

**May 14, 2009**

**Caza Oil & Gas, Inc.: ANNOUNCES FIRST QUARTER RESULTS**

HOUSTON, TEXAS—(Marketwire – May, 2009) – Caza Oil & Gas, Inc. (“Caza” or the “Company”) (TSX: CAZ) (AIM: CAZA) is pleased to provide its unaudited financial and operational results for the three months ended March 31, 2009.

**Highlights**

- Subsequent to the quarter end, Caza entered into a definitive participation agreement with Endeavour International Corporation (NYSE-Amex: END) (LSE: ENDV) (“Endeavour”) to participate in a jointly established exploration and development program in the United States. The exploration and development program will primarily focus on Caza’s existing onshore acreage position and portfolio of identified opportunities throughout Texas, Louisiana and New Mexico. 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 to earn 75% of Caza’s participating interest. In addition, Endeavour will pay a program fee of US\$3 million per annum to be paid monthly. The agreement will accelerate the development of Caza’s acreage while reducing Caza’s risk profile and represents a significant milestone for the Company. The full press release dated April 9, 2009, can be viewed on the Company website at [www.cazapetro.com](http://www.cazapetro.com).
- Effective March 1, 2009, Caza entered into an exploration agreement with Prolithic Energy Company, L.P. covering portions of Caza’s Las Animas property in Duval County, Texas, to jointly develop an area within the property. Among other things the exploration agreement names Caza as the operator of the property and gives each company the right to participate in an initial test well on a 50/50 basis.
- Caza’s production increased 30% to 113,233 Mcfe for the three-month period ended March 31, 2009, up from 87,052 Mcfe for the comparative period in 2008.
- General and administrative expenses were \$1,057,603 for the three-month period ended March 31, 2009 and \$1,263,945 for the comparative period in 2008. Decreased salaries, wages and consulting fees were primarily responsible for the savings in total general and administrative expense.
- Caza had a cash balance of \$9,765,472 as of March 31, 2009, and has no bank credit facilities drawn or in place. In 2009, Caza expects a recovery of capital of at least US\$2.6 million resulting from the program fee and reimbursement of leasehold costs under the Caza/Endeavour participation agreement.

**W. Michael Ford, Chief Executive Officer commented:**

“While global economic conditions continue to suppress oil and gas prices, I am pleased with the progress made by Caza since we last reported and believe that the Company is well positioned to continue the development of its properties. Our recent agreement with Endeavour, announced in early April, will allow us to accelerate our exploration activity while substantially lowering our financial commitment and

enabling us to focus our cash reserves on projects where the initial exploration risk has been greatly reduced. In addition we are beginning to see a reduction in drilling and contractor costs from the high levels of six to nine months ago, when the availability of equipment and personnel was a significant constraint.

The Endeavour agreement fits with Caza's current strategy to conserve capital, reduce single project exposure and increase the number of projects drilled in a given period. The program with Endeavour will start around May 20th with the back-to-back drilling of three exploration wells. The first three wells will be drilled in the Abo-Wolfcamp trend of the Permian basin in S.E. New Mexico. If successful, these wells may open up numerous development locations. In addition, we plan to drill up to six additional exploration wells this year under the program with Endeavour on prospects in Texas and New Mexico.

Over the first quarter of 2009, Caza started to benefit from reductions in overhead costs resulting from various initiatives introduced to cut general and administrative expenses. We will continue to strive to reduce costs. In addition the Endeavour agreement and the associated program fee will improve our cash flow position. As a result of these measures, Caza believes that its business fundamentals are sound with a positive cash position, no debt and a portfolio of prospects in proven oil and gas regions."

Copies of the Company's unaudited financial statements for the first quarter ended March 31, 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).

For further information please contact:

John McGoldrick, Executive Chairman, Caza Oil & Gas, Inc	+1 281 363 4442
Tim Feather/Richard Baty, Hanson Westhouse Limited	+44 (0)20 7601 6100

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

#### **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", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information regarding the Prolithic exploration agreement and the Endeavour participation agreement contained in this news release constitutes forward-looking information within the meaning of securities laws.

