletion calculation at December 31, 2008.

During the nine month period ended September 30, 2009 the Company received reimbursements of prior period costs as a result of joint exploration agreements with other companies. This resulted in a decrease of \$992,089 to the petroleum and natural gas properties and equipment. In addition the Company increased its working interest in certain oil and gas properties in consideration for the settlement of certain accounts receivable of the Company.

During the three and nine month periods ended September 30, 2009 the Company capitalized general and administrative expenses of \$58,887 and \$481,492 respectively (three and nine month periods ended September 30, 2008 - \$305,469 and \$909,416) directly relating to exploration and development activities of which \$39,422 and \$154,687 related to stock based compensation for the period ended September 30, 2009 (2008 - \$49,276 and \$166,865 respectively).

#### 4. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

December	September	
2008	30, 2009	31,
	-----	
Asset retirement obligation, beginning of period	\$ 493,919	\$
286,019		
Obligations incurred	14,549	
203,405		
Accretion expense	18,461	
14,262		

Obligations settled (9,767)		-	
		-----	
Asset retirement obligation, end of period 493,919		\$ 526,929	\$
		-----	

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated as at September 30, 2009 to be \$767,972 (December 31, 2008 - \$740,472). The obligation was calculated using a credit-adjusted risk free discount rate of 6 percent and an inflation rate of 3 percent.

## 5. Share Capital

### (a) Authorized

Unlimited number of voting common shares.

### (b) Issued

Ended	Nine months Ended		Year
	September 30, 2009		December
31,2008	Shares	Amounts	Shares
Amounts			
Opening balance common shares \$25,037,117	119,319,000	\$46,423,526	69,319,000
Private placement 21,386,409	-	-	50,000,000
	-----		
Balance end of period \$46,423,526	119,319,000	\$46,423,526	119,319,000
	-----		
Opening and ending exchangeable rights 918,571	26,502,000	918,571	26,502,000
	-----		
Opening balance warrants 4,855,100	20,500,000	4,139,500	25,100,000
Expired broker warrants			

March 22, 2008 (285,600)	-	-	(2,400,000)
Surrendered warrants May 21, 2008 (430,000)	-	-	(2,200,000)
-----			
Balance end of period(i) 4,139,500	20,500,000	4,139,500	20,500,000
-----			
		\$51,481,597	
\$51,481,597			
-----			

(i) The weighted average life of the warrants is 0.98 years (December 2008 - 1.73 years) and the weighted average exercise price is \$0.99 (December 2008 - \$0.99).

### (c) Warrants

The following table summarizes the warrants outstanding as at September 30, 2009.

Number Exercisable	Remaining				
	Number Outstanding	Exercise Price	Contractual Life	Date of Expiry	30,
September Date of Grant 2009					
September 22, 16,731,000 2006	16,731,000	1.00	0.98	September 22, 2010	
November 20, 2,535,500 2006	2,535,500	1.00	1.14	November 20, 2010	
January 17, 533,500 2007	533,500	1.00	1.20	December 12, 2010	
December 12, 700,000 2007	700,000	0.80	0.20	December 12, 2009	
-----					
	20,500,000				
20,500,000					

(d) Stock options

A summary of the Company's stock option plan as at September 30, 2009 and December 31, 2008 and changes during the respective periods ended on those dates is presented below.

	September 30, 2009		December 31, 2008	
Weighted average exercise price of Stock Options	Number of options	Weighted average exercise price	Number of options	
Beginning of period	6,585,000	\$ 0.61	6,605,000	\$ 0.62
Granted	-	-	980,000	
Forfeited	(466,667)	0.58	(1,000,000)	
End of period	6,118,334	\$ 0.61	6,585,000	\$ 0.61
Exercisable, end of period	4,025,000	\$ 0.56	2,876,667	\$ 0.58

Number Exercisable	Weighted Average		Remaining	
	Number	Exercise Price	Contractual Life	Date of Expiry
September 30, 2009	Outstanding	Price	Life	Date of Expiry

January 31, 2,691,667 2007	2,691,667	0.50	7.34	January 31, 2017
May 10, 2007 146,667	220,000	0.50	7.59	May 10, 2017
June 11, 2007 13,333	20,000	0.50	7.70	June 11, 2017
December 12, 846,667 2007	2,206,667	0.79	8.20	December 12, 2017
April 7, 2008 166,667	500,000	0.59	8.52	April 7, 2018
August 11, 2008 160,000	480,000	0.44	8.86	August 11, 2018
-----				
-----	6,118,334		7.88	
4,025,000				

(e) Escrowed securities

At September 30, 2009, no securities remained in escrow.

(f) Contributed surplus

The following table presents the changes in contributed surplus:

December 31, 2008	September 30, 2009	
-----		
Balance, beginning of period 2,787,434	\$ 4,217,135	\$
Expired broker warrants 285,600	-	
Surrendered warrants 430,000	-	
Stock based compensation (i) 714,101	453,015	
-----		
Balance, end of period 4,217,135	\$ 4,670,150	\$
-----		
-----		

(i) For the three and nine month periods ended September 30, 2009, \$90,563

and \$363,212 of stock based compensation expense was recognized in the statement of net loss (2008 - \$149,215 and \$401,441) and \$39,422 and \$154,686 was capitalized during the respective three and nine month periods (2008 - \$49,276 and \$166,865).

