PIONEER OIL AND GAS

FINANCIAL STATEMENTS

September 30, 2008 and 2007

JONES SIMKINS P.C.

CERTIFIED PUBLIC ACCOUNTANTS

PIONEER OIL AND GAS
INDEX TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Pioneer Oil and Gas as of September 30, 2008 and 2007, and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Oil and Gas as of September 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones Simkins, P.C.

JONES SIMKINS, P.C.
Logan, Utah
December 24, 2008

PIONEER OIL AND GAS
BALANCE SHEETS
September 30, 2008 and 2007

Assets	2008	2007
Current assets:		
Cash	$ 10,443,315	6,491,269
Investments, available for sale	1,678,855	3,000
Accounts receivable	321,175	95,562
Income taxes receivable and prepaid	131,200	154,000
Resale leases, at lower of cost or market	3,958,609	4,562,494
Deferred income tax asset	16,000	-
Total current assets	16,549,154	11,306,325
Property and equipment, net	416,354	437,548
Other assets	2,230	2,230
	$ 16,967,738	11,746,103

Liabilities and Stockholders' Equity	2008	2007
Current liabilities:		
Accounts payable	$ 41,600	172,630
Payable - common stock repurchases	323,739	332,439
Accrued expenses	474,255	159,650
Total current liabilities	839,594	664,719
Deferred income taxes	88,000	73,000
Asset retirement obligation	49,298	72,606
Total liabilities	976,892	810,325
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $.001 per share, 50,000,000 shares authorized; 7,318,676 shares issued and outstanding	7,319	7,319
Additional paid-in capital	1,063,507	1,063,507
Stock subscription receivable	(86,360)	(253,918)
Accumulated other comprehensive income	(30,145)	2,000
Retained earnings	15,093,030	10,126,870
	16,047,351	10,945,778
Less treasury stock, 28,900 and 5,000 shares at cost, respectively	(56,505)	(10,000)
Total stockholders' equity	15,990,846	10,935,778
	$ 16,967,738	11,746,103

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
STATEMENTS OF INCOME
Years Ended September 30, 2008 and 2007

	2008	2007
Revenue:		
Oil and gas sales	$ 1,069,037	627,188
Royalty revenue	819,688	604,614
Project and lease sales income	8,058,416	8,946,681
	9,947,141	10,178,483
Costs and expenses:		
Cost of operations	459,689	492,899
General and administrative expenses	1,686,255	996,798
Exploration costs	247,228	258,350
Lease rentals	241,818	307,651
Depreciation, depletion and amortization	22,843	45,418
	2,657,833	2,101,116
Income from operations	7,289,308	8,077,367
Other income (expense):		
Gain on sale of producing properties	271,303	-
Interest income	211,504	208,281
Interest expense	(214)	(4,025)
Other	35,259	9,126
	517,852	213,382
Income before provision for income taxes	7,807,160	8,290,749
Provision for income taxes	2,841,000	3,001,000
Net income	$ 4,966,160	5,289,749
Net income per common share:		
Basic	$ 0.68	0.73
Diluted	$ 0.67	0.71
Weighted average common shares:		
Basic	7,319,000	7,280,000
Diluted	7,464,000	7,401,000

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended September 30, 2008 and 2007

	Common Stock		Additional	Stock	Accumulated Other	Retained	Treasury Stock		
	Shares	Amount	Paid-in Capital	Subscription Receivable	Comprehensive Income	Earnings	Shares	Amount	Total
Balance at October 1, 2006	7,260,676	$ 7,261	$ 1,054,565	$ (99,927)	$ 5,000	$ 4,837,121	(100,000)	$ (150,000)	$ 5,654,020
Stock options exercised	60,000	60	11,940	-	-	-	-	-	12,000
Purchase and retirement of common stock	(2,000)	(2)	(2,998)	-	-	-	-	-	(3,000)
Purchase of treasury stock	-	-	-	-	-	-	(102,900)	(186,448)	(186,448)
Sale of treasury stock to ESOP	-	-	-	(326,448)	-	-	197,900	326,448	-
Payments on stock subscription receivable	-	-	-	172,457	-	-	-	-	172,457
Unrealized holding loss	-	-	-	-	(3,000)	-	-	-	(3,000)
Net income	-	-	-	-	-	5,289,749	-	-	5,289,749
Balance at September 30, 2007	7,318,676	7,319	1,063,507	(253,918)	2,000	10,126,870	(5,000)	(10,000)	10,935,778
Purchase of treasury stock	-	-	-	-	-	-	(30,900)	(60,505)	(60,505)
Sale of treasury stock to ESOP	-	-	-	(14,000)	-	-	7,000	14,000	-
Payments on stock subscription receivable	-	-	-	181,558	-	-	-	-	181,558
Unrealized holding loss	-	-	-	-	(32,145)	-	-	-	(32,145)
Net income	-	-	-	-	-	4,966,160	-	-	4,966,160
Balance at September 30, 2008	7,318,676	$ 7,319	$ 1,063,507	$ (86,360)	$ (30,145)	$ 15,093,030	(28,900)	$ (56,505)	$ 15,990,846

