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PIONEER OIL & GAS
Form 10QSB
February 14, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended December 31, 2004

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 February 11, 2005, was 7,911,727.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements for First Fiscal Quarter 2005 Period Ending
December 31, 2004.

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PIONEER OIL AND GAS
Balance Sheet
December 31, 2004
(unaudited)

| | |
|---|--------------|
| Assets | |
| Current assets: | |
| Cash | \$ 532,403 |
| Marketable securities available for sale | 31,714 |
| Accounts receivable | 255,607 |
| Resale leases, at lower of cost or market | 1,412,604 |
| | ----- |
| Total current assets | 2,232,328 |
| Property and equipment - net (successful efforts method) | 582,595 |
| Other assets | 2,230 |
| | ----- |
| | \$ 2,817,153 |
| ----- | |
| Liabilities and Stockholders' Equity | |
| Current liabilities: | |
| Accounts payable | \$ 174,135 |
| Accrued expenses | 28,553 |
| Line of credit | 200,000 |
| Deposits | 100,000 |
| Advances on drilling costs | 319,915 |
| | ----- |
| Total current liabilities | 822,603 |
| | ----- |
| Asset Retirement Obligation | 159,537 |
| | ----- |
| Commitments and contingencies | - |
| Stockholders' equity: | |
| Common stock, par value \$.001 per share, authorized 50,000,000 shares: 7,911,727 shares issued and outstanding | 7,911 |
| Additional paid-in capital | 2,472,383 |
| Stock subscription receivable | (203,659) |
| Unrealized holding gain | 31,714 |
| Accumulated deficit | (473,336) |

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| | |
|----------------------------|--------------|
| | ----- |
| Total stockholder's equity | 1,835,013 |
| | ----- |
| | \$ 2,817,153 |

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

PIONEER OIL AND GAS
Statement of Operations

First Fiscal Quarter Ending December 31,
(unaudited)

| | | |
|--|------------|----|
| | 2004 | |
| | ----- | |
| Revenue: | | |
| Oil and gas sales | \$ 303,083 | \$ |
| Royalty Revenue | 205,363 | |
| Operational reimbursements | 1,500 | |
| Project and lease sales income | - | |
| | ----- | |
| | 509,946 | |
| | ----- | |
| Costs and expenses: | | |
| Cost of operations | 142,980 | |
| General and administrative expenses | 87,084 | |
| Exploration costs | 57,232 | |
| Lease rentals | 12,417 | |
| Depreciation, depletion and amortization | 23,093 | |
| | ----- | |
| | 322,806 | |
| | ----- | |
| Income from operations | 187,140 | |
| | ----- | |
| Other income (expense): | | |
| Interest expense | (590) | |
| Other income | 84,288 | |
| | ----- | |
| Net other income | 83,698 | |
| | ----- | |

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| | | |
|--|------------|----|
| Income before provision for income taxes | 270,838 | |
| Provision for income taxes | - | |
| | ----- | |
| Net Income | \$ 270,838 | \$ |
| | ----- | |
| Earnings per share - basic and diluted | \$.03 | \$ |
| | ----- | |
| Weighted average common shares - basic and diluted | 7,912,000 | 7 |

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

PIONEER OIL AND GAS Statement of Cash Flows First Fiscal Quarter Ending December 31, (unaudited)

| | | |
|--|------------|----|
| | 2004 | |
| | ----- | |
| Cash flows from operating activities: | | |
| Net income | \$ 270,838 | \$ |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation, depletion and amortization | 23,093 | |
| Accretion expense | 1,187 | |
| (Increase) decrease in: | | |
| Accounts receivable | 45,843 | |
| Resale leases | (360,312) | |
| Other assets | - | |
| Increase (decrease) in: | | |
| Accounts payable | 65,927 | |
| Accrued expenses | (12) | |
| Deposits | 100,000 | |
| Advances on drilling costs | (236,658) | |
| | ----- | |
| Net cash provided by (used in) operating activities | (90,094) | |
| | ----- | |
| Cash flows from investing activities: | | |
| Proceeds from sale of property | - | |
| Acquisition of property and equipment | (67,719) | |
| | ----- | |
| Net cash used in investing activities | (67,719) | |
| | ----- | |

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| | | |
|--|--|------------|
| Cash flow from financing activities: | | |
| Increase in Credit Line | | 200,000 |
| Acquisition and retirement of Common Stock | | (874) |
| | | ----- |
| Net cash provided by (used in) financing activities | | 199,126 |
| | | ----- |
| Net increase in cash | | 41,313 |
| Cash, beginning of quarter | | 491,090 |
| | | ----- |
| Cash, end of quarter | | \$ 532,403 |
| | | ----- |

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

PIONEER OIL AND GAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
First Fiscal Quarter Ending December 31,
(Unaudited)

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 S-B. 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 month period ended December 31, 2004 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 December 31, 2004 and the results of operations and cash flows for the three month period ended December 31, 2004 and 2003. The results of operations for the three months ended December 31, 2004 are not necessarily indicative of the result 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.

