

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2010



PIONEER OIL AND GAS
INDEX TO FINANCIAL STATEMENTS
June 30, 2010

	<u>Page</u>
Accountants' 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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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 June 30, 2010, and the related statements of operations and cash flows for the three and nine months ended June 30, 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
August 11, 2010

PIONEER OIL AND GAS
BALANCE SHEETS

	June 30, 2010 (Compiled)	September 30, 2009 (Audited)
<u>Assets</u>		
Current assets:		
Cash	\$ 4,550,585	5,343,604
Investments, available for sale	1,178,634	395,962
Accounts receivable	85,845	342,323
Income taxes receivable and prepaid	180,424	167,261
Resale leases, at lower of cost or market	4,150,874	4,117,203
Deferred income tax asset	75,000	69,000
Total current assets	10,221,362	10,435,353
Property and equipment, net	404,244	400,621
Other assets	2,230	2,230
	<u>\$ 10,627,836</u>	<u>10,838,204</u>
 <u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 25,390	6,552
Accrued expenses	258,581	243,566
Payable - common stock repurchases	312,933	315,183
Dividends payable	77,929	79,529
Total current liabilities	674,833	644,830
Deferred income taxes	92,000	89,000
Asset retirement obligation	51,919	50,777
Total liabilities	818,752	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	(47,054)	(82,857)
Accumulated other comprehensive loss	(14,366)	(3,038)
Retained earnings	8,279,248	8,548,276
	9,811,044	10,055,597
Less treasury stock, 2,000 and 2,000 shares at cost, respectively	(1,960)	(2,000)
Total stockholders' equity	9,809,084	10,053,597
	<u>\$ 10,627,836</u>	<u>10,838,204</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Revenue:				
Oil and gas sales	\$ 153,050	140,154	444,364	389,310
Royalty revenue	123,049	55,707	381,101	183,877
	<u>276,099</u>	<u>195,861</u>	<u>825,465</u>	<u>573,187</u>
Costs and expenses:				
Cost of operations	143,258	55,357	352,820	217,448
General and administrative expenses	130,796	127,303	472,535	514,849
Exploration costs	74,930	77,959	225,867	219,747
Lease rentals	74,028	104,523	195,227	225,041
Depreciation, depletion and amortization	2,869	4,069	8,604	12,206
	<u>425,881</u>	<u>369,211</u>	<u>1,255,053</u>	<u>1,189,291</u>
Loss from operations	<u>(149,782)</u>	<u>(173,350)</u>	<u>(429,588)</u>	<u>(616,104)</u>
Other income:				
Interest income	5,500	10,208	23,828	91,294
Other	-	1,569	2,732	4,748
	<u>5,500</u>	<u>11,777</u>	<u>26,560</u>	<u>96,042</u>
Loss before income tax benefit	(144,282)	(161,573)	(403,028)	(520,062)
Income tax benefit	<u>(49,000)</u>	<u>(72,000)</u>	<u>(134,000)</u>	<u>(228,000)</u>
Net loss	<u>\$ (95,282)</u>	<u>(89,573)</u>	<u>(269,028)</u>	<u>(292,062)</u>
Net loss per common share:				
Basic	\$ <u>(0.01)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>(0.04)</u>
Diluted	\$ <u>(0.01)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>(0.04)</u>
Weighted average common shares:				
Basic	<u>7,673,000</u>	<u>7,679,000</u>	<u>7,673,000</u>	<u>7,674,000</u>
Diluted	<u>7,673,000</u>	<u>7,679,000</u>	<u>7,673,000</u>	<u>7,674,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss	\$ (269,028)	(292,062)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on disposal of developing properties	-	260
Depreciation, depletion and amortization	8,604	12,206
Accretion expense	1,142	1,109
Stock based compensation	-	98,507
Employee benefit plan expense	61,623	8,555
Deferred income taxes	3,000	(168,000)
Interest income	(2,545)	(5,871)
(Increase) decrease in:		
Accounts receivable	256,478	279,930
Income taxes receivable and prepaid	(13,163)	118,856
Resale leases	(33,671)	(175,551)
Increase (decrease) in:		
Accounts payable	18,838	(37,805)
Accrued expenses	<u>15,015</u>	<u>(431,196)</u>
Net cash provided by (used in) operating activities	<u>46,293</u>	<u>(591,062)</u>
Cash flows from investing activities:		
Proceeds from sale of investments, available for sale	200,000	250,000
Purchases of investments, available for sale	(1,000,000)	-
Acquisition of property and equipment	<u>(12,227)</u>	<u>(1,000)</u>
Net cash provided by (used in) investing activities	<u>(812,227)</u>	<u>249,000</u>
Cash flows from financing activities:		
Payable - common stock repurchases	(2,250)	(15,172)
Purchase of treasury stock	(23,235)	(2,500)
Proceeds from issuance of common stock	-	432,000
Payment of dividends	<u>(1,600)</u>	<u>(6,061,811)</u>
Net cash used in financing activities	<u>(27,085)</u>	<u>(5,647,483)</u>
Net decrease in cash	(793,019)	(5,989,545)
Cash, beginning of period	<u>5,343,604</u>	<u>10,443,315</u>
Cash, end of period	<u>\$ 4,550,585</u>	<u>4,453,770</u>

See Accountants' Report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Nine Months Ended June 30, 2010 and 2009

During the nine months ended June 30, 2010, the Company:

- Recorded a decrease in investments of \$17,328, an increase in unrealized holding loss of \$11,328, and a change in investment related deferred income taxes of \$6,000.
- Sold 20,500 shares of treasury stock to the Company's ESOP at a cost of \$23,275 in exchange for a stock subscription receivable.

During the nine months ended June 30, 2009, the Company:

- Recorded an increase in investments of \$45,858, a decrease in unrealized holding loss of \$29,858, and reduced the investment related deferred income tax asset by \$16,000.
- Sold 30,900 shares of treasury stock to the Company's ESOP at a cost of \$59,005 in exchange for a stock subscription receivable.
- Declared dividends of \$6,142,941.

See Accountants' Report.