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PIONEER OIL & GAS  
Form 10KSB  
December 28, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004.

Commission File Number 0-30472

PIONEER OIL AND GAS  
(Name of small business issuer as specified in its charter)

Utah  
(State or other jurisdiction of  
incorporation or organization)

87-0365907  
(I.R.S. Employer  
Identification Number)

1206 West South Jordan Parkway, Unit B  
South Jordan, Utah 84095-5512  
(Address of principal executive offices)

(801) 566-3000  
(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock  
(Par Value \$.001 Per Share)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 X No \_\_\_ Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation SB contained in this form, and no disclosures will be contained, to the best of registrant's knowledge, in any definitive proxy or information statement incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10 KSB [ ]

Indicate by check mark whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes X No \_\_\_

The issuer's revenues for its most recent fiscal year were \$1,918,272.

The aggregate market value on September 30th, 2004, of common shares held by non-affiliates was approximately \$4,128,783 based on the average of the closing bid and asked prices of the registrant's common shares on such date, as quoted by the National Quotation Bureau.

As of December 18, 2004 the issuer had 7,912,819 shares of its \$0.001 par value common stock issued and outstanding.

Transitional Small Business Issuer Disclosure Format Yes \_\_\_ No X

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES

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LITIGATION REFORM ACT OF 1995

Except for the historical information contained herein, the matters discussed in this 10KSB are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, political, regulatory and governmental factors affecting the company's revenues, operations, markets and prices, properties and other factors discussed in the Company's various filings with the Securities and Exchange Commission.

### PART I

#### ITEM 1 - BUSINESS

##### HISTORY AND OVERVIEW

Pioneer Oil and Gas (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.

##### RECENT DEVELOPMENTS:

During the last three years, the Company has been focusing on obtaining prospects for the exploration of oil and gas and continuing the operations of its current producing oil and gas properties. During the last fiscal year ended September 30th, 2004, the Company has sold drilling ventures for its Emigrant Gap Prospect in Natrona County, Wyoming; Yankee Mine West Prospect in White Pine County, Nevada and its Abel Springs Prospect in Nye County, Nevada. The Company has also entered into an agreement to sell the remaining acreage in its Uinta Basin Overpressured Gas Prospect in Utah and has accepted a deposit of \$50,000 with the closing anticipated to occur on or before January 18, 2005. The Company is currently marketing its trend acreage in central Utah that is near the overthrust discovery of Wolverine Gas and Oil. The Company owns a 37.5% undivided interest in approximately 60,000 acres on this overthrust trend. It is also selling a large lease in the northwest portion of the Uinta Basin that is about 12 miles north of it Uinta Basin Overpressured Gas Prospect mentioned above

The Yankee Mine West Prospect in White Pine County Nevada commenced drilling operations in December of 2004 with a projected drill depth of 4500 feet. Drilling on the Emigrant Prospect and Abel Springs Prospect is not anticipated to begin prior to spring of 2005 and most likely will be delayed to the summer of 2005.

During the last year the Company has increased the amount of undeveloped oil and gas leases it holds from 59,018 gross acres on 9/30/03 to 109,933 gross acres on 9/30/04 primarily due to the purchase of acreage in Central Utah. (See "Wells and Acreage").

The Company has also been involved in a 3D seismic project in Texas that will continue to cause the Company to expend funds during the current year on prospective prospects identified on 3D seismic. The Company owns a 1.65% working interest in the 3D seismic venture in Texas and has already drilled four wells on the 3D seismic venture. One of the wells has been deemed a producer and the others dry holes. The fifth well is currently being drilled and has not yet reached the objective pay zone. The producer is anticipated to begin sales the last part of December 2004.

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The Company operates in a highly competitive industry wherein many companies are competing for the same finite resources as the Company.

### THE BUSINESS

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.

Most of the Company's present production from oil and gas properties was acquired from large oil companies selling properties they considered to be marginal producers. The Company has found that it can operate these properties at a profit. Presently, the Company operates 9 producing oil and gas wells in Utah and Wyoming.

The Company also owns an interest in several non-operated oil and gas wells and overriding royalty interests in oil and gas wells located in Utah, 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 over the last few years has focused most of its exploration efforts in the Rocky Mountain area, and in acquiring leasehold positions in trend areas of existing production. Prior to leasing an area a geological review of the prospective area is made by the Company's staff to determine the potential for oil and gas. If an area is determined to have promise the Company will attempt to acquire oil and gas leases over the prospective area. The Company will then acquire geophysical data (generally seismic and gravity data) to further evaluate the area. After the evaluation of the geophysical data, if the area appears to contain significant accumulations of oil and gas in the Company's opinion for the area, the Company will market a drilling program to outside investors covering the Company's leases or sell the leases with the Company retaining an overriding royalty interest. Significant accumulations cannot be quantified because it depends on many factors such as how much it costs to drill and complete wells in a certain area, how close the wells are to pipelines, what the price of oil or gas is, how accessible the area is, whether the project is a developmental or wildcat project, what the cost of oil and gas leases are in an area, the type of return investors are seeking at that time in the different exploration areas, and many other geological, geophysical and other considerations.

When the Company markets a drilling program it sells a portion of its oil and gas leases over the prospect area along with obtaining a drilling commitment from the parties purchasing the leases to drill a well on the prospect area. A drilling program will generally allow the Company to recoup its investment in the area with the Company also retaining an ongoing interest in new wells to be drilled in the area.

The Company markets its drilling programs to other industry partners. Drilling programs have been marketed by placing ads in industry journals, attending trade shows and by traveling to the office of prospective partners. In the past, the Company has sold drilling programs to major oil companies and large independents and occasionally to individuals.

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### COMPETITION

The oil and gas business is highly competitive. The Company competes against numerous other companies, both major and independents, many with greater financial resources and larger staffs than those available to the Company. In the area that the Company competes there are over 100 competitors with no one competitor dominating the area. The Company believes it can successfully compete against other companies by focusing its efforts in the Rocky Mountain area and by pursuing oil and gas prospects that it develops internally with its own staff. The Company has also been able to successfully compete in the past for leases in areas that it has accumulated geological and geophysical data.

### MARKETABILITY

The products sold by the Company, natural gas and crude oil, are commodities desired by many companies and the Company is frequently contacted regarding the sale of its products. The Company sells all of its oil on 30-day contracts to companies willing to pay the highest price. Although, at anytime the Company may be selling 10% or more of its crude oil to one purchaser, such a purchaser is not material to the Company since if that purchaser fails to purchase the Company's oil for any reason the Company can readily sell the oil to another party at a price close to what was paid by the former purchaser.

Presently, the marketability of the Company's crude oil has not posed a problem for the Company. Crude oil can be easily sold wherever it is produced in the states that the Company operates subject to the transportation cost. The crude oil produced by the Company is transported either by trucking or pipeline. On the other hand, natural gas can be more difficult to sell since transportation requires a pipeline. In the areas that the Company is presently pursuing new drilling activity for natural gas, other companies have been delayed up to a year because of the unavailability of a pipeline. No assurance can be given that natural gas wells drilled by the Company will be placed on line within a year after the well is drilled and completed.

### BUSINESS RISKS

Oil and gas exploration and drilling involves a high degree of risk. Oil and gas prices are subject to fluctuations and, as a consequence, no assurance can be given that oil and gas prices will decrease, increase or remain stable. There is no assurance that wells drilled on behalf of the Company will obtain production or that even if production is obtained, such production will allow the recovery of all or any part of the investment made by the Company in a well.

There are other risks inherent in the oil and gas industry that are encountered in drilling, completing, and producing oil and gas wells. These risks include unusual or unexpected formations, pressures or other conditions, blowouts and environmental pollution. The Company may incur losses due to environmental hazards against which it cannot insure or which it elects not to insure against because of high premium costs or other reasons. Consequently, substantial uninsured liabilities to third parties may arise, the payment of which could result in significant losses to the Company.

