

PYRAMID OIL CO  
Form S-4/A  
August 07, 2014

**AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 7, 2014**

**REGISTRATION NO. 333-197826**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**AMENDMENT NO. 1**

**TO**

**FORM S-4**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

**Pyramid Oil Company**

(Exact Name of Registrant as Specified in Its Charter)

**CALIFORNIA**

**1311**

**94-0787340**

(State or Other Jurisdiction of (Primary Standard Industrial  
Incorporation or Organization) Classification Code Number)

(I.R.S. Employer Identification Number)

**2008 – 21st Street**

**P.O. Box 832**

**Bakersfield, California 93302**

**(661) 325-1000**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Michael D. Herman**

**Interim President and Chief Executive Officer**

**Pyramid Oil Company**

**2008 – 21st Street**

**P.O. Box 832**

**Bakersfield, California 93302**

**(661) 325-1000**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

*Copies To:*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Issuer Third Party Tender Offer) "

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this proxy statement/prospectus is not complete and may be changed. Pyramid Oil Company may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities nor should it be considered a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED AUGUST 7, 2014**

**MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT**

Yuma Energy, Inc., which we refer to as Yuma, and Pyramid Oil Company, which we refer to as Pyramid, have entered into an amended and restated agreement and plan of merger and reorganization dated as of August 1, 2014, as it may be amended from time to time, which we refer to as the merger agreement, and which is attached as Annex A to this proxy statement/prospectus and incorporated herein by reference.

Upon the terms and subject to the conditions set forth in the merger agreement, Pyramid Merger Subsidiary, Inc., a Delaware corporation and wholly-owned subsidiary of Pyramid, referred to herein as “Merger Subsidiary,” shall be merged with and into Yuma in accordance with the Delaware General Corporation Law, which we refer to as the DGCL. Upon the merger, the separate corporate existence of Merger Subsidiary shall cease and Yuma shall continue as the surviving corporation under Delaware law and as a wholly owned subsidiary of Pyramid. Pyramid’s name will be changed to Yuma Energy, Inc. as part of the merger. The obligations of Pyramid and Yuma to effect the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. If the merger is completed pursuant to the merger agreement, Yuma stockholders will receive an aggregate of 66,336,701 shares of Pyramid common stock, which we collectively refer to as the merger consideration, for all shares of Yuma common stock and preferred stock (on an as converted to common stock basis) held immediately prior to the effective time. The merger consideration is fixed and will not be adjusted to reflect changes in the stock price of Pyramid common stock. The dollar value of this Pyramid common stock will change depending on fluctuations in the market price and will not be known at the time Yuma stockholders vote on the merger.

In connection with the proposed transaction, Pyramid and Yuma will each hold a special meeting of their respective stockholders. At Pyramid’s special meeting, Pyramid stockholders will be asked to vote on (i) a proposal to approve and adopt the merger agreement; (ii) the proposals related to certain amendments to the Pyramid restated articles of incorporation; (iv) a proposal to approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan; and (v) a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above.

At Yuma's special meeting, Yuma stockholders will be asked to vote on (a) a proposal to approve and adopt the merger agreement; and (b) a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement. Based on 57,493 shares of Yuma common stock (including Yuma restricted stock awards), 16,531 shares of Yuma Series A preferred stock and 20,192 shares of Yuma Series B preferred stock that are expected to be outstanding and exchanged in the merger, holders of Yuma common stock would receive approximately 43,484,014 shares of Pyramid common stock (plus cash in lieu of any fractional shares), holders of Yuma Series A preferred stock would receive approximately 15,091,925 shares of Pyramid common stock (plus cash in lieu of any fractional shares), and holders of Yuma Series B preferred stock would receive approximately 7,760,762 shares of Pyramid common stock (plus cash in lieu of any fractional shares), subject to a downward adjustment as described in the merger agreement and further described herein, for shares of Yuma common stock, Yuma Series A preferred stock or Yuma Series B preferred stock, respectively, they own.

Additionally, the pro rata portion of the merger consideration to be received is dependent upon the number of shares of Yuma common stock and preferred stock issued and outstanding immediately prior to the effective time of the merger and whether the downward adjustment to the merger consideration provided in the merger agreement occurs for dissenting shares. Consequently, the exact number of shares of Pyramid common stock to be received as a result of the merger by holders of Yuma common stock and preferred stock will not be known at the time Yuma stockholders vote on the merger agreement.

The board of directors of Pyramid unanimously: (i) has determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to, and in the best interests of, Pyramid and its stockholders; (ii) has approved the merger agreement and the other transactions contemplated thereby; (iii) has approved the amendments to the Pyramid restated articles of incorporation; (iv) recommends that the stockholders of Pyramid vote “FOR” the proposal to approve and adopt the merger agreement and the actions contemplated thereby; (v) recommends that the stockholders of Pyramid vote “FOR” the proposals related to the restated articles of incorporation of Pyramid; (vi) recommends that the stockholders of Pyramid vote “FOR” the proposal to approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan; and (vii) recommends that the stockholders of Pyramid vote “FOR” any proposal to authorize the Pyramid board of directors, in its discretion, to adjourn the special meeting. Approval and adoption of the merger agreement and approval of the proposals related to the restated articles of incorporation of Pyramid each requires the affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock. Approval and adoption of the Pyramid Oil Company 2014 Long-Term Incentive Plan and approval of the proposal to authorize Pyramid’s board of directors to adjourn the special meeting each requires the affirmative vote of a majority of the shares represented and voting in person or by proxy at the Pyramid special meeting. Because of their mutual dependence, if the proposal to approve and adopt the merger agreement or the proposals related to the restated articles of incorporation of Pyramid are not all approved, then none will be deemed to have been approved.

