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PIONEER OIL & GAS  
Form 10QSB  
May 16, 2005

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

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FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES ACT OF 1934

For the quarterly period ended March 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

Commission file number 0-30472

PIONEER OIL AND GAS  
Incorporated pursuant to the Laws of the State of Utah

Internal Revenue Service - Employer Identification No. 87-0365907

1206 W. South Jordan Parkway, Unit B  
South Jordan, Utah 84095-5512

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The total number of shares of the registrant's Common Stock, \$.001 par value, outstanding on March 31, 2005, was 7,910,802.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS FOR SECOND FISCAL QUARTER 2005 PERIOD ENDING MARCH 31, 2005

#### PIONEER OIL AND GAS Balance Sheet March 31, 2005 (unaudited)

| Assets   |              |
|--|--------------|
| Current assets:  |              |
| Cash   | \$ 1,002,119 |
| Marketable securities, available for sale                | 36,039       |
| Accounts receivable                                      | 203,553      |
| Resale leases, at lower of cost or market                | 2,540,349    |
|  | -----        |
| Total current assets                                     | 3,782,060    |
| Property and equipment - net (successful efforts method) | 656,873      |
| Other assets   | 2,230        |
|  | -----        |
|  | \$ 4,441,163 |
|  | =====        |
| -----  |              |
| Liabilities and Stockholders' Equity                     |              |
| Current liabilities:                                     |              |
| Accounts payable   | \$ 50,492    |
| Accrued expenses   | 28,781       |
| Income taxes payable                                     | 176,000      |
|  | -----        |
| Total current liabilities                                | 255,273      |
| Deferred income tax                                      | 278,000      |

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|   |              |
|---|--------------|
| Asset retirement obligation   | 160,724      |
|   | -----        |
| Total Liabilities   | 693,997      |
|   | -----        |
| Commitments and contingencies   | -            |
| Stockholders' equity:   |              |
| Common stock, par value \$.001 per share, authorized<br>50,000,000 shares: 7,910,802 shares issued and<br>outstanding | 7,910        |
| Additional paid-in capital  | 2,470,734    |
| Stock subscription receivable   | (184,570)    |
| Unrealized holding gain   | 36,039       |
| Retained earnings   | 1,417,053    |
|   | -----        |
| Total stockholder's equity  | 3,747,166    |
|   | -----        |
|   | \$ 4,441,163 |
|   | =====        |

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

PIONEER OIL AND GAS  
Statement of Operations  
Six Months Ended March 31,  
(unaudited)

|                                     |            |
|-------------------------------------|------------|
|                                     | 2005       |
|                                     | -----      |
| Revenue:                            |            |
| Oil and gas sales                   | \$ 530,079 |
| Royalty Revenue                     | 498,743    |
| Operational reimbursements          | 3,000      |
| Project and lease sales income      | 2,260,528  |
|                                     | -----      |
|                                     | 3,292,350  |
|                                     | -----      |
| Costs and expenses:                 |            |
| Cost of operations                  | 381,325    |
| General and administrative expenses | 198,425    |
| Exploration costs                   | 137,328    |

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|   |              |       |
|---|--------------|-------|
| Lease rentals                               | 18,430       |       |
| Depreciation, depletion and amortization    | 46,186       |       |
|   |              | ----- |
|   | 781,694      | ----- |
| Income from operations                      | 2,510,656    | ----- |
| Other income (expense):                     |              |       |
| Interest expense                            | (1,267)      |       |
| Other income                                | 105,838      |       |
|   |              | ----- |
| Net other income                            | 104,571      | ----- |
| Income before provision<br>for income taxes | 2,615,227    |       |
| Provision for income taxes                  | 454,000      |       |
|   |              | ----- |
| Net Income                                  | \$ 2,161,227 | ===== |
| Earnings per share:                         |              |       |
| Basic                                       | \$ .27       | ===== |
| Diluted                                     | \$ .26       | ===== |
| Weighted average common shares:             |              |       |
| Basic                                       | 7,912,000    | ===== |
| Diluted                                     | 8,259,000    | ===== |

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

PIONEER OIL AND GAS  
Statement of Operations  
Three Months Ended March 31,  
(unaudited)

|                                |            |       |
|--------------------------------|------------|-------|
|                                | 2005       |       |
|                                |            | ----- |
| Revenue:                       |            |       |
| Oil and gas sales              | \$ 226,996 |       |
| Royalty Revenue                | 293,380    |       |
| Operational reimbursements     | 1,500      |       |
| Project and lease sales income | 2,260,528  |       |
|                                |            | ----- |

