

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

December 31, 2010



PIONEER OIL AND GAS
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December 31, 2010

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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, 2010, and the related statements of operations and cash flows for the three months ended December 31, 2010 and 2009. 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
March 9, 2011

PIONEER OIL AND GAS
BALANCE SHEETS

	December 31, 2010 <u>(Compiled)</u>	September 30, 2010 <u>(Audited)</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 4,240,565	4,369,880
Investments, available for sale	1,264,603	1,244,921
Accounts receivable	97,741	119,874
Income taxes receivable	78,000	-
Resale leases, at lower of cost or market	2,594,141	2,691,175
Deferred income tax asset	49,000	56,000
Total current assets	<u>8,324,050</u>	<u>8,481,850</u>
Property and equipment, net	387,183	405,373
Income taxes receivable	711,000	711,000
Other assets	2,230	2,230
	<u>\$ 9,424,463</u>	<u>9,600,453</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 23,822	53,488
Accrued expenses	255,628	261,055
Payable - common stock repurchases	308,988	309,738
Dividends payable	77,929	77,929
Total current liabilities	<u>666,367</u>	<u>702,210</u>
Deferred income taxes	88,000	93,000
Asset retirement obligation	52,691	52,299
Total liabilities	<u>807,058</u>	<u>847,509</u>
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	(26,957)	(21,397)
Accumulated other comprehensive income	35,656	23,261
Retained earnings	7,015,490	7,163,424
	<u>8,617,405</u>	<u>8,758,504</u>
Less treasury stock, 0 and 6,000 shares at cost, respectively	<u>-</u>	<u>(5,560)</u>
Total stockholders' equity	<u>8,617,405</u>	<u>8,752,944</u>
	<u>\$ 9,424,463</u>	<u>9,600,453</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Oil and gas sales	\$ 166,080	154,850
Royalty revenue	<u>91,172</u>	<u>88,888</u>
	<u>257,252</u>	<u>243,738</u>
Costs and expenses:		
Cost of operations	229,612	109,326
General and administrative expenses	158,500	130,922
Exploration costs	78,354	75,691
Lease rentals	19,196	16,404
Depreciation, depletion and amortization	<u>2,771</u>	<u>2,868</u>
	<u>488,433</u>	<u>335,211</u>
Loss from operations	<u>(231,181)</u>	<u>(91,473)</u>
Other income (expense):		
Loss on disposal of developing property	(15,419)	-
Interest income	6,012	8,511
Other	<u>9,654</u>	<u>611</u>
	<u>247</u>	<u>9,122</u>
Loss before benefit for income taxes	(230,934)	(82,351)
Benefit for income taxes	<u>(83,000)</u>	<u>(40,000)</u>
Net loss	<u>\$ (147,934)</u>	<u>(42,351)</u>
Net loss per common share:		
Basic	\$ <u>(0.02)</u>	<u>(0.01)</u>
Diluted	\$ <u>(0.02)</u>	<u>(0.01)</u>
Weighted average common shares:		
Basic	<u>7,673,000</u>	<u>7,673,000</u>
Diluted	<u>7,673,000</u>	<u>7,673,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss	\$ (147,934)	(42,351)
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	2,771	2,868
Accretion expense	392	381
Deferred income taxes	(5,000)	(40,000)
(Increase) decrease in:		
Accounts receivable	22,133	243,464
Income taxes receivable	(78,000)	(3,163)
Resale leases	97,034	(26,464)
Increase (decrease) in:		
Accounts payable	(29,666)	20,736
Accrued expenses	(5,427)	1,767
Net cash provided by (used in) operating activities	<u>(128,278)</u>	<u>157,238</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(287)	(1,000,000)
Acquisition of property and equipment	<u>-</u>	<u>(9,012)</u>
Net cash used in investing activities	<u>(287)</u>	<u>(1,009,012)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	(750)	(300)
Purchase of treasury stock	-	(21,275)
Payment of dividends	<u>-</u>	<u>(1,600)</u>
Net cash used in financing activities	<u>(750)</u>	<u>(23,175)</u>
Net decrease in cash	(129,315)	(874,949)
Cash, beginning of period	<u>4,369,880</u>	<u>5,343,604</u>
Cash, end of period	<u><u>\$ 4,240,565</u></u>	<u><u>4,468,655</u></u>

See independent accountants' compilation report.

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

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.

During the three months ended December 31, 2009 the Company:

- Recorded a decrease in investments of \$11,037, an increase in unrealized holding loss of \$7,037, 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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