The Company carries comprehensive general liability in the amount of \$6,000,000 with a financially sound and reputable insurance company and covers such risks that are usually carried by companies engaged in the same or a similar business and similarly situated. However, the Company usually does not insure against environmental hazards such as blowouts of wells or environmental problems in a prior chain of title. The cost of such insurance in many cases is prohibitive. These types of risks are extraordinary events and are not generally covered

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under a normal liability insurance policy for an oil and gas company.

Governmental regulation is a significant business risk of an oil and gas company because the industry becomes more regulated with time. The Company is subject to federal, state and local laws, regulations and ordinances relating to the production and sale of oil and gas. Some of the laws that the Company is subject to include the Clean Air Act, the Clean Water Act, and Endangered Species Act. For example, coal bed methane wells are being highly regulated for disposing produced fresh water on the surface. The EPA is requiring that the fresh water meet more stringent standards than before, which ultimately may require the water be injected underground. Reinjecting the water will increase the cost of production and in some cases make the drilling of wells uneconomical.

Environmental regulations and taxes imposed by state governments in a jurisdiction wherein producing oil and gas properties are located impose a significant burden on the cost of production. Severance and ad valorem taxes in Wyoming can amount to approximately 14% of the Company's gross production and if the property is located on a Reservation the total tax burden by governmental entities can amount to as much as 22% of the gross production. Governmental regulation may also delay drilling in areas that have endangered species. Delays in drilling in the past have not imposed a significant cost to the Company, however, no assurance can be given that in future the delays will not be more expensive.

In the oil and gas industry there is always a possibility that there will be a shortage of drilling rigs, casing pipe or other material not being available, when needed for drilling, completing or operating wells. To date, the Company has not encountered any significant difficulties in the areas it has operated or intends to operate in the future, however, no assurance can be given that this condition will remain unchanged.

### OBLIGATIONS AND CONTINGENCIES

The Company is liable for future restoration and abandonment costs associated with its oil and gas properties. These costs include future site restoration and plugging costs of wells. The cost of future abandonment of producing wells has been estimated and is listed under the classification of asset retirement obligation under the Statement of Operations in the Company's Financial Statements.

### OTHER

The Company had a total of four full-time employees as of September 30, 2004.

All of the company's revenues during the last fiscal year were derived from domestic sources.

### ITEM 2 - DESCRIPTION OF PROPERTY

The Company owns an interest in 9 currently producing oil and gas wells located in Utah and Wyoming.

The Company attempts to maintain all of its operating wells in good working condition. Contract pumpers familiar with the oil and gas business in the area that the well is located generally oversee wells operated by the Company.

The operated wells are secured by the Company's line of credit. Other than the line of credit by Zions Bank the operated oil and gas wells of the Company have no other liens or encumbrances.

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The Company owns a small interest in more than 500 other oil and gas wells that it does not operate. The Company owns its interest in these properties either as a working interest owner or as an overriding royalty interest owner. These interests vary from the Company owning an interest of less than a half of a percent to as high as eight and a third percent. The non-operating properties are located primarily in Colorado and Wyoming. The primary non-operated properties of the Company are its interests in the Hunter Mesa and Grass Mesa Units in Garfield County, Colorado. Although the Company owns less than a half of a percent overriding royalty interest in these properties, the revenue is significant to the Company since the Company's override in these properties is in more than 500 wells. The non-operating properties of the Company account for a little less than 50% of the Company's total oil and gas revenues. The Company also owns various non-producing oil and gas leases that it is either attempting to sell to industry partners or develop itself.

### EXPLORATION AND PRODUCTION

During the fiscal years ending September 30, 2004, and September 30, 2003 the Company participated as a working interest owner in the drilling of wells only in the Texas 3D seismic venture referenced above. However, the Company plans to participate as operator, working interest owner in the drilling of its Emigrant Gas Prospect and two Nevada ventures during the next 12 months. The Company also will be drilling additional wells in the Texas 3D seismic venture during the coming fiscal year along with participating in some of the overpressured acreage for which it retained an interest, when and if a well is drilled on that acreage.

### PROVED RESERVES

The following table sets forth the estimated proved developed oil and gas reserves, net to Company's interest, of oil and gas properties as of September 30, 2004. The reserve information is based on the independent appraisal prepared by Fall Line Energy Inc. of Littleton, Colorado, and was calculated in accordance with the rules and regulations of the Securities and Exchange Commission. The product pricing used was based on actual spot prices available on September 30, 2004. Where necessary, prices were estimated based on historical differentials between the different properties or with quoted indexes such as the WTI Cushing prices, obtained from the US Government - Energy Information Agency (EIA). The volume weighted average wellhead price was determined to \$43.46/Bbl and \$4.55/MCF. The wellhead prices are net of BTU and gravity adjustments, transportation deductions and differentials between Rocky Mountain gas and most other markets. For comparison purposes, the average NYMEX Henry Hub price for the same time period was \$6.43/MMBTU, the average price for the Questar Rocky Mountain Index was \$4.53/MMBTU, and the average WTI Cushing price was \$49.51/Bbl. All product pricing was held flat for the life of the project.

#### Present Value of Estimated Future Net Revenues

Estimated Proved Reserves at	Oil	Gas	Discounted
	(MBbl)	(MMCF)	10% (1) (M\$)
Proved Developed Operated			
Canyon State 2-36	11.442	24.639	\$ 219.193
Climax 7-2	52.533	0.000	699.452

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Pilot A-1 and Delta 1	0.360	98.984	64.501
Sheldon Tribal Lease (includes 31-1, 21-1, 42-1 wells)	12.589	0.000	153.190
South Pine Ridge 7-6	0.127	44.370	104.290
Willow Creek 29-13	8.340	21.174	208.047
Non-Operated Mamm Creek	0.057	39.525	99.727
Climax Minnelusa Unit	2.600	0.000	31.186
Hunter Mesa Unit	1.917	990.555	3,279.095
Grassy Mesa Unit	0.548	161.964	516.330
Murdock 41-10	3.143	0.000	30.519
Totals	93.656	1,381.211	\$5,405.530

(1) The oil reserves assigned to the properties in the evaluation were determined by analyzing current test data, extrapolating historical production data, and comparing field data with the production history of similar wells in the area. The current volatility of oil prices provides an element of uncertainty to any estimates. If prices should vary significantly from those projected in the appraisal, the resulting values would change substantially.

The reserve estimates contained in the engineering report are based on accepted engineering and evaluation principles. The present value of estimated future net revenues, discounted at 10%, does not necessarily represent an estimate of a fair market value for the evaluated properties.

The reserve estimates contained herein are the same required to be filed with any governmental agency.

There are numerous uncertainties inherent in estimating quantities of proved oil reserves. The estimates in the appraisal are based on various assumptions relating to rates of future production, timing and amount of development expenditures, oil prices, and the results of planned development work. Actual future production rates and volumes, revenues, taxes, operating expenses, development expenditures, and quantities of recoverable oil reserves may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could materially and adversely affect future reserve estimates. In addition, such reserves may be subject to downward or upward revision based upon production history, results of future development, prevailing oil prices, and other factors.

The actual amount of the Company's proved reserves is dependent on the prevailing price for oil, which is beyond the Company's control or influence. World oil prices declined significantly during 1997 and 1998 from previous years

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and increased significantly during 1999 and 2000. In 2003 and 2004 prices again have been extremely volatile with oil prices increasing significantly during fiscal year ending September 30th, 2004. There can be no assurance that oil and/or natural gas prices will decline or increase in the future. Oil and gas prices have been and are likely to continue to be volatile and subject to wide fluctuations in response to any of the following factors: relatively minor changes in the supply of and demand for oil and gas; market uncertainty; political conditions in international oil producing regions; the extent of domestic production and importation of oil; the level of consumer demand; weather conditions; the competitive position of oil as a source of energy as compared with natural gas, coal, nuclear energy, hydroelectric power, and other energy sources; the refining capacity of prospective oil purchasers; the effect of federal and state regulation on the production, transportation and sale of oil; and other factors, all of which are beyond the control or influence of the Company.

