

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 2007

JONES SIMKINS P.C.



CERTIFIED PUBLIC ACCOUNTANTS

PIONEER OIL AND GAS
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ACCOUNTANTS' REPORT

To the Board of Directors and
Stockholders of Pioneer Oil and Gas

We have compiled the accompanying balance sheet of Pioneer Oil and Gas as of March 31, 2007, and the related statements of income for the three and six months ended March 31, 2007 and 2006, and the statements of cash flows for the six months ended March 31, 2007 and 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. 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, these financial statements are not designed for those who are not informed about such matters.

The balance sheet as of September 30, 2006, was audited by us, and we expressed an unqualified opinion on it in our report dated December 6, 2006, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.
Logan, Utah
May 16, 2007

PIONEER OIL AND GAS
BALANCE SHEETS

<u>Assets</u>	<u>March 31, 2007 (Compiled)</u>	<u>September 31, 2006 (Audited)</u>
Current assets:		
Cash	\$ 7,940,331	294,754
Investments, available for sale	2,500	8,000
Accounts receivable	159,327	219,793
Resale leases, at lower of cost or market	4,379,427	5,880,385
Total current assets	12,481,585	6,402,932
Property and equipment, net	397,929	433,542
Other assets	2,230	2,230
	<u>\$ 12,881,744</u>	<u>6,838,704</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 93,540	130,369
Payable - common stock repurchases	332,889	341,334
Accrued expenses	33,447	26,488
Income taxes payable	2,189,913	347,000
Note payable	-	200,000
Total current liabilities	2,649,789	1,045,191
Deferred income taxes	59,000	69,000
Asset retirement obligation	71,549	70,493
Total liabilities	<u>2,780,338</u>	<u>1,184,684</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,258,676 and 7,260,676 shares issued and outstanding, respectively	7,259	7,261
Additional paid-in capital	1,051,567	1,054,565
Stock subscription receivable	(131,370)	(99,927)
Accumulated other comprehensive income	1,500	5,000
Retained earnings	9,348,898	4,837,121
	<u>10,277,854</u>	<u>5,804,020</u>
Less treasury stock, 97,900 and 100,000 shares at cost, respectively	(176,448)	(150,000)
Total stockholders' equity	<u>10,101,406</u>	<u>5,654,020</u>
	<u>\$ 12,881,744</u>	<u>6,838,704</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:				
Oil and gas sales	\$ 169,527	170,206	307,637	480,786
Royalty revenue	111,455	281,816	261,557	576,580
Project and lease sales income	4,837,027	-	7,634,505	19,180
	<u>5,118,009</u>	<u>452,022</u>	<u>8,203,699</u>	<u>1,076,546</u>
Costs and expenses:				
Cost of operations	89,738	185,425	163,462	339,202
General and administrative expenses	591,779	123,306	707,787	220,837
Exploration costs	62,925	55,971	124,218	113,981
Lease rentals	34,552	37,800	72,758	56,648
Depreciation, depletion and amortization	17,807	20,925	35,613	41,850
	<u>796,801</u>	<u>423,427</u>	<u>1,103,838</u>	<u>772,518</u>
Income from operations	<u>4,321,208</u>	<u>28,595</u>	<u>7,099,861</u>	<u>304,028</u>
Other income (expense):				
Gain on sale of investments	-	-	-	130,079
Gain on sale of producing properties	-	309,821	-	309,821
Interest income	44,701	6,495	51,125	9,453
Interest expense	-	(12,236)	(4,025)	(17,758)
Other	1,500	1,000	4,816	5,154
	<u>46,201</u>	<u>305,080</u>	<u>51,916</u>	<u>436,749</u>
Income before provision for income taxes	4,367,409	333,675	7,151,777	740,777
Provision for income taxes	<u>(1,613,000)</u>	<u>(156,000)</u>	<u>(2,640,000)</u>	<u>(211,000)</u>
Net income	<u>\$ 2,754,409</u>	<u>177,675</u>	<u>4,511,777</u>	<u>529,777</u>
Net income per common share:				
Basic	<u>\$ 0.38</u>	<u>0.02</u>	<u>0.62</u>	<u>0.07</u>
Diluted	<u>\$ 0.37</u>	<u>0.02</u>	<u>0.61</u>	<u>0.07</u>
Weighted average common shares:				
Basic	<u>7,259,000</u>	<u>7,281,000</u>	<u>7,259,000</u>	<u>7,279,000</u>
Diluted	<u>7,365,000</u>	<u>7,348,000</u>	<u>7,365,000</u>	<u>7,347,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Net income	\$ 4,511,777	529,777
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of investments	-	(130,079)
Gain on sale of producing properties	-	(309,821)
Depreciation, depletion and amortization	35,613	41,850
Accretion expense	1,056	1,691
Employee benefit plan expense	126,055	26,605
Deferred income taxes	(8,000)	9,000
Interest income	(7,498)	(4,948)
(Increase) decrease in:		
Accounts receivable	60,466	159,156
Prepaid income taxes	-	2,000
Resale leases	1,500,958	(656,051)
Increase (decrease) in:		
Accounts payable	(37,883)	(286,759)
Accrued expenses	6,959	(1,756)
Income taxes payable	1,842,913	10,000
Net cash provided by (used in) operating activities	8,032,416	(609,335)
Cash flows from investing activities:		
Acquisition of property and equipment	-	(1,911)
Proceeds from sale of marketable securities	-	130,079
Proceeds from sale of producing properties	-	309,821
Net cash provided by investing activities	-	437,989
Cash flows from financing activities:		
Payable - common stock repurchases	(8,445)	(792,615)
Increase in line-of-credit	-	450,000
Payments on note payable	(200,000)	-
Purchase of treasury stock	(175,394)	-
Purchase and retirement of common stock	(3,000)	(742)
Net cash used in financing activities	(386,839)	(343,357)
Net increase (decrease) in cash	7,645,577	(514,703)
Cash, beginning of period	294,754	758,183
Cash, end of period	\$ 7,940,331	243,480

See Accountants' Report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Six Months Ended March 31, 2007 and 2006

During the six months ended March 31, 2007:

- Recorded a reduction in investments of \$2,500, a reduction in unrealized holding loss of \$1,500, and a reduction in deferred income taxes of \$1,000.
- Sold 100,000 shares of treasury stock to the Company's ESOP at a cost of \$150,000 in exchange for a stock subscription receivable.
- Purchased 2,127 shares of treasury stock in exchange for accounts payable of \$1,054.

During the six months ended March 31, 2006:

- Recorded a reduction in investments of \$33,750, a reduction in unrealized holding loss of \$22,750, and a reduction in deferred income taxes of \$11,000.

See Accountants' Report.