Implicit in this information, particularly in respect of the Prolithic exploration agreement and the Endeavour participation agreement are assumptions regarding projected revenue and expenses. Specifically, the Company has assumed that these agreements 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.

#### **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 month period ended March 31, 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](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 May 11, 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 discussion. 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 March 31, 2009	Three Months Ended March 31, 2008
Natural gas		
Production (Mcf)	73938	84855
Revenue (\$)	329459	692908
Price (\$/Mcf)	4.46	8.17
Natural gas liquids		
Production (bbls)	376	275
Revenue (\$)	15,627	26,976
Price (\$/bbl)	41.59	98.13
Light/medium crude oil		
Production (bbls)	6173	91
Revenue (\$)	208830	9400
Price (\$/bbl)	33.83	102.92
Combined		
Production (Mcf)	113233	87052
Revenue (\$)	553,916	729,284
Price (\$/Mcf)	4.89	8.38
Mcf/d	1258	957
Boe/d	210	159

Revenues from oil & gas sales decreased 24% to \$553,916 for the three-month period ended March 31, 2009 from \$729,284 for the three-month period ended March 31, 2008 (the “comparative period”). Caza production increased 30% to 113,233 Mcfe for the three-month period ended March 31, 2009 up from 87,052 Mcfe for the comparative period. This represents an average daily production rate increase of 301 Mcfe/d for the three months ended March 31, 2009 of 1,258 Mcfe/d as compared to 957 Mcfe/d for the comparative period. The average natural gas price received by Caza decreased 42% to \$4.89 per Mcfe during the three-month period ended March 31, 2009 from \$8.38 per Mcfe during the comparative period. The decrease in revenues from the first 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 March 31, 2009	Three Months Ended March 31, 2008	Year Ended December 31, 2008
Oil and natural gas revenue	<b>\$4.89</b>	\$8.41	\$8.96
Production expenses	<b>(1.14)</b>	(0.92)	(1.29)
Severance expenses	<b>(0.35)</b>	(0.59)	(0.63)
Transportation expenses	<b>(0.08)</b>	(0.12)	(0.14)
Operating netback (non-GAAP)	<b>\$3.32</b>	\$6.78	\$6.90

### Production Expenses

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Severance tax (\$)	<b>39818</b>	51164
Transportation (\$)	<b>9284</b>	10292
Production (\$)	<b>129218</b>	79431
Severance, transportation and production (\$)	<b>178320</b>	140887
Severance, transportation and production (\$/Mcfe)	<b>1.57</b>	1.63

Severance taxes and transportation expenses totaled \$49,102 (\$0.43/Mcfe) for the three-month period ended March 31, 2009, representing a decrease of 20% from \$61,456 (\$0.71/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 42% decrease in the average commodity price received by Caza during the first quarter of 2009.

Production expenses for the three-month period ended March 31, 2009 were \$129,218 compared to \$79,431 for the comparative period. Caza's average lifting cost for the three-month period ended March 31, 2009 was \$1.14 per Mcfe versus \$0.92 per Mcfe for the comparative period. This increase in lifting costs occurred as a result of increases of operating expenses on a few of Caza's wells.

### Depletion, Depreciation and Accretion

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Depletion and depreciation (\$)	<b>667116</b>	318936
Accretion (\$)	<b>6153</b>	3565
Depletion, depreciation and accretion (\$)	<b>673269</b>	322501
Depletion, depreciation and accretion (\$/Mcfe)	<b>5.95</b>	3.70

Depletion, depreciation, amortization and accretion expense for the first three months of 2009 increased to \$673,269 (\$5.95/Mcfe) from \$322,501 (\$3.70/Mcfe) in the comparative period. The increased expense resulted from drilling costs associated with, and production from, the wells drilled by Caza during 2008.

