

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

March 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 March 31, 2009, and the related statements of operations and cash flows for the three and six months ended March 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, 2008, was audited by us, and we expressed an unqualified opinion on it in our report dated December 24, 2008, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.
Logan, Utah
May 5, 2009

PIONEER OIL AND GAS
BALANCE SHEETS

<u>ASSETS</u>	March 31, 2009 <u>(Compiled)</u>	September 30, 2008 <u>(Audited)</u>
Current assets:		
Cash	\$ 4,372,630	10,443,315
Investments, available for sale	1,539,319	1,678,855
Accounts receivable	20,274	321,175
Income taxes receivable and prepaid	183,200	131,200
Resale leases, at lower of cost or market	4,137,680	3,958,609
Deferred income tax asset	<u>109,000</u>	<u>16,000</u>
Total current assets	10,362,103	16,549,154
Property and equipment, net	408,217	416,354
Other assets	<u>2,230</u>	<u>2,230</u>
	<u>\$ 10,772,550</u>	<u>16,967,738</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 8,033	41,600
Payable - common stock repurchases	309,317	323,739
Dividends payable	81,129	-
Accrued expenses	<u>35,462</u>	<u>474,255</u>
Total current liabilities	433,941	839,594
Deferred income taxes	89,000	88,000
Asset retirement obligation	<u>50,038</u>	<u>49,298</u>
Total liabilities	<u>572,979</u>	<u>976,892</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,678,676 and 7,318,676 shares issued and outstanding, respectively	7,679	7,319
Additional paid-in capital	1,593,654	1,063,507
Stock subscription receivable	(140,181)	(86,360)
Accumulated other comprehensive income	(6,681)	(30,145)
Retained earnings	<u>8,747,600</u>	<u>15,093,030</u>
	10,202,071	16,047,351
Less treasury stock, 2,000 and 28,900 shares at cost, respectively	<u>(2,500)</u>	<u>(56,505)</u>
Total stockholders' equity	<u>10,199,571</u>	<u>15,990,846</u>
	<u>\$ 10,772,550</u>	<u>16,967,738</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	<u>Three Months Ended</u> <u>March 31,</u>		<u>Six Months Ended</u> <u>March 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue:				
Oil and gas sales	\$ 142,687	211,735	249,156	381,226
Royalty revenue	64,267	109,006	128,170	216,202
Project and lease sales income	-	49,006	-	37,746
	<u>206,954</u>	<u>369,747</u>	<u>377,326</u>	<u>635,174</u>
Costs and expenses:				
Cost of operations	75,062	94,856	162,091	271,831
General and administrative expenses	155,471	242,978	387,546	360,077
Exploration costs	70,921	65,029	141,788	126,513
Lease rentals	38,400	51,719	120,518	128,095
Depreciation, depletion and amortization	4,068	11,122	8,137	22,244
	<u>343,922</u>	<u>465,704</u>	<u>820,080</u>	<u>908,760</u>
Loss from operations	<u>(136,968)</u>	<u>(95,957)</u>	<u>(442,754)</u>	<u>(273,586)</u>
Other income (expense):				
Gain on sale of producing properties	-	261,303	-	261,303
Interest income	32,131	51,077	81,086	109,905
Interest expense	-	(214)	-	(214)
Other	(311)	19,791	3,179	22,179
	<u>31,820</u>	<u>331,957</u>	<u>84,265</u>	<u>393,173</u>
Income (loss) before benefit for income taxes	(105,148)	236,000	(358,489)	119,587
Provision (benefit) for income taxes	<u>(97,000)</u>	<u>69,000</u>	<u>(156,000)</u>	<u>24,000</u>
Net income (loss)	<u>\$ (8,148)</u>	<u>167,000</u>	<u>(202,489)</u>	<u>95,587</u>
Net income (loss) per common share:				
Basic	<u>\$ -</u>	<u>0.02</u>	<u>(0.03)</u>	<u>0.01</u>
Diluted	<u>\$ -</u>	<u>0.02</u>	<u>(0.03)</u>	<u>0.01</u>
Weighted average common shares:				
Basic	<u>7,679,000</u>	<u>7,319,000</u>	<u>7,672,000</u>	<u>7,319,000</u>
Diluted	<u>7,679,000</u>	<u>7,442,000</u>	<u>7,672,000</u>	<u>7,443,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net income (loss)	\$ (202,489)	95,587
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of producing properties	-	(261,303)
Reduction of ARO due to sales	-	(20,433)
Depreciation, depletion and amortization	8,137	22,244
Accretion expense	740	1,088
Stock based compensation	98,507	-
Employee benefit plan expense	8,555	63,207
Deferred income taxes	(104,000)	11,000
Interest income	(5,871)	(7,918)
(Increase) decrease in:		
Accounts receivable	300,901	18,603
Income taxes receivable and prepaid	(52,000)	(18,200)
Resale leases	(179,071)	(335,058)
Increase (decrease) in:		
Accounts payable	(33,567)	(15,502)
Accrued expenses	(438,793)	14,789
	<u>(598,951)</u>	<u>(431,896)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	175,000	-
Acquisition of property and equipment	-	(5,763)
Proceeds from sale of producing properties	-	261,303
	<u>175,000</u>	<u>255,540</u>
Cash flows from financing activities:		
Payable - common stock repurchases	(14,422)	(900)
Purchase of treasury stock	(2,500)	(4,000)
Proceeds from issuance of common stock	432,000	-
Payment of dividends	(6,061,812)	-
	<u>(5,646,734)</u>	<u>(4,900)</u>
Net decrease in cash	(6,070,685)	(181,256)
Cash, beginning of period	<u>10,443,315</u>	<u>6,491,269</u>
Cash, end of period	<u>\$ 4,372,630</u>	<u>6,310,013</u>

See Accountants' Report.

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

During the six months ended March 31, 2009 the Company:

- Recorded an increase in investments of \$35,464, a decrease in unrealized holding loss of \$23,464, and reduced the investment related deferred income tax asset by \$12,000.
- 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.
- Declared dividends of \$6,142,941.

During the six months ended March 31, 2008 the Company:

- 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.

See Accountants' Report.