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PIONEER OIL & GAS
Form 10QSB
May 13, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2004

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

Commission file number 0-30472

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

Internal Revenue Service - Employer Identification No. 87-0365907

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

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

Yes No

The total number of shares of the registrant's Common Stock, \$.001 par value, outstanding on March 31, 2004, was 7,914,219.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements for Second Fiscal Quarter 2004
Period Ending March 31, 2004

Financial Statements for Second Fiscal Quarter 2004
Period Ending March 31, 2004

PIONEER OIL AND GAS
Balance Sheet

As of March 31, 2004
(Unaudited)

Assets		
Current assets:		
Cash	\$	282,059
Accounts receivable		156,796
Resale leases, at lower of cost or market		350,245

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Total current assets	789,100	
Property and equipment - net (successful efforts method)	409,438	
Other assets	2,000	

	\$ 1,200,538	

Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 38,139	
Accrued expenses	27,380	

Total current liabilities	65,519	

Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, par value \$.001 per share, authorized 50,000,000 shares: 7,914,219 shares outstanding	7,914	
Additional paid-in capital	2,474,025	
Stock subscription receivable	(218,187)	
Accumulated deficit	(1,128,733)	

Total stockholder's equity (deficit)	1,135,019	

	\$ 1,200,538	

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

PIONEER OIL AND GAS
Statement of Operations

Six Months Ended March 31, 2004 and 2003
(unaudited)

		2004	

Revenue:			
Oil and gas sales	\$	409,530	\$
Royalty revenue		338,262	
Operational reimbursements		3,000	
Project and lease sales income		18,750	

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	-----	-----
	769,542	
	-----	-----
Costs and expenses:		
Cost of operations	322,247	
General and administrative expenses	180,911	
Exploration costs	91,279	
Lease rentals	33,960	
Depreciation, depletion and amortization	54,866	
	-----	-----
	683,263	
	-----	-----
Income (loss) from operations	86,279	
Other income (expense):		
Interest expense	-	
Other (expense) income	21,506	
	-----	-----
Income (loss) before provision for income taxes	107,785	
Provision for income taxes	-	
	-----	-----
Net income (loss)	\$ 107,785	\$
	-----	-----
Earnings per share - basic and diluted	\$.01	\$
	-----	-----
Weighted average common shares - basic and diluted	7,950,000	7
	-----	-----

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

PIONEER OIL AND GAS
Statement of Operations

For Three Months Ended March 31, 2004 and 2003
(unaudited)

	2004	

Revenue:		
Oil and gas sales	\$ 205,977	\$

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Royalty revenue	159,993	
Operational reimbursements	1,500	
Project and lease sales income	-	
	-----	-----
	367,470	
	-----	-----
Costs and expenses:		
Cost of operations	140,341	
General and administrative expenses	101,448	
Exploration costs	46,036	
Lease rentals	5,193	
Depreciation, depletion and amortization	37,433	
	-----	-----
	330,451	
	-----	-----
Income (loss) from operations	37,019	
	-----	-----
Other income (expense):		
Interest expense	-	
Other (expense) income	8,058	
	-----	-----
	8,058	
	-----	-----
Income (loss) before provision for income taxes	45,077	
Provision for income taxes	-	
	-----	-----
Net income (loss)	\$ 45,077	
	-----	-----
Earnings per share - basic and diluted	\$.01	\$
	-----	-----
Weighted average common shares - basic and diluted	7,938,000	7
	-----	-----

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

PIONEER OIL AND GAS
Statement of Cash Flows
For The Six Months Ended March 31, 2004 and 2003
(unaudited)

	2004	

Cash flows from operating activities:		
Net income	\$ 107,785	\$
Adjustments to reconcile net income to net cash		

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(used in) provided by operating activities:		
Depreciation, depletion and amortization	54,866	
Employee benefit plan expense	20,698	
Interest income	(6,958)	
(Increase) decrease in:		
Accounts receivable	(7,003)	
Resale leases	(130,568)	
Other assets	230	
Increase (decrease) in:		
Accounts payable	(83,954)	
Accrued expenses	2,173	
	-----	-----
Net cash (used in) provided by operating activities	(42,731)	
	-----	-----
Cash flows from investing activities:		
Acquisition of property and equipment	(25,423)	
	-----	-----
Net cash used in investing activities	(25,423)	
	-----	-----
Cash flow from financing activities:		
Purchase and retirement of common stock	(21,314)	
Net cash provided by (used in) financing activities	(21,314)	
	-----	-----
Net increase (decrease) in cash	(89,468)	
Cash, beginning of period	\$ 371,527	\$
	-----	-----
Cash, end of period	\$ 282,059	\$
	-----	-----

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

PIONEER OIL AND GAS
NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS Third Fiscal Quarter
Ending March 31, 2004
(Unaudited)

NOTE 1 - UNAUDITED INTERIM INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes

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required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ending March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending September 30, 2004. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended September 30, 2003.