Costs of acquiring unproved properties of \$11,646,846 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

	<b>Three Months Ended March 31, 2009</b>	Three Months Ended March 31, 2008
General and administrative (\$)	<b>1057603</b>	1263945
General and administrative recovery (\$)	<b>(17441)</b>	(43118)
Net general and administrative (\$)	<b>1040162</b>	1220827
General and administrative (\$/Mcf)	<b>9.34</b>	14.57
Net general and administrative (\$/Mcf)	<b>9.19</b>	14.07

General and administrative expenses were \$1,057,603 for the three-month period ended March 31, 2009 and \$1,263,945 for the comparative period. Stock-based compensation expense in the amount of \$139,734 is included in general and administrative expenses for the three-month period ended March 31, 2009 (\$184,588 in 2008). Decreased salaries, wages and consulting fees were primarily responsible for the decrease in total general and administrative expenses. During the three-month period ended March 31, 2009, Caza capitalized general and administrative expenses relating to exploration and development activities of \$252,313, of which \$54,223 related to capitalized stock-based compensation.

#### Net loss

Caza incurred a net loss of \$1,335,880 for the first three months of 2009 compared to a net loss of \$635,685 during the comparative period. The increase in net loss from the comparative period occurred as a result of significant changes in commodity prices and the recognition of future income tax recovery in the first quarter of 2008.

#### Investments

Interest income for the three-month period ended March 31, 2009 was \$2,141 down from \$111,452 during the same period in 2008. Interest was earned on the proceeds from Caza's initial public offering, which was completed December 12, 2007 and from funds raised in the brokered private placement completed during June and July of 2008. Caza invested the proceeds from these financings 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.

	<b>Three Months Ended March 31, 2009</b>	Three Months Ended March 31, 2008
Net loss	<b>(1335880)</b>	(635685)
Depletion, depreciation, amortization and accretion	<b>673269</b>	322501
Stock-based compensation	<b>139734</b>	184588
Asset retirement obligations settled		(9767)
Future income tax expense (recovery)		(210949)
Funds flow used in operations	<b>(522877)</b>	(349312)

Funds flow loss per share – basic and diluted	<b>0.00</b>	0.00
---	-------------	------

### Capital Expenditures

<b>By Type (\$)</b>	<b>Three Months Ended March 31, 2009</b>	Three Months Ended March 31, 2008
Drilling and completions	<b>155665</b>	3117882
Seismic	<b>294927</b>	150000
Facilities and Lease Equipment	<b>82128</b>	940732
Office Furnishings & Equipment	-	14084
Leasehold Geological/Geophysical	<b>687212</b>	137754
Other Costs (Recovery)	<b>95172</b>	(207286)
<b>Total</b>	<b>1315104</b>	4153166

During 2008 and the first quarter of 2009, Caza drilled 12 gross wells (4.78 net) completed 11 (4.13 net) of the wells and one (0.65 net) dry hole with an overall success rate of 92%. Drilling activities were concentrated in the Wilcox 116 prospect located in Texas and the Lynch property located in New Mexico as well as the Eland and Puku prospects located in Wharton County, Texas. Caza also participated as a non-operated 50% interest in the drilling of the Glass Ranch prospect located in Upton County Texas.

### 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. The number of Caza Petroleum, Inc. shares that are currently exchangeable into shares of Caza Oil and Gas, Inc. is 26,502,000.

Holders of common shares are entitled to one vote per share on all matters voted on a poll by shareholders, and are entitled to receive dividends when and if declared by the board of directors out of funds legally available for the payment of dividends. Holders of common shares do not have any cumulative voting rights or preemptive rights to subscribe for any additional common shares.

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 financial statements.

