

**PIONEER OIL AND GAS**

**FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**December 31, 2011**



PIONEER OIL AND GAS  
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December 31, 2011

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**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

To the Board of Directors and  
Stockholders of Pioneer Oil and Gas  
South Jordan, Utah

We have compiled the accompanying balance sheet of Pioneer Oil and Gas (a corporation) as of December 31, 2011, and the related statements of operations and cash flows for the three months ended December 31, 2011 and 2010. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The balance sheet as of September 30, 2011, was audited by us, and we expressed an unqualified opinion on it in our report dated December 16, 2011, but we have not performed any auditing procedures since that date.

*Jones Simkins, P.C.*

JONES SIMKINS, P.C.  
Logan, Utah  
March 5, 2012

PIONEER OIL AND GAS  
BALANCE SHEETS

<u>Assets</u>	December 31, 2011 (Compiled)	September 30, 2011 (Audited)
Current assets:		
Cash	\$ 4,191,419	3,522,165
Investments, available for sale	1,270,376	1,236,485
Receivables	225,309	906,114
Resale leases, at lower of cost or market	1,742,586	2,000,154
Total current assets	7,429,690	7,664,918
Property and equipment, net	153,806	81,915
Deferred income taxes	279,000	193,000
Other assets	660,217	660,217
	<u>\$ 8,522,713</u>	<u>8,600,050</u>
 <u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 683,459	476,247
Deferred income taxes	20,000	11,000
Total current liabilities	703,459	487,247
Asset retirement obligation	18,883	18,685
Total liabilities	722,342	505,932
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,630,405 and 7,703,895 shares issued and outstanding, respectively	7,630	7,704
Additional paid-in capital	1,632,368	1,705,784
Stock subscription receivable	(400,708)	-
Accumulated other comprehensive income	38,524	20,414
Retained earnings	6,614,537	6,774,523
	7,892,351	8,508,425
Less treasury stock, 92,000 and 414,327 shares at cost, respectively	(91,980)	(414,307)
Total stockholders' equity	7,800,371	8,094,118
	<u>\$ 8,522,713</u>	<u>8,600,050</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF OPERATIONS  
Three Months Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Oil and gas sales	\$ 270,921	166,080
Royalty revenue	<u>63,985</u>	<u>91,172</u>
	<u>334,906</u>	<u>257,252</u>
Costs and expenses:		
Cost of operations	85,718	71,119
General and administrative expenses	155,477	158,500
Exploration costs	75,839	78,354
Lease rentals	19,880	19,196
Loss on impairment of resale leases	254,168	158,493
Depreciation, depletion and amortization	<u>452</u>	<u>2,771</u>
	<u>591,534</u>	<u>488,433</u>
Loss from operations	<u>(256,628)</u>	<u>(231,181)</u>
Other income (expense):		
Loss on disposal of oil and gas properties	-	(15,419)
Interest income	5,587	6,012
Other	<u>5,055</u>	<u>9,654</u>
	<u>10,642</u>	<u>247</u>
Loss before benefit for income taxes	(245,986)	(230,934)
Benefit for income taxes	<u>(86,000)</u>	<u>(83,000)</u>
Net loss	<u>\$ (159,986)</u>	<u>(147,934)</u>
Net loss per common share:		
Basic	\$ <u>(0.02)</u>	<u>(0.02)</u>
Diluted	\$ <u>(0.02)</u>	<u>(0.02)</u>
Weighted average common shares:		
Basic	<u>7,696,000</u>	<u>7,673,000</u>
Diluted	<u>7,696,000</u>	<u>7,673,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Three Months Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (159,986)	(147,934)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on disposal of oil and gas properties	-	15,419
Depreciation, depletion and amortization	452	2,771
Accretion expense	198	392
Deferred income taxes	(86,000)	(5,000)
(Increase) decrease in:		
Receivables	680,805	22,133
Income taxes receivable	-	(78,000)
Resale leases	257,568	97,034
Increase (decrease) in:		
Payables and accrued expenses	<u>231,086</u>	<u>(35,093)</u>
Net cash provided by (used in) operating activities	<u>924,123</u>	<u>(128,278)</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(6,781)	(287)
Acquisition of property and equipment	<u>(72,343)</u>	<u>-</u>
Net cash used in investing activities	<u>(79,124)</u>	<u>(287)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	(12,255)	(750)
Purchase of treasury stock	(90,000)	-
Purchase of and retirement of common stock	<u>(73,490)</u>	<u>-</u>
Net cash used in financing activities	<u>(175,745)</u>	<u>(750)</u>
Net increase (decrease) in cash	669,254	(129,315)
Cash, beginning of period	<u>3,522,165</u>	<u>4,369,880</u>
Cash, end of period	<u><u>\$ 4,191,419</u></u>	<u><u>4,240,565</u></u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  
Three Months Ended December 31, 2011 and 2010

During the three months ended December 31, 2011 the Company:

- Recorded an increase in investments of \$27,110, an increase in unrealized holding gain of \$18,110, and a change in investment related deferred income taxes of \$9,000.
- Sold 412,327 shares of treasury stock to the Company's ESOP at a cost of \$412,327 in exchange for an \$11,619 reduction to ESOP payable and a \$400,708 increase to stock subscription receivable.

During the three months ended December 31, 2010 the Company:

- Recorded an increase in investments of \$19,395, an increase in unrealized holding gain of \$12,395, and a change in investment related deferred income taxes of \$7,000.
- Sold 6,000 shares of treasury stock to the Company's ESOP at a cost of \$5,560 in exchange for a stock subscription receivable.

See independent accountants' compilation report.