(1) The unaudited financial statements include the accounts of Pioneer Oil and Gas and include all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary to present fairly the financial position as of March 31, 2004 and the results of operations and cash flows for the three-month and six-month periods ended March 31, 2004 and 2003. The results of operations for the three-month and six-month periods ended March 31, 2004 are not necessarily indicative of the result to be expected for the entire year.

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

NOTE 2 - SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended March 31, 2004, the company recorded interest income (on the stock subscription receivable) of \$6,958, reduced the stock subscription receivable by \$13,740 and recorded an employee benefit plan contribution of \$20,698.

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

(Period Ending March 31, 2004)
Unaudited financial data

The discussion and analysis contained herein should be read in conjunction with the preceding financial statements and the information contained in the Company's 10KSB. Except for the historical information contained herein, the matters discussed in this 10 QSB contain forward looking statements within the meaning of Section 27a of the Securities Act of 1933, as amended, and Section 21e of the Securities Exchange Act of 1934, as amended, that are based on management's beliefs and assumptions, current expectations, estimates, and projections. Statements that are not historical facts, including without limitation statements which are preceded by, followed by or include the words "believes," "anticipates," "plans," "expects," "may," "should," or similar expressions are forward-looking statements. Many of the factors that will determine the company's future results are beyond the ability of the Company to control or predict. These statements are subject to risks and uncertainties and, therefore, actual results may differ materially. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressed qualified in their entirety by these cautionary statements. The Company disclaims any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Important factors that may include, but are not limited to: the risk of a significant natural disaster, the inability of the Company to insure against

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certain risks, fluctuations in commodity prices, the inherent limitations in the ability to estimate oil and gas reserves, changing government regulations, as well as general market conditions, competition and pricing, and other risks detailed from time to time in the Company's SEC reports, copies of which are available upon request from the Company.

Results of Operations -

Total Revenue for the second fiscal quarter increased four percent from \$353,130 in fiscal 2003 to \$367,470 in fiscal 2004. For the six-month period revenues increased 27 percent from \$606,120 to \$769,542. The increase in revenue for the six-month period was due to an increase in oil and gas sales and royalty revenue of 31 percent. Project and lease sales income dropped from \$33,838 for fiscal 2003 to \$18,750 for 2004. The Company is currently marketing overpressured gas prospects in the Uinta Basin of Utah and hopes to realize additional revenue from the sale of these projects during fiscal 2004.

Total oil and gas sales (including royalty revenue) increased from \$351,630 to \$365,970 in the second quarter and from \$568,782 to \$747,792 for the six-month period. These increases were due primarily to increased oil and gas prices. Average oil prices for the quarter increased from \$27.76 bbl to \$30.47 bbl while gas prices increased from \$3.58 MCF to \$5.06 MCF. For the six-month period, average oil prices increased from \$25.63 bbl to \$28.48 bbl while gas prices increased from \$2.97 to \$4.58.

Costs of operations decreased slightly from \$145,107 to \$140,341 for the quarter and increased from \$256,523 to \$322,247 for the six-month period primarily due to higher payments to working interest partners due to higher product prices.

General and administrative expenses increased from \$91,674 to \$101,448 for the quarter and increased from \$158,102 to \$180,911 for the six-month period.

The Company's net income for the second quarter (fiscal 2004) was \$45,077 compared to a net loss of \$5,793 for the second fiscal quarter 2003. For the six-month period (fiscal 2004) the Company posted net income of \$107,785 compared to a net loss of \$41,132 for fiscal 2003.

Liquidity and Capital Resources

During the first six-months of fiscal 2004 cash used in operating activities was \$42,731 and cash used in investing activities required \$25,423. Financing activities used \$21,314 in cash.

Cash used in operating activities was primarily for the purchases of resale leases (\$130,568). Cash used in investing activities decreased from \$30,981 (fiscal 2003) to \$25,423 (fiscal 2004).

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.

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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

None.

Item 6 - Exhibits and Reports on Form 8-K

Exhibit No.	Description
31	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

REPORTS ON FORM 8-K

(b) The registrant filed an 8K on February 13, 2004 regarding its offer to purchase the shares of its shareholders owning less than 1000 shares in the Company. No other 8K filings were made during the quarter ending March 31, 2004.

SIGNATURES

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

Pioneer Oil and Gas

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Dated: May 9, 2004

/s/ Don J. Colton

President and Chief Executive Officer

Exhibit 31

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

I, Don J. Colton, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Pioneer Oil and Gas.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on the most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
6. I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect

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internal controls subsequent to the date of the most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: May 9, 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 Quarterly Report of Pioneer Oil and Gas (the "Company") on Form 10-QSB for the period ended March 31, 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
May 9, 2004