### WELLS AND ACREAGE

In the oil and gas industry and as used herein, the word "gross" well or acre is a well or acre in which a working interest is owned; the number of gross wells is the total number of wells in which a working interest is owned. A "net" well or acre is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests owned in gross wells or acres.

As of September 30, 2004, the Company owned 5.89 net productive wells and 14 gross productive wells.

Set forth below is information respecting the developed and undeveloped acreage owned by the Company in Utah, Colorado, Nevada and Wyoming as of September 30, 2004.

Developed Acreage		Undeveloped Acreage	
Gross	Net	Gross	Net
2,600	1,600	107,333	66,415

Annual rentals on all undeveloped leases for the fiscal year ending September 30, 2004 are expected to be approximately \$75,000.

### PRODUCTION AND SALE OF OIL AND GAS

The following table summarizes certain information relating to the Company's net oil and gas produced and from the Company's properties, after royalties, during the periods indicated.

	Year Ended September 30,	
	2003	2004
Average net daily production of oil (Bbl)	44	37
Average net daily production of gas (MCF)	449	494
Average sales price of oil (\$ per Bbl)	\$26.43	\$32.31
Average sales price of gas (\$ per MCF)	\$4.08	\$4.97
Average lifting cost per bbl oil equiv.	\$8.42	\$7.54

### DELIVERY COMMITMENTS



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The Company sells its oil to the company willing to pay the highest price for its crude oil. In the area that the Company sells its oil there are several different companies offering to purchase the Company's oil. The Company sells all of its crude oil on 30-day contracts that can be terminated at anytime upon 30-day notice by either party. The Company has also entered into contracts to sell its natural gas on monthly spot prices. The contracts do not require the Company to produce or sell any quantity of gas. The contracts only provide that the price will be paid up to a certain amount of gas produced from the wells, which is more than the wells are currently producing. Therefore, the Company has no commitments that obligate the Company to produce any set amount of oil or gas.

The Company does not own the office space in which its business is located. The Company is located in an office condominium owned by the Company's Board of Directors. The Company pays less for rent than it did at its former location. To provide more operating capital for the Company the Company has chosen to lease the office space from the Company's Board of Directors who have purchased the office condominium themselves. The office space is leased on terms reasonable for the same kind of office space in the area that it is located. The office space is 1,950 square feet with an unfinished basement of approximately 975 square feet. The Company's address is 1206 West South Jordan Parkway, Unit B, South Jordan, Utah 84095-5512. The Company's telephone number is (801) 566-3000 and the fax number is (801) 446-5500.

### ITEM 3 - 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 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On July 28, 2004, the Company held its Annual Meeting of Shareholders (the "Meeting"). The following matters were voted upon at the Meeting:

1. The election of the Board of Directors of the Company until the next shareholder meeting.

The table below sets forth the name of each nominee for Director along with the number of shares voting for each nominee:

	For the Election of the Board	Against	Abstained
Don J. Colton	6,951,212	42,860	300
Gregg B. Colton	6,951,212	42,860	300
John O. Anderson	6,951,212	42,860	300

2. To ratify the appointment of Jones Simkins as independent auditors for Pioneer Oil and Gas for the next fiscal year ending September 30, 2004.

	For appointment of Jones Simkins	Against	Abstained
Number of Shares	6,961,307	30,980	2,103

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All matters that were brought before the shareholders at the annual meeting were approved.

### PART II

#### ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

##### MARKET PRICE AND DIVIDENDS OF COMPANY

The Company is listed on the over-the-counter market on the NASDAQ OTC Bulletin Board. The range of high and low bid information for the shares of the Company's stock for the last two complete fiscal years, as reported by the OTC Bulletin Board National Quotation Bureau, is set forth below. Such quotations represent prices between dealers, do not include retail markup, markdown or commission, and do not represent actual transactions.

Year Ended September 30, 2004	High	Low
First Quarter	\$.46	\$.30
Second Quarter	.70	.32
Third Quarter	.90	.61
Fourth Quarter	3.00	.55

  

Year Ended September 30, 2003	High	Low
First Quarter	\$.36	\$.27
Second Quarter	.45	.21
Third Quarter	.43	.25
Fourth Quarter	.47	.16

As of September 30, 2003 the Company had issued and outstanding 7,912,819 common shares held by approximately 1,016 holders of record.

There have been no cash dividends declared by the Company since its inception. Further, there are no restrictions that would limit the Company's ability to pay dividends on its common equity or that would be likely to do so in the future.

The Company has no plans to register any of its securities under the Securities Act for sale by security holders. There is no public offering of equity and there is no proposed public offering of equity.

##### RECENT SALES OF UNREGISTERED SECURITIES

In June of 1998, the Company effected a reverse stock split of 10 common shares of the Company for one share. After the reverse stock split the Company had issued and outstanding 4,289,431 common shares. The Company issued an additional 3,845,587 common shares after the reverse stock split for purposes of paying the Company's obligation under the Company's Employee Stock Ownership Plan, for providing working capital and paying the creditors and expenses under the Company's plan of reorganization in bankruptcy.

The Company has an Employee Stock Ownership Plan, in which the Company invested prior to September 30, 2002, 10% of the compensation for full-time employees for salary and bonuses in common stock of the Company. After September 30, 2002, the Company has adopted the policy of investing 15% of the compensation for full-time employees for salary and bonuses in common stock of the Company. All

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full-time employees of the Company participate in the Employee Stock Ownership Plan on the same terms and conditions as management. Shares in the Company's Employee Stock Ownership Plan ("ESOP") before November 1999 were issued from the Company to the Plan every six months to cover the Company's obligation to the ESOP. From January 1997 to September 1998, the Company issued to the ESOP 248,244 common shares calculated on a post reverse stock split basis.

In November of 1998, the ESOP in conjunction with the offer made to shareholders of the Company purchased 1,500,000 common shares of the Company's common stock at a price of \$.20 per share in the form of a stock subscription receivable. The stock subscription receivable owed by the ESOP to the Company is reduced every six months by the amount of the obligation owed by the Company towards the ESOP for that period. The stock subscription receivable bears interest at a rate of six percent per annum.

For the Company to emerge from its Chapter 11 bankruptcy in 1997 it required enough capital to pay its creditors under the reorganization plan and needed sufficient capital to operate. From July 1998 to February of 1999, the Company issued 2,246,426 common shares to shareholders of the Company for a total consideration of \$415,308. From the \$415,308 raised by the Company, approximately \$300,000 was used for paying bankruptcy expenses and for paying the creditors of the Company. The remaining \$115,308 of the \$415,308 raised was used for operating capital of the Company.

Sales of the Company's securities to the shareholders under the Bankruptcy Plan and to the ESOP plan were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act.

### ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### RESULTS OF OPERATIONS -2004 Compared to 2003

Total revenue for fiscal year 2004 was \$1,918,272 as compared to total revenue for fiscal year 2003 of \$1,929,279. Total oil and gas sales (including royalty revenue) increased 33 percent from \$1,360,985 to \$1,805,077. This increase in oil and gas revenue was primarily due to higher product prices and increased production from our Hunter Mesa and Grassy Mesa units. Average gas prices increased 22% from \$4.08 MCF (2003) to \$4.97 MCF (2004). Average oil prices increased 22 percent from \$26.43 per barrel in 2003 to \$32.31 per barrel in 2004.

Project and lease sales income decreased from \$566,365 in 2003 to \$113,195 in 2004. The Company sold two-thirds of its overpressured gas project and a 3500 acre coalbed methane lease block in 2003. Sales of leases near Vernal Utah accounted for most of the project and lease sales in 2004. Total revenue for the company declined slightly due to lower project and lease sales income even though oil and gas revenues increased significantly.