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Net income	$	4,966,160	5,289,749
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of producing properties		(271,303)	-
Reduction of ARO due to property sales		(20,433)	-
Depreciation, depletion and amortization		22,843	45,418
Accretion expense		2,177	2,113
Employee benefit plan expense		195,714	188,759
Deferred income taxes		16,000	6,000
Interest income		(14,156)	(16,302)
(Increase) decrease in:			
Accounts receivable		(225,613)	124,231
Income taxes receivable and prepaid		22,800	(154,000)
Resale leases		603,885	1,317,891
Increase (decrease) in:			
Accounts payable		(131,030)	42,261
Accrued expenses		324,605	133,162
Income taxes payable		-	(347,000)
Net cash provided by operating activities		5,491,649	6,632,282
Cash flows from investing activities:			
Acquisition of property and equipment		(6,701)	(49,424)
Proceeds from sale of producing properties		261,303	-
Purchases of investments, available for sale		(1,725,000)	-
Net cash used in investing activities		(1,470,398)	(49,424)
Cash flows from financing activities:			
Payable - common stock repurchases		(8,700)	(8,895)
Payments on note payable		-	(200,000)
Purchase of treasury stock		(60,505)	(186,448)
Proceeds from issuance of common stock		-	12,000
Purchase and retirement of common stock		-	(3,000)
Net cash used in financing activities		(69,205)	(386,343)
Net increase in cash		3,952,046	6,196,515
Cash, beginning of year		6,491,269	294,754
Cash, end of year	$	10,443,315	6,491,269

The accompanying notes are an integral part of these financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The Company is incorporated under the laws of the state of Utah and is primarily engaged in the business of acquiring, developing, producing and selling oil and gas properties to companies located in the continental United States.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Company classifies its investments as “available for sale.” Securities classified as “available for sale” are carried in the financial statements at fair value. Realized gains and losses, determined using the specific identification method, are included in operations; unrealized holding gains and losses are reported as a separate component of accumulated other comprehensive income. Declines in fair value below cost that are other than temporary are included in operations.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Resale Leases

The Company capitalizes the costs of acquiring oil and gas leaseholds held for resale, including lease bonuses and any advance rentals required at the time of assignment of the lease to the Company. Advance rentals paid after assignment are charged to expense as carrying costs in the period incurred. Costs of oil and gas leases held for resale are valued at lower of cost or net realizable value and included in current assets since they could be sold within one year, although the holding period of individual leases may be in excess of one year. The cost of oil and gas leases sold is determined on a specific identification basis.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded when oil and gas is delivered and are presented net of the allowance for doubtful accounts and are generally unsecured. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest although a finance charge may be applied to such receivables that are more than thirty days past due. Accounts receivable are periodically evaluated for collectibility based on past credit history with customers. Provisions for losses on accounts receivable are determined based on loss experience, known and inherent risk in the account balance, current economic conditions, and the financial stability of customers.

Oil and Gas Producing Activities

The Company utilizes the successful efforts method of accounting for its oil and gas producing activities. Under this method, all costs associated with productive exploratory wells and productive or nonproductive development wells are capitalized while the costs of nonproductive exploratory wells are expensed.

If an exploratory well finds oil and gas reserves, but a determination that such reserves can be classified as proved is not made after one year following completion of drilling, the costs of drilling are charged to operations. Indirect exploratory expenditures, including geophysical costs and annual lease rentals are expensed as incurred. Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drillings and average holding period. Capitalized costs of producing oil and gas properties after considering estimated dismantlement and abandonment costs and estimated salvage values, are depreciated and depleted by the units-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property has been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed when incurred and betterments are capitalized. When assets are sold, retired or otherwise disposed of the applicable costs and accumulated depreciation, depletion and amortization are removed from the accounts, and the resulting gain or loss is reflected in operations.

Long-Lived Assets

The Company evaluates its long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets". Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

Revenue Recognition

Revenue is recognized from oil sales at such time as the oil is delivered to the buyer. Revenue is recognized from gas sales when the gas passes through the pipeline at the well head. Revenue from overriding royalty interests is recognized when earned.