<b>Common Shares</b>	<b>Issued and Issuable Securities</b>
Issued and outstanding	119319000
Issuable from exchangeable shares	26502000
Issuable from exercise of warrants	19800000
Issuable from exercise of broker warrants	700000
Issuable from exercise of stock options	<u>6585000</u>
<b>Total Common Shares issued and issuable</b>	<b><u>172906000</u></b>

**Warrants Issued**

Warrants to purchase common shares	19800000
Broker warrants	<u>700000</u>
Total warrants	20500000

**Stock Options Issued**

Total stock options outstanding	6585000
---------------------------------	---------

**Commitments**

The following is a summary of the estimated costs required to fulfill Caza's remaining contractual commitments as at March 31, 2008:

Type of Obligation (\$)	Total	<1 Year	1-3 Years	4-5 Years	Thereafter
	171998	171998			
Operating leases			-	-	-
	740472	11714	94195		
Asset retirement obligations				103,073	531,490
	912470	183712	94195		
<b>Total contractual commitments</b>				103,073	531,490

**Liquidity and Capital Resources**

At March 31, 2009, Caza had a working capital surplus of \$8,974,067. This is a decrease from the December 31, 2008 working capital surplus of \$10,812,048. The decrease in working capital of \$1,837,981 for the period ending March 31, 2009 was a result of \$522,877 funds flow used in operations and capital expenditures of \$1,315,104. As at March 31, 2008, the Company had a working capital balance of \$5,420,617. Caza had a cash balance of \$9,765,472 as of March 31, 2009 down from \$14,103,827 at December 31, 2008. The decrease in cash during the quarter ended March 31, 2009 was used to reduce the year end accounts payable and fund general and administrative activities. Caza had no bank credit facilities drawn or in place.

On June 27, 2008, the Company completed a private placement of £9,956,790 representing 43,290,392 shares at a price of 23 pence per unit, or approximately \$0.46. Funds in the amount of \$18,301,741 net of closing costs of \$1,478,544 were received in June of 2008. On July 3, 2008 the Company completed the second tranche of the private placement and received an additional £1,543,210 for total proceeds of \$3,084,668 representing 6,709,608 shares.

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 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, as well as a program fee of US\$3 million per annum to be paid monthly, 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. 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, the sale of properties, bank debt where appropriate and if available and 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 funds flow deficiency 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 61101 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.

#### Transactions with Related Parties

The Vice President, Exploration of Caza Petroleum, prior to becoming an employee, was a consultant to Caza Petroleum and as a consultant was eligible to receive a 2% carried working interest (subject to proportionate reduction based on Caza Petroleum's working interest) to casing point in the initial test well in certain prospects. The applicable prospects are the Bongo, Puku, Eland and Sable properties. Since becoming an employee, this individual is no longer eligible to receive additional interests beyond those described.

In February 2008, Caza Petroleum entered into a farmout 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 substantially the same terms and conditions to those of other joint venture partners. 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 are comparable to those negotiated with unrelated third parties.

#### Summary of Quarterly Results

	Three months ended March 31, 2009	Three months ended December 31, 2008	Three months ended September 30, 2008	Three months ended June 30, 2008
Petroleum and natural gas sales	553,916	650,186	905,055	1,067,364
Net income (loss)	(1335880)	(1749825)	(2164475)	(536701)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Funds flow from operations (non-GAAP) <sup>(1)</sup>	(522877)	(1046915)	(841092)	(326850)
Per share – basic and diluted	0.00	0.00	(0.01)	0.00
Net capital expenditures	1315104	3851867	6691112	3237140
Average daily production (mcf/d)	1258	1130	994	1005
Weighted average shares outstanding	145,821,000	145,821,000	145,675,139	97,723,874
	Three months ended March 31, 2008	Three months ended December 31, 2007	Three months ended September 30, 2007	Three months ended June 30, 2007

Petroleum and natural gas sales	729,284	600,431	272,543	266,597
Net income (loss)	(635685)	(554402)	(673096)	(420057)
Per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Funds flow from(used in) operations (non-GAAP) <sup>(1)</sup>	(349312)	(427152)	(808214)	(263786)
Per share – basic and diluted	0.00	(0.01)	(0.01)	0.00
Net capital expenditures	4153166	3047631	3730017	1277200
Average daily production (mcf/d)	957	1019	489	406
Weighted average shares outstanding	95,821,000	80,782,196	73,336,717	73,000,000

