

PIONEER OIL AND GAS
1206 W. South Jordan Parkway, Unit B
South Jordan, Utah 84095

**OFFER TO PURCHASE FOR CASH ALL OF THE OUTSTANDING SHARES OF ITS
COMMON STOCK EXCEPT SHARES HELD BY THE OFFICERS AND DIRECTORS
AT A PURCHASE PRICE OF \$1.00 PER SHARE.**

**THE TENDER OFFER WILL EXPIRE AT 5:00 PM, MOUNTAIN
STANDARD TIME, ON AUGUST 15, 2012 UNLESS THE TENDER OFFER IS
EXTENDED.**

Pioneer Oil and Gas, a Utah corporation ("Pioneer" or the "Company"), hereby invites its stockholders (other than officers and directors) to tender up all shares of its Common Stock, par value \$.001 per share, to the Company at a price of \$1.00 per Share in cash upon the terms and subject to the conditions set forth herein and in the related Letter of Transmittal (which together constitute the "Offer").

The Company will, upon the terms and subject to the conditions of the Offer, pay the Purchase Price for all Shares validly tendered and not withdrawn, upon the terms and subject to the conditions of the Offer. The Offer shall continue until August 15, 2012, 5:00 PM MST, unless the offer is extended.

The Tender Offer is not conditioned upon any minimum number of shares being tendered. The Tender Offer is, however, subject to certain other conditions. See Section 6.

The shares are listed and traded on the Pink Sheets under the symbol "POGS.PK". On May 30, 2012 the last full trading day before the announcement of the Tender Offer, the reported closing price of the shares the Pink Sheets was \$.55 per share. **Shareholders are urged to obtain current market quotations for the shares. See Section 7.**

The Board of Directors has approved the Tender Offer. However, neither management nor the Board of Directors, nor the Depositary makes any recommendation to any shareholder as to whether to tender or refrain from tendering any shares. Further, the Company has not authorized any person to make any recommendation on our behalf as to whether you should tender or refrain from tendering your shares. You should carefully evaluate all information in the Tender Offer and consult your own investment and tax advisors. You must decide whether to tender your shares and, if so, how many shares to tender. In doing so, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal. See Section 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction or passed upon the merits or fairness of such transaction or passed upon the adequacy or accuracy of the information contained in this Offer to Purchase. Any representation to the contrary is a criminal offense.

IMPORTANT

Any stockholder wishing to tender all or any part of his or her Shares should either (a) complete and sign a Letter of Transmittal in accordance with the instructions in the Letter of Transmittal and either mail or deliver it with any required signature guarantee or an Agent's Message (as defined below) and any other required documents to Standard Registrar & Transfer (the "Depositary"), and either mail or deliver the stock certificates signed with the required guarantee signature for such tendered Shares to the Depositary.

Shares held in a street name with your broker will be handled through the broker and Depository pursuant to the procedure for book-entry delivery set forth in Section 3, or (b) request a broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such stockholder. Stockholders having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact that broker, dealer, commercial bank, trust company or other nominee if they desire to tender their Shares. Any stockholder who desires to tender Shares and whose certificates for such Shares cannot be delivered to the Depository or who cannot comply with the procedure for book-entry transfer or whose other required documents cannot be delivered to the Depository, in any case, by the expiration of the Offer must tender such Shares pursuant to the guaranteed delivery procedure set forth in Section 3.

Stockholders must complete the Letter of Transmittal to effect a valid tender of Shares.

Additional copies of this Offer to Purchase, the Letter of Transmittal and other tender offer materials may be obtained from the Company and will be furnished at the Company's expense. Questions and requests for assistance may be directed to the Company at its address and telephone number set forth on the back cover of this Offer to Purchase. Stockholders may also contact their local broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

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SUMMARY TERM SHEET

We are providing this summary term sheet for your convenience. Pioneer Oil and Gas is at times referred to also as “we,” “our” or “us” “the Company” or “Pioneer.” We refer to the shares of our Common Stock as the “shares.” This summary term sheet highlights the material information in this Offer to Purchase, but you should realize that it does not describe all of the details of the Tender Offer to the same extent described in this Offer to Purchase. We urge you to read the entire Offer to Purchase and the Letter of Transmittal because they contain the full details of the Tender Offer. We have included references to the sections of this Offer to Purchase where you will find a more complete discussion where helpful.

Who is offering to purchase my shares?

Pioneer Oil and Gas (“Pioneer”) is offering to purchase your shares of Pioneer common stock.

If I tender my shares what will be the purchase price for the shares and what will be the form of payment?

\$1.00 per share, net to you, without any brokerage commissions or stock transfer taxes deducted from your payment. We will pay you the purchase price in cash, less any applicable withholding taxes and without interest, promptly after the Tender Offer expires. See Sections 1 and 5. Under no circumstances will we pay interest on the purchase price, even if there is a delay in making payment.

How many shares is the Company offering to purchase in the Tender Offer?

We are offering to purchase all of the Common Stock, \$0.001 par value per share, of the Company other than the shares owned by the Officers and Directors. See Sections 1 and 14.

How will the Company pay for the shares?

We will pay for the shares tendered in the Tender Offer, as well as pay related fees and expenses, from our cash and short-term investments. See Section 7.

How long do I have to tender my shares; can the Tender Offer be extended, amended or terminated?

You may tender your shares until the Tender Offer expires. The Tender Offer will expire at 5:00 PM Mountain Standard Time, on August 15, 2012, unless extended (such date and time, as they may be extended, the “Expiration Date” and “Expiration Time,” respectively). See Section 1. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely the nominee has established an earlier deadline for you to act to instruct the nominee to accept the Tender Offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out the nominee’s deadline.

We may choose to extend the Tender Offer at any time and for any reason, subject to applicable laws. See Section 14. We cannot assure you that we will extend the Tender Offer or indicate the length of any extension that we may provide. If we extend the Tender Offer, we will delay the acceptance of any shares that have been tendered. We can also amend the Tender Offer in our sole discretion or terminate the Tender Offer under certain circumstances. See Section 14.

How will I be notified if the Company extends the Tender Offer or amends the terms of the Tender Offer?

If we extend the Tender Offer, we will issue a press release announcing the extension and the new Expiration Time by 9:00 a.m., Salt Lake City time, on the next business day after the previously scheduled Expiration Time. We will announce any amendment to the Tender Offer by making a public announcement of the amendment. See Section 14.

Once I have tendered my shares, can I withdraw my tender?

After you have tendered your shares you may change your mind and not sell your shares if you properly notify the Depository before the expiration date. To properly withdraw shares, you must deliver a written notice of withdrawal with the required information to the Depository while you still have the right to withdraw the shares. See Section 4.

How do I tender my shares?

- 1) You must properly complete and duly execute the Letter of Transmittal and deliver it with your signed share certificate(s) that are guaranteed in front of an eligible institution to the Depository at the address appearing on the back cover page of this document; or
- 2) The Depository must receive a confirmation of receipt of your shares by book-entry transfer and a properly completed and duly executed Letter of Transmittal; or
- 3) Pursuant to the guaranteed delivery procedure. See Section 3.

See Section 3 and the instructions for the Letter of Transmittal.

What is the purpose of the Tender Offer?

In determining to proceed with the Tender Offer, management and our Board of Directors have reviewed our use of cash and investment balances, cash flows from operations and investments for, among other things, investments in oil and gas leases and capital expenditures, acquisitions, strategic investments, dividends and share repurchases, and a variety of alternatives for using our available financial resources. The Board of Directors considered, with the assistance of management, our free cash flow, financial position and dividend policy, and the market price of our Common Stock, as well as our operations, strategy and expectations for the future. See Section 2.

The Board of Directors believes that the relatively low trading volume of Pioneer may adversely affect the Company's ability to properly negotiate its fair market value in the event of a another entity desiring to obtain a controlling interest in the Company. Additionally, the Board believes that the share repurchase would demonstrate to the Company's stockholders the Company's confidence in its business. Further, a significant tender offer provides a mechanism for all of our shareholders to tender all or a portion of their shares and, thereby, receive a return of some or all of their investment if they so elect. Finally, shareholders who do not participate in the Tender Offer will automatically increase their relative percentage ownership interest in Pioneer and its future operations.

The Tender Offer also provides our shareholders with an efficient way to sell their shares without incurring broker's fees or commissions associated with open market sales. Furthermore, odd lot holders who hold shares registered in their names and tender their shares directly to the Depository and whose shares are purchased pursuant to the Tender Offer will avoid any applicable odd lot discounts that might be payable on sales of their shares.

What is an Odd Lot?

An odd lot is an amount of shares less than 100.

Has the Company or its Board of Directors adopted a position on the Tender Offer?

Our Board of Directors has approved the Tender Offer. However, neither we nor our Board of Directors, nor the Depositary are making any recommendation to you as to whether you should tender or refrain from tendering your shares or as to the purchase price or purchase prices at which you may choose to tender your shares. You must make your own decision whether to tender your shares and, if so, how many shares to tender. In so doing, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal. See Section 2.

Does the Company intend to repurchase any shares other than pursuant to the Tender Offer during or after the Tender Offer?

Not at the present time. However, in the past the Company has had a program in place to acquire common shares of the Company's stock for its ESOP plan. The Company has also acquired shares from shareholders desiring to sell their shares at a reasonable price when the Company has had adequate cash to do so. If there are still shares outstanding owned by those other than the officers and directors of the Company after the tender offer and a shareholder desires to sell the shares in the Company on the market the shareholder can always contact Pioneer to determine if the Company will pay the ask price of the stock thereby saving the shareholder brokerage commissions.

If I decide not to tender, how will the Tender Offer affect my shares?

Shareholders who choose not to tender their shares will own a greater percentage interest in our outstanding Common Stock following consummation of the Tender Offer. See Section 2.

What is the recent market price of my shares?

On May 30, 2012, the last full trading day before the announcement of the Tender Offer, the reported closing price of the shares on the Pink Sheets was \$.55 per share. **You are urged to obtain current market quotations for the shares before deciding whether to tender your shares. See Section 7.**

When will the Company pay for the shares I tender?

We will pay the purchase price, net to the seller in cash, less any applicable withholding tax and without interest, for the shares we purchase promptly after the expiration of the Tender Offer.

Will I have to pay brokerage commissions if I tender my shares?

If you are a registered shareholder and you tender your shares directly to the Depositary, you will not incur any brokerage commissions. If you hold your shares through a broker or a bank, we urge you to consult your broker or bank to determine whether they charge applicable transaction costs. See Section 15.

What are the United States federal income tax consequences if I tender my shares?

Generally, you will be subject to U.S. federal income taxation when you receive cash from Pioneer in exchange for the shares you tender. In addition, such receipt of cash for your tendered shares will be treated either as a sale or exchange eligible for capital gains treatment or a dividend subject to ordinary income tax rates. See Section 13.

All shareholders should review the discussion in Sections 3 and 13 regarding tax issues and consult their tax advisor regarding the tax effects of a tender of shares.

Will I have to pay stock transfer tax if I tender my shares?

You will not incur any stock transfer tax if you instruct the Depository in the Letter of Transmittal to make payment for the shares to the registered holder. See Sections 5 and 15.

Are there any special conditions to the offer?

Yes. The tender offer is subject to conditions such as the absence of court and governmental action prohibiting the offer, and changes in general market conditions or Pioneer's business that, in our judgment, may be materially adverse. See Section 6.

Whom can I talk to if I have questions?

