

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2007

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 June 30, 2007, and the related statements of income for the three and nine months ended June 30, 2007 and 2006, and the statements of cash flows for the nine months ended June 30, 2007 and 2006, 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, 2006, was audited by us, and we expressed an unqualified opinion on it in our report dated December 6, 2006, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.
Logan, Utah
August 15, 2007

PIONEER OIL AND GAS
BALANCE SHEETS

<u>Assets</u>	<u>June 30, 2007 (Compiled)</u>	<u>September 30, 2006 (Audited)</u>
Current assets:		
Cash	\$ 7,288,857	294,754
Investments, available for sale	2,750	8,000
Accounts receivable	111,927	219,793
Resale leases, at lower of cost or market	4,364,882	5,880,385
Total current assets	11,768,416	6,402,932
Property and equipment, net	420,337	433,542
Other assets	2,230	2,230
	<u>\$ 12,190,983</u>	<u>6,838,704</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 73,501	130,369
Payable - common stock repurchases	332,439	341,334
Accrued expenses	33,363	26,488
Income taxes payable	592,913	347,000
Note payable	-	200,000
Total current liabilities	1,032,216	1,045,191
Deferred income taxes	67,000	69,000
Asset retirement obligation	72,078	70,493
Total liabilities	1,171,294	1,184,684
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,318,676 and 7,260,676 shares issued and outstanding, respectively	7,319	7,261
Additional paid-in capital	1,063,507	1,054,565
Stock subscription receivable	(307,818)	(99,927)
Accumulated other comprehensive income	1,750	5,000
Retained earnings	10,254,931	4,837,121
	11,019,689	5,804,020
Less treasury stock, 0 and 100,000 shares at cost, respectively	-	(150,000)
Total stockholders' equity	11,019,689	5,654,020
	<u>\$ 12,190,983</u>	<u>6,838,704</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:				
Oil and gas sales	\$ 156,812	172,418	464,449	653,204
Royalty revenue	180,142	209,249	441,699	785,829
Project and lease sales income	1,468,349	72,092	9,102,854	91,272
	<u>1,805,303</u>	<u>453,759</u>	<u>10,009,002</u>	<u>1,530,305</u>
Costs and expenses:				
Cost of operations	120,906	107,889	284,368	447,091
General and administrative expenses	125,896	83,420	833,683	304,257
Exploration costs	74,858	56,453	199,076	170,434
Lease rentals	102,717	51,403	175,475	108,051
Depreciation, depletion and amortization	17,809	20,981	53,422	62,831
	<u>442,186</u>	<u>320,146</u>	<u>1,546,024</u>	<u>1,092,664</u>
Income from operations	<u>1,363,117</u>	<u>133,613</u>	<u>8,462,978</u>	<u>437,641</u>
Other income (expense):				
Gain on sale of investments	-	-	-	130,079
Gain on sale of producing properties	-	-	-	309,821
Interest income	71,107	444	122,232	9,897
Interest expense	-	(17,632)	(4,025)	(35,390)
Other	2,809	2,336	7,625	7,490
	<u>73,916</u>	<u>(14,852)</u>	<u>125,832</u>	<u>421,897</u>
Income before provision for income taxes	1,437,033	118,761	8,588,810	859,538
Provision for income taxes	<u>(531,000)</u>	<u>(25,000)</u>	<u>(3,171,000)</u>	<u>(236,000)</u>
Net income	<u>\$ 906,033</u>	<u>93,761</u>	<u>5,417,810</u>	<u>623,538</u>
Net income per common share:				
Basic	<u>\$ 0.12</u>	<u>0.01</u>	<u>0.75</u>	<u>0.09</u>
Diluted	<u>\$ 0.12</u>	<u>0.01</u>	<u>0.73</u>	<u>0.08</u>
Weighted average common shares:				
Basic	<u>7,284,000</u>	<u>7,277,000</u>	<u>7,267,000</u>	<u>7,278,000</u>
Diluted	<u>7,434,000</u>	<u>7,357,000</u>	<u>7,388,000</u>	<u>7,359,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	\$ 5,417,810	623,538
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of investments	-	(130,079)
Gain on sale of producing properties	-	(309,821)
Depreciation, depletion and amortization	53,422	62,831
Accretion expense	1,585	2,537
Employee benefit plan expense	126,055	26,605
Deferred income taxes	-	4,000
Interest income	(7,498)	(4,948)
(Increase) decrease in:		
Accounts receivable	107,866	179,168
Prepaid income taxes	-	(53,000)
Resale leases	1,515,503	(1,371,137)
Increase (decrease) in:		
Accounts payable	(56,868)	(287,056)
Accrued expenses	6,875	(6,916)
Income taxes payable	245,913	-
Net cash provided by (used in) operating activities	<u>7,410,663</u>	<u>(1,264,278)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(40,217)	(21,090)
Proceeds from sale of marketable securities	-	130,079
Proceeds from sale of producing properties	-	309,821
Net cash provided by (used in) investing activities	<u>(40,217)</u>	<u>418,810</u>
Cash flows from financing activities:		
Payable - common stock repurchases	(8,895)	(793,365)
Increase in line-of-credit	-	50,000
Proceeds from note payable	-	1,000,000
Payments on note payable	(200,000)	-
Purchase of treasury stock	(176,448)	-
Proceeds from issuance of common stock	12,000	-
Purchase and retirement of common stock	(3,000)	(3,562)
Net cash provided by (used in) financing activities	<u>(376,343)</u>	<u>253,073</u>
Net increase (decrease) in cash	6,994,103	(592,395)
Cash, beginning of period	<u>294,754</u>	<u>758,183</u>
Cash, end of period	<u>\$ 7,288,857</u>	<u>165,788</u>

See Accountants' Report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Nine Months Ended June 30, 2007 and 2006

During the nine months ended June 30, 2007:

- Recorded a reduction in investments of \$5,250, a reduction in unrealized holding loss of \$3,250, and a reduction in deferred income taxes of \$2,000.
- Sold 197,900 shares of treasury stock to the Company's ESOP at a cost of \$326,448 in exchange for a stock subscription receivable.

During the nine months ended June 30, 2006:

- Recorded a reduction in investments of \$21,250, a reduction in unrealized holding loss of \$14,250, and a reduction in deferred income taxes of \$7,000.

See Accountants' Report.