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

#### Factors that have caused variations over the quarters:

- 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.
- The average natural gas price received by Caza decreased 42% to \$4.89 per Mcfe during the three-month period ended March 31, 2009 from \$8.38 per Mcfe during the comparative period.
- Increases in activity levels, staffing requirements had a direct impact on Net income (loss) and Funds Flow from operations.
- The Placing of 50,000,000 new common shares placed at a price of 23 pence per New Common Share (equivalent to CDN\$0.447 per New Common Share at the Exchange Rate) (the “Placing Price”). The net proceeds of the Placing were £10.75 million (equivalent to Cdn\$20.90 million at the Exchange Rate).
- 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.
- Caza purchased a 50% participation right in approximately 6,080 gross in two separate properties located in Lea County New Mexico. Caza refers to the two properties as the Moore Cap (3,640 gross acres) and the Bada-Bing (2,440 gross acres)

#### Financial Instruments

For a discussion about financial instruments, please refer to the corresponding March 31, 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 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.

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.

### **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 Casa's internal control over financial reporting during the period from January 1, 2009 to March 31, 2009 that materially affected, or is reasonably likely to materially affect, Casa's internal control over financial reporting.

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

<b>(In United States dollars)</b>	<b>March 31, 2009</b>	December 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$9765472	\$14103827
Accounts receivable	2246377	3346720
Prepaid and other	165551	215301
	12177400	17665848
<b>Property and equipment (Note 3)</b>	37814681	37112470
	<b>\$49992081</b>	<b>\$54778318</b>
 <b>Liabilities</b>		

<b>Current</b>		
Accounts payable and accrued liabilities	<b>\$3203333</b>	\$6853800
<b>Asset retirement obligations (Note 4)</b>	<b>500072</b>	493919
	<b>3703405</b>	<u>7347719</u>
<b>Shareholders' Equity</b>		
Share capital (Note 5(b))	<b>51481597</b>	51481597
Contributed surplus (Note 5(f))	<b>4411092</b>	4217135
Deficit	<b>(9604013)</b>	(8268133)
	<b>46288676</b>	<u>47430599</u>
	<b>\$49992081</b>	<u>\$54778318</u>

*See accompanying notes to the interim consolidated financial statements*

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

<b>For the three month period ended March 31, (in United States dollars)</b>	<b>2009</b>	<b>2008</b>
<hr/>		
<b>Revenues</b>		
Petroleum and natural gas	\$553916	\$729284
Interest and other income	2141	111452
	<u>556057</u>	<u>840736</u>
<b>Expenses</b>		
Production	178320	140887
General and administrative	1040162	1220827
Depletion, depreciation, amortization and accretion	673269	322501
Interest	186	-
	<u>1891937</u>	<u>1684215</u>
<b>Loss before income taxes</b>	<u>(1335880)</u>	<u>(843479)</u>
<b>Income taxes</b>		
Current income taxes	-	6171
Future income taxes	-	(213965)
	<u>-</u>	<u>(207794)</u>
<b>Net loss and comprehensive loss for the period</b>	<b>(1335880)</b>	<b>(635685)</b>
<b>Deficit, beginning of period</b>	<b>(8268133)</b>	<b>(3181440)</b>
	<hr/>	
<b>Deficit, end of period</b>	<b>(\$9604013)</b>	<b>(\$3817125)</b>
<b>Net loss per share</b>		
- basic and diluted	<u>(\$0.01)</u>	<u>(\$0.01)</u>
<b>Weighted average shares outstanding</b>		
- basic and diluted <sup>(1)</sup>	<u>145821000</u>	<u>95821000</u>

(1) All 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)**

**For the three month period ended March 31,**

**2009**

**2008**

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

**OPERATING**

Net loss for the period	<b>(1335880)</b>	(635685)
Adjustments for items not affecting cash:		
Depletion, depreciation, amortization and accretion	<b>673269</b>	322501
Stock-based compensation	<b>139734</b>	184588
Asset retirement obligations settled	-	(9767)
Future income tax recovery	-	(210949)
Changes in non-cash working capital (Note 8 (a))	<u><b>(1267183)</b></u>	<u>1616705</u>
Cash flow (used in) from operating activities	<u><b>(1790060)</b></u>	<u>1267393</u>