Please contact the Depository or Gregg or Don Colton at the Company. Their contact information is listed on the last page of this document. If you own your shares through a broker, he or she should be able to assist you as well.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Offer to Purchase and the documents incorporated herein by reference include certain "forward-looking statements." These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result" and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements.

Pioneer undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after the date of this communication. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication. All forward-looking statements are qualified in their entirety by this cautionary statement. All subsequent written and oral forward-looking statements concerning Pioneer or other matters and attributable to Pioneer or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Pioneer does not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in the Offer to Purchase.

INTRODUCTION

Pioneer Oil and Gas, a Utah corporation (the "Company"), hereby invites its stockholders to tender up all of their common shares, par value \$.001 per share (hereinafter referred to as the "Shares"), to the Company at a price of \$1.00 per Share, upon the terms and subject to the conditions set forth herein and in the related Letter of Transmittal (which together constitute the "Offer").

The Company will, upon the terms and subject to the conditions of the Offer, purchase all Shares other than those of officers and directors pursuant to the Offer. The Company will pay the Purchase Price for all Shares validly tendered, and not withdrawn, upon the terms and subject to the conditions of the Offer.

This Offer is not conditioned upon any minimum number of Shares being tendered in the Offer. The Offer is, however, subject to certain other conditions. See Section 6.

The Board of Directors of the Company has approved the Offer. However, neither the Company nor its Board of Directors makes any recommendation to stockholders as to whether to tender or refrain from tendering their Shares. Each stockholder must make the decision whether to tender Shares and, if so, how

many Shares to tender. The Company has been advised that none of its directors or executive officers intends to tender any Shares pursuant to the Offer or is the offering made to allow them to tender.

In determining to proceed with the Tender Offer, management and our Board of Directors have reviewed our use of cash and investment balances, cash flows from operations and investments for, among other things, investments in oil and gas leases and capital expenditures, acquisitions, strategic investments, dividends and share repurchases, and a variety of alternatives for using our available financial resources. The Board of Directors considered, with the assistance of management, our free cash flow, financial position and dividend policy, and the market price of our Common Stock, as well as our operations, strategy and expectations for the future. See Section 2.

The Board of Directors believes that the relatively low trading volume of Pioneer may adversely affect the Company's ability to properly negotiate its fair market value in the event of a another entity desiring to obtain a controlling interest in the Company. Additionally, the Board believes that the share repurchase would demonstrate to the Company's stockholders the Company's confidence in its business. Further, a significant tender offer provides a mechanism for all of our shareholders to tender all or a portion of their shares and, thereby, receive a return of some or all of their investment if they so elect. Finally, shareholders who do not participate in the Tender Offer will automatically increase their relative percentage ownership interest in Pioneer and its future operations.

The Tender Offer also provides our shareholders with an efficient way to sell their shares without incurring broker's fees or commissions associated with open market sales. Furthermore, odd lot holders who hold shares registered in their names and tender their shares directly to the Depository and whose shares are purchased pursuant to the Tender Offer will avoid any applicable odd lot discounts that might be payable on sales of their shares.

THE TENDER OFFER

1. Number of Shares; Price; Proration

Upon the terms and subject to the conditions of the Offer, the Company will purchase all the outstanding and issued Shares of the Company other than those owned by the officers and directors of the Company prior to the Expiration Date (as defined below) at a price of \$1.00 per Share. The term "Expiration Date" means Mountain Standard Time, Salt Lake City time, on Thursday August 15, 2012, unless and until the Company, in its sole discretion, shall have extended the period of time during which the Offer will remain open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended by the Company, shall expire. See Section 14 for a description of the Company's right to extend, delay, terminate or amend the Offer.

The Offer is not conditioned upon any minimum number of Shares being tendered in the Offer. The Offer is, however, subject to certain other conditions. See Section 6.

The Company will pay the Purchase Price for all Shares validly tendered prior to the Expiration Date, upon the terms and subject to the conditions of the Offer. See Section 14.

This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the Company's stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. Purpose of the Offer; Certain Effects of the Offer

The following discussion contains forward-looking statements which involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking

statements. Factors that might cause such a difference include, but are not limited to, the matters discussed below as well as the factors described in the Company's annual report which is attached hereto.

The purpose of the Offer is to allow those stockholders desiring to receive cash for all or a portion of their shares an opportunity to do so at a premium over the recent trading prices for the shares. The Offer provides shareholders who are considering a sale of all or a portion of their shares with the opportunity to sell their Shares for cash, without the usual transaction costs associated with market sales. In addition, shareholders owning fewer than 1000 Shares, whose Shares are purchased pursuant to the Offer not only will avoid the payment of brokerage commissions but also will avoid any applicable odd lot charges payable on a sale of their Shares. In addition, the Offer gives shareholders the opportunity to sell at prices greater than market prices prevailing prior to announcement of the Offer. The Offer also allows shareholders to sell a portion of their Shares while retaining a continuing equity interest in Pioneer.

The Company's Board believes that the Offer is in the best interests of Pioneer and its shareholders. The Company believes that in the future the Offer will be accretive to earnings per share (on both a basic and a diluted basis) but there can be no assurance to that effect. Stockholders who determine not to accept the Offer will increase their proportionate interest in the Company and thus in the Company's future earnings, subject to the Company's right to issue additional shares and other equity securities in the future. Shareholders are advised to review the Company's financial statements for the period ending September 30, 2011, which is attached hereto.

The Board has determined that the Company's financial condition and outlook and current market conditions, including recent trading prices of the shares, make this an attractive time to repurchase as much of its outstanding shares as possible. In determining to proceed with the Tender Offer, management and our Board of Directors have reviewed our use of cash and investment balances, cash flows from operations and investments for, among other things, investments oil and gas leases and capital expenditures, acquisitions, strategic investments, dividends and share repurchases, and a variety of alternatives for using our available financial resources. The Board of Directors considered, with the assistance of management, our free cash flow, financial position and dividend policy, and the market price of our Common Stock, as well as our operations, strategy and expectations for the future. After considering the alternatives, the Board believes the Company's own shares are the most attractive investment available to it at this time, and the limited availability of Pioneer shares for sale on the open market make a tender offer the most practical way to repurchase a significant portion of the Company's shares. After the Offer is completed, the Company believes that its financial condition and outlook for favorable cash flow generation will allow it to continue to reinvest in its business, including the ongoing investments in oil and gas leases and production.

The magnitude of the purchase of shares in the Offer is substantial. The Board took into account that, if the Offer were fully subscribed, the Offer would have the effect of reducing the outstanding shares by approximately 44% at an aggregate cost of approximately \$3,200,000.

Shares that the Company acquires pursuant to the Offer will become authorized but unissued Shares and will be available for reissuance by the Company without further stockholder action (except as may be required by applicable law or the rules of governmental entity). Subject to applicable state laws such Shares could be issued without stockholder approval for, among other things, acquisitions, the raising of additional capital for use in the Company's business, stock dividends or in connection with stock option plans and Employee Stock Ownership Plans, or a combination thereof.

The Company may in the future purchase additional Shares on the open market, in private transactions, through tender offers or otherwise. Any such purchases may be on the same terms as, or on terms that are more or less favorable to stockholders than, the terms of the Offer. Any possible future purchases by the Company will depend on several factors including, without limitation, the ability of the Company to make such purchases under its financing agreements in effect at the time, the market price of the Shares, the results of the Offer, the Company's business and financial position and general economic and market conditions.

The Board of the Company has approved the Offer. However, neither the Company nor its Board makes any recommendation to stockholders as to whether to tender or refrain from tendering their Shares. Each stockholder must make the decision whether to tender Shares and, if so, how many Shares to tender. The Offer to purchase is being made to all holders of Shares except officers and directors of the Company.

3. Procedures for Tendering Shares

Proper Tender of Shares. For Shares to be validly tendered pursuant to the Offer, (a) the certificates for such Shares (or confirmation of receipt of such Shares pursuant to the procedures for book-entry transfer set forth below), together with a properly completed and duly executed Letter of Transmittal including any required signature guarantees or an Agent's Message (as defined below) and any other documents required by the Letter of Transmittal, must be received prior to 5:00 PM, Salt Lake City time on the Expiration Date by the Depository at its address set forth on the back cover of this Offer to Purchase or (b) the tendering stockholder must comply with the guaranteed delivery procedure set forth below.

Signature Guarantees and Method of Delivery. No signature guarantee is required if (i) the Letter of Transmittal is signed by the registered holder(s) of the Shares (which term, for purposes of this Section 3, shall include any participant in The Depository Trust Company (the "Book-Entry Transfer Facility") whose name appears on a security position listing as the owner of the Shares) tendered therewith and such holder(s) have not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal; or (ii) Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the New York Stock Exchange (NYSE) or a commercial bank or trust company (not a savings bank or a savings and loan association) having an office, branch or agency in the United States (each such entity being hereinafter referred to as an "Eligible Institution"). See Instruction 1 of the Letter of Transmittal. In certain cases (See Letter of Transmittal), all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. All certificates must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name of the registered holder appears on the certificate or stock power and guaranteed by an Eligible Institution.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Shares properly executed and guaranteed (or a timely confirmation of a book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility as described above), a properly completed and duly executed Letter of Transmittal and any other documents required by the Letter of Transmittal.

The method of delivery of all documents, including certificates for Shares, the Letter of Transmittal and any other required documents, is at the election and risk of the tendering stockholder. If delivery is by mail, then registered mail with return receipt requested, properly insured, is recommended. In all cases sufficient time should be allowed to assure timely delivery.

Book-Entry Delivery. The Depository will establish an account with respect to the Shares for purposes of the Offer at the Book-Entry Transfer Facility within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of the Shares by causing such Facility to transfer Shares into the Depository's account in accordance with such Book-Entry Transfer Facility's procedures for transfer. Although delivery of Shares may be effected through a book-entry transfer into the Depository's account at the Book-Entry Transfer Facility, either (i) a properly completed and duly executed Letter of Transmittal with any required signature guarantees or an Agent's Message, and any other required documents must, in any case, be transmitted to and received by the Depository at its address set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or (ii) the guaranteed delivery procedure described below must be followed. The confirmation of a book-entry transfer of Shares into the Depository's account at the Book-Entry Transfer Facility as described above is referred to herein as "confirmation of a book-entry

transfer." Delivery of documents to the book-entry transfer facility does not constitute delivery to the Depository.

The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to, and received by, the Depository and forming a part of a confirmation of a book-entry transfer which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against the participant.

Guaranteed Delivery. Stockholders whose Share certificates are not immediately available, who cannot deliver their Shares and all other required documents to the Depository or who cannot complete the procedure for delivery by book-entry transfer prior to the Expiration Date must tender their Shares pursuant to the guaranteed delivery procedure set forth in this Section 3. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Company (with any required signature guarantees) must be received by the Depository prior to the Expiration Date, and (iii) the certificates for all physically delivered Shares in proper form for transfer by delivery, or a confirmation of a book-entry transfer into the Depository's account at the Book-Entry Transfer Facility of all Shares delivered electronically, in each case together with a properly completed and duly executed Letter of Transmittal and any other documents required by this Letter of Transmittal, must be received by the Depository within three trading days after the date the Depository receives such Notice of Guaranteed Delivery.