NOTE 2 - DEPOSITS

On December 23, 2004, the Company entered into an option agreement to sell certain resale leases. The option agreement required the potential buyer to pay a down payment during the option period. This amount is show in the financial

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statements as a deposit.

On January 28, 2005, the Company entered into a definitive purchase and sale agreement for these leases.

NOTE 3 - MARKETABLE SECURITIES

During the quarter ended December 31, 2004, 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 December 31, 2004 of \$31,714.

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

During the quarter ended December 31, 2004, the Company recorded an unrealized holding gain on marketable securities of \$31,714.

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

(Period Ending December 31, 2003)
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 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 first fiscal quarter increased 27 percent from \$401,774 in fiscal 2004 to \$509,946 in fiscal 2005. The increase in revenue was due primarily to an increase in oil and gas sales, and royalty revenue of \$126,624. No project and lease sales income occurred in the first fiscal quarter of 2005 as opposed to \$18,750 in income for fiscal 2004.

Total oil and gas sales (including royalty revenue) increased from \$381,822

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(2004) to \$508,446 (2005) in the first quarter. This increase was primarily due to higher product prices. Average oil prices for the quarter increased over the first quarter of fiscal 2004 from \$26.98 bbl to \$32.95 bbl while gas prices increased from \$4.20 MCF to \$5.86 MCF. For the quarter oil production increased 38 percent due to more oil production on our Hunter Mesa property and gas production was essentially unchanged.

Project and lease sales income for the quarter decreased from \$18,750 to \$0. The Company expects substantial project and lease income from the partial sale of our central Utah overthrust play next quarter.

Costs of operations decreased from \$181,906 (2004) to \$142,906 (2005) for the quarter due to less repair costs associated with the producing properties.

General and administrative expenses increased from \$79,830 to \$87,084.

The Company's net income for the first quarter increased from \$62,708 for fiscal 2004 to \$270,838 for fiscal 2005 an increase of \$208,130. Earnings per share for the first quarter of fiscal 2005 were \$.03. This compares to earnings of \$.01 for the same period last year.

Liquidity and Capital Resources

During the first quarter of fiscal 2004 net cash used in operating activities was \$90,094 while investing activities used \$67,719 in cash. Financing activities provided \$199,126 from utilization of the Company's line of credit. One of the larger uses of cash was \$360,312 for the purchase of resale leases to increase the Company's inventory of acreage for future development and sale. Cash at the end of the quarter increased from \$481,512 (Dec. 31, 2003) to \$532,403 (Dec. 31, 2004).

ITEM 3 CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of its chief executive officer/chief financial officer of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, the Company's chief executive officer/chief financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in the Company's internal controls or in other factors that could affect these controls during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

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Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

The Company during the quarter ending December 31, 2004, repurchased 1,017 common shares from shareholders desiring to sell directly to the Company.

Item 3 - Defaults Upon Senior Securities

None.

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

None.

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8-K

The following Exhibits are filed herewith:

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

During the quarter ending December 31, 2004, the Company filed one form 8K which incorporated the press release of December 12, 2004. The press release updated the shareholders on several projects the Company was working on and in particular the Yankee Mine Well, the Overpressured Prospect and the Central Utah acreage near the Wolverine discovery.

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: February 11, 2005

/s/ Don J. Colton

President and Chief Executive Officer

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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-15(e) and 15d-15(e) for the small business issuer and have:
 - a) designed such disclosure controls or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer is made known to us by others particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the small business issuer's and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting;
5. The small business issuer's other certifying officer(s) and I have disclosed, based most recent evaluation, of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.
6. I have indicated in this quarterly report whether or not there were

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significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: February 11, 2005.

/s/ Don J. Colton

Don J. Colton, Chief Executive Officer
Chief Financial Officer

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 December 31, 2003 (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

Don J. Colton
Chief Executive Officer and Chief Financial Officer
February 11, 2005