Costs of operations increased from \$632,264 to \$679,132. This item includes all well operating expenses and any amounts paid to employees and other interest owners for their interest in producing properties. Increased disbursements to interest owners due to higher product prices accounted for most of the increase.

General and administrative costs increased from \$316,259 in fiscal 2003 to \$346,970 in fiscal 2004 primarily due to higher payroll costs.

In fiscal 2004 loss on assets sold or abandoned decreased from \$355,459 to \$0. The write-off of some of the Company's producing assets in Wyoming during fiscal 2003 accounted for the difference.

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The Company's total stockholders' equity increased from \$1,034,808 to \$1,533,335. Net income increased from \$177,413 in 2003 to \$492,344 in 2004. Earnings per share increased from \$.02 in fiscal 2003 to \$.06 in fiscal 2004.

### LIQUIDITY AND CAPITAL RESOURCES

Historically the Company has funded operations primarily from earnings and bank borrowing. As of September 30, 2004 the Company had working capital of \$1,151,486 and an unused line of credit with Zions Bank for \$750,000. This line of credit is collateralized by all of the companies operated oil and gas properties. The line of credit bears interest at prime rate plus 1.0%. The line of credit with Zions Bank matured on December 31, 2003, and was renewed for a two year period ending December 31, 2005. As of September 30, 2003 and as of September 30, 2004, the amount on the credit line was \$0 and \$0 respectively.

During fiscal 2004 cash provided by operating activities was \$274,903 while cash used for investing activities was for \$133,255. There was a net increase in cash of \$119,563, as cash increased from \$371,527 to \$491,090. The increase in cash for operating activities was primarily the result of a drilling advance for our Yankee Mine Well in Nevada.

### OIL AND GAS PROPERTIES

The Company, as of the date of this filing, is the owner of several oil and gas properties located throughout the Rocky Mountain Region. The Company operates four properties in Utah, three in Wyoming and one in Colorado. The standardized measure of discounted future net cash flows (before income taxes) of all the Company's properties as of September 30, 2004 was \$5,405,530.

### INCOME TAXES

As of September 30, 2004, the Company had net operating loss carry forwards of approximately \$1,164,000. The present net operating loss carry-forward of the Company will begin to expire in the year 2012. If substantial changes in the Company's ownership should occur there would be an annual limitation of the amount of NOL carry forward which could be utilized. Also, the ultimate realization of these carry forwards is due, in part, on the tax law in effect at the time and future events that cannot be determined.

### DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This report on Form 10-KSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this report, including, without limitation, statements under "Description of Business", "Description of Property" and "Management's Discussion and Analysis or Plan of Operation" regarding the Company's financial position, reserve quantities and net present values, business strategy, plans and objectives of management of the Company for future operations and capital expenditures, are forward-looking statements and the assumptions upon which such forward-looking statements are based are believed to be reasonable. The Company can give no assurance that such expectations and assumptions will prove to be correct. Reserve estimates of oil and gas properties are generally different from the quantities of oil and natural gas that are ultimately recovered or found. This is particularly true for estimates applied to exploratory prospects. Additionally, any statements contained in this report regarding forward-looking statements are subject to various known and unknown risks, uncertainties and

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contingencies, many of which are beyond the control of the Company. Such things may cause actual results, performance, achievements or expectations to differ materially from the anticipated results, performance, achievements or expectations. Factors that may affect such forward-looking statements include, but are not limited to: the Company's ability to generate additional capital to complete any planned drilling and exploration activities; risks inherent in oil and gas acquisitions, exploration, drilling, development and production; price volatility of oil and gas; competition; shortages of equipment, services and supplies; government regulation; environmental matters; financial condition of the other companies participating in the exploration, development and production of oil and gas programs; and other matters beyond the Company's control. All written and oral forward-looking statements attributable to the Company or persons acting on its behalf subsequent to the date of this report are expressly qualified in their entirety by this disclosure.

### ITEM 7 - FINANCIAL STATEMENTS

PIONEER OIL AND GAS

FINANCIAL STATEMENTS

September 30, 2004 and 2003

PIONEER OIL AND GAS

FINANCIAL STATEMENTS

September 30, 2004 and 2003

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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, 2004 and 2003, 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 generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2004 and 2003, 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.  
Logan, Utah  
November 18, 2004

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### PIONEER OIL AND GAS STATEMENTS OF OPERATIONS Years Ended September 30, 2004 and 2003

	2004
Revenue:	
Oil and gas sales	\$ 95
Royalty revenue	85

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Operational reimbursements	11
Project and lease sales income	-----
	1,91
	-----
Costs and expenses:	
Cost of operations	67
General and administrative expenses	34
Exploration costs	20
Lease rentals	5
Depreciation, depletion and amortization	8
	-----
	1,37
	-----
Income from operations	54
	-----
Other income (expense):	
Loss on assets sold or abandoned	
Interest income	1
Interest expense	(
Other	1
	-----
	3
	-----
Income before provision for income taxes	57
Provision for income taxes	-----
Net income before cumulative effect of a change in accounting principle	57
Cumulative effect of a change in accounting principle - asset retirement obligation	(8
	-----
Net income	\$ 49
	=====
Net income per common share - basic and diluted:	
Income before cumulative effect of accounting change	\$
Loss from cumulative effect of change in accounting principle	-----
	\$
	=====
Weighted average common shares - basic and diluted	7,93
	=====

See accompanying notes to financial statements

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PIONEER OIL AND GAS  
BALANCE SHEETS  
September 30, 2004 and 2003

	2004
	-----
Assets	
Current assets:	
Cash	\$ 491,090
Accounts receivable	301,450
Resale leases, at lower of cost or market	1,052,292
	-----
Total current assets	1,844,832
Property and equipment, net	537,969
Other assets	2,230
	-----
	\$ 2,385,031
	=====
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	\$ 108,208
Accrued expenses	28,565
Advances on drilling costs	556,573
	-----
Total current liabilities	693,346
	-----
Asset retirement obligation	158,350
	-----
Commitments and contingencies	
Stockholders' equity:	
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,912,819 and 7,961,618 shares issued and outstanding, respectively	7,912
Additional paid-in capital	2,473,256
Stock subscription receivable	(203,659)
Accumulated deficit	(744,174)
	-----
Total stockholders' equity	1,533,335
	-----
	\$ 2,385,031
	=====



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See accompanying notes to financial statements

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	Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Accumu Defici
	Shares	Amount			
Balance at October 1, 2002	7,961,618	\$ 7,961	\$ 2,495,292	\$ (258,219)	\$ (1,41
Payments on stock subscription receivable	-	-	-	26,292	
Net income	-	-	-	-	17
Balance at September 30, 2003	7,961,618	7,961	2,495,292	(231,927)	(1,23
Payments on stock subscription receivable	-	-	-	28,268	
Purchase and retirement of common stock	(48,799)	(49)	(22,036)	-	
Net income	-	-	-	-	49
Balance at September 30, 2004	7,912,819	\$ 7,912	\$ 2,473,256	\$ (203,659)	\$ (74

See accompanying notes to financial statements

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PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2004 and 2003

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Cash flows from operating activities:	
Net income	\$ 492
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss on assets sold, abandoned, and dry hole costs	19
Depreciation, depletion and amortization	87
Accretion expense	4
Cumulative effect of change in accounting principle	81
Employee benefit plan expense	41
Interest income	(13)
(Increase) decrease in:	
Accounts receivable	(151)
Resale leases	(833)
Other assets	
Increase (decrease) in:	
Accounts payable	(13)
Accrued expenses	3
Advances on drilling costs	556
	-----
Net cash provided by operating activities	274
	-----
Cash flows from investing activities:	
Acquisition of property and equipment	(133)
	-----
Net cash used in investing activities	(133)
	-----
Cash flow from financing activities:	
Decrease in note payable	
Purchase of common stock	(22)
	-----
Net cash used in financing activities	(22)
	-----
Net increase in cash	119
Cash, beginning of year	371
	-----
Cash, end of year	\$ 491
	=====
	=====

See accompanying notes to financial statements

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## NOTES TO FINANCIAL STATEMENTS September 30, 2004 and 2003

### 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.

#### 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.

#### 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.

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## PIONEER OIL AND GAS NOTES TO FINANCIAL STATEMENTS September 30, 2004 and 2003

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

#### Oil and Gas Producing Activities (continued)

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.