United States Federal Income Tax Withholding. Under the United States federal income tax backup withholding rules, unless an exemption applies under the applicable law and regulations, the applicable withholding rate of the gross proceeds payable to a stockholder or other payee pursuant to the Offer must be withheld and remitted to the United States Treasury, unless the stockholder or other payee provides its taxpayer identification number (employer identification number or social security number) to the Depository and certifies that such number is correct. Therefore, each tendering stockholder must complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding, unless such stockholder otherwise establishes to the satisfaction of the Depository that it is not subject to backup withholding. Certain stockholders (including, among others, all corporations and certain foreign stockholders) are not subject to these backup withholding requirements. To prevent possible erroneous backup withholding, an exempt holder must enter its correct taxpayer identification number in Part 1 of Substitute Form W-9, certify that such Stockholder is not subject to backup withholding in Part 2 of such form, and sign and date the form. See the Guidelines for Certification of Taxpayer Identification Number of Substitute Form W-9 enclosed with Letter of Transmittal for additional instructions. In order for a foreign stockholder to qualify as an exempt recipient, a foreign stockholder must submit a statement, generally IRS Form W-8BEN, signed under penalties of perjury, attesting to that stockholder's exempt status. Such statements may be obtained from the Depository. See Instruction 10 of the Letter of Transmittal. Stockholders are urged to consult their own tax advisors regarding the application of United States federal income tax withholding.

To prevent United States federal income tax backup withholding at the applicable withholding rate of the gross payments made to stockholders for Shares purchased pursuant to the Offer, each stockholder who does not otherwise establish an exemption from such withholding must provide the Depository with the stockholder's correct taxpayer identification number and provide certain other information by completing the substitute Form W-9 included with the Letter of Transmittal.

For a discussion of certain United States federal income tax consequences to tendering stockholders, see Section 13.

Withholding for Foreign Stockholders Gross proceeds payable pursuant to the Tender Offer to a foreign shareholder or its agent will be subject to withholding of United States federal income tax at a rate of 30%, unless the Depository determines that a reduced rate of withholding is applicable pursuant to a tax

treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business within the United States and, in either case, the foreign shareholder provides the appropriate certification, as described below. For this purpose, a foreign shareholder is any shareholder that is not for United States federal income tax purposes: (a) an individual citizen or resident of the United States, (b) a corporation, partnership, or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to United States federal income taxation regardless of its source, or (d) a trust if either: (1) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (2) a trust has a valid election in effect to be treated as a United States person under applicable treasury regulations.

A foreign shareholder may be eligible to file for a refund of such tax or a portion of such tax withheld if such shareholder meets the “complete termination,” “substantially disproportionate” or “not essentially equivalent to a dividend” tests described in Section 13 or if such shareholder is entitled to a reduced rate of withholding pursuant to a tax treaty and we withheld at a higher rate. In order to obtain a reduced rate of withholding under a tax treaty, a foreign shareholder must deliver to the Depositary before payment a properly completed and executed IRS Form W-8BEN claiming such an exemption or reduction. Such forms can be obtained from the Depositary. In order to claim an exemption from withholding on the grounds that gross proceeds paid pursuant to the Tender Offer are effectively connected with the conduct of a trade or business within the United States, a foreign shareholder must deliver to the Depositary a properly completed and executed IRS Form W-8ECI claiming such exemption. Such forms can be obtained from the Depositary. See Instruction 2 of the Letter of Transmittal. Backup withholding generally will not apply to amounts subject to the 30% or a treaty-reduced rate of withholding. Foreign shareholders are urged to consult their own tax advisors regarding the application of United States federal income tax withholding, including eligibility for a withholding tax reduction or exemption and the refund procedure.

Determination of Validity; Rejection of Shares; Waiver of Defects; No Obligation to Give Notice of Defects. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tender of Shares will be determined by the Company, in its sole discretion, and its determination shall be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders of any Shares that it determines are not in appropriate form or the acceptance for payment of or payments for which may be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to any particular Shares or any particular stockholder. No tender of Shares will be deemed to have been properly made until all defects or irregularities have been cured by the tendering stockholder or waived by the Company. None of the Company, the Depositary or any other person shall be obligated to give notice of any defects or irregularities in tenders, nor shall any of them incur any liability for failure to give any such notice.

Tendering Stockholder’s Representation and Warranty; Company’s Acceptance Constitutes an Agreement. A tender of Shares pursuant to any of the procedures described above will constitute the tendering stockholder's acceptance of the terms and conditions of the Offer, as well as the tendering stockholder's representation and warranty to the Company that (a) such stockholder has a net long position in the Shares being tendered within the meaning of Rule 14e-4 promulgated by the SEC under the Exchange Act and (b) the tender of such Shares complies with Rule 14e-4. It is a violation of Rule 14e-4 for a person, directly or indirectly, to tender Shares for such person's own account unless, at the time of tender and at the end of the proration period or period during which Shares are accepted by lot (including any extensions thereof), the person so tendering (i) has a net long position equal to or greater than the amount of (x) Shares tendered or (y) other securities convertible into or exchangeable or exercisable for the Shares tendered and will acquire such Shares for tender by conversion, exchange or exercise and (ii) will deliver or cause to be delivered such Shares in accordance with the terms of the Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. The Company's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering stockholder and the Company upon the terms and conditions of the Offer.

Certificates for Shares properly signed and guaranteed, together with a properly completed Letter of Transmittal and any other documents required by the Letter of Transmittal, must be delivered to the Depository and not to the Company.

4. Withdrawal Rights

Except as this Section 4 otherwise provides, tenders of shares are irrevocable. You may withdraw shares that you have previously tendered in the Tender Offer according to the procedures described below at any time prior to the Expiration Time for all shares. You may also withdraw your previously tendered shares at any time before 5:00 PM, August 15, 2012, unless such shares have been accepted for payment as provided in the Tender Offer.

For a withdrawal to be effective, a notice of withdrawal must be in written form and must be received prior to the Expiration Date by the Depository at its address set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the tendering stockholder, the name of the registered holder (if different from that of the person who tendered such Shares), the number of Shares tendered and the number of Shares to be withdrawn. If the certificates for Shares to be withdrawn have been delivered or otherwise identified to the Depository, then, prior to the release of such certificates, the tendering stockholder must also submit the serial numbers shown on the particular certificates for Shares to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (except in the case of Shares tendered by an Eligible Institution).

If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in Section 3, the notice of withdrawal also must specify the name and the number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with the procedures of such facility. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Company, in its sole discretion, which determination shall be final and binding. None of the Company, the Depository, or any other person shall be obligated to give notice of any defects or irregularities in any notice of withdrawal nor shall any of them incur liability for failure to give any such notice.

Withdrawals may not be rescinded and any Shares withdrawn will thereafter be deemed not tendered for purposes of the Offer unless such withdrawn Shares are validly retendered prior to the Expiration Date by again following one of the procedures described in Section 3.

If the Company extends the Offer, is delayed in its purchase of Shares or is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to the Company's rights under the Offer, the Depository may, subject to applicable law, retain tendered Shares on behalf of the Company, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to withdrawal rights as described in this Section 4.

5. Purchase of Shares and Payment of Purchase Price

Upon the terms and subject to the conditions of the Offer, as promptly as practicable following the Expiration Date, the Company will accept for payment and pay for (and thereby purchase) Shares validly tendered and not withdrawn prior to the Expiration Date. For purposes of the Offer, the Company will be deemed to have accepted for payment (and therefore purchased) Shares that are tendered and not withdrawn (subject to the proration provisions of the Offer) only when, as and if it gives oral or written notice to the Depository of its acceptance of such Shares for payment pursuant to the terms of this Offer.

Upon the terms and subject to the conditions of the Offer, the Company will purchase and pay for all of the Shares accepted for payment pursuant to the Offer as soon as practicable after the Expiration Date. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made promptly but only after timely receipt by the Depository of certificates for Shares properly executed by the

shareholder with a bank guarantee signature (or of a timely confirmation of a book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility), and a properly completed and duly executed Letter of Transmittal.

The Company will pay for Shares purchased pursuant to the Offer by paying the for the shares directly to the shareholder or have the Depository pay on behalf of the Company after the Company has deposited the full amount that was purchased with the Depository.

Under no circumstances will interest on the Purchase Price be paid by the Company by reason of any delay in making payment. In addition, if certain events occur, the Company may not be obligated to purchase Shares pursuant to the Offer. See Section 6.

The Company will pay or cause to be paid all stock transfer taxes, if any, payable on the transfer to it of Shares purchased pursuant to the Offer. If, however, payment of the Purchase Price is to be made in the name of any person other than the person(s) signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder(s) or such other person or otherwise) payable on account of the transfer to such person will be deducted from the Purchase Price unless satisfactory evidence of the payment of the stock transfer taxes, or exemption, is submitted. See the Instructions in of the Letter of Transmittal.

The Company may be required to withhold and remit to the IRS a portion of the gross proceeds, at the applicable withholding rate, paid to any tendering stockholder or other payee who fails to complete fully, sign and return to the Depository the substitute Form W-9 included in the Letter of Transmittal. See Section 3. See Section 13 regarding United States federal income tax consequences for foreign stockholders.

6. Conditions of the Tender Offer

Notwithstanding any other provision of the Tender Offer, we will not be required to accept for payment, purchase or pay for any shares tendered, and may terminate or amend the Tender Offer or may postpone the acceptance for payment of, or the purchase of and the payment for shares tendered, subject to Rule 13e-4(f)(5) under the Exchange Act (which requires that the issuer making the tender offer shall either pay the consideration offered or return tendered securities promptly after the termination or withdrawal of the tender offer), if at any time prior to the Expiration Time (whether any shares have theretofore been accepted for payment) any of the following events has occurred (or shall have been reasonably determined by us to have occurred) that, in our reasonable judgment and regardless of the circumstances giving rise to the event or events (other than any such event or events that are proximately caused by our action or failure to act), make it inadvisable to proceed with the Tender Offer or with acceptance for payment:

There has occurred any change in the general political, market, economic or financial conditions, domestically or internationally, that is reasonably likely to materially and adversely affect our business or the trading in the shares, including, but not limited to, the following:

- any general suspension of, or general limitation on prices for, or trading in, securities on any national securities exchange in the United States or in the over-the-counter market;
- a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation (whether or not mandatory) by any governmental agency or authority on, or any other event that, in our reasonable judgment, could reasonably be expected to adversely affect, the extension of credit by banks or other financial institutions in the United States;
- the commencement or escalation of a war, armed hostilities or other similar national or international calamity directly or indirectly involving the United States;

- legislation amending the Code (as defined in Section 14) having been passed by either the U.S. House of Representatives or the Senate or being pending before the U.S. House of Representatives or the Senate or any committee thereof, the effect of which, in our reasonable judgment, would be to change the tax consequences of the transaction contemplated by the Tender Offer in any manner that would adversely affect us;
- there has been instituted, threatened, or been pending any action, proceeding, application or counterclaim by or before any court or governmental, administrative or regulatory agency or authority, domestic or foreign, or any other person or tribunal, domestic or foreign, which:
 - challenges or seeks to challenge, restrain, prohibit or delay the making of the Tender Offer, the acquisition by us of the shares in the Tender Offer, or any other matter relating to the Tender Offer, or seeks to obtain any material damages or otherwise relating to the transactions contemplated by the Tender Offer;
 - seeks to make the purchase of, or payment for, some or all of the shares pursuant to the Tender Offer illegal or results in a delay in our ability to accept for payment or pay for some or all of the shares; or
 - seeks to impose limitations on our ability (or any affiliate of ours) to acquire the shares or otherwise could reasonably be expected to materially adversely affect the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses, results of operations or prospects of us, our subsidiaries and our affiliates, taken as a whole, or the value of the shares;
 - any action has been taken or any statute, rule, regulation, judgment, decree, injunction or order (preliminary, permanent or otherwise) has been proposed, sought, enacted, entered, promulgated, enforced or deemed to be applicable to the Tender Offer or us or any of our subsidiaries or affiliates by any court, government or governmental agency or other regulatory or administrative authority, domestic or foreign, which, in our reasonable judgment:
 - indicates that any approval or other action of any such court, agency or authority may be required in connection with the Tender Offer or the purchase of shares thereunder;
 - could reasonably be expected to prohibit, restrict or delay consummation of the Tender Offer;
- or
- otherwise could reasonably be expected to materially adversely affect the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses or results of operations of us;
- a tender or exchange offer for any or all of our outstanding shares (other than this Tender Offer), or any merger, acquisition, business combination or other similar transaction with or involving us, has been proposed, announced or made by any person or entity or has been publicly disclosed;
- any change (or condition, event or development involving a prospective change) in the business, properties, assets, liabilities, capitalization, shareholders' equity, financial condition, operations, licenses, results of operations or prospects of us, that, in our reasonable judgment, does or is reasonably likely to have a materially adverse effect on us, , taken as a whole, or we have become aware of any fact that, in our reasonable judgment, does or is reasonably likely to have a material adverse effect on the value of the shares;

- any approval, permit, authorization, favorable review or consent of any governmental entity required to be obtained in connection with the Tender Offer has not been obtained on terms satisfactory to us in our reasonable discretion; or

The conditions referred to above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions (other than conditions that are proximately caused by our action or failure to act), and may be waived by us, in whole or in part, at any time and from time to time in our reasonable discretion before the Expiration Time. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, and each such right will be deemed an ongoing right that may be asserted at any time and from time to time prior to the Expiration Time. Any determination by us concerning the events described above will be final and binding on all parties.