**FINANCING**

Changes in non-cash working capital (Note 8 (a))	<u>-</u>	<u>(836448)</u>
Cash flow from (used in) financing activities	<u>-</u>	<u>(836448)</u>

**INVESTING**

Exploration and development expenditures	<b>(1315104)</b>	(4139082)
Purchase of equipment	-	(14084)
Changes in non-cash working capital (Note 8 (a))	<u><b>(1233191)</b></u>	<u>5197745</u>
Cash flow (used in) from investing activities	<u><b>(2548295)</b></u>	<u>1044579</u>

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** **(4338355)** 1475524

**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** **14103827** 13194589

**CASH AND CASH EQUIVALENTS, END OF PERIOD** **9765472** 14670113

*Supplementary information (Note 8)*

*See accompanying notes to the interim consolidated financial statements*

## 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 the 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) Section 3064, “Goodwill and Intangible Assets” which replaced CICA Handbook Sections 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The adoption of this new section did not have a material impact on the consolidated financial statements.

(b) Future 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 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.

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-

Baty  
Wednesday, 7:24 PM  
Formatted: Not Bold + Not Italic  
+ 6 point + Book Antiqua

Baty  
Wednesday, 7:24 PM  
Added Text

Baty  
Wednesday, 7:24 PM  
Deleted: 424907 v1

424907 v1 ▲

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.

### 3. Property and Equipment

	March 31, 2009			December 31, 2008		
	Cost	Accumulated depletion and depreciation	Net Book Value	Cost	Accumulated depletion and depreciation	Net Book Value
Petroleum and natural gas properties and equipment	\$40,700,209	\$3,315,651	\$37,384,558	\$39,330,883	\$2,681,632	\$36,649,251
Office equipment and furniture	\$718,523	\$288,400	\$430,123	\$718,523	\$255,304	\$463,219
	<b>\$41,418,732</b>	<b>\$3,604,051</b>	<b>\$37,814,681</b>	\$40,049,406	\$2,936,936	\$37,112,470

At March 31, 2009 the cost of petroleum and natural gas properties includes \$11,646,846 (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 March 31, 2009. Future development costs of proved undeveloped reserves of \$11,224,800 were included in the depletion calculation at March 31, 2009 (December 31, 2008 - \$10,778,079).

During the quarter ended March 31, 2009 the Company capitalized general and administrative expenses of \$252,313 (March 31, 2008 - \$344,143) directly relating to exploration and development activities of which \$54,223 related to stock based compensation for the period ended March 31, 2009 (March 31, 2008 - \$67,349).

### 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:

	March 31, 2009	December 31, 2008
Asset retirement obligation, beginning of period	\$493919	\$286019
Obligations incurred	-	203405
Accretion expense	6153	14262
Obligations settled	-	(9767)
Asset retirement obligation, end of period	<b>\$500072</b>	\$493919

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 for the period ended March 31, 2009 - \$740,472 (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. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2010

and 2030.

## 5. Share Capital

(a) Authorized  
Unlimited number of voting common shares.

(b) Issued

	Three Month Ended March 31, 2009		Year Ended December 31, 2008	
	Shares	Amounts	Shares	Amounts
<b>Opening balance common shares</b>	<b>119319000</b>	<b>\$46423526</b>	69319000	\$25037117
Private placement	-	-	50000000	21386409
Balance end of period	<b>119319000</b>	<b>\$46423526</b>	119319000	\$46423526
<b>Opening balance exchangeable rights</b>	<b>26502000</b>	<b>918571</b>	26502000	918571
Balance end of period	<b>26502000</b>	<b>918571</b>	26502000	918571
<b>Opening balance warrants</b>	<b>20500000</b>	<b>4139500</b>	25100000	4855100
Expired broker warrants March 22, 2008	-	-	(2400000)	(285600)
Surrendered warrants May 21, 2008	-	-	(2200000)	(430000)
Balance end of period (i)	<b>20500000</b>	<b>4139500</b>	20500000	4139500
		<b>\$51481597</b>		\$51481597

(i) *The weighted average life of the warrants is 1.48 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 March 31, 2009.

