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PIONEER OIL & GAS
Form 10QSB
August 10, 2004

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 June 30, 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 June 30, 2004, was 7,912,819.

Part I. FINANCIAL INFORMATION

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Item 1. Financial Statements for Third Fiscal Quarter 2004
Period Ending June 30, 2004

Financial Statements for Third Fiscal Quarter 2004
Period Ending June 30, 2004

PIONEER OIL AND GAS Balance Sheet

As of June 30, 2004

Assets

Current assets:

Cash	\$	673,308
Accounts receivable		493,456
Resale leases, at lower of cost or market		935,446

Total current assets 2,102,210

Property and equipment - net (successful efforts method)	381,810
Other assets	2,000

\$ 2,486,020

Liabilities and Stockholders' Equity (Deficit)

Current liabilities:

Accounts payable	\$	1,182,488
Accrued expenses		30,490
Note payable		-

Total current liabilities 1,212,978

Commitments and contingencies -

Stockholders' equity (deficit):

Common stock, par value \$.001 per share, authorized 50,000,000 shares: 7,912,819 shares outstanding	7,912
Additional paid-in capital	2,473,396
Treasury Stock	-
Stock subscription receivable	(218,187)
Accumulated deficit	(990,079)

Total stockholder's equity (deficit) 1,273,042

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 \$ 2,486,020

PIONEER OIL AND GAS
 Statement of Operations

Third Fiscal Quarter Ending June 30,
 (Unaudited)

	2004	

Revenue:		
Oil and gas sales	\$ 248,117	\$
Royalty Revenue	195,136	
Operational reimbursements	1,500	
Project and lease sales income	18,750	
	-----	-----
	463,503	
	-----	-----
Costs and expenses:		
Cost of operations	137,727	
General and administrative expenses	73,204	
Exploration costs	66,248	
Lease rentals	14,498	
Depreciation, depletion and amortization	32,433	
	-----	-----
	324,110	
	-----	-----
Income (loss) from operations	139,393	
	-----	-----
Other income (expense):		
Loss on assets sold or abandoned	(1,227)	
Interest expense	-	
Other (expense) income	488	
	-----	-----
Income (loss) before provision for income taxes	138,654	
Provision for income taxes	-	
	-----	-----
Net income (loss)	\$ 138,654	\$
	-----	-----

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Earnings per share - basic and diluted	\$.02	\$
		-----	-----
Weighted average common shares - basic and diluted		7,913,000	7
		-----	-----

PIONEER OIL AND GAS
Statement of Operations

Nine Months Ended June 30, 2004 and 2003
(unaudited)

		2004	

Revenue:			
Oil and gas sales	\$	657,647	\$
Royalty Revenue		533,397	
Operational reimbursements		4,500	
Project and lease sales income		37,500	
		-----	-----
		1,233,044	1
Costs and expenses:			
Cost of operations		459,973	
General and administrative expenses		254,115	
Exploration costs		157,527	
Lease rentals		48,458	
Depreciation, depletion and amortization		87,299	
		-----	-----
		1,007,372	
		-----	-----
Income from operations		225,672	
Other income (expense):			
Gain (loss) on assets sold or abandoned		810	
Interest expense		-	
Other income		19,957	
		-----	-----
Income before provision for income taxes		246,439	
Provision for income taxes		-	
		-----	-----
Net income	\$	246,439	\$

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Earnings per share - basic and diluted	\$.03	\$
Weighted average common shares - basic and diluted	7,938,000	7

PIONEER OIL AND GAS
Statement of Cash Flows
For The Nine Months Ended June 30, 2004 and 2003
(Unaudited)

	2004	

Cash flows from operating activities:		
Net income	\$ 246,439	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (Gain) on assets sold or abandoned	-	
Depreciation, depletion and amortization	84,500	
Employee benefit plan expense	20,698	
Interest income	(6,958)	
(Increase) decrease in:		
Accounts receivable	(343,663)	
Resale leases	(715,769)	
Other assets	230	
Increase (decrease) in:		
Accounts payable	1,060,395	
Accrued expenses	5,283	

Net cash provided by operating activities	351,155	

Cash flows from investing activities:		
Acquisition of property and equipment	(27,429)	

Net cash used in investing activities	(27,429)	

Cash flow from financing activities:		
Increase/Decrease in Credit Line	-	
Acquisition of Treasury Stock	(21,945)	

Net cash used in financing activities	(21,945)	

Net increase in cash	301,781	
Cash, beginning of period	\$ 371,527	\$

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Cash, end of period

\$ 673,308

\$

PIONEER OIL AND GAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Third Fiscal Quarter Ending June 30, 2004
(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 and nine-month periods ending June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending September 30, 2004. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended September 30, 2003.