7. Price Range of the Shares

The shares are listed and traded on pink sheets under the symbol “POGS.PK”. The following table sets forth, for each of the periods indicated, the approximate high and low sales prices per share as reported by Pink Sheets based on published financial sources (rounded to the nearest \$0.01):

<u>Calendar Year 2009</u>	High	Low
First Quarter	\$1.30	\$0.80
Second Quarter	\$1.00	\$0.70
Third Quarter	\$1.10	\$0.85
Fourth Quarter	\$1.60	\$0.75
<u>Calendar Year 2010</u>		
First Quarter	\$1.00	\$0.75
Second Quarter	\$1.00	\$0.70
Third Quarter	\$1.05	\$0.60
Fourth Quarter	\$1.02	\$0.65
<u>Calendar Year 2011</u>		
First Quarter	\$0.75	\$0.60
Second Quarter	\$1.00	\$0.75
Third Quarter	\$0.85	\$0.60
Fourth Quarter	\$0.61	\$0.52
<u>Calendar Year 2012</u>		
First Quarter	\$0.70	\$0.51
Second Quarter	\$0.55	\$0.55

On May 30, 2012, the last full trading day prior to announcement of the Offer, the closing per Share sales price as reported by pink sheets was \$0.55. **The Company urges stockholders to obtain current market quotations for the Shares.**

The Company has not paid a cash dividend on its common stock during the last year and has only once paid a cash dividend in the history of the Company. The Company's dividend policy will be reviewed by the Board at such future times as may be appropriate in light of relevant factors at such times. The Company does not expect to pay cash dividends in the foreseeable future.

8. Source and Amount of Funds

Assuming that the maximum of about 3,200,000 shares are tendered in the Tender Offer at \$1.00 per share, the aggregate purchase price will be approximately \$3,200,000. We anticipate that we will pay for

the shares tendered in the Tender Offer, as well as paying related fees and expenses, from our cash and short-term investments.

9. Information About Pioneer Oil and Gas

The Company has focused its efforts over the years in acquiring oil and gas properties from other companies, selling producing wells and acquiring new oil and gas leases for the purpose of exploring for oil and gas. Leases have also been acquired over the years for the purpose of reselling them at a profit to other oil and gas companies.

The Company presently has only three employees and has focused its recent efforts in participating as a non-working interest owner in prospects operated by small independent to larger companies and by selling its own prospects with the intent of keeping an overriding royalty interest or a carried working interest in at least the initial test well on the prospect. The Company presently, operates only one well in San Juan County, Utah.

The majority of the Company's production is derived from leases in which it has an overriding royalty interest or a non-operated working interest. Most of the Company's production from its non-operated working interests is in the Middle Mesa Unit in San Juan County, Utah. It also operates its one well which is included in the Middle Mesa Unit.

The Company's remaining interests in oil and gas wells are located mainly in Colorado and Wyoming. Primary among these overriding royalty interests is the Hunter Mesa Unit and Grass Mesa Unit in Garfield County, Colorado. The Company's overriding royalty interest although less than a half of a percent in both the Hunter Mesa Unit and the Grass Mesa Unit accounts for the majority of the Company's royalty income since the Units contain several hundred wells. An overriding royalty interest is an interest in a well that receives a percentage of the production from a well without paying any operation expenses.

The Company along with its partner sold over 200,000 acres in the Central Utah Trend area to a major oil company and Chief Exploration and Development LLC upon the discovery of the Covenant Field. The sales took place between 2005 and 2008. After the sale of the leases in the Central Utah Trend, the Company acquired a large acreage block of oil and gas leases to the south of the Central Utah Trend expecting that development would continue. However, after no additional commercial fields were discovered in the Central Utah Trend other than the Covenant Field, the interest in the Central Utah Trend has diminished significantly and the Company decided to abandon over 150,000 acres in the State of Utah. The Company still maintains about 140,000 net acres in oil and gas leases that it would like to sell with almost all of the leases located in the State of Utah.

At the present, the Company is actively marketing its Coleman Prospect in Duchesne and Wasatch Counties and its Emigrant Gap Prospect in Natrona County, Wyoming. Both prospects have only a couple of years remaining on the leases and if they are not sold soon the Company will have to attempt to lease them again or the leases would expire as to their primary term.

Dividend Rights. There are no limitations or restrictions upon the rights of the Board of Directors to declare dividends out of any funds legally available. The Company has declared and paid a dividend only once in the history of the Company. The Company declared a dividend of \$.80 per share to be paid to all shareholders of record of October 24, 2008. The dividend was paid to shareholders during November of 2008. Presently, the Company does not plan on paying a dividend for the next year and does not anticipate the payment of any dividends for the foreseeable future. The Board of Directors initially will follow a policy of retaining earnings, if any, to finance the future growth of the Company or repurchase Company stock. Accordingly, future dividends, if any, will depend upon, among other considerations, the Company's need for working capital and its financial conditions at the time.

The Company was organized on October 16, 1980 under the laws of the State of Utah. The Company's principal place of business is located at 1206 West South Jordan Parkway, Unit B, South Jordan, Utah 84095-5512. The Company's telephone number is (801) 566-3000 and the Company's fax number is (801) 446-5500. The Company has primarily been engaged in the acquisition and exploration of oil and gas properties in Utah, Wyoming, Colorado and Nevada. The Company's latest financial statements for its fiscal year ending on September 30, 2011, along with its six month statement for the period ending March 31, 2012, is attached hereto and shareholders are encouraged to review the financial statements prior to making any decision to tender their shares in the Company.

Where You Can Find More Information. Pioneer has its quarterly reports and annual reports posted on its web page that is located at piol.com.

Incorporation by Reference. The Tender Offer incorporates by reference the financial statements and the notes related thereto that are posted on Pioneer's website at piol.com.

You can obtain any of the documents incorporated by reference in this Offer to Purchase from us or on the Company's website. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents. You may request free copies of these documents by writing or telephoning us at the following address: Pioneer Oil and Gas, 1206 W. South Jordan Parkway, Unit B, South Jordan, Utah 84095 (801)566-3000;. You may also review and/or download free copies of these filings at our website at www.piol.com. We are not incorporating the contents of our website into this Offer to Purchase and information contained on our website other than the financial documents along with the notes that are posted on the website.

10. Interest of Directors and Executive Officers; Transactions and Arrangements Concerning the Shares

As of May 30, 2012, there were 7,538,405 shares of our Common Stock issued and outstanding. The approximate 3,200,000 shares we are offering to purchase in the Tender Offer represent approximately 42% of the total number of issued and outstanding shares as of May 30, 2012.

As of May 30, 2012, our directors and executive officers as a group (3 persons) beneficially owned an aggregate of approximately 4,086,643 shares, representing approximately 52.34% of the total number of outstanding shares. The Employee Stock Ownership Plan ("ESOP") of the Company also owns 423,642 common shares in the Company or about 5.42%. Since the Executive Officers control the voting on the ESOP plan, the Officers and Directors in essence control about 58% of the Company's outstanding and issued stock. Accordingly, assuming the Company purchases 3,200,000 shares in the Tender Offer, the Tender Offer will increase the proportional holdings of the directors and executive officers to about 100%. However, the directors and executive officers may, in compliance with stock ownership guidelines and applicable law, sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price to be paid to our shareholders in the Tender Offer.

The following table identifies the aggregate number and percentage of the common stock owned by each of the Company's current directors and executive officers, as well as the amount each of these persons will own after the tender offering, assuming exercise of all vested options and the purchase of up to 3,200,000 common shares of stock.

Name of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class Prior To Tender	Percent of Class Based on All Options Exercised and Tender Acquisition of 3,200,000 shares
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Don J. Colton	1,510,050(1)	19.34%	33.48%
Gregg B. Colton	1,590,882(1)	20.37%	35.27%
John O. Anderson	985,711(1)	12.62%	21.85%
Pioneer Employee Stock Ownership Plan	423,642(2)	5.42%	9.19%
All Directors and Officers as a Group (3 Persons)	4,086,643	52.34%	About 100%

(1) Includes currently exercisable options by employees and directors to purchase common stock in the Company as long as the person is serving as a director or employee of the Company.

(2) Persons listed above have their vested shares under the Pioneer Employee Stock Ownership Plan included under their name. Don J. Colton and Gregg B. Colton as Trustees of the Pioneer Employee Stock Ownership Plan have the right to vote all the shares of the Plan at any shareholder meeting of the Company. The shares listed above under the Pioneer Employee Stock Ownership Plan include shares of employees that are not directors with shares that have not vested yet.

The Company currently has no arrangements, which may result in a change of control.

11. Effects of the Tender Offer on the Market for Shares

The Company's purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise be traded publicly and may reduce the number of stockholders. However, the Company believes that there will still be a sufficient number of Shares outstanding and publicly traded following consummation of the Offer to ensure a continued trading market for the Shares unless everyone to whom the Offer is made accepts the Offer.

Shares the Company acquires pursuant to the Offer will be returned to the status of authorized but unissued shares and will be available for the Company to issue without further stockholder approval for purposes including the acquisition of other businesses, the raising of additional capital for use in the Company's business and the satisfaction of obligations under existing or future stock option and employee benefit plans. Pioneer has no current plans for issuance of the Shares repurchased pursuant to the Offer.

12. Legal Matters; Regulatory Approvals

We are not aware of any license or regulatory permit that is material to our business that might be adversely affected by our acquisition of shares as contemplated by the Tender Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic, foreign or supranational, that would be required for the acquisition of shares by us as contemplated by the Tender Offer. Should any such approval or other action be required, we presently contemplate that we will seek that approval or other action where practicable within the time period contemplated by the Tender Offer. We are unable to predict whether we will be required to delay the acceptance for payment of or payment for shares tendered in the Tender Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial cost or conditions or that the failure to obtain the approval or other action might not result in adverse consequences to our business or financial condition.