The board of directors of Yuma unanimously: (a) has determined that the merger agreement, the merger, in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are advisable, fair to, and in the best interests of Yuma and its stockholders; (b) has approved and adopted the merger agreement and approved the merger and the other transactions contemplated thereby; (c) has directed that the merger agreement be submitted to a vote of the Yuma stockholders at the Yuma special meeting; (d) recommends that the stockholders of Yuma vote “FOR” the proposal to approve and adopt the merger agreement, and (e) recommends that the stockholders of Yuma vote “FOR” any proposal to authorize Yuma’s board of directors, in its discretion, to adjourn the special meeting. Approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the shares of Yuma common stock and at least two-thirds or 66 % of the shares of Yuma preferred stock voting together as a separate class, issued and outstanding and entitled to vote at the Yuma special meeting. The affirmative vote of a majority of the votes cast by holders of common stock and preferred stock at the Yuma special meeting is required to approve any proposal to adjourn the Yuma special meeting.

***Your vote is important.*** The merger cannot be completed unless Yuma stockholders approve and adopt the merger agreement and Pyramid stockholders approve and adopt the merger agreement and approve the proposals related to the amendments to the Pyramid restated articles of incorporation at their respective stockholder meetings. The obligations of Pyramid and Yuma to complete the merger are also subject to the satisfaction or waiver of certain conditions. The places, dates and times of the respective stockholder meetings of Pyramid and Yuma are as follows:

For Pyramid stockholders: For Yuma stockholders:

[-] [-]

[-] a.m. local time [-] a.m. local time



[-], 2014

[-], 2014

This proxy statement/prospectus gives you detailed information about the respective stockholder meetings of Pyramid and Yuma and the matters proposed to be considered and acted upon at the meetings. **We urge you to read this proxy statement/prospectus carefully, including “Risk Factors” beginning on page [—] for a discussion of the risks relating to the merger and other matters.** Whether or not you plan to attend your meeting, to ensure your shares are represented at the meeting, please vote as soon as possible by either completing and submitting the enclosed proxy card or voting using the telephone or Internet voting procedures described on your proxy card.

Pyramid’s common stock is listed on the NYSE MKT under the symbol “PDO” and the closing price of Pyramid’s common stock on August 6, 2014 was \$5.33 per share. Yuma is a privately held company and there is no public market for its securities.

**Neither the Securities and Exchange Commission, which we refer to as the SEC, nor any state securities commission has approved or disapproved of the merger or the securities to be issued under this proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosures in this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**This proxy statement/prospectus is dated [-], 2014 and is first being mailed to Pyramid stockholders and Yuma stockholders on or about [-], 2014.**

**PYRAMID OIL COMPANY**

**P. O. Box 832**

**Bakersfield, California 93302**

**(661) 325-1000**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [-], 2014**

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To the Stockholders of Pyramid Oil Company:

We are pleased to invite you to attend a special meeting of the stockholders of Pyramid Oil Company, a California corporation, which we refer to as Pyramid, which will be held at [-] , on [-], 2014 at [-] a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger and Reorganization dated as of August 1, 2014, as it may be amended from time to time, which we refer to as the merger agreement, by and among Pyramid, Pyramid Delaware Merger Subsidiary, Inc., a Delaware corporation and a wholly owned subsidiary of Pyramid, Pyramid Merger Subsidiary, Inc., a Delaware corporation and a wholly owned subsidiary of Pyramid, referred to as Merger Subsidiary, and Yuma Energy, Inc., a Delaware corporation, referred to as Yuma.

2. To consider and vote upon separate proposals to approve certain amendments to Pyramid's restated articles of incorporation, each to take effect only upon consummation of the merger, as follows:

- to increase the authorized shares of Pyramid common stock from 50,000,000 shares to 300,000,000 shares;
- to provide for the classification of the board of directors of Pyramid into two classes with staggered terms;

to eliminate cumulative voting in the election of directors; and

to change the name of the Pyramid to “Yuma Energy, Inc.” after the merger.

3. To approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan.

4. To consider and vote on any proposal to authorize Pyramid’s board of directors, in its discretion, to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above at the time of the special meeting.

We do not expect to transact any other business at the special meeting. Pyramid’s board of directors has fixed the close of business on [-], 2014 as the record date for determining those Pyramid stockholders entitled to vote at the special meeting and any adjournment or postponement thereof. Accordingly, only Pyramid stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting. A complete list of the Pyramid stockholders will be available for examination at the offices of Pyramid in Bakersfield, California, during ordinary business hours for a period of 10 days prior to the special meeting.

**The board of directors of Pyramid recommends that Pyramid stockholders vote “FOR” each of the proposals to be voted on at the special meeting. Because of their mutual dependence, if the proposal to approve and adopt the merger agreement or the proposals related to the restated articles of incorporation of Pyramid are not all approved, then none will be deemed to have been approved.**

We cordially invite you to attend the special meeting in person. However, to ensure your representation at the special meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If your shares are held in “street name” by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your proxy may be revoked at any time before it is voted. Please review the proxy statement/prospectus accompanying this notice for more complete information regarding the matters to be voted on at the meeting.

By Order of the Board of Directors

Michael D. Herman

Chairman, Interim President and Chief Executive Officer

Bakersfield, California

[-], 2014

**IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, WE ASK YOU TO COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED OR TO VOTE BY TELEPHONE OR ON THE INTERNET USING THE INSTRUCTIONS ON THE PROXY CARD.**

**YUMA ENERGY, INC.**

**1177 West Loop South, Suite 1825**

**Houston, Texas 77027**

**(713) 968-7000**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [-], 2014**

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To the Stockholders of Yuma Energy, Inc.:

We are pleased to invite you to attend a special meeting of the stockholders of Yuma Energy, Inc., a Delaware corporation, which we refer to as Yuma, which will be held at [-], on [-], 2014 at [-] a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger and Reorganization dated as of August 1, 2014, as it may be amended from time to time, which we refer to as the merger agreement, by and among Pyramid Oil Company, two wholly owned subsidiaries of Pyramid, and Yuma.
2. To consider and vote on any proposal to authorize Yuma's board of directors, in its discretion, to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement.

We do not expect to transact any other business at the special meeting. Yuma's board of directors has fixed the close of business on [-], 2014 as the record date for determining those Yuma stockholders entitled to vote at the special meeting and any adjournment or postponement thereof. Accordingly, only Yuma stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting. A complete list of the Yuma stockholders will be available for examination at the offices of Yuma in Houston, Texas, during ordinary business hours for a period of 10 days prior to the special meeting.

