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PIONEER OIL & GAS
Form 10QSB
August 12, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2005

OR

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

Commission file number 0-30472

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

Internal Revenue Service - Employer Identification No. 87-0365907

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

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

Yes No

The total number of shares of the registrant's Common Stock, \$.001 par value, outstanding on June 30, 2005, was 7,827,297.

PART I. FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS FOR THIRD FISCAL QUARTER 2005
PERIOD ENDING JUNE 30, 2005

PIONEER OIL AND GAS
Balance Sheet
June 30, 2005
(unaudited)

Assets		
Current assets:		
Cash		\$ 4,077,834
Marketable securities, available for sale		31,714
Accounts receivable		212,532
Resale leases, at lower of cost or market		2,755,139

Total current assets		7,077,219
Property and equipment - net (successful efforts method)		580,049
Other assets		2,230

		\$ 7,659,498
		=====
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable		\$ 1,198,531
Accrued expenses		28,566
Income tax payable		860,000

Total current liabilities		2,087,097

Deferred income tax		334,000

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Asset retirement obligation	161,911	-----
Total Liabilities	2,583,008	-----
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, authorized 50,000,000 shares: 7,827,297 shares issued and outstanding	7,827	
Additional paid-in capital	2,347,679	
Stock subscription receivable	(184,571)	
Unrealized holding gain	31,714	
Retained earnings	2,873,841	-----
Total stockholder's equity	5,076,490	-----
	\$ 7,659,498	=====

PIONEER OIL AND GAS
Statement of Operations
Three Months Ended June 30,
(unaudited)

		2005	
		-----	-----
Revenue:			
Oil and gas sales	\$	335,211	\$
Royalty revenue		192,746	
Operational reimbursements		1,500	
Project and lease sales income, net		2,211,651	
		-----	-----
		2,741,108	
		-----	-----
Costs and expenses:			
Cost of operations		187,778	
General and administrative expenses		94,929	
Exploration costs		44,902	
Lease rentals		9,361	
Depreciation, depletion and amortization		23,094	
		-----	-----
		360,064	
		-----	-----

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Income from operations	2,381,044	
Other income (expense):		
Interest expense	(190)	
Other income	5,933	
Net other income	5,743	
Income before provision for income taxes	2,386,787	
Provision for income taxes	(930,000)	
Net income	\$ 1,456,787	
Earnings per share - Basic	\$.19	\$
Diluted	\$.18	\$
Weighted average common shares - Basic	7,870,000	7
Diluted	8,232,000	7

PIONEER OIL AND GAS
Statement of Operations
Nine Months Ended June 30,
(unaudited)

	2005	
Revenue:		
Oil and gas sales	\$ 865,290	\$
Royalty Revenue	691,488	
Operational reimbursements	4,500	
Project and lease sales income, net	4,472,180	
Costs and expenses:	6,033,458	1
Cost of operations	569,103	
General and administrative expenses	293,354	
Exploration costs	182,230	
Lease rentals	27,791	
Depreciation, depletion and amortization	62,280	

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	-----	-----
	1,141,758	1
Income from operations	4,891,700	
Other income (expense):		
Interest expense	(1,457)	
Other income	111,772	
	-----	-----
Net other income	110,315	
	-----	-----
Income before provision for income taxes	5,002,015	
Provision for income taxes	(1,384,000)	
	-----	-----
Net income	\$ 3,618,015	\$
	-----	-----
Earnings per share - Basic	\$.46	\$
	-----	-----
Diluted	\$.44	\$
	-----	-----
Weighted average common shares - Basic	7,898,000	7
	-----	-----
Diluted	8,250,000	7
	-----	-----

PIONEER OIL AND GAS
Statement of Cash Flows
For The Nine Months Ended June 30,
(unaudited)

	-----	-----
	2005	
Cash flows from operating activities:		
Net income	\$ 3,618,015	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on assets sold or abandoned	167,645	
Depreciation, depletion and amortization	69,280	
Employee benefit plan expense	25,198	
Interest income	(6,110)	
Deferred income taxes	334,000	
Accretion expense	3,561	
(Increase) decrease in:		
Accounts receivable	88,918	
Resale leases	(1,702,847)	

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Other assets	-	
Increase (decrease) in:		
Accounts payable	1,090,323	1
Accrued expenses	1	
Income taxes payable	860,000	
Advances on drilling costs	(556,573)	
	-----	-----
Net cash provided by operating activities	3,991,411	
	-----	-----
Cash flows from investing activities:		
Acquisition of property and equipment	(279,005)	
	-----	-----
Net cash used in investing activities	(279,005)	
	-----	-----
Cash flow from financing activities:		
Acquisition and retirement of common stock	(125,662)	
	-----	-----
Net cash used in financing activities	(125,662)	
	-----	-----
Net increase in cash	3,586,744	
Cash, beginning of period	\$ 491,090	\$
	-----	-----
Cash, end of period	\$ 4,077,834	\$
	-----	-----

PIONEER OIL AND GAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended June 30, 2005
(Unaudited)

NOTE 1 - UNAUDITED INTERIM INFORMATION

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

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(1) The unaudited financial statements include the accounts of Pioneer Oil and Gas and include all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary to present fairly the financial position as of June 30, 2005 and the results of operations for the three and nine months ended June 30, 2005 and 2004 and the cash flows for the nine months ended June 30, 2005 and 2004. The results of operations for the three and nine months ended June 30, 2005 are not necessarily indicative of the results to be expected for the entire year.