13. United States Federal Income Tax Consequences

The following describes material United States federal income tax consequences relevant to the Tender Offer for U.S. Holders (as defined below). This discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”) existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions.

This discussion deals only with shareholders who hold their shares as capital assets. This discussion does not deal with all tax consequences that may be relevant to all categories of holders (such as dealers in securities, foreign currencies, or commodities, traders in securities that elect to mark their holdings to market, financial institutions, regulated investment companies, real estate investment trusts, holders whose functional currency is not the United States dollar, insurance companies, tax-exempt organizations, foreign persons, holders with shares received through the exercise of qualified incentive stock options, holders who may be subject to the alternative minimum tax or personal holding company provisions of the Code, or holders who hold shares as part of a hedging, integrated, conversion or constructive sale transaction or as a position in a straddle). This discussion does not address the state, local or foreign tax consequences of participating in the Tender Offer. Holders of shares should consult their tax advisors as to the particular consequences to them of participation in the Tender Offer.

As used herein, a “U.S. Holder” means a beneficial holder of shares that is for United States federal income tax purposes: (a) an individual citizen or resident of the United States, (b) a corporation, partnership, or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to United States federal income taxation regardless of its source, or (d) a trust if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“foreign shareholders”) to the extent that their ownership of the shares is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such foreign shareholders that are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

FOREIGN SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES AND ANY APPLICABLE FOREIGN TAX CONSEQUENCES OF THE TENDER OFFER AND ALSO SHOULD SEE SECTION 3 FOR A DISCUSSION OF APPLICABLE UNITED STATES WITHHOLDING RULES AND THE POTENTIAL FOR OBTAINING A REFUND OF ALL OR A PORTION OF ANY TAX WITHHELD.

If a limited liability company or partnership holds shares, the tax treatment of a member or partner will generally depend upon the status of such person and the activities of the limited liability company or partnership. A U.S. Holder that is a limited liability company or partnership should consult its own tax advisors regarding the treatment of its members or partners.

Non-Participation in the Tender Offer. U.S. Holders that do not participate in the Tender Offer will not incur any tax liability as a result of the consummation of the Tender Offer.

Exchange of Shares Pursuant to the Tender Offer. An exchange of shares for cash pursuant to the Tender Offer will be a taxable transaction for United States federal income tax purposes. A U.S. Holder

that participates in the Tender Offer will be treated, depending on such U.S. Holder's particular circumstances, either as recognizing gain or loss from the disposition of the shares or as receiving a dividend distribution from the Company.

Sale or Exchange Treatment. Under Section 302 of the Code, a U.S. Holder whose shares are exchanged in the Tender Offer will be treated as having sold such U.S. Holder's shares, and thus will recognize capital gain or loss if the exchange (a) results in a "complete termination" of all such U.S. Holder's equity interest in the Company, (b) results in a "substantially disproportionate" redemption with respect to such U.S. Holder, or (c) is "not essentially equivalent to a dividend" to the U.S. Holder. In applying the Section 302 tests, a U.S. Holder must take into account stock that such U.S. Holder constructively owns under attribution rules, pursuant to which the U.S. Holder will be treated as owning Company shares owned by certain family members (except that in the case of a "complete termination" a U.S. Holder may waive, under certain circumstances, attribution from family members) and related entities and Company stock that the U.S. Holder has the right to acquire by exercise of an option.

An exchange results in a "complete termination" of a U.S. Holder's equity interest in the Company if all of the shares that are owned or deemed owned by the U.S. Holder are exchanged in the Tender Offer.

An exchange of shares for cash will be a "substantially disproportionate" redemption with respect to a U.S. Holder if (i) the percentage of the then-outstanding voting shares owned or deemed owned by such U.S. Holder in the Company immediately after the exchange is less than 80% of the percentage of shares owned or deemed owned by such U.S. Holder in the Company immediately before the exchange.

If an exchange of shares for cash in the Tender Offer does not qualify as a "complete termination" of the U.S. Holder's interest in the Company and also fails to satisfy the "substantially disproportionate" test, the U.S. Holder nonetheless may satisfy the "not essentially equivalent to a dividend" test. An exchange of shares for cash will satisfy the "not essentially equivalent to a dividend" test if it results in a "meaningful reduction" of the U.S. Holder's equity interest in the Company. The Internal Revenue Service (the "IRS") has indicated in a published revenue ruling that an exchange of shares for cash that results in a reduction of the proportionate equity interest in the Company of a U.S. Holder whose relative equity interest in the Company is minimal (an interest of less than one percent should satisfy this requirement) and that does not exercise any control over or participate in the management of the Company's corporate affairs should be treated as "not essentially equivalent to a dividend." A U.S. Holder should consult its tax advisor regarding the application of the rules of Section 302 in such U.S. Holder's particular circumstances.

If a U.S. Holder is treated as recognizing gain or loss from the disposition of such U.S. Holder's shares for cash, such gain or loss will be equal to the difference between the amount of cash received and such U.S. Holder's adjusted tax basis in the shares exchanged therefore. Any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the shares for more than one year as of the date of the exchange. Specific limitations may apply to the deductibility of capital losses by U.S. Holders.

Dividend Treatment. If a U.S. Holder does not meet the requirements of Section 302 of the Code, the exchange of the U.S. Holder's shares by the Company in the Tender Offer will not be treated as a sale or exchange under Section 302 of the Code with respect to the U.S. Holder. Instead, the cash received by such U.S. Holder pursuant to the exchange will be treated as a dividend to the extent of the portion of the Company's current and accumulated earnings and profits allocable to such shares. To the extent that amounts received pursuant to the Tender Offer exceed a U.S. Holder's allocable share of the Company's current and accumulated earnings and profits, the distribution will first be treated as a non-taxable return of capital, causing a reduction in the adjusted tax basis of such U.S. Holder's shares, and any amounts in excess of the U.S. Holder's adjusted tax basis will constitute capital gain. Any remaining adjusted tax basis in the shares tendered will be transferred to any remaining shares held by such U.S. Holder. The amount of the current and accumulated earnings and profits of the Company has not been established.

Provided certain holding period requirements are satisfied, non-corporate holders generally will be subject to United States federal income tax at a maximum rate of 15% on amounts treated as dividends, i.e., the entire amount of cash received without reduction for the tax basis of the shares exchanged.

To the extent that cash received in exchange for shares is treated as a dividend to a corporate U.S. Holder, (i) it will be eligible for a dividends-received deduction (subject to applicable limitations) to the extent of the earnings and profits of the Company and (ii) it will be subject to the “extraordinary dividend” provisions of Section 1059 of the Code. Corporate U.S. Holders should consult their tax advisors concerning the availability of the dividends-received deduction and the application of the “extraordinary dividend” provisions of the Code in their particular circumstances.

See Section 3 with respect to the application of United States federal income tax withholding and backup withholding.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE TENDER OFFER UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. FOREIGN SHAREHOLDERS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO HOLDERS WHO ARE NOT U.S. PERSONS.

14. Extension of the Tender Offer; Termination; Amendment

The Company expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 6 shall have occurred or shall be deemed by the Company to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and payment for, any Shares by giving oral or written notice of such extension to the Depository and making a public announcement thereof. The Company also expressly reserves the right, in its sole discretion, to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for Shares upon the occurrence of any of the conditions specified in Section 6 hereof by giving oral or written notice of such termination or postponement to the Depository and making a public announcement thereof. The Company's reservation of the right to delay payment for Shares which it has accepted for payment is to the requirement that the Company must pay the consideration offered or return the Shares tendered promptly after termination or withdrawal of a tender offer. Amendments to the Offer may be made at any time and from time to time effected by public announcement thereof, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., Mountain Standard time, on the next business day after the last previously scheduled or announced Expiration Date. Any public announcement made pursuant to the Offer will be disseminated promptly to stockholders in a manner reasonably designed to inform stockholders of such change. Without limiting the manner in which the Company may choose to make a public announcement, except as required by applicable law, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the PR Newswire.

15. Fees and Expenses

The Company has retained Standard Registrar and Transfer to act as Depository. In addition, to the costs paid to the Depository the Company estimates approximately an additional \$3,000 for administrative expenses including mailing costs in connection with the Offer.

The Company may retain an Information Agent to contact stockholders by mail, telephone, telegraph and personal interviews and to request brokers, dealers and other nominee stockholders to forward materials relating to the Offer to beneficial owners. The Depository will receive reasonable and customary compensation for its services as such, will be reimbursed by the Company for certain reasonable out-of-

pocket expenses and will be indemnified against certain liabilities in connection with the Offer, including certain liabilities under securities' laws. The Depositary has not been retained to make solicitations or recommendations in connection with the Offer.

The Company will not pay fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer. The Company will, however, upon request through the Depositary or the Company, reimburse brokers, dealers and commercial banks for customary mailing and handling expenses incurred by such persons in forwarding the Offer and related materials to the beneficial owners of Shares held by any such person as a nominee or in a fiduciary capacity. No broker, dealer, commercial bank or trust company has been authorized to act as the agent of the Company for purposes of the Offer.

The Company will pay or cause to be paid all stock transfer taxes, if any, on its purchase of Shares except as otherwise provided in the instruction included in the Letter of Transmittal.

16. Miscellaneous

This Offer to Purchase and the Letter of Transmittal do not constitute an offer to purchase securities in any jurisdiction in which such offer is not permitted or would not be permitted. If we become aware of any jurisdiction where the making of the Tender Offer or the acceptance of shares pursuant thereto is not in compliance with applicable law, we will make a good faith effort to comply with the applicable law where practicable. If, after such good faith effort, we cannot comply with the applicable law, the Tender Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of shares in such jurisdiction.

You should only rely on the information contained in this Offer to Purchase or to which we have referred to you. We have not authorized any person to make any recommendation on behalf of us as to whether you should tender or refrain from tendering your shares in the Tender Offer. We have not authorized any person to give any information or to make any representation in connection with the Tender Offer other than those contained in this Offer to Purchase or in the Letter of Transmittal. If anyone makes any recommendation, gives you any information or makes any representation, you must not rely upon that recommendation, information or representation as having been authorized by us, the Dealer Managers, the Depositary or the Information Agent.

Pioneer Oil and Gas

May 30, 2012

The Letter of Transmittal, certificates for shares and any other required documents should be sent or delivered by each shareholder or his or her bank, broker, dealer, trust company or other nominee to the Depositary as follows:

The Depositary for the Tender Offer is:

**Standard Registrar and Transfer
12528 South 1840 East
Draper, Utah 84020**

Delivery of the Letter of Transmittal to an address other than as set forth above will not constitute a valid delivery to the Depositary.

The phone number for Standard Registrar and Transfer is 801-571-8844

Additional copies of the Offer to Purchase, the Letter of Transmittal or other tender offer materials may be obtained from the Company and will be furnished at the Company's expense. Questions and requests for assistance may be directed to the Company as set forth below. Stockholders may also contact their local broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

Pioneer Oil and Gas
Gregg B. Colton
1206 W. South Jordan Parkway, Unit B
South Jordan, Utah 84095

For any questions, please call Gregg B. Colton at 801-566-3000

PIONEER OIL AND GAS

FINANCIAL STATEMENTS

September 30, 2011 and 2010



PIONEER OIL AND GAS
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September 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Stockholders of Pioneer Oil and Gas

We have audited the accompanying balance sheets of Pioneer Oil and Gas as of September 30, 2011 and 2010, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Oil and Gas as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones Simkins, P.C.

