

**PIONEER OIL AND GAS**

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

**March 31, 2011**



PIONEER OIL AND GAS  
INDEX TO FINANCIAL STATEMENTS  
March 31, 2011

	<u>Page</u>
Independent Accountants' Compilation Report	1
Balance Sheets	2
Statements of Operations	3
Statements of Cash Flows	4
Supplemental Disclosure of Cash Flow Information	5



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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 March 31, 2011, and the related statements of operations for the three and six month periods ended March 31, 2011 and 2010, and the related statements of cash flows for the six month periods ended March 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, 2010, was audited by us, and we expressed an unqualified opinion on it in our report dated March 4, 2011, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.  
Logan, Utah  
May 05, 2011

PIONEER OIL AND GAS  
BALANCE SHEETS

	March 31, 2011 (Compiled)	September 30, 2010 (Audited)
<u>Assets</u>		
Current assets:		
Cash	\$ 4,120,423	4,369,880
Investments, available for sale	1,290,173	1,244,921
Accounts receivable	109,370	119,874
Resale leases, at lower of cost or market	2,587,558	2,691,175
Deferred income tax asset	41,000	56,000
Total current assets	8,148,524	8,481,850
Property and equipment, net	384,597	405,373
Income taxes receivable	711,000	711,000
Deferred income tax asset	40,000	-
Other assets	2,230	2,230
Total assets	\$ 9,286,351	9,600,453
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 6,882	53,488
Accrued expenses	273,657	261,055
Payable - common stock repurchases	307,363	309,738
Dividends payable	77,929	77,929
Total current liabilities	665,831	702,210
Deferred income taxes	-	93,000
Asset retirement obligation	53,083	52,299
Total liabilities	718,914	847,509
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	-	(21,397)
Accumulated other comprehensive income	53,226	23,261
Retained earnings	6,920,995	7,163,424
	8,567,437	8,758,504
Less treasury stock, 0 and 6,000 shares at cost, respectively	-	(5,560)
Total stockholders' equity	8,567,437	8,752,944
Total liabilities and stockholders' equity	\$ 9,286,351	9,600,453

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Revenue:				
Oil and gas sales	\$ 149,990	136,464	316,070	291,314
Royalty revenue	104,793	169,164	195,965	258,052
	<u>254,783</u>	<u>305,628</u>	<u>512,035</u>	<u>549,366</u>
Costs and expenses:				
Cost of operations	82,750	100,236	312,362	209,562
General and administrative expenses	222,696	210,817	381,196	341,739
Exploration costs	83,470	75,246	161,824	150,937
Lease rentals	14,627	104,795	33,823	121,199
Depreciation, depletion and amortization	<u>2,586</u>	<u>2,867</u>	<u>5,357</u>	<u>5,735</u>
	<u>406,129</u>	<u>493,961</u>	<u>894,562</u>	<u>829,172</u>
Loss from operations	<u>(151,346)</u>	<u>(188,333)</u>	<u>(382,527)</u>	<u>(279,806)</u>
Other income (expense):				
Loss on disposal of developing property	-	-	(15,419)	-
Interest income	5,439	9,817	11,451	18,328
Other	<u>1,412</u>	<u>2,121</u>	<u>11,066</u>	<u>2,732</u>
	<u>6,851</u>	<u>11,938</u>	<u>7,098</u>	<u>21,060</u>
Loss before benefit for income taxes	(144,495)	(176,395)	(375,429)	(258,746)
Benefit for income taxes	<u>(50,000)</u>	<u>(45,000)</u>	<u>(133,000)</u>	<u>(85,000)</u>
Net loss	<u><u>\$ (94,495)</u></u>	<u><u>(131,395)</u></u>	<u><u>(242,429)</u></u>	<u><u>(173,746)</u></u>
Net loss per common share:				
Basic	<u><u>\$ (0.01)</u></u>	<u><u>(0.02)</u></u>	<u><u>(0.03)</u></u>	<u><u>(0.02)</u></u>
Diluted	<u><u>\$ (0.01)</u></u>	<u><u>(0.02)</u></u>	<u><u>(0.03)</u></u>	<u><u>(0.02)</u></u>
Weighted average common shares:				
Basic	<u><u>7,673,000</u></u>	<u><u>7,673,000</u></u>	<u><u>7,673,000</u></u>	<u><u>7,673,000</u></u>
Diluted	<u><u>7,673,000</u></u>	<u><u>7,673,000</u></u>	<u><u>7,673,000</u></u>	<u><u>7,673,000</u></u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Six Months Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (242,429)	(173,746)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on disposal of property	15,419	-
Depreciation, depletion and amortization	5,357	5,735
Accretion expense	784	761
Employee benefit plan expense	27,766	61,623
Deferred income taxes	(133,000)	3,000
Interest income	(809)	(2,545)
(Increase) decrease in:		
Accounts receivable	10,504	237,973
Income taxes receivable	-	(104,937)
Resale leases	103,617	(23,671)
Increase (decrease) in:		
Accounts payable	(46,606)	52,063
Accrued expenses	12,602	18,719
Net cash provided by (used in) operating activities	<u>(246,795)</u>	<u>74,975</u>
Cash flows from investing activities:		
Proceeds from sale of investments, available for sale	-	200,000
Purchases of investments, available for sale	(287)	(1,000,000)
Acquisition of property and equipment	-	(9,072)
Net cash used in investing activities	<u>(287)</u>	<u>(809,072)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	(2,375)	(1,500)
Purchase of treasury stock	-	(21,275)
Payment of dividends	-	(1,600)
Net cash used in financing activities	<u>(2,375)</u>	<u>(24,375)</u>
Net decrease in cash	(249,457)	(758,472)
Cash, beginning of period	<u>4,369,880</u>	<u>5,343,604</u>
Cash, end of period	<u>\$ 4,120,423</u>	<u>4,585,132</u>

See independent accountants' compilation report.

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

During the six months ended March 31, 2011, the Company:

- Recorded an increase in investments of \$44,965, an increase in unrealized holding gain of \$29,965, and a change in investment related deferred income taxes of \$15,000.
- 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.

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.

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