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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

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.

### 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.

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### PIONEER OIL AND GAS NOTES TO FINANCIAL STATEMENTS September 30, 2004 and 2003

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

##### Income Taxes

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, 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 non-current depending on the periods in which the temporary differences are expected to reverse. Temporary differences result primarily from net operating loss carryforwards, intangible drilling costs and depletion.

##### 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

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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.

### Stock-Based Compensation

The Company accounts for stock options granted to employees under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized in the financial statements, as all options granted under those plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. Had the Company's options been determined based on the fair value method, the results of operations would have remained unchanged as all options were vested in prior years.

### 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.

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PIONEER OIL AND GAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

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

#### 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, that 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.

### Note 2 - Property and Equipment

Property and equipment consists of the following:

	September 2004
Oil and gas properties (successful efforts method)	\$ 1,987,099
Capitalized asset retirement cost	116,376

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Office furniture and equipment	139,360
	2,242,835
Less accumulated depreciation, depletion and amortization	(1,704,866)
	\$ 537,969

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PIONEER OIL AND GAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2004 and 2003

Note 3 - 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.

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

	2004
Balance at beginning of year	\$ -
Initial amount recorded for ARO	116,376
Cumulative effect of accounting change	37,365
Additional obligations incurred	-
Revisions of estimate	-
Accretion expense	4,609
Balance at end of year	\$ 158,350

Note 4 - Cumulative Effect of Change In Accounting Principle

The Company has adopted the provisions of SFAS 143 "Accounting for Asset Retirement Obligations" which requires entities to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. The Company has recognized a liability based on the present value of the estimated costs related to its obligation to plug and abandon the oil and gas wells it owns. The Company has also capitalized the costs of the liability through increasing the carrying amount of its oil and gas properties. The liability is accreted to its estimated present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company will settle the obligation for its recorded amount or incur a gain or loss upon settlement.

The effect of adopting SFAS 143 is recorded as the cumulative effect of a change in accounting principle as follows:

Amortization	\$ 44,156
Accretion of asset retirement obligation	37,365
Cumulative effect of change	\$ 81,521

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PIONEER OIL AND GAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2004 and 2003

Note 5 - Note Payable

The Company has a bank revolving line-of-credit agreement, which allows the Company to borrow a maximum amount of \$750,000. This agreement bears interest at the bank's prime rate plus 1 percent and is secured by accounts receivable and producing properties. The line-of-credit matures on December 31, 2005 and had no outstanding balance at September 30, 2004 and 2003. Also, as of September 30, 2004, \$20,000 of the \$750,000 was reserved for an outstanding letter of credit.

Note 6 - 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 12). During the years ended September 30, 2004 and 2003, the Company recognized \$13,504 and \$15,104 of interest income related to this note.

Note 7 - Income Taxes

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

	Years Ended September 30,	
	2004	2003
Income tax provision at statutory rate	\$ 160,000	45,000
Change in valuation allowance	(160,000)	(45,000)
	-----	-----
	\$ -	-
	=====	=====

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PIONEER OIL AND GAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2004 and 2003

Note 7 - Income Taxes (continued)

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

	September 30,	
	2004	2003
Intangible drilling costs and depletion	\$ 129,000	15,000
Net operating loss carryforwards	396,000	696,000
Asset Retirement Obligation	31,000	-
AMT credit carryforward	-	5,000
	-----	-----
	556,000	716,000
	-----	-----

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Valuation allowance	(556,000)	(716,000)
	\$ -	-
	=====	=====

A valuation allowance has been recorded for the full amount of the deferred tax asset because it is more likely than not that the deferred tax asset will not be realized.

As of September 30, 2004, the Company had net operating loss carryforwards of approximately \$1,164,000. These carryforwards begin to expire in 2012. If substantial changes in the Company's ownership should occur there would be an annual limitation of the amount of NOL carryforward 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 that cannot be determined.

Note 8 - Sales to Major Customers

The Company had sales to major customers during the years ended September 30, 2004 and 2003, which exceeded ten percent of total sales as follows:

	September 30, 2004	2003
	-----	-----
Company A	\$ 788,000	115,000
Company B	434,000	420,000
Company C	207,000	414,000
Company D	-	134,000

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PIONEER OIL AND GAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

Note 9 - 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, 2004 and 2003 there was \$14,016 and \$17,917, respectively, included in accounts payable due to officers as a result of these activities. Also at September 30, 2004 and 2003 there was \$26,673 and \$0, respectively, included in accounts receivable due from officers as a result of these activities. The Company also is the general manager 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. The lease requires monthly rental payments of \$2,500 plus all expenses pertaining to the office space and expires in September 2005. Future minimum lease payments for the next year are \$30,000. Rent expense for the years ended September 30, 2004 and 2003 was approximately \$30,000 each year.

The Company has a stock subscription receivable from the ESOP (see Note 6).

Note 10 - Supplemental Disclosures of Cash Flow Information

During the year ended September 30, 2004:



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o The Company recorded an asset retirement obligation and increased oil and gas properties in the amount of \$116,376.

o The Company transferred property from Leases for Resale to Developing Properties in the amount of \$1,367.

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

		September 30,	
		2004	2003
		-----	-----
Interest	\$	3,000	23,000
Income taxes		-	-

### Note 11 - Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, payables and a note payable. The carrying amount of cash, receivables and payables approximates fair value because of the short-term nature of these items. The carrying amount of the note payable approximates fair value as the note bears interest at floating market interest rates.

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PIONEER OIL AND GAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

### Note 12 - Stock Options

The Company has granted stock options to the members of the Board of Directors and the officers and employees of the Company to purchase shares of the Company's common stock. The exercise price of the options is equal to or in excess of the fair market value of the stock on the date of grant. All options were granted and vested prior to 2003.

Information related to these options at September 30, 2004 is as follows:

		Outstanding		Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Exercise Price	Number Outstanding	(Years)	Price	Exercisable	Price
\$.20	420,000	6.9	\$.20	420,000	\$.20
====	=====	===	====	=====	====

### 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

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years ended September 30, 2004 and 2003 was \$41,772 and \$41,396 respectively. All outstanding shares held by the ESOP are included in the calculation of earnings per share.

### Note 13 - 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, 2004, the Company was unaware of any such obligations or claims arising from this partnership.

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PIONEER OIL AND GAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004 and 2003

### Note 13 - Commitments and Contingencies (continued)

#### 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.

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

#### Letter of Credit

The Company has a \$20,000 letter-of-credit related to its oil and gas operations. The letter-of-credit was issued in connection with the Company's line-of-credit (see Note 5).

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PIONEER OIL AND GAS  
SCHEDULE OF SUPPLEMENTARY INFORMATION  
ON OIL AND GAS OPERATIONS  
September 30, 2004 and 2003

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 the Statement of

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Financial Accounting Standards No. 69 "Disclosures about Oil and Gas Producing Activities."