## 6. Related Party Transactions

The aggregate amount of expenditures made to related parties:

In February 2008, Caza Petroleum entered into a farm out agreement with Singular Oil & Gas Sands, LLC ("Singular") to participate in the drilling of the Jonell Cerny well in Wharton County, Texas. Under the terms of that agreement, Singular paid 13.33% of the drilling costs through completion of the Jonell Cerny well to earn a 10.00% interest in the property thereafter. This participation was in the normal course of Caza's business and on the same terms and conditions to those of other joint venture partners. Singular owes the Company \$14,760 in joint venture partner receivables as at September 30, 2009. Singular is a related party as it is a company under common control with Zoneplan Limited, which is a significant shareholder of Caza.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is comparable to those negotiated with third parties.

## 7. Commitments and Contingencies

As of September 30, 2009, the Company is committed under operating leases for its offices and corporate apartment. The Company is committed to the following aggregate minimum lease payments which are shown below:

2009 \$48,674

## 8. Supplementary Information

(a) net change in non-cash working capital

ended	Three months ended		Nine months
September 30,	September 30,		
2008	2009	2008	2009
-----			
----			
Provided by (used in)			
-----			
Accounts receivable	(426,274)	634,556	1,173,115
164,150			

Prepaid and other 248,411	88,310	88,463	167,739
Accounts payable and accrued liabilities (1,601,198)	864,358	26,481	(2,370,810)
	-----	-----	-----
	526,394	749,510	(1,029,956)
(1,188,637)			
	-----	-----	-----

Summary of changes			
Operating	(232,037)	1,529,745	(2,928,631)
1,232,985			
Financing	-	-	-
(650,899)			
Investing	758,431	(780,235)	1,898,675
(1,770,723)			
	-----	-----	-----
	526,394	749,510	(1,029,956)
(1,188,637)			
	-----	-----	-----

(b) supplementary cash flow information

ended September 30, 2008	Three months ended		Nine months
	September 30,		
	2009	2008	2009
	-----	-----	-----
Interest paid 10,144	4	6,198	749
Interest received 277,208	193	132,295	3,074
Taxes paid 16,046	-	12,891	-
	-----	-----	-----
	-----	-----	-----

(c) cash and cash equivalents

December 31, 2008	September 30, 2009
	-----
	-----

Cash on deposit	3,839,297
1,129,745	
Money market instruments	7,277,157
12,974,082	
-----	
Cash and cash equivalents	11,116,454
14,103,827	
-----	
-----	

The money market instruments bear interest at a rate of 0.01% as at September 30, 2009 (December 31, 2008 - 0.089%).

## 9. Capital Risk Management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as shareholders' equity (\$45,012,064, 2008 - \$47,430,599), working capital (\$8,854,632, 2008 - \$10,812,048) and credit facilities when available. Currently the Company does not have a credit facility in place. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate equity and working capital to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth.

## 10. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, credit, and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

### (a) Commodity Price Risk

The Company is subject to commodity price risk for the sale of oil and natural gas. The Company may enter into contracts for risk management purposes only, in order to protect a portion of its future cash flow from the volatility of oil, natural gas and natural gas liquids commodity prices. To date the Company has not entered into any forward commodity contracts.

### (b) Credit Risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. A majority of the Company's accounts receivable at the balance sheet date arise from oil, natural gas liquids and natural gas sales and the Company's accounts receivable that are with these customers and joint venture participants in the oil and natural gas industry. Industry standard dictates that commodity sales are settled on the 25th day of the month

following the month of production. The Company's natural gas and condensate production is sold to large marketing companies. Typically, the Company's maximum credit exposure to customers is revenue from two months of sales. During the period ended September 30, 2009, the Company sold 40.94% (September 30, 2008 - 91.69%) of its natural gas and condensates to a single purchaser. These sales were conducted on transaction terms that are typical for the sale of natural gas and condensates in the United States. In addition, when joint operations are conducted on behalf of a joint venture partner relating to capital expenditures, costs of such operations are paid for in advance to the Company by way of a cash call by the partner of the operation being conducted. The Company currently holds its cash and cash equivalent balances in a large national bank therefore management believes the credit risk on cash and cash equivalents are minimal.

Caza management assesses quarterly if there should be any impairment of the financial assets of the Company. At September 30, 2009, the Company had overdue accounts receivable from certain joint interest partners of \$19,995 which were outstanding for greater than 60 days and \$109,432 that were outstanding for greater than 90 days.

During the nine month period ended September 30, 2009, there was no impairment required on any of the financial assets of the Company. At September 30, 2009, the Company's two largest joint venture partners represented approximately 35% and 10% of the Company's receivable balance (December 31, 2008 21% and 15% respectively). The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of cash and cash equivalents, accounts receivable and deposits.

#### (c) Foreign Currency Exchange Risk

The Company is exposed to foreign currency exchange fluctuations, as certain general and administrative expenses are or will be denominated in Canadian dollars and United Kingdom pounds sterling. The Company's sales of oil and natural gas are all transacted in US dollars. At September 30, 2009, the Company considers this risk to be relatively limited and not material and therefore does not hedge its foreign exchange risk.

#### (d) Fair Value of Financial Instruments

The Company has determined that the fair values of the financial instruments consisting of cash and cash equivalents, accounts receivable and accounts payable are not materially different from the carrying values of such instruments reported on the balance sheet due to their short-term nature.

All financial assets except for cash and cash equivalents which are classified as held for trading, are classified as either loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There are no financial assets on the balance sheet that have been designated as held-for-trading or available-for-sale. There have been no changes to the aforementioned classifications in the nine month period ended September 30, 2009.

#### (e) Liquidity Risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or

- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines if any, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses. The financial liabilities as at September 30, 2009 that impact the Company's liquidity risk are accounts payable and accrued liabilities. The contractual maturity of these financial liabilities is generally the following sixty days from the receipt of the invoices for goods or services and can be up to the following next six months. Management believes that current working capital will be adequate to support these financial liabilities.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

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