JONES SIMKINS, P.C.
Logan, Utah
December 16, 2011

PIONEER OIL AND GAS
BALANCE SHEETS
September 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 3,522,165	4,369,880
Investments, available for sale	1,236,485	1,244,921
Receivables	906,114	119,874
Resale leases, at lower of cost or market	2,000,154	2,691,175
Deferred income tax asset	-	56,000
Total current assets	<u>7,664,918</u>	<u>8,481,850</u>
Property and equipment, net	81,915	405,373
Income taxes receivable	-	711,000
Deferred income taxes	193,000	-
Other assets	660,217	2,230
	<u>\$ 8,600,050</u>	<u>9,600,453</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 476,247	702,210
Deferred income taxes	11,000	-
Total current liabilities	<u>487,247</u>	<u>702,210</u>
Deferred income taxes	-	93,000
Asset retirement obligation	18,685	52,299
Total liabilities	<u>505,932</u>	<u>847,509</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,703,895 and 7,673,265 shares issued and outstanding, respectively	7,704	7,673
Additional paid-in capital	1,705,784	1,585,543
Stock subscription receivable	-	(21,397)
Accumulated other comprehensive income	20,414	23,261
Retained earnings	6,774,523	7,163,424
	<u>8,508,425</u>	<u>8,758,504</u>
Less treasury stock, 414,327 and 6,000 shares at cost, respectively	<u>(414,307)</u>	<u>(5,560)</u>
Total stockholders' equity	<u>8,094,118</u>	<u>8,752,944</u>
	<u>\$ 8,600,050</u>	<u>9,600,453</u>

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Oil and gas sales	\$ 794,225	615,508
Royalty revenue	459,961	501,327
	<u>1,254,186</u>	<u>1,116,835</u>
Costs and expenses:		
Cost of operations	123,702	454,060
General and administrative expenses	826,686	658,269
Exploration costs	326,834	304,303
Lease rentals	163,611	465,386
Loss on impairment of resale leases	713,430	1,363,572
Depreciation, depletion and amortization	2,631	11,902
	<u>2,156,894</u>	<u>3,257,492</u>
Loss from operations	<u>(902,708)</u>	<u>(2,140,657)</u>
Other income (expense):		
Gain on disposal of oil and gas properties	209,713	-
Interest income	19,729	30,711
Other	11,365	18,094
	<u>240,807</u>	<u>48,805</u>
Loss before benefit for income taxes	(661,901)	(2,091,852)
Benefit for income taxes	<u>(273,000)</u>	<u>(707,000)</u>
Net loss	<u>\$ (388,901)</u>	<u>(1,384,852)</u>
Net loss per common share:		
Basic	\$ <u>(0.05)</u>	<u>(0.18)</u>
Diluted	\$ <u>(0.05)</u>	<u>(0.18)</u>
Weighted average common shares:		
Basic	<u>7,689,000</u>	<u>7,673,000</u>
Diluted	<u>7,689,000</u>	<u>7,673,000</u>

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended September 30, 2011 and 2010

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Stock Subscription Receivable</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					<u>Shares</u>	<u>Amount</u>	
Balance at October 1, 2009	7,673,265	\$ 7,673	\$ 1,585,543	\$ (82,857)	\$ (3,038)	\$ 8,548,276	(2,000)	\$ (2,000)	\$ 10,053,597
Comprehensive loss:									
Net loss	-	-	-	-	-	(1,384,852)	-	-	(1,384,852)
Unrealized holding gain, net of tax effects	-	-	-	-	26,299	-	-	-	26,299
Total comprehensive loss									<u>(1,358,553)</u>
Purchase of treasury stock	-	-	-	-	-	-	(24,500)	(26,835)	(26,835)
Sale of treasury stock to ESOP	-	-	-	(23,275)	-	-	20,500	23,275	-
Payments on stock subscription receivable	-	-	-	84,735	-	-	-	-	84,735
Balance at September 30, 2010	7,673,265	7,673	1,585,543	(21,397)	23,261	7,163,424	(6,000)	(5,560)	8,752,944
Comprehensive loss:									
Net loss	-	-	-	-	-	(388,901)	-	-	(388,901)
Unrealized holding loss, net of tax effects	-	-	-	-	(2,847)	-	-	-	(2,847)
Total comprehensive loss									<u>(391,748)</u>
Issuance of common stock to ESOP	30,630	31	25,392	(25,423)	-	-	-	-	-
Stock option compensation expense	-	-	94,849	-	-	-	-	-	94,849
Purchase of treasury stock	-	-	-	-	-	-	(414,327)	(414,307)	(414,307)
Sale of treasury stock to ESOP	-	-	-	(5,560)	-	-	6,000	5,560	-
Payments on stock subscription receivable	-	-	-	52,380	-	-	-	-	52,380
Balance at September 30, 2011	<u>7,703,895</u>	<u>\$ 7,704</u>	<u>\$ 1,705,784</u>	<u>\$ -</u>	<u>\$ 20,414</u>	<u>\$ 6,774,523</u>	<u>(414,327)</u>	<u>\$ (414,307)</u>	<u>\$ 8,094,118</u>

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (388,901)	(1,384,852)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on disposal of oil and gas properties	(209,713)	-
Reduction of ARO due to property sale	(33,163)	-
Depreciation, depletion and amortization	2,631	11,902
Accretion expense	1,568	1,522
Employee benefit plan expense	65,311	88,692
Deferred income taxes	(218,000)	4,000
Interest income	(1,312)	(3,957)
Stock based compensation	94,849	-
(Increase) decrease in:		
Receivables	(75,240)	(321,290)
Resale leases	691,021	1,426,028
Other assets	(657,987)	-
Increase (decrease) in:		
Payables and accrued expenses	<u>(225,357)</u>	<u>64,425</u>
Net cash used in operating activities	<u>(954,293)</u>	<u>(113,530)</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(195,411)	(1,009,660)
Proceeds from sale of investments, available for sale	200,000	200,000
Acquisition of property and equipment	-	(16,654)
Proceeds from sale of producing property	<u>528,521</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>533,110</u>	<u>(826,314)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	(5,825)	(5,445)
Purchase of treasury stock	(414,307)	(26,835)
Payment of dividends	<u>(6,400)</u>	<u>(1,600)</u>
Net cash used in financing activities	<u>(426,532)</u>	<u>(33,880)</u>
Net decrease in cash	(847,715)	(973,724)
Cash, beginning of year	<u>4,369,880</u>	<u>5,343,604</u>
Cash, end of year	<u>\$ 3,522,165</u>	<u>4,369,880</u>

The accompanying notes are an integral part of these financial statements.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The Company is incorporated under the laws of the state of Utah and is primarily engaged in the business of acquiring, developing, producing and selling oil and gas properties to companies located in the continental United States.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Company classifies its investments as “available for sale.” Securities classified as “available for sale” are carried in the financial statements at fair value. Realized gains and losses, determined using the specific identification method, are included in operations; unrealized holding gains and losses are reported as a separate component of accumulated other comprehensive income (loss). Declines in fair value below cost that are other than temporary are included in operations.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Resale Leases

The Company capitalizes the costs of acquiring oil and gas leaseholds held for resale, including lease bonuses and any advance rentals required at the time of assignment of the lease to the Company. Advance rentals paid after assignment are charged to expense as carrying costs in the period incurred. Costs of oil and gas leases held for resale are valued at lower of cost or net realizable value and included in current assets since they could be sold within one year, although the holding period of individual leases may be in excess of one year. The cost of oil and gas leases sold is determined on a specific identification basis.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded when oil and gas is delivered and are presented net of the allowance for doubtful accounts and are generally unsecured. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest although a finance charge may be applied to such receivables that are more than thirty days past due. Accounts receivable are periodically evaluated for collectibility based on past credit history with customers. Provisions for losses on accounts receivable are determined based on loss experience, known and inherent risk in the account balance, current economic conditions, and the financial stability of customers.

Oil and Gas Producing Activities

The Company utilizes the successful efforts method of accounting for its oil and gas producing activities. Under this method, all costs associated with productive exploratory wells and productive or nonproductive development wells are capitalized while the costs of nonproductive exploratory wells are expensed.

If an exploratory well finds oil and gas reserves, but a determination that such reserves can be classified as proved is not made after one year following completion of drilling, the costs of drilling are charged to operations. Indirect exploratory expenditures, including geophysical costs and annual lease rentals are expensed as incurred. Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drillings and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated dismantlement and abandonment costs and estimated salvage values, are depreciated and depleted by the units-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property has been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed when incurred and betterments are capitalized. When assets are sold, retired or otherwise disposed of the applicable costs and accumulated depreciation, depletion and amortization are removed from the accounts, and the resulting gain or loss is reflected in operations.

Long-Lived Assets

The Company evaluates its long-lived assets in accordance with ASC Topic 360. Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

Revenue Recognition

Revenue is recognized from oil sales at such time as the oil is delivered to the buyer. Revenue is recognized from gas sales when the gas passes through the pipeline at the well head. Revenue from overriding royalty interests is recognized when earned.

The Company does not have any gas balancing arrangements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions primarily related to oil and gas property reserves and prices, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Company files Federal and state income tax returns in states in which it operates. Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred taxes are classified as current or noncurrent, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or noncurrent depending on the periods in which the temporary differences are expected to reverse. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company considers many factors when evaluating and estimating its tax positions and tax benefits. Tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the positions will be sustained upon examination. Reserves are established if it is believed certain positions may be challenged and potentially disallowed. If facts and circumstances change, reserves are adjusted through income tax expense. The Company recognizes interest expense and penalties related to unrecognized tax benefits in the provision for income taxes.

Earnings Per Share

The computation of basic earnings per common share is based on the weighted average number of shares outstanding during each year.

The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the year. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is antidilutive. Common stock equivalents that could potentially dilute earnings per share are common stock options.

Presentation of Sales and Similar Taxes

Sales tax on revenue-producing transactions is recorded as a liability when the sale occurs.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

The Company has stock-based employee compensation plans, which are described more fully in Note 14. The Company accounts for stock-based compensation in accordance with ASC Topic 718. This topic requires the Company to recognize compensation cost based on the grant date fair value of options granted. During the years ended September 30, 2011 and 2010, the Company recognized \$94,849 and \$0, respectively, of compensation expense related to stock.

Reclassifications

Certain accounts in the 2010 financial statements have been reclassified to conform to the presentation in the 2011 financial statements.