(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 June 30, 2004 and the results of operations and cash flows for the three-month and nine-month periods ended June 30, 2004 and 2003. The results of operations for the three-month and nine-month periods ended June 30, 2004 are not necessarily indicative of the result to be expected for the entire year.

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

(3) During the nine months ended June 30, 2004, the company recorded interest income (on the stock subscription receivable) of \$6,958 reduced the stock subscription receivable by \$13,740 and recorded an employee benefit plan contribution of \$20,698.

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

(Period Ending June, 2004)
Unaudited financial data

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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 third fiscal quarter decreased from \$884,825 in fiscal 2003 to \$463,503 in fiscal 2004. For the nine-month period revenues decreased from \$1,490,944 to \$1,233,044. The decrease in revenue for the three-month and nine-month periods was entirely due to lower project and lease sales income. Project and lease sale income decreased from \$504,348 to \$18,750 for the three month period and from \$538,185 to \$37,500 for the ninth month period.

Total oil and gas sales (including royalty revenue) increased 18 percent from \$377,371 to \$443,253 in the third quarter and 26 percent from \$946,153 to \$1,191,044 for the nine-month period. These increases were due primarily to increased gas production and higher product prices. Average oil prices for the quarter increased from \$25.14 bbl to \$34.19 bbl while gas prices increased from \$4.27 MCF to \$5.02 MCF. For the nine-month period, average oil prices increased from \$25.47 bbl to \$30.58 bbl while gas prices increased from \$3.46 to \$4.73. Gas production for the nine-month period increased by 11 percent primarily due to increased production on our Hunter Mesa properties. Oil production decreased 14 percent for the nine-month period due to down time on our operated properties and natural production declines. For the three-month period oil production decreased four percent for similar reasons while gas production decreased 3 percent due to decreased production for one month (correcting a prior overpayment) in the Hunter Mesa properties.

Project and lease sales income for the nine-month period decreased from \$538,185 in 2003 to \$37,500 in 2004. This was primarily due to the sale of about two-thirds of our Uinta Basin Overpressured Gas Prospect in 2003. The company is currently marketing the remainder of the prospect.

Costs of operations decreased from \$142,451 to \$137,727 for the quarter and increased from \$398,975 to \$459,973 for the nine-month period. These changes

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were primarily due to variations in payments to working interest partners due to varying production and product prices.

General and administrative expenses decreased from \$75,603 to \$73,204 for the quarter and increased from \$233,706 to \$254,115 for the nine-month period.

The Company's net income for the third quarter (fiscal 2004) was \$138,654 compared to net income of \$203,516 for the third fiscal quarter 2003. For the nine-month period (fiscal 2004) the Company posted net income of \$246,439 compared to a net income of \$162,384 for fiscal 2003.

Liquidity and Capital Resources

During the nine-months of fiscal 2003 cash provided by operating activities was \$351,155 while investing activities required \$27,429. Net cash used in financing activities was \$21,945.

Cash provided by operating activities for the nine-months of fiscal 2003 was \$742,688. Cash provided by operating activities for the same period for fiscal 2004 was \$351,155.

The company substantially increased its resale leases by \$715,769 to \$935,446 during the nine-month period. This was due to purchasing trend acreage on nine prospects in the central Utah overthrust near Wolverine Gas and Oil's recent major oil discovery. IHS Energy information services reported that Wolverine completed a well pumping 960 barrels of oil per day about three miles southeast of Sigurd in south-central Utah. This well was followed up by another productive well currently being completed.

IHS Energy stated that these discoveries "promise to open a new oil-producing province in the Rockies."

Pioneer's acreage position in the central Utah overthrust area consists of approximately 24,000 gross and 12,000 net acres.

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

None.

Item 5 - Other Information

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The Board of Directors on July 30, 2004 added another board member Lynn Woodbury to the Company's Board of Directors to comply with the Sarbanes-Oxley Act of 2002. Ms. Woodbury is a CPA and currently works with another oil and gas company as their accountant. She will serve as the Company's independent audit committee and financial expert for the audit committee.

Prior to the filing of this 10Q, the Company sold to industry partners an interest in the Emigrant Gap Prospect in Natrona County, Wyoming and the Yankee Mine Prospect, in White Pine County, Nevada. The Company has an 18.75% carried working interest in both prospects and intends to drill the Initial Test Well on both prospects prior to the end of the year subject to rig availability.

Item 6 - Exhibits and Reports on Form 8-K

(a) There are no exhibits with this report.

(b) The registrant did not file any reports on Form 8-K during the fiscal quarter ended June 30, 2004.

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: August 5, 2004

/s/ Don J. Colton

President and Chief Executive Officer

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

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registrant and have:

a) designed such disclosure controls and procedures to ensure that material 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.

6. I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of the most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: August 5, 2004

/s/ Don J. Colton

Don J. Colton, President

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 June 30, 2004 (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:

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(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
August 5, 2004