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|   |              |   |
|---|--------------|---|
|   | 2,782,404    |   |
|   | -----        |   |
| Costs and expenses:                         |              |   |
| Cost of operations                          | 238,345      |   |
| General and administrative expenses         | 111,341      |   |
| Exploration costs                           | 80,096       |   |
| Lease rentals                               | 6,013        |   |
| Depreciation, depletion and amortization    | 23,093       |   |
|   | -----        |   |
|   | 458,888      |   |
|   | -----        |   |
| Income from operations                      | 2,323,516    |   |
|   | -----        |   |
| Other income (expense):                     |              |   |
| Interest expense                            | (677)        |   |
| Other income                                | 21,550       |   |
|   | -----        |   |
| Net other income                            | 20,873       |   |
|   | -----        |   |
| Income before provision<br>for income taxes | 2,344,389    |   |
| Provision for income taxes                  | 454,000      |   |
|   | -----        |   |
| Net Income                                  | \$ 1,890,389 |   |
|   | =====        |   |
|   | =====        |   |
| Earnings per share:                         |              |   |
| Basic                                       | \$ .24       |   |
|   | =====        |   |
| Diluted                                     | \$ .23       |   |
|   | =====        |   |
|   | =====        |   |
| Weighted average common shares:             |              |   |
| Basic                                       | 7,912,000    | 7 |
|   | =====        |   |
| Diluted                                     | 8,281,000    | 7 |
|   | =====        |   |
|   | =====        |   |

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

PIONEER OIL AND GAS  
Statement of Cash Flows  
Six Months Ended March 31,  
(unaudited)

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|  | 2005         |
|--|--------------|
|  | -----        |
| Cash flows from operating activities:  |              |
| Net income   | \$ 2,161,227 |
| Adjustments to reconcile net income to net cash<br>provided by (used in) operating activities: |              |
| Loss on assets sold, abandoned, and dry hold costs   | 112,321      |
| Depreciation, depletion and amortization   | 46,186       |
| Employee benefit plan expense  | 25,199       |
| Interest income  | (6,110)      |
| Deferred income taxes  | 278,000      |
| Accretion expense  | 2,374        |
| (Increase) decrease in:  |              |
| Accounts receivable  | 97,897       |
| Resale leases  | (1,488,057)  |
| Other assets   | -            |
| Increase (decrease) in:  |              |
| Accounts payable   | (57,716)     |
| Accrued expenses   | 216          |
| Income taxes payable   | 176,000      |
| Advances on drilling costs   | (556,573)    |
|  | -----        |
| Net cash provided by (used in)<br>operating activities   | 790,964      |
|  | -----        |
| Cash flows from investing activities:  |              |
| Acquisition of property and equipment  | (277,411)    |
|  | -----        |
| Net cash used in investing activities  | (277,411)    |
|  | -----        |
| Cash flow from financing activities:   |              |
| Acquisition and retirement of Common Stock   | (2,524)      |
|  | -----        |
| Net cash provided by(used in) financing activities   | (2,524)      |
|  | -----        |
| Net increase (decrease) in cash  | 511,029      |
| Cash, beginning of year  | 491,090      |
|  | -----        |
| Cash, end of second quarter  | \$ 1,002,119 |
|  | =====        |

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

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### NOTE 1 - UNAUDITED INTERIM INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation SB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending September 30, 2005. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10KSB for the year ended September 30, 2004.

(1) The unaudited financial statements include the accounts of Pioneer Oil and Gas and include all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary to present fairly the financial position as of March 31, 2005 and the results of operations for the three and six months ended March 31, 2005 and 2004 and the cash flows for the six months ended March 31, 2005 and 2004. The results of operations for the three and six months ended March 31, 2005 are not necessarily indicative of the results to be expected for the entire year.

(2) Earnings per common share is based on the weighted average number of shares outstanding during the period.

(3) During the six months ended March 31, 2005, the Company generated net income sufficient to utilize all of the NOL carryforwards. In addition, the Company recorded a provision for income taxes of \$454,000, which included a current liability of \$176,000 and a deferred liability of \$278,000.

### NOTE 2 - MARKETABLE SECURITIES

During the six months ended March 31, 2005, the Company sold marketable securities with no cost basis for approximately \$78,000. The gain on this sale is included in "other income" in the statement of operations. The Company continues to hold approximately 144,000 shares of these securities with a market value at March 31, 2005 of \$36,039.

### NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended March 31, 2005, the Company recorded an unrealized holding gain on marketable securities of \$36,039.

### ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Period Ending March 31, 2005)  
Unaudited financial data

The discussion and analysis contained herein should be read in conjunction with the preceding financial statements and the information contained in the Company's 10KSB. Except for the historical information contained herein, the matters discussed in this 10 QSB contain forward looking statements within the

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meaning of Section 27a of the Securities Act of 1933, as amended, and Section 21e of the Securities Exchange Act of 1934, as amended, that are based on management's beliefs and assumptions, current expectations, estimates, and projections. Statements that are not historical facts, including without limitation statements which are preceded by, followed by or include the words "believes," "anticipates," "plans," "expects," "may," "should," or similar expressions are forward-looking statements. Many of the factors that will determine the company's future results are beyond the ability of the Company to control or predict. These statements are subject to risks and uncertainties and, therefore, actual results may differ materially. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressed qualified in their entirety by these cautionary statements. The Company disclaims any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Important factors that may include, but are not limited to: the risk of a significant natural disaster, the inability of the Company to insure against certain risks, fluctuations in commodity prices, the inherent limitations in the ability to estimate oil and gas reserves, changing government regulations, as well as general market conditions, competition and pricing, and other risks detailed from time to time in the Company's SEC reports, copies of which are available upon request from the Company.