Note 2 – Detail of Certain Balance Sheet Accounts

Receivables consist of the following:

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 139,678	119,874
Income taxes receivable and prepaid	<u>766,436</u>	<u>-</u>
	<u>\$ 906,114</u>	<u>119,874</u>

Payables and accrued expenses consist of the following:

	<u>2011</u>	<u>2010</u>
Accounts payable	\$ 25,948	53,488
Accrued expenses	74,857	261,055
Payable - common stock repurchases	303,913	309,738
Dividends payable	<u>71,529</u>	<u>77,929</u>
	<u>\$ 476,247</u>	<u>702,210</u>

The payable – common stock repurchases results from the purchase of fractional shares created in a previous stock split. The Company has not yet been able to locate the beneficial owners. The payable is non-interest bearing and may be required to be paid within the current period.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 3 – Investments

Investments are recorded at fair value and consist of the following:

	<u>2011</u>	<u>2010</u>
Investments, at cost	\$ 1,205,071	1,209,660
Unrealized holding gain	<u>31,414</u>	<u>35,261</u>
Investments, at fair value	<u>\$ 1,236,485</u>	<u>1,244,921</u>

Changes in the unrealized holding gain (loss) on investments classified as available for sale and reported as a separate component of accumulated other comprehensive income (loss) are as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 23,261	(3,038)
Unrealized holding gain (loss)	(3,847)	39,299
Deferred income taxes	<u>1,000</u>	<u>(13,000)</u>
Balance, end of year	<u>\$ 20,414</u>	<u>23,261</u>

Note 4 – Fair Value Measurements

The Company's investments are reported at fair value in the accompanying balance sheets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 4 – Fair Value Measurements (continued)

The Company uses the following valuation techniques to measure fair value for its assets and liabilities:

Level 1 - Quoted market prices in active markets for identical assets or liabilities;

Level 2 - Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);

Level 3 - Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following tables provide financial assets carried at fair value:

	<u>September 30, 2011</u>		
	<u>Level 1</u>	<u>Level 2 & 3</u>	<u>Total</u>
Mutual funds: Large cap value	\$ 9,022	-	9,022
Three year PIC linked to BANC	1,045,400	-	1,045,400
Common stocks: Energy	151,207	-	151,207
Preferreds/Fixed Rate Cap Securities	30,856	-	30,856
Total assets at fair value	<u>\$ 1,236,485</u>	<u>-</u>	<u>1,236,485</u>

	<u>September 30, 2010</u>		
	<u>Level 1</u>	<u>Level 2 & 3</u>	<u>Total</u>
Mutual funds: Large cap value	\$ 9,753	-	9,753
Three year PIC linked to BANC	1,036,900	-	1,036,900
Market linked certificates of deposit	197,668	-	197,668
Common stocks: Energy	600	-	600
Total assets at fair value	<u>\$ 1,244,921</u>	<u>-</u>	<u>1,244,921</u>

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 4 – Fair Value Measurements (continued)

The fair value of common stock is based on the closing price reported on the active market on which the individual securities are traded. The fair value of mutual funds, the three year PIC linked to BANC, and the Preferreds/Fixed rate cap securities is based on the quoted net asset value or unit cost of the shares held by the Company at year end.

Note 5 – Property and Equipment

Property and equipment consists of the following:

	2011	2010
Oil and gas properties (successful efforts method)	\$ 114,152	1,085,970
Capitalized asset retirement cost	13,537	28,505
Office furniture and equipment	102,429	102,429
	230,118	1,216,904
Less accumulated depreciation, depletion and amortization	(148,203)	(811,531)
	\$ 81,915	405,373

Note 6 – Other Assets

During the year ended September 30, 2011, the Internal Revenue Service (IRS) conducted an audit of the 2007 tax year. The audit resulted in the IRS disallowing the write-off of the cost basis of certain leases held-for-resale because the Company retained an overriding royalty interest on the leases after the sale and the IRS assessed back taxes, interest, and penalties of \$657,987. The Company has taken the position that because the leases are on wildcat acreage and because the amount of estimated future production is unknown, 100% of the cost basis can be depleted.

The Company paid \$657,987 in order to discontinue the accrual of interest and penalties in the event that the Company's ongoing appeal is unsuccessful. The amount is included in other assets.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 7 – Asset Retirement Obligation

The Company has an obligation to plug and abandon certain oil and gas wells it owns. Accordingly, a liability has been established equal to the obligation.

The following is a reconciliation of the aggregate retirement liability associated with the Company's obligation to plug and abandon its oil and gas properties:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 52,299	50,777
Reduction of obligation due to sale	(40,999)	-
Increase in obligations	5,817	-
Accretion expense	<u>1,568</u>	<u>1,522</u>
Balance, end of year	<u>\$ 18,685</u>	<u>52,299</u>

Note 8 – Stock Subscription Receivable

The stock subscription receivable consists of a six percent receivable due from the Company's ESOP. The receivable is reduced every six months by the amount of the obligation owed by the Company to the ESOP, less interest (see Note 15). During the years ended September 30, 2011 and 2010, the Company recognized \$1,312 and \$3,957 of interest income related to this note.

Note 9 – Income Taxes

The income tax benefit consists of the following:

	<u>2011</u>	<u>2010</u>
Current	\$ (55,000)	(711,000)
Deferred	<u>(218,000)</u>	<u>4,000</u>
	<u>\$ (273,000)</u>	<u>(707,000)</u>

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 9 – Income Taxes (continued)

The benefit for income taxes differs from the amount computed at federal statutory rates as follows:

Income tax benefit at statutory rate	\$ (244,000)	(705,000)
State benefit, net of federal benefit	(27,000)	(67,000)
Other	<u>(2,000)</u>	<u>65,000</u>
	<u>\$ (273,000)</u>	<u>(707,000)</u>

Deferred tax assets (liabilities) are comprised of the following:

Net operating loss carryforward	\$ 184,000	-
Unrealized holding gain on investments	(11,000)	(12,000)
Intangible drilling costs and depletion	6,000	(107,000)
Asset retirement obligation	3,000	14,000
Accrued expenses	<u>-</u>	<u>68,000</u>
	<u>\$ 182,000</u>	<u>(37,000)</u>

Presented in the financial statements as follows:

Deferred income tax asset	\$ 193,000	56,000
Deferred income taxes	<u>(11,000)</u>	<u>(93,000)</u>
	<u>\$ 182,000</u>	<u>(37,000)</u>

Tax years 2007, 2008, and 2009 remain open to examination by the Federal Internal Revenue Service and for state taxing authorities.

As of September 30, 2011, the Company has net operating loss (NOL) carryforwards of approximately \$541,000. If substantial changes in the Company's ownership should occur there would be an annual limitation of the amount of NOL carryforwards which could be utilized. Also, the ultimate realization of these carryforwards is due, in part, on the tax law in effect at the time, and future events, which cannot be determined.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 10 – Sales to Major Customers

The Company had oil and gas sales to major customers during the years ended September 30, 2011 and 2010, which exceeded ten percent of total oil and gas sales as follows:

	<u>2011</u>	<u>2010</u>
Company A	\$ 608,000	608,000
Company B	323,188	-
Company C	305,654	289,000

Note 11 – Related Party Transactions

The Company acts as the operator for several oil and gas properties in which employees, officers and other related and unrelated parties have a working or royalty interest. At September 30, 2011 and 2010 there were no related party balances included in accounts payable due to officers as a result of these activities. The Company also is a member in certain limited partnerships and the operator for certain joint ventures formed for the purpose of oil and gas exploration and development.

The Company leases its office space from certain officers of the Company on a month-to-month basis. The lease requires monthly rental payments of \$2,500 plus all expenses pertaining to the office space. Rent expense for the years ended September 30, 2011 and 2010 was approximately \$30,000 each year.

The Company has a stock subscription receivable from the ESOP (see Note 8).

Note 12 – Supplemental Disclosures of Cash Flow Information

During the year ended September 30, 2011, the Company:

- Recorded an decrease of investments of \$3,847, a change in unrealized holding (gain) loss of \$2,847, and a change in investment related deferred income taxes of \$1,000.
- Sold 6,000 shares of treasury stock to the Company's ESOP at a cost of \$5,560 in exchange for a stock subscription receivable.
- Issued 30,630 shares of common stock to the Company's ESOP in exchange for a stock subscription receivable of \$25,423.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 12 – Supplemental Disclosures of Cash Flow Information (continued)

- Reduced cost of operations by \$33,163 as a result of oil and gas properties with an asset retirement obligation of \$40,999 and net capitalized asset retirement costs of \$7,836 being sold.
- Recorded capitalized asset retirement costs and asset retirement obligation of \$5,817 due to drilling activities.

During the year ended September 30, 2010, the Company:

- Recorded an increase of investments of \$39,299, a change in unrealized holding (gain) loss of \$26,299, and a change in investment related deferred income taxes of \$13,000.
- Sold 20,500 shares of treasury stock to the Company's ESOP at a cost of \$23,275 in exchange for a stock subscription receivable.

Operations reflect actual amounts paid for interest and income taxes approximately as follows:

	<u>2011</u>	<u>2010</u>
Interest	\$ -	\$ -
Income taxes	\$ 657,987	\$ -

Note 13 – Fair Value of Financial Instruments

None of the Company's financial instruments, which are current assets and liabilities that could be readily traded, are held for trading purposes. Detail on investments is provided in Note 4. The Company estimates that the fair value of all financial instruments at September 30, 2011 and 2010 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet.

Note 14 – Stock Options

The Company has adopted a stock option plan (the Plan). Under the Plan, the Company may issue shares of the Company's common stock or grant options to acquire the Company's common stock from time to time to employees, directors, officers, consultants or advisors of the Company on the terms and conditions set forth in the Plan.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 14 – Stock Options (continued)

The fair value of each option granted during 2011 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	-
Expected stock price volatility	54%
Risk-free interest rate	1.94%
Expected life of options	9.9 years

The weighted average fair value of each option granted during 2011 was approximately \$0.35.

A schedule of the options outstanding is as follows:

	<u>Number of Options</u>	<u>Exercise Price Per Share</u>
Outstanding at October 1, 2009 and September 30, 2010	220,000	\$0.80
Expired	(220,000)	0.80
Issued	<u>270,000</u>	0.55
Outstanding at September 30, 2011	<u><u>270,000</u></u>	\$0.55

Note 15 – Stock Based Compensation

The following table summarizes information about common stock options outstanding at September 30, 2011:

<u>Outstanding</u>			<u>Exercisable</u>		
<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price</u>
<u>\$0.55</u>	<u>270,000</u>	<u>9.87</u>	<u>\$0.55</u>	<u>270,000</u>	<u>\$0.55</u>

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 15 – Stock Based Compensation (continued)

Employee Stock Ownership Plan

The Company has adopted a noncontributory employee stock ownership plan (ESOP) covering all full-time employees who have met certain service requirements. It provides for discretionary contributions by the Company as determined annually by the Board of Directors, up to the maximum amount permitted under the Internal Revenue Code. The plan has received IRS approval under Section 401(A) and 501(A) of the Internal Revenue Code. Pension expense charged to operations for the years ended September 30, 2011 and 2010 was \$65,311 and \$88,692, respectively. All outstanding shares held by the ESOP are included in the calculation of earnings per share.

Note 16 – Employee Benefit Plan

The Company sponsors a 401(k) deferred compensation plan that covers all eligible employees. The Company makes non-elective contributions on behalf of employees at the discretion of management. The amount of pension expense for the year ended September 30, 2011 and 2010, was approximately \$65,000 and \$32,000, respectively.

Note 17 – Commitments and Contingencies

Limited Partnerships

The Company has an immaterial interest in a limited partnership drilling program and acts as the general partner. As the general partner, the Company is contingently liable for any obligations of the partnership and may be contingently liable for claims generally incidental to the conduct of its business as general partner. As of September 30, 2011, the Company is unaware of any such obligations or claims arising from this partnership.

Employment Agreements

The Company has entered into severance pay agreements with employees and officers of the Company who also serve as board members. Under the terms of the agreements, a board member who is terminated shall receive severance pay equal to the amount such board member received in salary and bonus for the two years prior to termination.

PIONEER OIL AND GAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Note 17 – Commitments and Contingencies (continued)

Litigation

The Company may become or is subject to investigations, claims or lawsuits ensuing out of the conduct of its business, including those related to environmental safety and health, commercial transactions, etc. As of September 30, 2011, the Company is only aware of the pending issue discussed in Note 6, which it believes could have a material adverse effect on its financial position.

As of September 30, 2010, the Company had accrued a \$200,000 claim related to title failures on resale leases sold in prior years. During the year ended September 30, 2011, it was determined that the claim no longer had merit and the liability was removed through cost of operations.