**The board of directors of Yuma recommends that Yuma stockholders vote “FOR” each of the proposals to be considered at the special meeting.**

Under the Delaware General Corporation Law (“DGCL”), if the merger is completed, holders of Yuma common stock or preferred stock who do not vote in favor of approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other DGCL procedures and requirements explained in the accompanying proxy statement/prospectus. A copy of Section 262 of the DGCL is attached to the proxy statement/prospectus as Annex E.

We cordially invite you to attend the special meeting in person. However, to ensure your representation at the special meeting, please complete and promptly mail your proxy card in the return envelope enclosed. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. Your proxy may be revoked at any time before it is voted. Please review the proxy statement/prospectus accompanying this notice for more complete information regarding the matters to be voted on at the meeting.

By Order of the Board of Directors

Sam L. Banks

Chairman and Chief Executive Officer

Houston, Texas

[-], 2014

**IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, WE ASK YOU TO COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED.**

## ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Pyramid and Yuma that is not included in or delivered with this proxy statement/prospectus. See “Where You Can Find More Information” on page [—]. This information is available to you without charge upon your written or oral request to:

Pyramid Oil Company	Yuma Energy, Inc.
P. O. Box 832	1177 West Loop South, Suite 1825
Bakersfield, California 93302	Houston, Texas 77027
(661) 325-1000	(713) 968-7000
Attention: Corporate Secretary	Attention: Corporate Secretary

You also may obtain certain documents relating to Pyramid at the Securities and Exchange Commission’s website, [www.sec.gov](http://www.sec.gov), and you may obtain certain of these documents at Pyramid’s website, [www.pyramidoil.com](http://www.pyramidoil.com), by selecting “Investors,” then selecting “Financial Information” and then selecting “SEC Filings.” Information contained on the Pyramid website is expressly not incorporated by reference into this proxy statement/prospectus. To receive timely delivery of the documents in advance of the Pyramid special meeting of stockholders, your request should be received no later than [—], 2014.

Yuma’s board of directors is using this proxy statement/prospectus to solicit proxies from Yuma’s stockholders in connection with the merger agreement and the merger. Pyramid’s board of directors is using this proxy statement/prospectus to solicit proxies from Pyramid’s stockholders in connection with the merger agreement, the merger and the amendments to the restated articles of incorporation of Pyramid, and also as a prospectus for stockholders of Yuma because Pyramid is offering shares of its common stock to be issued in exchange for shares of Yuma common stock and preferred stock in the merger.

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- Annex  
A Amended and Restated Agreement and Plan of Merger and Reorganization dated as of August 1, 2014, by and among Yuma Energy, Inc., Pyramid Oil Company, Pyramid Delaware Merger Subsidiary, Inc., and Pyramid Merger Subsidiary, Inc.
- Annex  
B Amended and Restated Voting Agreement – Michael D. Herman
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E Section 262 of the Delaware General Corporation Law
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## QUESTIONS AND ANSWERS ABOUT THE MERGER

**Q: What is the proposed merger transaction?**

Pyramid Oil Company, which we refer to as “Pyramid,” and Yuma Energy, Inc., which we refer to as “Yuma,” have entered into a merger agreement pursuant to which Pyramid Merger Subsidiary, Inc., a wholly owned subsidiary of Pyramid, which we refer to as Merger Subsidiary, will merge with and into Yuma with Yuma surviving the merger as a wholly owned subsidiary of Pyramid, and Yuma will change its name to “The Yuma Companies, Inc.” We refer to this as the merger. As part of the merger, Pyramid’s name will be changed to “Yuma Energy, Inc.” At the effective time of the merger, each issued and outstanding share of Yuma’s common stock and preferred stock (other than dissenting shares) will be converted automatically into the right to receive a pro rata portion of 66,336,701 shares of Pyramid common stock, no par value per share, as described under “The Merger Agreement—Merger Consideration” beginning on page [—]. After the merger, former holders of Yuma common stock and preferred stock will own approximately 93% of Pyramid’s common stock then outstanding and holders of Pyramid’s common stock will own approximately 7% of Pyramid’s common stock then outstanding.

**Q: Why are Pyramid and Yuma proposing the merger?**

A: The boards of directors of Pyramid and Yuma have each concluded that the merger is in the best interests of their stockholders.

As set forth in greater detail elsewhere in this proxy statement/prospectus, Pyramid’s board of directors considered many factors in making its recommendations to Pyramid’s stockholders. Among the factors considered by Pyramid’s board of directors were:

- the combination will greatly diversify and increase estimated proved reserves;

- the combined entity’s market capitalization and its expected enhanced access to debt and equity capital markets, which the Pyramid board of directors believes will enhance the ability to finance development and production of the combined entity’s increased scale of operations;

- the combination will provide Pyramid with a larger portfolio of exploitation and exploration opportunities in liquids prone resource plays within areas targeted by Yuma; and

- the presentation and opinion of ROTH Capital Partners, LLC, referred to herein as “ROTH,” Pyramid’s financial advisor, to the effect that, as of the date of the opinion and based upon the assumptions, limitations, qualifications and conditions stated in the opinion letter, the merger exchange ratio of the merger as between Pyramid and Yuma stockholders is fair to Pyramid and its stockholders, from a financial point of view, as more fully described below

under the caption “The Merger – Opinion of ROTH Capital Partners to the Pyramid Board of Directors.”

For more detailed information regarding the factors considered by Pyramid’s board of directors, see “The Merger—Recommendation of Pyramid’s Board of Directors and Reasons for the Merger” beginning on page [—].

As set forth in greater detail elsewhere in this proxy statement/prospectus, Yuma’s board of directors considered many factors in making its recommendations to Yuma’s stockholders. Among the factors considered by Yuma’s board of directors were:

- Yuma’s stockholders would receive an aggregate of 66,336,701 shares of Pyramid common stock and that receipt of these shares would not be a taxable transaction for Yuma’s stockholders;

Pyramid’s common stock is traded on the NYSE MKT, and the shares to be issued to Yuma’s stockholders will also be listed on the NYSE MKT thereby providing liquidity which Yuma’s privately held shares do not presently have; and

Yuma’s stockholders will have the opportunity to participate in the combined company’s growth and share appreciation in the future should they retain their Pyramid common stock after the merger.