The Company does not have any gas balancing arrangements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions primarily related to oil and gas property reserves and prices, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse. Temporary differences result primarily from intangible drilling costs and depletion.

Earnings Per Share

The computation of basic earnings per common share is based on the weighted average number of shares outstanding during each year.

The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the year. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is antidilutive. Common stock equivalents that could potentially dilute earnings per share are common stock options.

Stock-Based Compensation

The Company has stock-based employee compensation plans, which are described more fully in Note 12. The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment*. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted. In 2008 and 2007, the Company did not recognize any compensation cost related to stock.

Note 2 – Investments

Investments are recorded at fair value and consist of the following:

	2008	2007
Investments, at cost	$ 1,725,000	-
Unrealized holding gain (loss)	(46,145)	3,000
Investments, at fair value	$ 1,678,855	3,000

Changes in the unrealized holding gain (loss) on investments are as follows:

	2008	2007
Balance, beginning of year	$ 2,000	5,000
Unrealized holding loss	(49,145)	(5,000)
Increase in deferred income taxes on unrealized holding loss	17,000	2,000
Balance, end of year	$ (30,145)	2,000

Note 3 – Property and Equipment

Property and equipment consists of the following:

	2008	2007
Oil and gas properties (successful efforts method)	$ 1,160,186	1,342,624
Capitalized asset retirement cost	28,505	45,359
Office furniture and equipment	138,354	138,354
	1,327,045	1,526,337
Less accumulated depreciation, depletion and amortization	(910,691)	(1,088,789)
	$ 416,354	437,548

Note 4 – Asset Retirement Obligation

The Company has an obligation to plug and abandon certain oil and gas wells it owns. Accordingly, a liability has been established equal to the obligation.

Following is a reconciliation of the aggregate retirement liability associated with the Company's obligation to plug and abandon its oil and gas properties:

	2008	2007
Balance, beginning of year	$ 72,606	70,493
Reduction of obligation due to sale	(25,485)	-
Accretion expense	2,177	2,113
Balance, end of year	$ 49,298	72,606

Note 5 – Stock Subscription Receivable

The stock subscription receivable consists of a six percent receivable due from the Company's ESOP. The receivable is reduced every six months by the amount of the obligation owed by the Company to the ESOP, less interest (see Note 12). During the years ended September 30, 2008 and 2007, the Company recognized $14,156 and $16,302 of interest income related to this note.

Note 6 – Income Taxes

The income tax provision consists of the following:

	2008	2007
Current	$ 2,825,000	2,995,000
Deferred	16,000	6,000
	$ 2,841,000	3,001,000

Note 6 – Income Taxes (continued)

The provision for income taxes differs from the amount computed at federal statutory rates for the years ended as follows:

Income tax provision at statutory rate	$ 2,654,000	2,819,000
State tax, net of federal benefit	258,000	273,000
Reduction of ARO due to sales	(8,000)	-
Other	(63,000)	(91,000)
	$ 2,841,000	3,001,000

Deferred tax assets (liabilities) are comprised of the following:

Intangible drilling costs and depletion	$ (100,000)	(89,000)
Asset retirement obligation	12,000	17,000
Unrealized holding loss (gain) on investments	16,000	(1,000)
	(72,000)	(73,000)
Valuation allowance	-	-
	$ (72,000)	(73,000)

Presented in the financial statements as follows:

Deferred income tax asset	$ 16,000	-
Deferred income taxes	(88,000)	(73,000)
	$ (72,000)	(73,000)

Note 7 – Sales to Major Customers

The Company had oil and gas sales to major customers during the years ended September 30, 2008 and 2007, which exceeded ten percent of total oil and gas sales as follows:

	2008	2007
Company A	$ 1,007,000	766,000
Company B	402,000	219,000
Company C	203,000	-
Company D	-	127,000

Note 8 – Related Party Transactions

The Company acts as the operator for several oil and gas properties in which employees, officers and other related and unrelated parties have a working or royalty interest. At September 30, 2008 and 2007 there was $10,795 and $5,898, respectively, included in accounts payable due to officers as a result of these activities. The Company also is a member in certain limited partnerships and the operator for certain joint ventures formed for the purpose of oil and gas exploration and development.

The Company leases its office space from certain officers of the Company on a month-to-month basis. The lease requires monthly rental payments of $2,500 plus all expenses pertaining to the office space. Rent expense for the years ended September 30, 2008 and 2007 was approximately $30,000 each year.

The Company has a stock subscription receivable from the ESOP (see Note 5).