Date of Grant	Number Outstanding	Exercise Price	Remaining Contractual Life	Date of Expiry	Number Exercisable March 31, 2009
September 22, 2006	16731000	1.00	1.48	September 22, 2010	16731000
November 20, 2006	2535500	1.00	1.64	November 20, 2010	2535500

January 17, 2007	533500	1.00	1.70	December 12, 2010	533500
December 12, 2007	700000	0.80	0.70	December 12, 2009	700000
	20500000				20500000

(d) Stock options

The maximum number of common shares for which options may be granted, together with shares issuable under any other share compensation arrangement of the Company, is limited to 10% of the total number of outstanding common shares (plus common shares that would be outstanding upon the exercise of all exchangeable rights) at the time of grant of any option. The exercise price of each option may not be less than the fair market value of the Company's common shares on the date of grant. Except as otherwise determined by the Board and subject to the limitation that the stock options may not be exercised later than the expiry date provided in the relevant option agreement but in no event later than 10 years (or such shorter period required by a stock exchange) from their date of grant, options cease to be exercisable: (i) immediately upon a participant's termination by the Company for cause, (ii) 90 days (30 days in the case of a participant engaged in investor relations activities) after a participant's termination from the Company for any other reason except death and (iii) one year after a participant's death. Subject to the Board's sole discretion in modifying the vesting of stock options, stock options will vest, and become exercisable, as to 33⅓% on the first anniversary of the date of grant and 33⅓% on each of the following two anniversaries of the date of grant. All options granted to a participant but not yet vested will vest immediately upon a change of control or upon the Company's termination of a participant's employment without cause. A summary of the Company's stock option plan as at March 31, 2009 and December 31, 2008 and changes during the respective years ended on those dates is presented below.

Stock Options	March 31, 2009		December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning of period	6585000	\$0.61	6605000	\$0.62
Granted	-	-	980000	0.52
Exercised	-	-	-	-
Forfeited	-	-	(1000000)	0.59
End of period	6585000	\$0.61	6585000	\$0.61
Exercisable, end of period	2876667	\$0.51	2876667	\$0.51

Date of Grant	Number Outstanding	Exercise Price	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable March 31, 2009
January 31, 2007	3025000	0.50	7.84	January 31, 2017	2016667
May 10, 2007	220000	0.50	8.10	May 10, 2017	73333
June 11, 2007	20000	0.50	8.20	June 11, 2017	6667
December 12, 2007	2340000	0.79	8.70	December 12, 2017	780000
April 7, 2008	500000	0.59	9.02	April 7, 2018	-
August 11, 2008	480000	0.44	9.36	August 11, 2018	-
	6585000		8.36		2876667

(e) Escrowed securities

In accordance with Canadian securities laws requirements and the policies of the TSX, at the time of the Company's initial public offering on December 12, 2007, a total of 20,457,500 common shares owned by management (which reflected 19,880,000 unissued common shares receivable pursuant to management's exchangeable rights) and 25,200,000 common shares owned by non-management parties were originally placed in escrow pursuant to an escrow agreement. In addition, 262,500 warrants owned by management that are exercisable for 288,750 common shares, and 9,750,000 warrants owned by non-management parties exercisable for 10,725,000 common shares were similarly placed in escrow. At March 31, 2009, a total of 6,825,700 management shares and 8,400,000 non-management shares continued to be held in escrow, and 87,500 management warrants exercisable for 96,250 common shares and 2,750,000 non-management warrants exercisable for 3,025,000 common shares remained in escrow. All shares and warrants remaining in escrow will be released in June 2009.