For more detailed information regarding the factors considered by Yuma's board of directors, see "The Merger—Recommendation of Yuma's Board of Directors and Reasons for the Merger" beginning on page [—].

**Q: Why am I receiving this proxy statement/prospectus?**

Pyramid's and Yuma's boards of directors are using this proxy statement/prospectus to solicit proxies of Pyramid and Yuma stockholders in connection with the merger agreement and the merger. In addition, Pyramid is using this proxy statement/prospectus as a prospectus for Yuma stockholders because Pyramid is offering shares of its common stock to be issued in exchange for shares of Yuma common stock and preferred stock in the merger.

In order to complete the merger, Pyramid stockholders must vote to (i) approve and adopt the merger agreement; (ii) approve all of the proposals related to certain amendments to the Pyramid restated articles of incorporation; and Yuma stockholders must vote to approve and adopt the merger agreement.

Pyramid and Yuma will hold separate special meetings of their respective stockholders to obtain these approvals. This proxy statement/prospectus contains important information about the merger and the special meetings of the stockholders of Pyramid and Yuma, and you should read it carefully. The enclosed voting materials allow you to vote your shares of Pyramid common stock and/or Yuma common stock and preferred stock without attending the applicable special meetings.

We encourage you to submit your proxy as promptly as possible.

**Q: When and where is the special meeting of Pyramid stockholders?**

A: Pyramid's special meeting will be held at [-] on [-], 2014 at [-] a.m., local time.

**Q: When and where is the special meeting of Yuma stockholders?**

A: Yuma's special meeting will be held at [-] on [-], 2014 at [-] a.m., local time.

**Q: Who can vote at the special meeting?**

A: All Pyramid stockholders of record as of the close of business on [-], 2014, the record date for determining stockholders entitled to notice of and to vote at Pyramid's special meeting, are entitled to receive notice of and to vote at Pyramid's special meeting. As of the record date, there were [-] shares of Pyramid common stock



outstanding and entitled to vote at the Pyramid special meeting, held by approximately [-] holders of record. Each share of Pyramid common stock is entitled to one vote on each proposal presented at Pyramid's special meeting.

All Yuma stockholders of record as of the close of business on [-], 2014, the record date for determining stockholders entitled to notice of and to vote at Yuma's special meeting, are entitled to receive notice of and to vote at Yuma's special meeting. As of the record date, there were [-] shares of Yuma's common stock outstanding and [-] shares of its preferred stock outstanding and entitled to vote at the Yuma special meeting, held by approximately [-] holders of record. Each share of Yuma common stock and each share of preferred stock is entitled to one vote on each proposal presented at Yuma's special meeting. The Yuma common stock and preferred stock will each be voted and counted as separate classes of stock.

**Q: What constitutes a quorum?**

A: The Pyramid bylaws provide that a majority of the outstanding shares of Pyramid common stock entitled to vote at the meeting, represented in person or by proxy, constitutes a quorum at a meeting of its stockholders.

The Yuma bylaws provide that a majority of the outstanding shares of Yuma common stock and preferred stock entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of its stockholders.

Shares that are voted and shares abstaining from voting are treated as being present at each of the Pyramid special meeting and the Yuma special meeting, as applicable, for purposes of determining whether a quorum is present.

**Q: What vote is required to approve the proposals at Pyramid's special meeting and Yuma's special meeting?**

Approval of the proposal to approve and adopt the merger agreement and the proposals related to the Pyramid restated articles of incorporation each requires the affirmative vote of the holders of at least a majority of the issued and outstanding shares of Pyramid common stock. Approval of the proposal of Pyramid to approve and adopt the Pyramid 2014 Long-Term Incentive Plan and approval of the proposal of Pyramid to authorize Pyramid's board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above each requires the affirmative vote of the holders of at least a majority of the shares of Pyramid common stock represented in person or by proxy at the special meeting and voting on each such proposal, provided that such shares voting affirmatively must also constitute a majority of the required quorum for the meeting.

Approval of the proposal by Yuma to approve and adopt the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of Yuma common stock and at least two-thirds or 66 % of Yuma's outstanding Series A and Series B preferred stock voting together as a separate class. The proposal to authorize Yuma's board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement at the time of the special meeting each requires the affirmative vote of the holders of at least a majority of each class of the shares of Yuma common stock and preferred stock represented in person or by proxy at the special meeting and entitled to vote on such proposal.

Your vote is important. We encourage you to submit your proxy as promptly as possible.

**Q. How will Pyramid's significant shareholder vote the shares owned by him?**

A. Yuma has entered into a voting agreement with Michael D. Herman, Chairman and Interim President and Chief Executive Officer of Pyramid, who currently owns 2,052,580 shares of Pyramid common stock or approximately 42.9% of the outstanding Pyramid common stock. The voting agreement provides that Mr. Herman will vote his shares of Pyramid common stock in favor of the proposal to approve and adopt the merger agreement and the proposals related to the Pyramid restated articles of incorporation.

**Q. How will Yuma's directors vote their shares owned by them?**

A. Pyramid has entered into a voting agreement with the directors of Yuma, who currently own an aggregate of 54,234 shares of Yuma common stock or approximately 99.9% of the outstanding Yuma common stock, an aggregate of 471 shares of Yuma Series A preferred stock or approximately 2.8% of the outstanding Yuma Series A preferred stock, and an aggregate of 1,909 shares of Yuma Series B preferred stock or approximately 9.4% of the outstanding

Yuma Series B preferred stock. The voting agreement provides that the Yuma directors will vote their shares of Yuma preferred stock and common stock in favor of the proposal to approve and adopt the merger agreement.