Note 9 – Supplemental Disclosures of Cash Flow Information

During the year ended September 30, 2008, the Company:

- Recorded a reduction of investments of $49,145, an increase in unrealized holding loss of $32,145, and a change in investment related deferred income taxes of $17,000.

- Sold 7,000 shares of treasury stock to the Company's ESOP at a cost of $14,000 in exchange for a stock subscription receivable.

- Reduced cost of operations by $20,433 when properties with an asset retirement obligation of $25,485 and net capitalized asset retirement costs of $5,052 were sold.

Note 9 – Supplemental Disclosures of Cash Flow Information (continued)

During the year ended September 30, 2007, the Company:

- Recorded a reduction of investments of $5,000, a reduction in unrealized holding loss of $3,000, and a reduction in deferred income taxes of $2,000.

- Sold 197,900 shares of treasury stock to the Company's ESOP at a cost of $326,448 in exchange for a stock subscription receivable.

Operations reflect actual amounts paid for interest and income taxes approximately as follows:

		2008	2007
Interest	$	-	4,000
Income taxes	$	2,803,000	3,124,000

Note 10 – Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, and payables. The carrying amount of cash, receivables and payables approximates fair value because of the short-term nature of these items.

Note 11 – Stock Options

The Company has adopted a stock option plan (the Plan). Under the Plan, the Company may issue shares of the Company's common stock or grant options to acquire the Company's common stock from time to time to employees, directors, officers, consultants or advisors of the Company on the terms and conditions set forth in the Plan.

A schedule of the options and warrants outstanding is as follows:

	Number of Options	Exercise Price Per Share
Outstanding at October 1, 2006	420,000	$0.20-1.20
Exercised	(60,000)	0.20
Outstanding at September 30, 2008 and 2007	360,000	$1.20

Note 12 – Stock Based Compensation

The following table summarizes information about common stock options outstanding at September 30, 2008:

Outstanding				Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.20	360,000	2.9	$1.20	360,000	$1.20

Employee Stock Ownership Plan

The Company has adopted a noncontributory employee stock ownership plan (ESOP) covering all full-time employees who have met certain service requirements. It provides for discretionary contributions by the Company as determined annually by the Board of Directors, up to the maximum amount permitted under the Internal Revenue Code. The plan has received IRS approval under Section 401(A) and 501(A) of the Internal Revenue Code. Pension expense charged to operations for the years ended September 30, 2008 and 2007 was $195,714 and $188,759, respectively. All outstanding shares held by the ESOP are included in the calculation of earnings per share.

Note 13 – Payable - Common Stock Repurchases

As of September 30, 2008 and 2007, the Company has a payable of $323,739 and $332,439, resulting from the purchase of fractional shares created in a prior year stock split. The Company has not yet been able to locate the beneficial owners. The payable is non-interest bearing and may be required to be paid within the current period.

Note 14 – Commitments and Contingencies

Limited Partnerships

The Company has an immaterial interest in a limited partnership drilling program and acts as the general partner. As the general partner, the Company is contingently liable for any obligations of the partnership and may be contingently liable for claims generally incidental to the conduct of its business as general partner. As of September 30, 2008, the Company was unaware of any such obligations or claims arising from this partnership.

Employment Agreements

The Company has entered into severance pay agreements with employees and officers of the Company who also serve as board members. Under the terms of the agreements, a board member who is terminated shall receive severance pay equal to the amount such board member received in salary and bonus for the two years prior to termination.

Litigation

The Company may become or is subject to investigations, claims or lawsuits ensuing out of the conduct of its business, including those related to environmental safety and health, commercial transactions, etc. The Company is currently not aware of any such item, which it believes could have a material adverse affect on its financial position.

Note 15 – Subsequent Events

On October 13, 2008 the Company declared a dividend of $0.80 per share to be paid to all shareholders of record as of October 24, 2008. The Dividend was paid on November 12, 2008 and totaled approximately $6,143,000.

On October 1, 2008 the Company sold 28,900 shares of treasury stock to the Company's ESOP for $56,505 in exchange for a six percent receivable due from the ESOP.

Note 16 – Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), which defines fair value, establishes guidelines for measuring fair value and expands disclosure regarding fair value measurements. SFAS No. 157 does not require new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, on a prospective basis. We do not expect the adoption of SFAS No. 157 to have a material effect on our financial statements.

