

**PIONEER OIL AND GAS**  
**FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2008**

**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 March 31, 2008, and the related statements of income and cash flows for the three and six months ended March 31, 2008 and 2007, 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, 2007, was audited by us, and we expressed an unqualified opinion on it in our report dated December 13, 2007, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.  
Logan, Utah  
May 19, 2008

PIONEER OIL AND GAS  
BALANCE SHEETS

<u>Assets</u>	March 31, 2008 (Compiled)	September 30, 2007 (Audited)
Current assets:		
Cash	\$ 6,310,013	6,491,269
Investments, available for sale	1,475	3,000
Accounts receivable	76,959	95,562
Income taxes receivable and prepaid	172,200	154,000
Resale leases, at lower of cost or market	4,897,552	4,562,494
Total current assets	11,458,199	11,306,325
Property and equipment, net	416,015	437,548
Other assets	2,230	2,230
	\$ 11,876,444	11,746,103
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 157,128	172,630
Payable - common stock repurchases	331,539	332,439
Accrued expenses	174,439	159,650
Total current liabilities	663,106	664,719
Deferred income taxes	84,000	73,000
Asset retirement obligation	48,209	72,606
Total liabilities	795,315	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	(208,629)	(253,918)
Accumulated other comprehensive income	475	2,000
Retained earnings	10,222,457	10,126,870
	11,085,129	10,945,778
Less treasury stock, 2,000 and 5,000 shares at cost, respectively	(4,000)	(10,000)
Total stockholders' equity	11,081,129	10,935,778
	\$ 11,876,444	11,746,103

See Accountants' Report.

PIONEER OIL AND GAS  
STATEMENTS OF INCOME

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>March 31,</u>		<u>March 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue:				
Oil and gas sales	\$ 211,735	169,527	381,226	307,637
Royalty revenue	109,006	111,455	216,202	261,557
Project and lease sales income	49,006	4,837,027	37,746	7,634,505
	<u>369,747</u>	<u>5,118,009</u>	<u>635,174</u>	<u>8,203,699</u>
Costs and expenses:				
Cost of operations	94,856	89,738	271,831	163,462
General and administrative expenses	242,978	591,779	360,077	707,787
Exploration costs	65,029	62,925	126,513	124,218
Lease rentals	51,719	34,552	128,095	72,758
Depreciation, depletion and amortization	11,122	17,807	22,244	35,613
	<u>465,704</u>	<u>796,801</u>	<u>908,760</u>	<u>1,103,838</u>
Income (loss) from operations	<u>(95,957)</u>	<u>4,321,208</u>	<u>(273,586)</u>	<u>7,099,861</u>
Other income (expense):				
Gain on sale of producing properties	261,303	-	261,303	-
Interest income	51,077	44,701	109,905	51,125
Interest expense	(214)	-	(214)	(4,025)
Other	19,791	1,500	22,179	4,816
	<u>331,957</u>	<u>46,201</u>	<u>393,173</u>	<u>51,916</u>
Income before provision for income taxes	236,000	4,367,409	119,587	7,151,777
Provision for income taxes	<u>69,000</u>	<u>1,613,000</u>	<u>24,000</u>	<u>2,640,000</u>
Net income	<u>\$ 167,000</u>	<u>2,754,409</u>	<u>95,587</u>	<u>4,511,777</u>
Net income per common share:				
Basic	<u>\$ 0.02</u>	<u>0.38</u>	<u>0.01</u>	<u>0.62</u>
Diluted	<u>\$ 0.02</u>	<u>0.37</u>	<u>0.01</u>	<u>0.61</u>
Weighted average common shares:				
Basic	<u>7,319,000</u>	<u>7,259,000</u>	<u>7,319,000</u>	<u>7,259,000</u>
Diluted	<u>7,442,000</u>	<u>7,365,000</u>	<u>7,443,000</u>	<u>7,365,000</u>

See Accountants' Report.

PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Six Months Ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net income	\$ 95,587	4,511,777
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of producing properties	(261,303)	-
Reduction of ARO due to sales	(20,433)	-
Depreciation, depletion and amortization	22,244	35,613
Accretion expense	1,088	1,056
Employee benefit plan expense	63,207	126,055
Deferred income taxes	11,000	(8,000)
Interest income	(7,918)	(7,498)
(Increase) decrease in:		
Accounts receivable	18,603	60,466
Income taxes receivable and prepaid	(18,200)	-
Resale leases	(335,058)	1,500,958
Increase (decrease) in:		
Accounts payable	(15,502)	(37,883)
Accrued expenses	14,789	6,959
Income taxes payable	-	1,842,913
	<u>(431,896)</u>	<u>8,032,416</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(5,763)	-
Proceeds from sale of producing properties	261,303	-
	<u>255,540</u>	<u>-</u>
Cash flows from financing activities:		
Payable - common stock repurchases	(900)	(8,445)
Payments on note payable	-	(200,000)
Purchase of treasury stock	(4,000)	(175,394)
Purchase and retirement of common stock	-	(3,000)
	<u>(4,900)</u>	<u>(386,839)</u>
Net cash used in financing activities	<u>(4,900)</u>	<u>(386,839)</u>
Net increase (decrease) in cash	(181,256)	7,645,577
Cash, beginning of period	<u>6,491,269</u>	<u>294,754</u>
Cash, end of period	<u>\$ 6,310,013</u>	<u>7,940,331</u>

See Accountants' Report.

PIONEER OIL AND GAS  
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  
Six Months Ended March 31, 2008 and 2007

During the six months ended March 31, 2008:

- Recorded a reduction in investments of \$1,525 and an unrealized holding loss of \$1,525.
- Sold 5,000 shares of treasury stock to the Company's ESOP at a cost of \$10,000 in exchange for an increase in the 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.

During the six months ended March 31, 2007:

- Recorded a reduction in investments of \$2,500, a reduction in unrealized holding loss of \$1,500, and a reduction in deferred income taxes of \$1,000.
- Sold 100,000 shares of treasury stock to the Company's ESOP at a cost of \$150,000 in exchange for a stock subscription receivable.
- Purchased 2,127 shares of treasury stock in exchange for accounts payable of \$1,054.

See Accountants' Report.