**If my shares of Pyramid common stock are held in “street name” by my broker or other nominee, will my Q: broker or other nominee vote my shares of Pyramid common stock for me? What happens if I do not vote for a proposal?**

Unless you instruct your broker or other nominee how to vote your shares of Pyramid common stock held in street name, your shares will NOT be voted. This is referred to as a “broker non-vote.” If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide  
A: your broker or other nominee with instructions on how to vote your shares. Please follow the voting instructions provided by your broker or other nominee on the enclosed voting instruction card. You should also be aware that you may not vote shares of Pyramid common stock held in street name by returning a proxy card directly to Pyramid or Yuma or by voting in person at the Pyramid or Yuma special meetings unless you provide a “legal proxy,” which you must obtain from your broker or other nominee.

If you are a Pyramid stockholder, abstentions will be counted in determining the presence of a quorum and broker non-votes will be counted in determining the presence of a quorum. Broker non-votes will not be counted as votes cast with regard to the proposal to approve and adopt the merger agreement and the proposals related to the Pyramid restated articles of incorporation, and as such, broker non-votes could result in there not being sufficient votes cast for such proposals. With respect to the proposal to approve and adopt the Pyramid 2014 Long-Term Incentive Plan and the proposal to authorize Pyramid’s board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above, broker non-votes and abstentions could prevent the proposals from receiving the required affirmative vote of (i) a majority of the shares represented in person or by proxy and voting on the proposals and (ii) a majority of the shares required to constitute the quorum.

If you are a Yuma stockholder, abstentions will be counted in determining the presence of a quorum. Abstentions will have the same effect as votes cast AGAINST (i) the proposal to approve and adopt the merger agreement, and (ii) the proposal to authorize Yuma’s board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement at the time of the special meeting.

**Q: If I am a Yuma stockholder, should I send in my stock certificates with my proxy card?**

A: NO. Please DO NOT send your Yuma stock certificates with your proxy card. If the merger is approved and adopted, you will be sent written instructions for exchanging your stock certificates.

**Q: If I am a Pyramid stockholder, should I send in my stock certificates with my proxy card?**

A: NO. Please DO NOT send your Pyramid stock certificates with your proxy card.

**Q: What are the tax consequences of the merger?**

The merger is intended to qualify as a reorganization pursuant to Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Subject to the discussion set forth in “Material U.S. Federal Income Tax Consequences” beginning on page [—], a Yuma stockholder will not recognize (i.e., take into account for tax purposes) gain or loss as a result of the merger. A taxable gain or loss may be recognized on the subsequent sale or disposition by a person receiving stock in the merger.

If you are a non-U.S. holder of Yuma common stock, your tax treatment and whether you are taxable as a result of the merger will differ from what is described above and will depend on the percentage of Yuma common stock that you own and your individual circumstances at the effective time of the merger.

Tax matters are very complicated, and the tax consequences of the merger to a particular stockholder will depend on such stockholder’s circumstances. Accordingly, Yuma and Pyramid urge you to consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws. For a more complete discussion of the material U.S. federal income tax consequences of the merger, see “Material U.S. Federal Income Tax Consequences” beginning on page [—].

It is a condition to Yuma’s obligations to complete the merger that the Yuma board of directors has a good faith belief that the merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code. This condition may be waived by Yuma, and in such event Yuma will undertake to recirculate and re-solicit its stockholders if the condition is waived and the change in tax consequences is material.

**Q: Are Yuma stockholders entitled to appraisal rights?**

A: Yes. Common and preferred stockholders of Yuma who do not vote in favor of the proposal of Yuma to approve and adopt the merger agreement will be entitled to dissent to the merger pursuant to Section 262 of the Delaware General Corporation Law, which we refer to as the DGCL, and obtain the fair value of the stockholders’ shares if

such rights are properly demanded and perfected and not withdrawn or lost and the merger is completed.

**Q: Are Pyramid stockholders entitled to appraisal rights?**

A: No.

**Q: How does Pyramid's board of directors recommend that Pyramid stockholders vote?**

A: Pyramid's board of directors has unanimously (i) determined that the merger agreement, the merger, the other transactions contemplated thereby, and the restated articles of incorporation of Pyramid are advisable, fair to, and in the best interests of Pyramid and its stockholders, (ii) approved the merger agreement, the merger, the other transactions contemplated thereby, and the restated articles of incorporation of Pyramid, (iii) approved the Pyramid 2014 Long-Term Incentive Plan, and (iv) approved the proposal to authorize Pyramid's board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Pyramid's board of directors unanimously recommends that Pyramid stockholders vote "FOR" the proposal to approve and adopt the merger agreement, "FOR" all of the proposals related to the restated articles of incorporation of Pyramid, "FOR" the proposal to approve and adopt the Pyramid 2014 Long-Term Incentive Plan, and "FOR" any proposal to authorize Pyramid's board of directors to adjourn the special meeting. For a more complete description of the recommendation of Pyramid's board of directors, see "The Merger — Recommendation of Pyramid's Board of Directors and Reasons for the Merger" beginning on page [—].

**Q: How does Yuma’s board of directors recommend that Yuma’s stockholders vote?**

Yuma’s board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of Yuma and its stockholders, A: (ii) approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and (iii) approved the proposal to authorize Yuma’s board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Yuma’s board of directors unanimously recommends that Yuma’s stockholders vote “FOR” the proposal to approve and adopt the merger agreement, and “FOR” any proposal to authorize Yuma’s board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement at the time of the special meeting. For a more complete description of the recommendation of Yuma’s board of directors, see “The Merger — Recommendation of Yuma’s Board of Directors and Reasons for the Merger” beginning on page [—].

**Q: How will Pyramid stockholders be affected by the merger and share issuance?**

After the merger, each Pyramid stockholder will continue to own the same number of shares of Pyramid common stock that the stockholder held immediately prior to the merger. However, because Pyramid will be issuing new A: shares of common stock to Yuma stockholders in the merger, each outstanding share of Pyramid common stock immediately prior to the merger will represent a smaller percentage of the aggregate number of shares of Pyramid common stock outstanding after the merger. As a result of the merger, each Pyramid stockholder will own a smaller percentage of shares in a larger company with more assets.