Note 18 – Subsequent Events

The Company evaluated its September 30, 2011 financial statements for subsequent events through December 16, 2011, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors and
Stockholders of Pioneer Oil and Gas

We have audited the financial statements of Pioneer Oil and Gas as of and for the years ended September 30, 2011 and 2010, and our report thereon dated December 16, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedules of Oil and Gas Operations, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Jones Simkins, P.C.

JONES SIMKINS, P.C.
Logan, Utah
December 16, 2011

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2011 and 2010

The information on the Company's oil and gas operations as shown in this schedule is based on the successful efforts method of accounting and is presented in conformity with the disclosure requirements of ASC Topic 932.

Capitalized Costs Relating to Oil and Gas Producing Activities

	<u>2011</u>	<u>2010</u>
Proved oil and gas properties and related equipment	\$ 47,240	752,352
Unproved oil and gas properties	<u>66,912</u>	<u>333,618</u>
	114,152	1,085,970
Accumulated depreciation, depletion and amortization and valuation allowances	<u>(41,756)</u>	<u>(693,582)</u>
	<u>\$ 72,396</u>	<u>392,388</u>

Costs Incurred in Oil and Gas Acquisition, Exploration and Development Activities

	<u>2011</u>	<u>2010</u>
Acquisition of properties:		
Proved	\$ -	-
Unproved	\$ -	-
Exploration costs	\$ -	-
Development costs	\$ -	16,700

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2011 and 2010

Results of Operations for Producing Activities

	<u>2011</u>	<u>2010</u>
Oil and gas - sales	\$ 1,254,186	1,116,835
Production costs net of reimbursements	(287,313)	(919,446)
Exploration costs	(326,834)	(304,303)
Depreciation, depletion and amortization and valuation provisions	<u>(968)</u>	<u>(10,431)</u>
Net income (loss) before income taxes	639,071	(117,345)
Income tax provision (benefit)	<u>217,000</u>	<u>(40,000)</u>
Results of operations from producing activities (excluding corporate overhead and interest costs)	<u>\$ 422,071</u>	<u>(77,345)</u>

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2011 and 2010

Reserve Quantity Information (Unaudited)

The estimated quantities of proved oil and gas reserves disclosed in the table below are based on appraisal of the proved developed properties by Fall Line Energy, Inc. Such estimates are inherently imprecise and may be subject to substantial revisions.

All quantities shown in the table are proved developed reserves and are located within the United States.

	<u>2011</u>		<u>2010</u>	
	<u>Oil</u>	<u>Gas</u>	<u>Oil</u>	<u>Gas</u>
	<u>(bbls)</u>	<u>(mcf)</u>	<u>(bbls)</u>	<u>(mcf)</u>
Proved developed and undeveloped reserves:				
Beginning of year	24,308	1,070,739	24,768	956,646
Revision in previous estimates	2,252	81,480	7,578	255,910
Discoveries and extensions	753	207,604	-	-
Purchase in place	-	-	-	-
Production	(5,215)	(142,075)	(8,038)	(141,817)
Sales in place	(15,542)	-	-	-
	<u>6,556</u>	<u>1,217,748</u>	<u>24,308</u>	<u>1,070,739</u>
Proved developed reserves:				
Beginning of year	24,308	1,070,739	24,768	956,646
End of year	6,556	1,217,748	24,308	1,070,739

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2011 and 2010

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to
Proved Oil and Gas Reserves (Unaudited)

	<u>2011</u>	<u>2010</u>
Future cash inflows	\$ 7,285,000	6,650,000
Future production and development costs	(2,193,000)	(2,048,000)
Future income tax expense	<u>(1,731,000)</u>	<u>(1,565,000)</u>
	3,361,000	3,037,000
10% annual discount for estimated timing of cash flows	<u>(1,726,000)</u>	<u>(1,430,000)</u>
Standardized measure of discounted future net cash flows	<u>\$ 1,635,000</u>	<u>1,607,000</u>

The preceding table sets forth the estimated future net cash flows and related present value, discounted at a 10% annual rate, from the Company's proved reserves of oil, condensate and gas. The estimated future net revenue is computed by applying the average prices of oil and gas (including price changes that are fixed and determinable) based upon the prior 12-month period and current costs of development production to estimated future production assuming continuation of existing economic conditions. The values expressed are estimates only, without actual long-term production to base the production flows, and may not reflect realizable values or fair market values of the oil and gas ultimately extracted and recovered. The ultimate year of realization is also subject to accessibility of petroleum reserves and the ability of the Company to market the products.

PIONEER OIL AND GAS
SCHEDULE OF SUPPLEMENTARY INFORMATION
ON OIL AND GAS OPERATIONS
September 30, 2011 and 2010

Changes in the Standardized Measure of
Discounted Future Cash Flows (Unaudited)

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,607,000	1,127,000
Sales of oil and gas produced net of production costs	(813,000)	(209,000)
Net changes in prices and production costs	(17,000)	185,000
Extensions and discoveries, less related costs	998,000	-
Purchase and sales of minerals in place	(1,230,000)	-
Revisions of estimated development costs	-	-
Revisions of previous quantity estimate	914,000	144,000
Accretion of discount	161,000	113,000
Net changes in income taxes	<u>15,000</u>	<u>247,000</u>
Balance, end of year	<u>\$ 1,635,000</u>	<u>1,607,000</u>

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 2012



PIONEER OIL AND GAS
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March 31, 2012

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and
Stockholders of Pioneer Oil and Gas
South Jordan, Utah

We have compiled the accompanying balance sheet of Pioneer Oil and Gas (a corporation) as of March 31, 2012, and the related statements of operations for the three and six month periods ended March 31, 2012 and 2011, and the related statements of cash flows for the six month periods ended March 31, 2012 and 2011. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. 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, the financial statements are not designed for those who are not informed about such matters.

The balance sheet as of September 30, 2011, was audited by us, and we expressed an unqualified opinion on it in our report dated December 16, 2011, but we have not performed any auditing procedures since that date.

Jones Simkins, P.C.

JONES SIMKINS, P.C.
Logan, Utah
May 18, 2012

PIONEER OIL AND GAS
BALANCE SHEETS

<u>Assets</u>	March 31, 2012 (Compiled)	September 30, 2011 (Audited)
Current assets:		
Cash	\$ 3,754,076	3,522,165
Investments, available for sale	1,298,255	1,236,485
Receivables	105,267	906,114
Resale leases, at lower of cost or market	<u>1,725,147</u>	<u>2,000,154</u>
Total current assets	6,882,745	7,664,918
Property and equipment, net	316,225	81,915
Deferred income taxes	371,000	193,000
Other assets	<u>660,217</u>	<u>660,217</u>
	<u>\$ 8,230,187</u>	<u>8,600,050</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 406,021	476,247
Deferred income taxes	<u>29,000</u>	<u>11,000</u>
Total current liabilities	435,021	487,247
Asset retirement obligation	<u>27,556</u>	<u>18,685</u>
Total liabilities	<u>462,577</u>	<u>505,932</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,540,405 and 7,703,895 shares issued and outstanding, respectively	7,540	7,704
Additional paid-in capital	1,542,458	1,705,784
Stock subscription receivable	(370,507)	-
Accumulated other comprehensive income	55,829	20,414
Retained earnings	<u>6,532,290</u>	<u>6,774,523</u>
	7,767,610	8,508,425
Less treasury stock, 0 and 414,327 shares at cost, respectively	<u>-</u>	<u>(414,307)</u>
Total stockholders' equity	<u>7,767,610</u>	<u>8,094,118</u>
	<u>\$ 8,230,187</u>	<u>8,600,050</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue:				
Oil and gas sales	\$ 142,907	149,990	413,828	316,070
Royalty revenue	99,211	104,793	163,196	195,965
	<u>242,118</u>	<u>254,783</u>	<u>577,024</u>	<u>512,035</u>
Costs and expenses:				
Cost of operations	24,094	82,750	109,812	153,869
General and administrative expenses	240,808	222,696	396,285	381,196
Exploration costs	86,622	83,470	162,461	161,824
Lease rentals	2,965	14,627	22,845	33,823
Loss on impairment of resale leases	54,400	-	308,568	158,493
Depreciation, depletion and amortization	19,605	2,586	20,057	5,357
	<u>428,494</u>	<u>406,129</u>	<u>1,020,028</u>	<u>894,562</u>
Loss from operations	<u>(186,376)</u>	<u>(151,346)</u>	<u>(443,004)</u>	<u>(382,527)</u>
Other income (expense):				
Loss on disposal of developing property	-	-	-	(15,419)
Interest income	11,442	5,439	17,029	11,451
Other	687	1,412	5,742	11,066
	<u>12,129</u>	<u>6,851</u>	<u>22,771</u>	<u>7,098</u>
Loss before benefit for income taxes	(174,247)	(144,495)	(420,233)	(375,429)
Benefit for income taxes	<u>(92,000)</u>	<u>(50,000)</u>	<u>(178,000)</u>	<u>(133,000)</u>
Net loss	<u>\$ (82,247)</u>	<u>(94,495)</u>	<u>(242,233)</u>	<u>(242,429)</u>
Net loss per common share:				
Basic	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.03)</u>
Diluted	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.03)</u>
Weighted average common shares:				
Basic	<u>7,541,000</u>	<u>7,673,000</u>	<u>7,618,000</u>	<u>7,673,000</u>
Diluted	<u>7,541,000</u>	<u>7,673,000</u>	<u>7,618,000</u>	<u>7,673,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (242,233)	(242,429)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on disposal of oil and gas properties	-	15,419
Depreciation, depletion and amortization	20,057	5,357
Accretion expense	603	784
Employee benefit plan expense	38,221	27,766
Deferred income taxes	(178,000)	(133,000)
Interest income	(6,040)	(809)
(Increase) decrease in:		
Receivables	800,847	10,504
Resale leases	275,007	103,617
Increase (decrease) in:		
Payables and accrued expenses	2,994	(34,004)
	<u>711,456</u>	<u>(246,795)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of investments, available for sale	(8,355)	(287)
Acquisition of property and equipment	(246,099)	-
	<u>(254,454)</u>	<u>(287)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Payable - common stock repurchase	(60,001)	(2,375)
Purchase of treasury stock	(163,490)	-
Payment of dividends	(1,600)	-
	<u>(225,091)</u>	<u>(2,375)</u>
Net cash used in financing activities		
Net increase (decrease) in cash	231,911	(249,457)
Cash, beginning of period	<u>3,522,165</u>	<u>4,369,880</u>
Cash, end of period	<u>\$ 3,754,076</u>	<u>4,120,423</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Six Months Ended March 31, 2012 and 2011

During the six months ended March 31, 2012, the Company:

- Recorded an increase in investments of \$53,415, an increase in unrealized holding gain of \$35,415, and a change in investment related deferred income taxes of \$18,000.
- Sold 414,327 shares of treasury stock to the Company's ESOP at a cost of \$414,307 in exchange for a \$11,619 reduction to ESOP payable and a \$402,688 increase to stock subscription receivable.
- Recorded capitalized asset retirement costs and asset retirement obligation of \$8,268 due to drilling activities.
- Retired 163,490 shares of treasury stock that was purchased for \$1.00 per share.

During the six months ended March 31, 2011, the Company:

- Recorded an increase in investments of \$44,965, an increase in unrealized holding gain of \$29,965, and a change in investment related deferred income taxes of \$15,000.
- Sold 6,000 shares of treasury stock to the Company's ESOP at a cost of \$5,560 in exchange for a stock subscription receivable.

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