Capitalized Costs Relating to Oil and Gas Producing Activities		September
		2004
Proved oil and gas properties and related equipment	\$	1,763,802
Unproved oil and gas properties		223,298
Subtotal		1,987,099
Accumulated depreciation, depletion and amortization and valuation allowances		(1,553,389)
	\$	433,710

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

		September
		2004
Acquisition of properties:		
Proved	\$	-
Unproved	\$	-
Exploration costs	\$	-
Development costs	\$	91,081

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PIONEER OIL AND GAS  
SCHEDULE OF SUPPLEMENTARY INFORMATION  
ON OIL AND GAS OPERATIONS  
September 30, 2004 and 2003

Results of Operations for Producing Activities

		Years
		September
		2004
Oil and gas - sales	\$	1,805,077
Production costs net of reimbursements		(733,215)
Exploration costs		(208,309)
Depreciation, depletion and amortization		

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and valuation provisions		(69,397)
Net income before income taxes		794,156
Income tax provision		(270,000)
Results of operations from producing activities (excluding corporate overhead and interest costs)	\$	524,156

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PIONEER OIL AND GAS  
SCHEDULE OF SUPPLEMENTARY INFORMATION  
ON OIL AND GAS OPERATIONS  
September 30, 2004 and 2003

Reserve Quantity Information (Unaudited)

-----

The estimated quantities of proved oil and gas reserves disclosed in the table below are based upon an 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.

	Years Ended September		
	2004		
	Oil (bbls)	Gas (mcf)	Oil (bbls)
Proved developed and undeveloped reserves:			
Beginning of year	116,486	879,320	118,5
Revision in previous estimates	(9,212)	682,220	13,8
Discoveries and extensions	-	-	-
Purchase in place	-	-	-
Production	(13,618)	(180,329)	(15,9
Sales in place	-	-	-
End of year	93,656	1,381,211	116,4
Proved developed reserves:			
Beginning of year	116,486	879,320	118,5
End of year	93,656	1,381,211	116,4

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## PIONEER OIL AND GAS SCHEDULE OF SUPPLEMENTARY INFORMATION ON OIL AND GAS OPERATIONS September 30, 2004 and 2003

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

		Years September 2004
Future cash inflows	\$	10,409,000
Future production and development costs		(2,586,000)
Future income tax expenses		(2,660,000)
		5,163,000
10% annual discount for estimated timing of cash flows		(1,953,000)
Standardized measure of discounted future net cash flows	\$	3,210,000

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 year end prices of oil and gas (including price changes that are fixed and determinable) 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.

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## PIONEER OIL AND GAS SCHEDULE OF SUPPLEMENTARY INFORMATION ON OIL AND GAS OPERATIONS September 30, 2004 and 2003

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

		Years September 2004
Balance, beginning of year	\$	2,172,000
Sales of oil and gas produced net of production costs		(839,000)
Net changes in prices and production costs		1,424,000
Extensions and discoveries, less related costs		-
Purchase and sales of minerals in place		-

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Revisions of estimated development costs		-
Revisions of previous quantity estimate		771,000
Accretion of discount		217,000
Net changes in income taxes		(535,000)
Balance, end of year	\$	3,210,000

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### ITEM 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANACIAL DISCLOSURE

The Company has had no changes in and/or disagreements with its Accountants during the last two fiscal years.

### ITEM 8A-CONTROLS AND PROCEDURES

The term "disclosure controls and procedures" (defined in Rule 13a-15(e)) refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities and Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within required time periods. The Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days before the filing of this annual report, and he concluded that, as of such date, the Company's controls and procedures were effective.

## PART III

### ITEM 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

#### DIRECTORS AND EXECUTIVE OFFICERS

The directors, executive officers and significant employees of the company are as follows:

NAME	AGE	POSITION WITH COMPANY
----	---	-----
Don J. Colton	58	President/Treasurer & Director
Gregg B. Colton	51	Vice President/Secretary & Director
John O. Anderson	62	Office Manager/Director
Michael L. Pinnell	60	Exploration Manager
Lynn Woodbury	41	Director

Note: Don J. Colton and Gregg B. Colton are brothers and John O. Anderson is their uncle.

Don J. Colton serves as the Company's President, Treasurer and Chairman of its Board of Directors. Since the Company's inception in October 1980 Mr. Colton has served as the Company's President and has been involved in all aspects of the business including exploration, acquisition and development of producing properties. From 1979 to 1981, Mr. Colton was Chief Financial Officer and a member of the Board of Directors of Drilling Research Laboratory in Salt Lake

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City, Utah. The Drilling Research Laboratory is a subsidiary of Terra Tech, Inc. and prior to his involvement with the Drilling Research Laboratory, Mr. Colton was Manager of Special Projects for Terra Tech. Mr. Colton received a BS in Physics from Brigham Young University in 1970 and a Master of Business Administration from the University of Utah in 1974.

Gregg B. Colton serves as the Company's Vice President, Secretary, General Counsel and a member of the Board of Directors. Mr. Colton has been employed with the Company since it actually commenced business in 1981. Mr. Colton is involved in handling the contracts, sales of oil and gas products and legal problems of the Company along with the day to day decision making for the Company with the Company's President. From 1981 to 1984, Mr. Colton was also a partner in the law firm of Cannon, Hansen & Wilkinson. Mr. Colton is a member of the Utah State Bar and a real estate broker. He is also a member of the Corporate Counsel section for the Utah State Bar. Mr. Colton earned his BA from the University of Utah in 1976 and a Juris Doctor and a Master of Business Administration from Brigham Young University in 1981.

John O. Anderson serves as the Company's Office Manager along with being a member of the Board of Directors. Mr. Anderson as Office Manager handles the day to day accounting for the Company along with handling the procurement of office supplies. The Company has employed Mr. Anderson since 1981 and prior to joining the Company he worked in land investments. Mr. Anderson received his BS in Zoology in 1968 from the University of California.

Michael L. Pinnell serves as the Company's Exploration Manager and has been employed by the Company from 1989 to the present. Mr. Pinnell is in charge of performing and supervising the geological and geophysical interpretation for the Company's drilling prospects. Mr. Pinnell worked as a consultant for various companies from 1985 to 1989 and performed geological and geophysical services. From 1981 to 1985 Mr. Pinnell was the Exploration Manager for Fortune Oil Company. Mr. Pinnell received a BS in Geology in 1970 and an MS in Geology from Brigham Young University in 1972.

Lynn Woodbury became a member of the Board of Directors of the Company in July of 2004 and is the sole member of the Company's audit committee. Ms. Woodbury works full-time for International Petroleum LLC as their Controller and supervises all phases of accounting for International Petroleum LLC. She has been employed by International Petroleum LLC from 1999 to the present. Prior to joining International Petroleum LLC, Ms. Woodbury from 1996 to 1999 was self-employed and provided tax planning and compliance services for clients. From 1986 to 1996, Ms. Woodbury was a staff accountant for Kevin R. Huntington. Ms. Woodbury obtained a BS in Accounting in 1985 from Brigham Young University and has been a licensed certified public accountant since 1994. She is a member of the American Institute of Certified Public Accountants and a member of the Utah Association of Certified Public Accountants.

### AUDIT COMMITTEE

The Company's Audit Committee has the responsibility of assisting with the selection of the independent auditors, approving all audit and non-audit services, reviewing with management and the independent auditors the Company's financial statements, significant accounting and financial policies and practices, audit scope and adequacy of internal audit and control systems. The Audit Committee is comprised of Lynn Woodbury, presently the sole member of the committee. Ms. Woodbury will meet each quarter to review the financial statements of the Company prior to submission with the SEC. Ms. Woodbury, a CPA, is considered an independent director in accordance with the National Association of Securities Dealer's listing standards and serves as the Chairman and designated financial expert for the audit committee. All members of the

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Audit Committee are able to read and understand fundamental financial statements.

### COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

The following disclosure is based solely upon a review of the Forms 3 and any amendments thereto furnished to the Company during the Company's fiscal year ended September 30, 2004, and Forms 5 and amendments thereto furnished to the Company with respect to such fiscal year, or written representations that no Forms 5 were required to be filed by such persons. Based on this review there were no reports or SEC forms required to be filed by directors of the Company for the fiscal year ended September 30, 2004.