### Results of Operations -

Total Revenue for the second fiscal quarter increased 657 percent from \$367,470 in fiscal 2004 to \$2,782,404 in fiscal 2005. For the six-month period revenues increased 328 percent from \$769,542 to \$3,292,350. The increase in revenues for both the three-month period and the six-month period were due primarily to substantial lease sales. The Company sold the remainder of its Uinta Basin Overpressured Gas prospect and the first phase of its central Utah play. The company anticipates receiving substantially higher revenues and profits in fiscal 2005 and early fiscal 2006 than is normal; these are expected to be unusual and associated with the central Utah play and not to be expected on a continuing basis.

Project and lease sales income for the six-month period increased from \$18,750 for fiscal 2004 to \$2,260,528 for 2005, all of the income in fiscal 2005 coming in the second quarter. As mentioned above this income was from the sales of some of our Utah properties.

Total oil and gas sales (including royalty revenue) increased from \$365,970 to \$520,376 in the second quarter and from \$747,792 to \$1,028,822 for the six-month period. These increases were due primarily to increased oil and gas prices. Average oil prices for the quarter increased from \$30.47 bbl to \$42.17 bbl while gas prices increased from \$5.06 MCF to \$6.16 MCF. For the six-month period, average oil prices increased from \$28.48 bbl to \$36.45 bbl while gas prices increased from \$4.58 to \$6.03.

Costs of operations increased from \$140,341 to \$238,345 for the quarter and increased from \$322,247 to \$381,325 for the six-month period primarily due to higher payments to working interest partners due to higher product prices.

General and administrative expenses increased from \$101,448 to \$111,341 for the quarter and increased from \$180,911 to \$198,425 for the six-month period.

The Company's net income for the second quarter (fiscal 2005) was \$1,890,389 compared to net income of \$45,077 for the second fiscal quarter 2004. For the six-month period (fiscal 2005) the Company posted net income of \$2,161,227



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compared to a net income of \$107,785 for fiscal 2004.

### Liquidity and Capital Resources

During the first six-months of fiscal 2005 cash provided by operating activities was \$790,964 and cash used in investing activities required \$277,411. Financing activities used \$2,524 in cash.

Cash used in operating activities was primarily for the purchase of resale leases of \$1,488,057. Cash used in investing activities increased from \$25,423 (fiscal 2004) to \$277,411 (fiscal 2005).

### ITEM 3. CONTROLS AND PROCEDURE

Within the 90 days prior to this report, we carried out an evaluation, under the supervision and with the participation of management, including our principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the principal executive and principal financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in our periodic SEC filings. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

## PART II. OTHER INFORMATION

### Item 1 - Legal Proceedings

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. The Company is currently not aware of any such items, which it believes could have a material adverse affect on its financial position.

### Item 2 - Changes in Securities

None.

### Item 3 - Defaults Upon Senior Securities

None.

### Item 4 - Submission of Matters to a Vote of Security Holders

The Company has filed forms SC 13E3 and Pre 14A for the intention of going private in order to reduce compliance costs associated with new public company rules. The SEC is currently reviewing these filings. The Company intends to submit some of these matters to a vote of the security holders as outlined in these filings.

### Item 5 - Other Information

None.

### Item 6 - Exhibits and Reports on Form 8-K

| Exhibit No. | Description |
|-------------|-------------|
|-------------|-------------|

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31 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

REPORTS ON FORM 8-K

(b) The registrant filed an 8K on February 8, 2005 regarding its central Utah project and the results of its Yankee well; and an 8K on February 23, 2005 regarding the sale of a portion of the central Utah project and the remainder of its Uinta Basin Overpressured Gas Prospect. No other 8K filings were made during the quarter ending March 31, 2005. However, the registrant also filed an important 8K on May 5, 2005 regarding the registrant seeking to go private by purchasing the stock of all shareholders with less than 2000 shares. Details can be found in the registrant's SC 13E3 and Pre 14A filings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pioneer Oil and Gas

Dated: May 13, 2005

/s/ Don J. Colton

-----  
President and Chief Executive Officer

Exhibit 31

CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Don J. Colton, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Pioneer Oil and Gas.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material

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information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on the most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

DATE: May 13, 2005

/s/ Don J. Colton  
-----  
Don J. Colton, President

Exhibit 32

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report of Pioneer Oil and Gas (the "Company") on Form 10-QSB for the period ended March 31, 2005 (the "Report"), I, Don J. Colton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Don J. Colton  
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Don J. Colton  
Chief Executive Officer  
May 13, 2005