(f) Contributed surplus

The following table presents the changes in contributed surplus:

	<b>March 31, 2009</b>	December 31, 2008
Balance, beginning of period	<b>\$4217135</b>	\$2787434
Expired broker warrants	-	285,600
Surrendered warrants	-	430,000
Stock based compensation	<b>193957</b>	714101
Balance, end of period	<b>\$4411092</b>	\$4217135

(i) During the quarter ended March 31, 2009, \$139,734 of the stock based compensation expense was recognized in the statement of net loss (March 31, 2008 - \$184,588) and for the quarter ended March 31, 2009 \$54,223 was capitalized (March 31, 2008 - \$67,349).

## 6. Related Party Transactions

The aggregate amount of expenditures made to related parties:

- (a) An Officer of Caza Petroleum, prior to becoming an employee, was a consultant to Caza Petroleum and as a consultant was eligible to receive a 2% carried working interest (subject to proportionate reduction based on the Company's working interest) to casing point in the initial test well in certain prospects. The applicable prospects are the Bongo, Puku, Eland and Sable properties. As a result of these carried working interests, the officer of Caza Petroleum has working interests in certain of these properties and as at March 31, 2009, \$31,634 of joint venture receivables (netted of suspended revenues) are owed to the Company. Since becoming an employee this individual is no longer eligible to participate for additional interests beyond those described.
- (b) 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 \$31,495 in joint venture partner receivables as at March 31, 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

- (a) As of March 31, 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	171998
--	------	--------

- (b) The Company received \$2,565,962 in 2004, 2005 and 2006 under an agreement whereby the funds received are only repayable from production from three wells on the Aldwell Ranch project at a rate of 47.281% of 100% of the revenues until repayment of the project financing and 40.787% of 100% of the revenues thereafter. The repayment obligation ceases upon ninety percent (90%) of the then current estimated recoverable reserves being produced. This has been accounted for as a net profits interest and has reduced the carrying amount of the full cost center.

## 8. Supplementary Information

- (a) *net change in non-cash working capital*

	<b>March 31, 2009</b>	<b>March 31, 2008</b>
<b><u>Provided by (used in)</u></b>		
Accounts receivable	<b>1100343</b>	(900069)
Prepaid and other	<b>49750</b>	55616
Accounts payable and accrued liabilities	<b>(3650467)</b>	6822455
	<b>(2500374)</b>	5978002
<b>Summary of changes</b>		
Operating	<b>(1267183)</b>	1616705
Financing	-	(836448)
Investing	<b>(1233191)</b>	5197745
	<b>(2500374)</b>	5978002

- (b) *supplementary cash flow information*

	<b>March 31, 2009</b>	<b>March 31, 2008</b>
Interest paid	<b>186</b>	2575
Interest received	<b>2141</b>	91452

Taxes paid - 3155

(c) cash and cash equivalents

	March 31, 2009	December 31, 2008
Cash on deposit	1289249	1129745
Money market instruments	8476223	12974082
Cash and cash equivalents	9765472	14103827

The money market instruments bear interest at a rate of 0.083% as at March 31, 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 shareholder equity, working capital and credit facilities when available. 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 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 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 financial assets at the balance sheet date arise from 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 & 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 the ended March 31, 2009, the Company sold 96.19% (March 31, 2008 – 99.68%) 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.

Caza management assesses quarterly whether there should be any impairment of the financial assets of the

Company. At March 31, 2009, the Company had overdue accounts receivable from certain joint interest partners of \$154,049 which were outstanding for greater than 60 days and \$1,652,327 that were outstanding for greater than 90 days. Of the amounts outstanding from joint interest partners for greater than 90 days, Caza also has amounts payable to these joint interest partners of \$992,658, and it is management's intention to net settle these amounts commencing in the second quarter of 2009.

During the three month period ended March 31, 2009, there was no impairment required on any of the financial assets of the Company. At March 31, 2009, the Company's two largest joint venture partners represented approximately 10% and 8% 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 March 31, 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 three month period ended March 31, 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, 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 March 31, 2009 that are subject to 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 of 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.

## **11. Subsequent Event**

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 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, as well as a program fee of US\$3 million per annum to be paid monthly, 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. 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.