### ITEM 10 - EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth all cash compensation paid, distributed or accrued for services, including salary and bonus amounts rendered in all capacities for the Company's CEO during the fiscal years ended, September 30, 2004, 2003, and 2002. All other tables required to be reported have been omitted as there has been no compensation awarded to, earned by or paid to any of the executives of the Company that is required to be reported other than what is stated below:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Amount of Compensation	Fiscal Year Ended
Don J. Colton, CEO	\$91,129(1)	2004
Don J. Colton, CEO	\$90,504(1)	2003
Don J. Colton, CEO	\$90,504(1)	2002

(1) The amount of compensation included in the table above for each fiscal year does not include amounts paid by the Company for the Company's Employee Stock Ownership Plan. Under the Employee Stock Ownership Plan 10% of the employees compensation for salary or bonuses is paid on behalf of the employee for Company stock in the Company's Employee Stock Ownership Plan before October 1, 2002 and after September 30, 2002, 15% is paid. All full-time employees of the Company participate in the Employee Stock Ownership Plan on the same terms and conditions as management. For fiscal year 2002 shown above 10% and in 2003 and in 2004, 15% of the compensation amount above was paid towards the Employee Stock Ownership Plan in the form of Company stock.

The Company in its June 27, 2001, annual shareholders meeting approved an incentive stock option plan for its employees, directors and officers. After the approval of the incentive stock option plan, the Company canceled all of the options presently existing at that time and replaced them with the same number of incentive stock options in accordance with the plan approved by the shareholders. Below are the options granted in the last three years that are required to be disclosed under this filing:



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OPTION GRANTS IN LAST TWO FISCAL  
YEARS

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	ExerciseExp. Price (\$/Sh)	Date
Don J. Colton, CEO	120,000	0.0%	\$.20/Share	(1)

(1) The 120,000 options granted above are due to expire on August 9, 2011. No options were exercised during the year by any officer, director or employee granted options under the Company's incentive option stock plan.

ITEM 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock by each person or group that is known by the Company to be the beneficial owner of more than five percent of its outstanding Common Stock, each director of the Company, each person named in the Summary Compensation Table, and all directors and executive officers of the Company as a group as of September 30, 2004. Unless otherwise indicated, the Company believes that the persons named in the table below, based on information furnished by such owners, have sole voting and investment power with respect to the Common Stock beneficially owned by them, where applicable.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class
Common	Don J. Colton 2172 E Gambel Oak Drive Sandy, Utah 84092	880,625 (1)	10.6%
Common	Gregg B. Colton 10026 Ridge Gate Circle Sandy, Utah 84092	890,664 (1)	10.7%
Common	John O. Anderson 7462 S Parkridge Circle Salt Lake City, Utah 84121	535,703 (1)	6.4%
Common	Lynn Woodbury 4834 South Highland Drive Salt Lake City, Utah 84117		
Common	Pioneer Employee Stock Ownership Plan 1206 W. South Jordan Parkway Unit B South Jordan, Utah 84095-5512	1,018,290 (2)	12.22%
All Directors and Officers as a Group (3 Persons)		2,306,992	27.69%

(1) Includes currently exercisable options to purchase common stock in the Company as long as the person is serving as a director and

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employee of the Company. Each of the persons listed under this footnote has options to purchase 120,000 shares of the Company's Common Stock.

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

### ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Board of Directors approved more than 10 years ago a resolution to allow employees of the Company to purchase 25% of any oil and gas producing property acquired by the Company at the same time as the Company acquires the property. The resolution required that the employees pay for 25% of the cost of the oil and gas properties at the same time the Company purchased the properties. In the event the Company is unable to fund the total cost of any producing properties, the employees of the Company may purchase the amount the Company is unable to fund even if it exceeds 25%. The employees also have the right to acquire 25% of any non-producing oil and gas leases acquired by the Company on similar terms as those for producing properties. The Company also benefits its employees other than by monetary compensation by assigning overriding royalty interests to Company employees that have assisted the Company on the various oil and gas projects.

The Company leases office space that is owned by the Board of Directors. The office space is leased to the Company on terms reasonable for the same kind of office space in the area that it is located. The new office space has 1,950 square feet with an unfinished basement of approximately 975 square feet.

The Board of Directors has also authorized the Company to repurchase up to 2,000,000 of its common shares as treasury stock, during the fiscal year 2004 the Company repurchased a total of 48,799 common shares through its purchase of small shareholder stock. During fiscal year ending September 30, 2002, the Company repurchased 25,000 common shares and none during fiscal year ending September 30, 2003. The exact timing, price and terms for the purchase of the stock shall be at the discretion of the officers of the Company.

## PART IV

### ITEM 13 - EXHIBITS AND REPORTS ON FORM 8-K

#### PART F/S FINANCIAL STATEMENTS

The financial statements of the Company as required by Item 310 of Regulation S-B are included in Part II, Item 7 of this report.

#### PART III. INDEX TO EXHIBITS

The following Exhibits are filed herewith:

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

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- 3(i) Articles of Incorporation (1) (with amendments)
- 3(ii) Bylaws (1)
- 10 Line of Credit Agreement (1)
- 23 Fall Line Energy letters from Petroleum Engineer
- 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.
- (1) Incorporated by reference from the Company's 2000 Form 10SB.

### REPORTS ON FORM 8-K

The Company filed one form 8K during fiscal year ending September 30, 2004, regarding the Company's buyback of common shares from shareholders owning 1000 or less shares in the Company. Most of the common shares acquired by the Company during fiscal year 2004 were purchased pursuant to the small shareholder buyback plan.

### ITEM 14-PRINCIPAL ACCOUNTANT FEES AND SERVICES.

**Audit Fees:** The Company's principal accountants billed fees of approximately \$14,000 and \$13,570 for the fiscal years ended September 30, 2004 and 2003, respectively, for the audit of the Company's annual financial statements and review of quarterly financial statements reported on Form 10-QSB.

**Tax Fees:** The Company's principal accountants billed the Company for tax fees during fiscal years 2004 and 2003 for assistance with filing the federal tax return and state tax return in Utah in the amount of \$1,681.76 and 1,581.76 respectively.

**All Other Fees:** The Company was not billed for any other fees by its principal accountants during the fiscal years ended September 30, 2004, or 2003. The Audit Committee commencing this year requires that all audit and non-audit services performed by the Company's principal accountants are approved by the entire Audit Committee.

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/

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By: \_\_\_\_\_  
Don J. Colton  
Director/President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

\_\_\_\_\_/s/\_\_\_\_\_  
Director/President  
Don J. Colton

\_\_\_\_\_/s/\_\_\_\_\_  
Director/Vice President/Secretary  
Gregg B. Colton

\_\_\_\_\_/s/\_\_\_\_\_  
Director  
John O. Anderson

\_\_\_\_\_/s/\_\_\_\_\_  
Director  
Lynn Woodbury

Exhibit 23

Fall Line Energy, Inc.  
PO Box 2935 o Centennial, Colorado 80161-2935 o (303) 795-9887

November 15, 2004

Mr. Don Colton  
Pioneer Oil and Gas  
1206 W. South Jordan Parkway, Unit B  
South Jordan, UT 84095-4551

RE: Pioneer Oil and Gas  
2004 Reserve Report  
SEC Pricing

Dear Mr. Colton:

This report provides an appraisal of net oil and gas reserves and the associated economic benefit to Pioneer Oil and Gas (POG) as of September 30, 2004. The only reserves class evaluated was Proved Developed Producing. No credit was given to behind pipe zones, potential enhanced oil recovery, infill drilling or wells not currently producing due to operational problems.