**Q: What do I need to do now?**

After you have carefully read this proxy statement/prospectus, please respond by completing, signing and dating your proxy card or voting instruction card and returning it in the enclosed preaddressed postage-paid envelope or, if A: available, by submitting your proxy by one of the other methods specified in your proxy card or voting instruction card as promptly as possible so that your shares of Pyramid common stock or Yuma common stock and preferred stock will be represented and voted at Pyramid’s special meeting or Yuma’s special meeting, as applicable.

Please refer to your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available to you.

The method by which you submit a proxy will in no way limit your right to vote at Pyramid’s special meeting or Yuma’s special meeting if you later decide to attend the meeting in person. However, if your shares of Pyramid common stock are held in the name of a broker or other nominee, you must obtain a legal proxy, executed in your favor, from your broker or other nominee, to be able to vote in person at Pyramid’s special meeting.

**Q: How will my proxy be voted?**

All shares of Pyramid common stock entitled to vote and represented by properly completed proxies received prior to Pyramid's special meeting, and not revoked, will be voted at Pyramid's special meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of Pyramid common stock should be voted on a matter, the shares of Pyramid common stock represented by your proxy will be voted as Pyramid's board of directors recommends and therefore "FOR" the proposal to approve and adopt the merger agreement, "FOR" all of the proposals related to the restated articles of incorporation of Pyramid, "FOR" the proposal to approve and adopt the Pyramid 2014 Long-Term Incentive Plan, and "FOR" any proposal to authorize Pyramid's board of directors to adjourn the special meeting. If you do not provide voting instructions to your broker or other nominee, your shares of Pyramid common stock will NOT be voted at the meeting and will be considered broker non-votes.

All shares of Yuma common stock and preferred stock entitled to vote and represented by properly completed proxies received prior to Yuma's special meeting, and not revoked, will be voted at Yuma's special meeting as instructed on the proxies. If you properly sign, date and return a proxy card to Yuma, but do not indicate how your shares of Yuma common stock and/or preferred stock should be voted on a matter, the shares of Yuma common stock and/or preferred stock represented by your proxy will be voted as Yuma's board of directors recommends and therefore "FOR" the proposal to approve and adopt the merger agreement and "FOR" any proposal to authorize Yuma's board of directors to adjourn the special meeting. If you do not provide voting instructions to Yuma, your shares of Yuma common stock and preferred stock will be voted "FOR" both proposals described above.

**Q: Can I revoke my proxy or change my vote after I have delivered my proxy?**

Yes. You may revoke your proxy or change your vote at any time before your proxy is voted at Pyramid's special meeting or Yuma's special meeting, as applicable. If you are a holder of record, you can do this in any of the three following ways:

by sending a written notice to the Corporate Secretary of Pyramid or the Corporate Secretary of Yuma, as applicable, at the address set forth below, in time to be received before Pyramid's special meeting or Yuma's special meeting, as applicable, stating that you would like to revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before Pyramid's special meeting or Yuma's special meeting, as applicable, or by submitting a later dated proxy by the Internet or telephone (in the case of Pyramid stockholders) in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

by attending the Pyramid special meeting or the Yuma special meeting, as applicable, and voting in person. However, simply attending Pyramid's special meeting or Yuma's special meeting without voting will not revoke your proxy or change your vote.

If your shares of Pyramid common stock are held in an account at a broker or other nominee and you desire to change your vote or vote in person, you should contact your broker or other nominee for instructions on how to do so.

**Q: What should I do if I receive more than one set of voting materials for Pyramid's special meeting?**

You may receive more than one set of voting materials for Pyramid's special meeting, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares of Pyramid common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of Pyramid common stock. If you are a holder of record and your shares of Pyramid common stock are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or if available, please submit your proxy by telephone or over the Internet.

**Q: What happens if I am a stockholder of both Pyramid and Yuma?**

You will receive separate proxy cards for each company and must complete, sign and date each proxy card and return each proxy card in the appropriate preaddressed postage-paid envelope or, if available, by submitting a proxy by one of the other methods specified in your proxy card or voting instruction card for each company.



**Q: Who can I call with questions about the stockholders' meetings, the merger and the other matters to be voted upon?**

A: If you have any questions about these matters or how to submit your proxy or voting instruction card, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instruction card, you should contact:

If you are a Pyramid stockholder:

Pyramid Oil Company

P. O. Box 832

Bakersfield, California 93302

(661) 325-1000

Attention: Corporate Secretary

If you are a Yuma stockholder:

Yuma Energy, Inc.

1177 West Loop South, Suite 1825

Houston, Texas 77027

(713) 968-7000

Attention: Corporate Secretary

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, intentions, future performance and business of each of Pyramid and Yuma that are not historical facts and are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of the management of the companies and on the information currently available to such management. Forward-looking statements include information concerning possible or assumed future results of Pyramid, Yuma and the combined company and may be preceded by, followed by, or otherwise include the words “probable,” “may,” “expect,” “estimate,” “project,” “plan,” “believe,” “intend,” “achievable,” “anticipate,” “will,” “continue,” “potential,” “should,” “could” expressions. These statements occur in, among other places:

“Questions and Answers About the Merger;”

“Summary—Selected Historical Financial Data of Yuma;” “—Selected Historical Financial Data of Pyramid;” “—Selected Unaudited Pro Forma Condensed Consolidated Financial Information;” “—Summary Pro Forma Combined Oil, Natural Gas and Natural Gas Liquids Reserve and Production Data;” “—Comparative Per Share Information;” and “—Comparative Per Share Market Price and Dividend Information;”

“Risk Factors;”

“The Merger—Background of the Merger;” “—Recommendation of Pyramid’s Board of Directors and Reasons for the Merger;” and “—Recommendation of Yuma’s Board of Directors and Reasons for the Merger;”

“The Merger—Opinion of ROTH Capital Partners to the Pyramid Board of Directors;”