Note 16 – Recent Accounting Pronouncements (continued)

In February 2007, the FASB issued SFAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement requires a business entity to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. An entity may decide whether to elect the fair value option for each eligible item on its election date, subject to certain requirements described in the statement. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of SFAS 159 to have a material effect on our financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS 141(R) requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition-date fair values of the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree. In the case of a bargain purchase the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. SFAS 141(R) becomes effective for fiscal periods beginning after December 15, 2008. The Company is currently evaluating the impact of SFAS 141(R).

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INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of Pioneer Oil and Gas for September 30, 2008 and 2007 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jones Simkins, P.C.

JONES SIMKINS, P.C.
Logan, Utah
December 24, 2008

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2008 and 2007

The information on the Company’s oil and gas operations as shown in this schedule is based on the successful efforts method of accounting and is presented in conformity with the disclosure requirements of the Statement of Financial Accounting Standards No. 69 “Disclosures about Oil and Gas Producing Activities.”

Capitalized Costs Relating to Oil and Gas Producing Activities

		2008	2007
Proved oil and gas properties and related equipment	$	843,902	1,033,041
Unproved oil and gas properties		316,284	309,583
		1,160,186	1,342,624
Accumulated depreciation, depletion and amortization and valuation allowances		(762,559)	(937,344)
	$	397,627	405,280

Costs Incurred in Oil and Gas Acquisition, Exploration and Development Activities

		2008	2007
Acquisition of properties:			
Proved	$	-	-
Unproved	$	-	-
Exploration costs	$	-	-
Development costs	$	6,700	43,967

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2008 and 2007

Results of Operations for Producing Activities

	2008	2007
Oil and gas - sales	$ 1,888,725	1,231,802
Production costs net of reimbursements	(701,507)	(800,540)
Exploration costs	(247,228)	(258,350)
Depreciation, depletion and amortization and valuation provisions	(14,355)	(37,097)
Net income before income taxes	925,635	135,815
Income tax provision	(315,000)	(46,000)
Results of operations from producing activities (excluding corporate overhead and interest costs)	$ 610,635	89,815

PIONEER OIL AND GAS
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Reserve Quantity Information (Unaudited)

The estimated quantities of proved oil and gas reserves disclosed in the table below are based on appraisal of the proved developed properties by Fall Line Energy, Inc. Such estimates are inherently imprecise and may be subject to substantial revisions.

All quantities shown in the table are proved developed reserves and are located within the United States.

	2008		2007	
	Oil (bbls)	Gas (mcf)	Oil (bbls)	Gas (mcf)
Proved developed and undeveloped reserves:				
Beginning of year	33,413	917,430	39,311	1,147,136
Revision in previous estimates	10,107	226,035	(13)	(115,523)
Discoveries and extensions	-	-	-	-
Purchase in place	-	-	-	-
Production	(7,287)	(126,242)	(5,885)	(114,183)
Sales in place	(7,097)	(16,033)	-	-
End of year	29,136	1,001,190	33,413	917,430
Proved developed reserves:				
Beginning of year	33,413	917,430	39,311	1,147,136
End of year	29,136	1,001,190	33,413	917,430

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Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves (Unaudited)

		2008	2007
Future cash inflows	$	10,593,000	7,433,000
Future production and development costs		(2,751,000)	(1,468,000)
Future income tax expense		(2,666,000)	(2,028,000)
		5,176,000	3,937,000
10% annual discount for estimated timing of cash flows		(2,148,000)	(1,930,000)
Standardized measure of discounted future net cash flows	$	3,028,000	2,007,000

The preceding table sets forth the estimated future net cash flows and related present value, discounted at a 10% annual rate, from the Company's proved reserves of oil, condense and gas. The estimated future net revenue is computed by applying the year end prices of oil and gas (including price changes that are fixed and determinable) and current costs of development production to estimated future production assuming continuation of existing economic conditions. The values expressed are estimates only, without actual long-term production to base the production flows, and may not reflect realizable values or fair market values of the oil and gas ultimately extracted and recovered. The ultimate year of realization is also subject to accessibility of petroleum reserves and the ability of the Company to market the products.

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Changes in the Standardized Measure of
Discounted Future Cash Flows (Unaudited)

		2008	2007
Balance, beginning of year	$	2,007,000	2,306,000
Sales of oil and gas produced net of production costs		(1,034,000)	(353,000)
Net changes in prices and production costs		1,603,000	547,000
Extensions and discoveries, less related costs		-	-
Purchase and sales of minerals in place		(813,000)	-
Revisions of estimated development costs		-	-
Revisions of pervious quantity estimate		538,000	(570,000)
Accretion of discount		201,000	231,000
Net changes in income taxes		526,000	(154,000)
Balance, end of year	$	3,028,000	2,007,000