Product Pricing

As requested, the economics were run using SEC pricing guidelines. The product

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pricing used were based on actual spot prices available on September 30, 2004. Where necessary, prices were estimated based on historical differentials between the different properties or with quoted indexes such as the WTI Cushing prices, obtained from the US Government - Energy Information Agency (EIA).

The volume weighted average wellhead price was determined to be \$43.46/Bbl and \$4.55/MCF. This represents an increase of \$17.61/Bbl and a decrease of \$0.24/MCF from last years report. The wellhead prices are net of BTU and gravity adjustments, transportation deductions and differentials between Rocky Mountain markets and most other markets. For comparison purposes, the NYMEX Henry Hub price for September 30th, 2004 was \$6.43/MMBTU, the price for the Questar Rocky Mountain Index was \$4.53/MMBTU, and the WTI Cushing price was \$49.51/Bbl. All product pricing was held flat for the life of the project.

### Reserves Classification:

Only one class of reserves were evaluated, Proved Developed Producing (PDP). No credit was given to behind pipe zones, potential enhanced oil recovery, infill drilling or wells not currently producing due to operational problems. The reserves were classified using the Society of Petroleum Evaluation Engineers Reserve Definitions, a copy of which is attached to this report.

Estimates of oil, condensate, natural gas liquids, and gas reserves and future net revenue should be regarded only as estimates that are likely to change as actual production and pressure history becomes available. Not only are such reserve and revenue estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

### Sources of Information

The majority of the data used in the preparation of this report was obtained from POG. This information consisted of revenue check details, division orders, oil run statements, ownership interests, spreadsheets detailing operating costs and miscellaneous pricing information. Additional information was obtained from the individual property operators, industry contacts and other public sources. Production information was obtained from the operator, IHS Energy Group (IHS), the Utah Division of Oil, Gas & Mining, and the Wyoming Oil and Gas Conservation Commission. No attempt was made to independently verify the accuracy of this data. A field examination of the properties was not considered necessary for the purposes of this evaluation.

### Operating Costs

The operating costs used in the economics were based on actual historical costs. The estimated operating expense includes field operating costs, pumper charges, direct supervision and third party operator overhead charge. No allocated overhead was included for POG operated properties. As with pricing, operating expenses were held flat for the life of the project

### Ownership:

The working interest and net revenue interest ownerships used in this appraisal were provided by POG. No Farmouts or reversions were considered in the economics. The ownership within the Hunter Mesa Unit and the Grassy Mesa Unit are undergoing changes as the unit participating areas are revised. Several revisions are currently waiting for the BLM to approve them. The ownerships utilized in this report are based on the latest revisions, pending BLM approval. Ownership in the Hunter Mesa Unit was based on the twentieth revision of the

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Unit Participating Area (PA), effective December 1, 2003. Ownership in the Grass Mesa Unit was based on the twenty-first revision of the Unit PA, effective June 1, 2003.

### Methodology:

The estimates of Expected Ultimate Recovery (EUR) by well were prepared using primarily decline curve analysis. Where appropriate, EUR estimates were made for oil wells by extrapolating the Water-Oil-Ratio vs. Cumulative Oil Production plot to a determined economic limit. These methodologies are commonly used by the petroleum industry once detailed production data is available. Reserve estimates for the Hunter Mesa and Grass Mesa Unit were obtained by extrapolating the performance of average or normalized wells in the field to the total number of wells currently in the unit as obtained from the operator, EnCana Oil and Gas (USA) Inc.

### Estimation of Plugging Liability:

In order to facilitate the financial planning needed to cover future obligations for the Plugging and Abandonment (P&A) of wells in which POG owns a working interest, a cursory review of the wells and the potential costs was performed and is summarized in the table below.

Property Name	POG WIO%	# of Wells	Approximate Depth-ft	* Est. P&A Cost/ Well	Net POG Obligation
Sheldon Tribal	20.0%	5	5,000	\$ 40,000	\$ 40,000
Pilot A-1	100.0%	2	4,000	\$ 30,000	\$ 60,000
Climax Unit	5.8%	3	8,000	\$ 50,000	\$ 8,640
Climax 7-2	80.5%	1	8,000	\$ 70,000	\$ 56,375
Canyon State 2-36	76.0%	1	5,000	\$ 50,000	\$ 38,000
S. Pine Ridge	37.5%	1	6,000	\$ 40,000	\$ 15,000
Murdock #41-10	8.3%	1	7,000	\$ 50,000	\$ 4,166
Willow Creek	76.1%	1	5,000	\$ 40,000	\$ 30,440
-----					
15					\$ 252,621

\* Cost does not include any salvage value for surface facilities, equipment or casing.

In the individual property cashflows attached to this report, no P&A obligation was included. The assumption was made that the cost to plug and abandon the wells would be offset by the salvage value of the equipment.

### Evaluator Information:

Scott H Stinson is a consulting petroleum engineer with 24 years experience. His primary emphasis has been on exploration, project economics and formation evaluation. Mr. Stinson started Fall Line Energy, a small oil and gas company and consulting firm in 1993. Prior to Fall Line, Mr. Stinson held positions with Chevron, Terra Resources (Later Pacific Enterprises Oil Company) and Conley P. Smith Operating Company.

Mr. Stinson is an active member of the Independent Petroleum Association of the Mountain States (IPAMS). Previously, he held the position of Rocky Mountain Vice-Chairman and Wyoming Reserves Coordinator for the American Gas Association

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(AGA). In addition, he is an active member of the Society of Petroleum Engineers (SPE) and was recently the Chairman of the Denver chapter of the Society of Petroleum Evaluation Engineers (SPEE).

Mr. Stinson earned a Bachelor of Science degree in Petroleum Engineering from the University of Wyoming in 1981 and a Masters in Business Administration (Finance) from the University of Colorado-Denver in 1994. He is a registered petroleum engineer in the states of Colorado and Wyoming.

Neither Fall Line Energy, nor Scott H Stinson, has any interest in the subject properties and neither the employment to make this study nor the compensation is contingent on the estimates of reserves and the future income from the subject properties.

Thank you for the opportunity to perform this evaluation. If you have any questions or require any additional information, please do not hesitate to call.

Sincerely,

Fall Line Energy, Inc.

/s/

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Scott H Stinson, P.E.  
President

Fall Line Energy, Inc.  
PO Box 2935 o Centennial, Colorado 80161-2935 o (303) 795-9887

December 27, 2004

Mr. Don Colton  
Pioneer Oil and Gas  
1206 W. South Jordan Parkway, Unit B  
South Jordan, UT 84095-4551

RE: Pioneer Oil and Gas  
2004 Reserve Report

Dear Mr. Colton:

The 2004 Annual Reserve Report for Pioneer Oil and Gas (POG) has been prepared for your use by Fall Line Energy Incorporated and covers the fiscal year ending September 30, 2004. The original report was signed on November 15, 2004. The report was prepared for inclusion in standard company filings and accurately reflects the value to POG as of September 30, 2004. This report was prepared using Security and Exchange Commission (SEC) and the Society of Petroleum Evaluation Engineers (SPEE) guidelines. The only reserves class evaluated was

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Proved Developed Producing.

The 2004 Annual Reserve Report was prepared by Scott H Stinson, P.E. Mr. Stinson is a registered Professional Engineer in the States of Wyoming and Colorado. Mr. Stinson's registration number in Wyoming is #5290, his registration number in Colorado is #28624.

Neither Fall Line Energy, nor Scott H Stinson, has any interest in the subject properties and neither the employment to make the study nor the compensation was contingent on the estimates of reserves and the future income from the subject properties.

If you have any questions or require any additional information, please do not hesitate to call. Sincerely, Fall Line Energy, Inc.

/s/

---

Scott H Stinson, P.E.  
President

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 annual report on Form 10-KSB 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 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



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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: December 28, 2004

/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 Annual Report of Pioneer Oil and Gas (the "Company") on Form 10-KSB for the period ended September 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:

(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  
December 28, 2004