“Unaudited Pro Forma Condensed Combined Financial Information;” and

Statements contained elsewhere in this proxy statement/prospectus concerning Pyramid’s and Yuma’s plans for the combined company’s growth and future operations or financial position.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated in the forward-looking statements due to, among others, the factors discussed under “Risk Factors” beginning on page [—] of this proxy statement/prospectus, as well as the following factors:

the possibility that the companies may be unable to obtain stockholder approvals required for the merger;

- the possibility that problems may arise in successfully integrating the businesses of the two companies;
- the possibility that the merger may involve unexpected costs;
- the possibility that the businesses may suffer as a result of uncertainty surrounding the merger;
- the possibility that the industry may be subject to future regulatory or legislative actions (including any additional taxes);
- the volatility in commodity prices for oil, gas and natural gas liquids, and in the supply of and demand for oil and natural gas;
- the presence or recoverability of estimated oil, gas and natural gas liquids reserves and the actual future production rates and associated costs;
- the ability of the combined company to replace oil, gas and natural gas liquids reserves;
- environmental risks;
- drilling and operating risks;
- exploration and development risks;

competition;

the ability of the combined company's management to execute its plans to meet its goals;

the ability of the combined company to retain key members of its senior management and key employees;

the combined company's ability to generate sufficient cash flow from operations, borrowings or other sources to fully execute its business plan;

general economic conditions, whether internationally, nationally or in the regional and local market areas in which Pyramid and Yuma conduct their businesses, may be less favorable than expected, including the possibility that economic conditions in the United States will worsen and that capital markets are disrupted, which could adversely affect demand for oil and natural gas and make it difficult to access financial markets;

social unrest, political instability, armed conflict, or acts of terrorism or sabotage in oil and natural gas producing regions, such as northern Africa, the Middle East or our markets; and

other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our business, operations or pricing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by Pyramid. See "Where You Can Find More Information" beginning on page [—] of this proxy statement/prospectus.

Forward-looking statements speak only as of the date of this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to Pyramid or Yuma or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither Pyramid nor Yuma undertakes any obligation to update forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

## **SUMMARY**

*The following summary highlights some of the information contained in this proxy statement/prospectus. This summary may not contain all of the information that is important to you. For a more complete description of the merger agreement, the merger and the other transactions contemplated thereby, Pyramid and Yuma encourage you to read carefully this entire proxy statement/prospectus, including the attached Annexes. We have defined certain oil and gas industry terms used in this proxy statement/prospectus in the “Glossary of Oil and Gas Terms” beginning on page [—].*

### **The Companies**

**(Pages [—] and [—])**

#### **Pyramid Oil Company**

P. O. Box 832

Bakersfield, California 93302

(661) 325-1000

Pyramid is engaged in the business of the exploration, development and production of crude oil and natural gas. Pyramid acquires interests in land and producing properties through acquisitions and leases and then drills and/or operates crude oil or natural gas wells in efforts to discover and produce oil and gas. Crude oil and natural gas produced from these properties are sold to various refineries and pipeline companies. The majority of the oil and gas properties that Pyramid owns and operates are for its account. Pyramid also participates in joint ventures with other companies in the development of oil and gas properties. Although Pyramid owns some minor oil and gas interests in New York, Wyoming and Texas, all of its major revenue-producing properties are in California. Immediately prior to the completion of the merger, Pyramid intends to transfer most of its oil and gas working interests to a wholly-owned subsidiary.

#### **Pyramid Merger Subsidiary, Inc.**

P. O. Box 832

Bakersfield, California 93302

(661) 325-1000

Pyramid Merger Subsidiary, Inc., which we refer to as Merger Subsidiary, is a Delaware corporation and a direct wholly owned subsidiary of Pyramid and was formed solely for the purpose of consummating the merger. Pyramid Merger Subsidiary, Inc. has not carried on any activities to date, except for activities incidental to formation and activities undertaken in connection with the merger.

### **Yuma Energy, Inc.**

1177 West Loop South, Suite 1825

Houston, Texas 77027

(713) 968-7000

Yuma Energy, Inc. is a U.S.-based oil and gas company focused on the exploration for, and development of, conventional and unconventional oil and gas prospects. Yuma's predecessor was established in 1983. Yuma has employed a 3-D seismic-based strategy to build a multi-year inventory of development and exploration prospects. Yuma's current operations are focused on onshore central Louisiana, where Yuma is targeting the Austin Chalk, Tuscaloosa, Wilcox, Frio, Marg Tex and Hackberry formations. In addition, Yuma has a non-operated position in the Bakken Shale in North Dakota. Yuma's core competencies in generating oil and gas prospects include: unconventional oil plays; onshore liquids-rich projects; and high impact deep onshore prospects located beneath known producing trends, identified through the use of 3-D seismic surveys.

### **The Merger**

(Pages [—])

### **The Structure of the Merger**

Pyramid has agreed to acquire Yuma under the terms and conditions set forth in the merger agreement, which we describe in this proxy statement/prospectus. Pursuant to the merger agreement, a newly formed subsidiary of Pyramid, which we refer to as "Merger Subsidiary," will merge with and into Yuma, with Yuma continuing as the surviving corporation and a wholly owned subsidiary of Pyramid. We refer to this as the merger. This process is often called a "reverse merger" because a larger private company (Yuma) is merged with a subsidiary of a smaller public company (Pyramid). We have attached the merger agreement as Annex A to this proxy statement/prospectus. We encourage you to carefully read the merger agreement in its entirety. We currently expect that the merger will be completed in the third quarter of 2014. However, we cannot predict the actual timing of the completion of these transactions or if they will ultimately occur.



## **Merger Consideration**

The merger agreement provides that at the effective time of the merger each share of Yuma common stock and preferred stock issued and outstanding immediately prior to the effective time will be converted into the right to receive shares of Pyramid common stock. In the merger, Pyramid agreed to issue 66,336,701 shares of its common stock to former Yuma stockholders at the effective time of the merger. No assurance can be given that the current fair market value of Pyramid common stock will be equivalent to the fair market value of Pyramid common stock on the date that the merger consideration is received by a Yuma stockholder or at any other time. The actual fair market value of the Pyramid common stock received by Yuma stockholders depends upon the fair market value of Pyramid common stock upon receipt, which may be higher or lower than the market price of Pyramid common stock on the date the merger was announced, on the date that this proxy statement/prospectus is mailed to Yuma's stockholders, or on the date of the special meeting of Yuma stockholders.

