

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

December 31, 2009

JONES SIMKINS P.C.



CERTIFIED PUBLIC ACCOUNTANTS

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 December 31, 2009, and the related statements of operations and cash flows for the three months ended December 31, 2009 and 2008, 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
February 19, 2010

PIONEER OIL AND GAS
BALANCE SHEETS

	December 31, 2009 <u>(Compiled)</u>	September 30, 2009 <u>(Audited)</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 4,468,655	5,343,604
Investments, available for sale	1,384,925	395,962
Accounts receivable	98,859	342,323
Income taxes receivable and prepaid	43,424	40,261
Resale leases, at lower of cost or market	4,143,667	4,117,203
Deferred income tax asset	243,000	196,000
Total current assets	<u>10,382,530</u>	<u>10,435,353</u>
Property and equipment, net	406,765	400,621
Other assets	2,230	2,230
	<u>\$ 10,791,525</u>	<u>10,838,204</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 27,288	6,552
Accrued expenses	245,333	243,566
Payable - common stock repurchases	314,883	315,183
Dividends payable	77,929	79,529
Total current liabilities	<u>665,433</u>	<u>644,830</u>
Deferred income taxes	92,000	89,000
Asset retirement obligation	51,158	50,777
Total liabilities	<u>808,591</u>	<u>784,607</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	(84,857)	(82,857)
Accumulated other comprehensive loss	(10,075)	(3,038)
Retained earnings	8,505,925	8,548,276
	<u>10,004,209</u>	<u>10,055,597</u>
Less treasury stock, 18,500 and 2,000 shares at cost, respectively	<u>(21,275)</u>	<u>(2,000)</u>
Total stockholders' equity	<u>9,982,934</u>	<u>10,053,597</u>
	<u>\$ 10,791,525</u>	<u>10,838,204</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue:		
Oil and gas sales	\$ 154,850	106,469
Royalty revenue	88,888	63,903
	<u>243,738</u>	<u>170,372</u>
Costs and expenses:		
Cost of operations	109,326	87,029
General and administrative expenses	130,922	232,075
Exploration costs	75,691	70,867
Lease rentals	16,404	82,118
Depreciation, depletion and amortization	2,868	4,069
	<u>335,211</u>	<u>476,158</u>
Loss from operations	<u>(91,473)</u>	<u>(305,786)</u>
Other income:		
Interest income	8,511	48,955
Other	611	3,490
	<u>9,122</u>	<u>52,445</u>
Loss before benefit for income taxes	(82,351)	(253,341)
Benefit for income taxes - deferred	<u>(40,000)</u>	<u>(59,000)</u>
Net loss	<u>\$ (42,351)</u>	<u>(194,341)</u>
Net loss per common share:		
Basic	\$ <u>(0.01)</u>	<u>(0.03)</u>
Diluted	\$ <u>(0.01)</u>	<u>(0.03)</u>
Weighted average common shares:		
Basic	<u>7,673,000</u>	<u>7,665,000</u>
Diluted	<u>7,673,000</u>	<u>7,665,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss	\$ (42,351)	(194,341)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	2,868	4,069
Accretion expense	381	370
Stock based compensation	-	98,507
Deferred income taxes	(40,000)	(59,000)
(Increase) decrease in:		
Accounts receivable	243,464	248,837
Income taxes receivable and prepaid	(3,163)	-
Resale leases	(26,464)	(14,083)
Increase (decrease) in:		
Accounts payable	20,736	3,640
Accrued expenses	1,767	(448,035)
	<u>157,238</u>	<u>(360,036)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Acquisition of property and equipment	(9,012)	-
Purchases of investments, available for sale	(1,000,000)	-
Sales of investments, available for sale	-	75,000
	<u>(1,009,012)</u>	<u>75,000</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Payable - common stock repurchases	(300)	(8,100)
Purchase of treasury stock	(21,275)	-
Proceeds from issuance of common stock	-	432,000
Payment of dividends	(1,600)	(6,039,411)
	<u>(23,175)</u>	<u>(5,615,511)</u>
Net cash used in financing activities		
Net decrease in cash	(874,949)	(5,900,547)
Cash, beginning of period	<u>5,343,604</u>	<u>10,443,315</u>
Cash, end of period	<u>\$ 4,468,655</u>	<u>4,542,768</u>

See Accountants' Report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Three Months Ended December 31, 2009 and 2008

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.

During the three months ended December 31, 2008 the Company:

- Recorded an increase in investments of \$29,802, a decrease in unrealized holding loss of \$19,802, and reduced the investment related deferred income tax asset by \$10,000.
- 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.

See Accountants' Report.