

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 2010



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, 2010, and the related statements of operations and cash flows for the three and six months ended March 31, 2010 and 2009, 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, 2009, was audited by us, and we expressed an unqualified opinion on it in our report dated January 8, 2010, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.
Logan, Utah
May 06, 2010

PIONEER OIL AND GAS
BALANCE SHEETS

	March 31, 2010 (Compiled)	September 30, 2009 (Audited)
<u>Assets</u>		
Current assets:		
Cash	\$ 4,585,132	5,343,604
Investments, available for sale	1,186,656	395,962
Accounts receivable	104,350	342,323
Income taxes receivable and prepaid	272,198	167,261
Resale leases, at lower of cost or market	4,140,874	4,117,203
Deferred income tax asset	73,000	69,000
Total current assets	10,362,210	10,435,353
Property and equipment, net	403,958	400,621
Other assets	2,230	2,230
	<u>\$ 10,768,398</u>	<u>10,838,204</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 58,615	6,552
Accrued expenses	262,285	243,566
Payable - common stock repurchases	313,683	315,183
Dividends payable	77,929	79,529
Total current liabilities	712,512	644,830
Deferred income taxes	92,000	89,000
Asset retirement obligation	51,538	50,777
Total liabilities	856,050	784,607
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,673,265 shares issued and outstanding	7,673	7,673
Additional paid-in capital	1,585,543	1,585,543
Stock subscription receivable	(25,779)	(82,857)
Accumulated other comprehensive loss	(8,344)	(3,038)
Retained earnings	8,374,530	8,548,276
	9,933,623	10,055,597
Less treasury stock, 18,500 and 2,000 shares at cost, respectively	(21,275)	(2,000)
Total stockholders' equity	9,912,348	10,053,597
	<u>\$ 10,768,398</u>	<u>10,838,204</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Revenue:				
Oil and gas sales	\$ 136,464	142,687	291,314	249,156
Royalty revenue	169,164	64,267	258,052	128,170
	<u>305,628</u>	<u>206,954</u>	<u>549,366</u>	<u>377,326</u>
Costs and expenses:				
Cost of operations	100,236	75,062	209,562	162,091
General and administrative expenses	210,817	155,471	341,739	387,546
Exploration costs	75,246	70,921	150,937	141,788
Lease rentals	104,795	38,400	121,199	120,518
Depreciation, depletion and amortization	<u>2,867</u>	<u>4,068</u>	<u>5,735</u>	<u>8,137</u>
	<u>493,961</u>	<u>343,922</u>	<u>829,172</u>	<u>820,080</u>
Loss from operations	<u>(188,333)</u>	<u>(136,968)</u>	<u>(279,806)</u>	<u>(442,754)</u>
Other income (expense):				
Interest income	9,817	32,131	18,328	81,086
Other	<u>2,121</u>	<u>(311)</u>	<u>2,732</u>	<u>3,179</u>
	<u>11,938</u>	<u>31,820</u>	<u>21,060</u>	<u>84,265</u>
Loss before income tax benefit	(176,395)	(105,148)	(258,746)	(358,489)
Income tax benefit	<u>(45,000)</u>	<u>(97,000)</u>	<u>(85,000)</u>	<u>(156,000)</u>
Net loss	<u>\$ (131,395)</u>	<u>(8,148)</u>	<u>(173,746)</u>	<u>(202,489)</u>
Net loss per common share:				
Basic	\$ <u>(0.02)</u>	<u>-</u>	<u>(0.02)</u>	<u>(0.03)</u>
Diluted	\$ <u>(0.02)</u>	<u>-</u>	<u>(0.02)</u>	<u>(0.03)</u>
Weighted average common shares:				
Basic	<u>7,673,000</u>	<u>7,679,000</u>	<u>7,673,000</u>	<u>7,672,000</u>
Diluted	<u>7,673,000</u>	<u>7,679,000</u>	<u>7,673,000</u>	<u>7,672,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss	\$ (173,746)	(202,489)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	5,735	8,137
Accretion expense	761	740
Stock based compensation	-	98,507
Employee benefit plan expense	61,623	8,555
Deferred income taxes	3,000	(104,000)
Interest income	(2,545)	(5,871)
(Increase) decrease in:		
Accounts receivable	237,973	300,901
Income taxes receivable and prepaid	(104,937)	(52,000)
Resale leases	(23,671)	(179,071)
Increase (decrease) in:		
Accounts payable	52,063	(33,567)
Accrued expenses	18,719	(438,793)
Net cash provided by (used in) operating activities	<u>74,975</u>	<u>(598,951)</u>
Cash flows from investing activities:		
Proceeds from sale of investments, available for sale	200,000	175,000
Purchases of investments, available for sale	(1,000,000)	-
Acquisition of property and equipment	(9,072)	-
Net cash provided by (used in) investing activities	<u>(809,072)</u>	<u>175,000</u>
Cash flows from financing activities:		
Payable - common stock repurchases	(1,500)	(14,422)
Purchase of treasury stock	(21,275)	(2,500)
Proceeds from issuance of common stock	-	432,000
Payment of dividends	(1,600)	(6,061,812)
Net cash used in financing activities	<u>(24,375)</u>	<u>(5,646,734)</u>
Net decrease in cash	(758,472)	(6,070,685)
Cash, beginning of period	<u>5,343,604</u>	<u>10,443,315</u>
Cash, end of period	<u>\$ 4,585,132</u>	<u>4,372,630</u>

See Accountants' Report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Six Months Ended March 31, 2010 and 2009

During the six months ended March 31, 2010, the Company:

- Recorded a decrease in investments of \$9,306, an increase in unrealized holding loss of \$5,306, and a change in investment related deferred income taxes of \$4,000.
- Sold 2,000 shares of treasury stock to the Company's ESOP at a cost of \$2,000 in exchange for a stock subscription receivable.

During the six months ended March 31, 2009, the Company:

- Recorded an increase in investments of \$35,464, a decrease in unrealized holding loss of \$23,464, and a change in investment related deferred income taxes of \$12,000.
- Sold 28,900 shares of treasury stock to the Company's ESOP at a cost of \$56,505 in exchange for a stock subscription receivable.
- Declared dividends of \$6,142,941.

See Accountants' Report.