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

(3) During the nine months ended June 30, 2005, the Company generated net income sufficient to utilize all of the NOL carryforwards. In addition, the Company recorded a provision for income taxes of \$1,194,000, which included a current liability of \$860,000 and a deferred liability of \$334,000.

(4) During the nine months ended June 30, 2005, the company recorded interest income (on the stock subscription receivable) of \$6,110 reduced the stock subscription receivable by \$19,088 and recorded an employee benefit plan contribution of \$25,198

NOTE 2 - MARKETABLE SECURITIES

During the nine months ended June 30, 2005, the Company sold marketable securities with no cost basis for approximately \$78,000. The gain on this sale is included in "other income" in the statement of operations. The Company continues to hold approximately 144,000 shares of these securities with a market value at June 30, 2005 of \$31,714.

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended June 30, 2005, the Company recorded an unrealized holding gain on marketable securities of \$31,714

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

(Period Ending June, 2005)
Unaudited financial data

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

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

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

Results of Operations -

Total Revenue for the third fiscal quarter increased from \$463,503 in fiscal 2004 to \$2,741,108 in fiscal 2005. For the nine-month period revenues increased from \$1,233,044 to \$6,033,458. The increase in revenue for the three-month and nine-month periods was primarily due to greatly increased lease sales income. Project and lease sale income increased from \$18,750 to \$2,211,651 for the three month period and from \$37,500 to \$4,472,180 for the ninth month period. The project and lease sale income for the three month period was primarily due to the sale of leases in our central Utah play although the Company also netted \$ 364,088 on the sale of some coalbed methane leases near Price, Utah.

Total oil and gas sales (including royalty revenue) increased 31 percent from \$443,253 to \$527,957 in the third quarter and 31 percent from \$1,191,044 to \$1,556,778 for the nine-month period. These increases were due primarily to increased product prices. Average oil prices for the quarter increased from \$34.19 bbl to \$45.90 bbl while gas prices increased from \$5.02 MCF to \$5.88 MCF. For the nine-month period, average oil prices increased from \$30.58 bbl to \$32.95 bbl while gas prices increased from \$4.73 to \$5.98. Gas production for the nine-month period increased by 6 percent primarily due to increased production on our Hunter Mesa properties. Oil production was unchanged for the nine-month period. For the three-month period oil production increased two percent while gas production decreased 3 percent.

Project and lease sales income for the nine-month period increased from \$37,500 in 2004 to \$4,472,180 in 2005. As mentioned this was primarily due to the sale of leases in our central Utah play.

Costs of operations increased from \$137,727 to \$187,778 for the quarter and increased from \$459,973 to \$569,103 for the nine-month period. These changes were primarily due to variations in payments to working interest partners due to varying production and product prices.

General and administrative expenses increased from \$73,204 to \$94,929 for the quarter and increased from \$254,115 to \$293,354 for the nine-month period.

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The Company's net income for the third quarter (fiscal 2005) was \$1,456,787 compared to net income of \$138,654 for the third fiscal quarter 2004. For the nine-month period (fiscal 2005) the Company posted net income of \$3,618,015 compared to a net income of \$246,439 for fiscal 2004.

Liquidity and Capital Resources

During the nine-months of fiscal 2005 cash provided by operating activities was \$3,991,411 while investing activities required \$279,005. Net cash used in financing activities was \$125,662.

Cash provided by operating activities for the nine-months of fiscal 2004 was \$351,155. Cash provided by operating activities for the same period for fiscal 2005 was \$3,991,411.

Pioneer's acreage position in the central Utah overthrust area consists of approximately 161,000 gross and 53,000 net acres.

ITEM 3. CONTROLS AND PROCEDURE

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

PART II. OTHER INFORMATION

Item 1 - Legal Proceedings

The Company may become or is subject to investigations, claims, or lawsuits ensuing out of the conduct of its business, including those related to environmental safety and health, commercial transactions etc. The Company is currently not aware of any such items, which it believes could have a material adverse affect on its financial position.

Item 2 - Changes in Securities

None.

Item 3 - Defaults Upon Senior Securities

None.

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

None

Item 5 - Other Information

The Company filed form DEF 14A on July 28, 2005 containing definitive proxy materials detailing a planned reverse stock split and plans for the Company

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to deregister with the SEC making the Company no longer a fully reporting company as of September 26, 2005. A mailing to all shareholders of record as of August 4, 2005 containing these definitive proxy materials is in progress.

Item 6 - Exhibits and Reports on Form 8-K

(a) There are no exhibits with this report.

(b) The registrant filed a report on Form 8-K on May 5, 2005 detailing the Company's plans to deregister with the SEC.

SIGNATURES

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

Pioneer Oil and Gas

Dated: August 12, 2005

/s/ Don J. Colton

President and Chief Executive Officer

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

I, Don J. Colton, certify that:

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

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procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

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

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

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

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

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

DATE: August 12, 2005

/s/ Don J. Colton

Don J. Colton, President

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

In connection with the filing of the Quarterly Report of Pioneer Oil and Gas (the "Company") on Form 10-QSB for the period ended June 30, 2004 (the "Report"), I, Don J. Colton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Don J. Colton

Don J. Colton
Chief Executive Officer

August 12, 2005