

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

**June 30, 2009**

**JONES SIMKINS P.C.**



CERTIFIED PUBLIC ACCOUNTANTS

PIONEER OIL AND GAS  
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June 30, 2009

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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, 2009, and the related statements of operations and cash flows for the three and nine months ended June 30, 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  
July 31, 2009

PIONEER OIL AND GAS  
BALANCE SHEETS

	<u>June 30,</u> 2009 <u>(Compiled)</u>	<u>September 30,</u> 2008 <u>(Audited)</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 4,448,031	10,443,315
Investments, available for sale	1,474,713	1,678,855
Accounts receivable	41,245	321,175
Income taxes receivable and prepaid	18,083	131,200
Resale leases, at lower of cost or market	4,134,160	3,958,609
Deferred income tax asset	<u>169,000</u>	<u>16,000</u>
Total current assets	10,285,232	16,549,154
Property and equipment, net	404,888	416,354
Other assets	<u>2,230</u>	<u>2,230</u>
	<u>\$ 10,692,350</u>	<u>16,967,738</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 3,795	41,600
Payable - common stock repurchases	308,567	323,739
Dividends payable	81,129	-
Accrued expenses	<u>43,059</u>	<u>474,255</u>
Total current liabilities	436,550	839,594
Deferred income taxes	89,000	88,000
Asset retirement obligation	<u>50,407</u>	<u>49,298</u>
Total liabilities	<u>575,957</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	(142,681)	(86,360)
Accumulated other comprehensive income	(287)	(30,145)
Retained earnings	<u>8,658,028</u>	<u>15,093,030</u>
	10,116,393	16,047,351
Less treasury stock, 0 and 28,900 shares at cost, respectively	<u>-</u>	<u>(56,505)</u>
Total stockholders' equity	<u>10,116,393</u>	<u>15,990,846</u>
	<u>\$ 10,692,350</u>	<u>16,967,738</u>

See Accountants' Report.

PIONEER OIL AND GAS  
STATEMENTS OF OPERATIONS

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue:				
Oil and gas sales	\$ 140,154	385,829	389,310	767,055
Royalty revenue	55,707	203,195	183,877	419,397
Project and lease sales income	-	8,391,042	-	8,428,788
	<u>195,861</u>	<u>8,980,066</u>	<u>573,187</u>	<u>9,615,240</u>
Costs and expenses:				
Cost of operations	55,357	106,205	217,448	378,036
General and administrative expenses	127,303	841,081	514,849	1,201,158
Exploration costs	77,959	61,180	219,747	187,693
Lease rentals	104,523	2,344	225,041	130,439
Depreciation, depletion and amortization	4,069	11,122	12,206	33,367
	<u>369,211</u>	<u>1,021,932</u>	<u>1,189,291</u>	<u>1,930,693</u>
Loss from operations	<u>(173,350)</u>	<u>7,958,134</u>	<u>(616,104)</u>	<u>7,684,547</u>
Other income (expense):				
Gain on sale of producing properties	-	-	-	261,303
Interest income	10,208	33,110	91,294	143,015
Interest expense	-	-	-	(214)
Other	1,569	(1,240)	4,748	20,939
	<u>11,777</u>	<u>31,870</u>	<u>96,042</u>	<u>425,043</u>
Income (loss) before benefit for income taxes	(161,573)	7,990,004	(520,062)	8,109,590
Provision (benefit) for income taxes	<u>(72,000)</u>	<u>2,955,000</u>	<u>(228,000)</u>	<u>2,979,000</u>
Net income (loss)	<u>\$ (89,573)</u>	<u>5,035,004</u>	<u>(292,062)</u>	<u>5,130,590</u>
Net income (loss) per common share:				
Basic	<u>\$ (0.01)</u>	<u>0.69</u>	<u>(0.04)</u>	<u>0.70</u>
Diluted	<u>\$ (0.01)</u>	<u>0.67</u>	<u>(0.04)</u>	<u>0.69</u>
Weighted average common shares:				
Basic	<u>7,679,000</u>	<u>7,319,000</u>	<u>7,674,000</u>	<u>7,319,000</u>
Diluted	<u>7,679,000</u>	<u>7,484,000</u>	<u>7,674,000</u>	<u>7,456,000</u>

See Accountants' Report.

PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Nine Months Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net income (loss)	\$ (292,062)	5,130,590
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of producing properties	-	(261,303)
Loss on disposal of developing properties	260	-
Reduction of ARO due to sales	-	(20,433)
Depreciation, depletion and amortization	12,206	33,367
Accretion expense	1,109	1,633
Stock based compensation	98,507	-
Employee benefit plan expense	8,555	63,207
Deferred income taxes	(168,000)	9,000
Interest income	(5,871)	(7,918)
(Increase) decrease in:		
Accounts receivable	279,930	(5,775,051)
Income taxes receivable and prepaid	118,856	154,000
Resale leases	(175,551)	812,301
Increase (decrease) in:		
Accounts payable	(37,805)	165,556
Accrued expenses	(431,196)	638,858
Income taxes payable	-	2,814,800
	<u>(591,062)</u>	<u>3,758,607</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	250,000	-
Acquisition of property and equipment	(1,000)	(6,157)
Proceeds from sale of producing properties	-	261,303
	<u>249,000</u>	<u>255,146</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Payable - common stock repurchases	(15,172)	(3,450)
Purchase of treasury stock	(2,500)	(56,505)
Proceeds from issuance of common stock	432,000	-
Payment of dividends	(6,061,811)	-
	<u>(5,647,483)</u>	<u>(59,955)</u>
Net cash used in financing activities		
Net decrease in cash	(5,989,545)	3,953,798
Cash, beginning of period	<u>10,443,315</u>	<u>6,491,269</u>
Cash, end of period	<u>\$ 4,453,770</u>	<u>10,445,067</u>

See Accountants' Report.

PIONEER OIL AND GAS  
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  
Nine Months Ended June 30, 2009 and 2008

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.

During the nine months ended June 30, 2008, the Company:

- Recorded a reduction in investments of \$500 and an unrealized holding loss of \$500.
- Sold 7,000 shares of treasury stock to the Company's ESOP at a cost of \$14,000 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.