## **Treatment of Yuma Restricted Stock Awards and Restricted Stock Units**

Each restricted stock unit issued by Yuma under any stock option, purchase or award plan, program or arrangement and outstanding at the time of the merger shall be assumed by Pyramid, multiplied by the number of shares of Pyramid common stock to be received for each share of Yuma common stock in the merger and converted into the number of Pyramid restricted stock units described under "The Merger—Treatment of Yuma Restricted Stock Awards and Restricted Stock Units." Each outstanding Yuma restricted share granted under any Yuma stock plan and which will not vest upon consummation of the merger, will be assumed by Pyramid, multiplied by the number of shares of Pyramid common stock to be received for each share of Yuma common stock in the merger and converted into Pyramid restricted shares. Any Yuma restricted shares that have vested or vest upon the closing of the merger shall be deemed outstanding and shall be entitled to their pro rata share of the merger consideration discussed below under "Ownership of Pyramid After the Merger" beginning on page [—].

## **Treatment of Pyramid Options and Pyramid Restricted Stock Awards**

Options granted by Pyramid under the Pyramid stock option plan will remain outstanding and continue to represent rights to acquire shares of Pyramid common stock on the terms and conditions presently governing the stock options. Restricted stock granted by Pyramid under the Pyramid stock option plan will vest upon the closing of the merger.

## **Ownership of Pyramid After the Merger**



Pyramid will issue 66,336,701 shares of Pyramid common stock to former Yuma stockholders pursuant to the merger. Immediately following the completion of the merger, Pyramid expects to have approximately 71,224,786 shares of its common stock outstanding. Yuma stockholders are therefore expected to hold approximately 93% of Pyramid's common stock outstanding immediately after the merger. Consequently, Pyramid stockholders, as a general matter, will have less influence over the management and policies of Pyramid than they currently exercise.

### **Directors and Executive Officers of Pyramid After the Merger**

The directors and executive officers of Pyramid prior to the merger will resign as directors and executive officers of Pyramid as part of the closing of the merger. Information concerning the six board nominees and the officers expected to be appointed to serve Pyramid upon closing of the merger is set forth in detail under "Management of Pyramid After Consummation of the Merger" beginning on page [—].

### **Effective Time and Completion of the Merger**

Pyramid and Yuma hope to complete the merger as soon as reasonably practicable and expect the closing of the merger to occur in the third quarter of 2014. However, the merger is subject to the satisfaction or waiver of other conditions, and it is possible that factors outside the control of Pyramid and Yuma could result in the merger being completed at an earlier time, a later time or not at all. If the merger has not been completed on or before December 31, 2014, either Pyramid or Yuma may terminate the merger agreement unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligations under the merger agreement or a material breach of the merger agreement by such party.

### **Completion of the Merger is Subject to Certain Conditions**

A number of conditions must be satisfied or waived, where legally permissible, before the merger can be consummated. These include, among others:

·the approval by the Pyramid stockholders of the restated articles of incorporation of Pyramid proposals;

·the approval and adoption by Pyramid stockholders of the merger agreement;

·the approval and adoption of the merger agreement by Yuma stockholders;

·the effectiveness of the Form S-4 registration statement, of which this proxy statement/prospectus is a part, and the absence of a stop order suspending the effectiveness of the Form S-4 registration statement or proceedings for such purpose pending before or threatened by the SEC;

·the issuance of shares of Pyramid common stock shall be exempt from registration, or shall have been registered or qualified, under state securities laws;

·the approval for listing on the NYSE MKT of the shares of Pyramid common stock to be issued pursuant to the merger agreement, subject to official notice of issuance;

·the board of directors of Yuma shall have a good faith belief that the merger will qualify as a reorganization within the meaning of the Code (which is a condition to the merger and such belief will be based on the tax opinion of TroyGould PC discussed under “Material Federal U.S. Tax Consequences” beginning on page [—]);

·no governmental entity having jurisdiction over any party shall have enacted, issued, promulgated, enforced or entered any order, whether temporary, preliminary or permanent, that makes illegal, enjoins or otherwise prohibits consummation of the merger or the other transactions contemplated by the merger agreement;

·the board of directors of Pyramid shall have received an opinion from ROTH to the effect that, as of the date of the original merger agreement and based upon and subject to the qualifications and assumptions set forth therein, the exchange ratio of the merger is fair, from a financial point of view, to Pyramid and its stockholders;

·the accuracy of the representations and warranties of Pyramid and Yuma in the merger agreement, subject to certain materiality thresholds;

·the performance in all material respects by each of Pyramid and Yuma of its respective covenants required to be performed by it under the merger agreement at or prior to the closing date;

·receipt of certificates by executive officers of each of Pyramid and Yuma to the effect that the conditions described in the preceding two bullet points have been satisfied;

Pyramid and Yuma shall each have obtained any consents, approvals and waivers to the merger required of any third party;

there not having occurred a material adverse effect on Pyramid or Yuma since the date of the merger agreement, the effects of which are continuing; and

dissenting shares, if any, shall constitute less than 1% of the issued and outstanding common stock of Yuma and less than 5% of the issued and outstanding shares of its Series A and its Series B preferred stock.

Neither Pyramid nor Yuma can give any assurance as to when or if all of the conditions to the consummation of the merger will be satisfied or waived or that the merger will occur.

It is a condition to Yuma's obligations to complete the merger that the Yuma board of directors has a good faith belief that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. This condition may be waived by Yuma, and in such event Yuma will undertake to recirculate and re-solicit its stockholders if the condition is waived and the change in tax consequences is material.

#### **Termination of the Merger Agreement; Fees Payable**

In general, the merger agreement may be terminated at any time prior to the effective time of the merger in the following ways, subject to certain exceptions discussed in "The Merger Agreement – Termination of the Merger Agreement":

·by mutual written agreement of Pyramid and Yuma;

·by either Pyramid or Yuma:

· if the merger is not completed on or before December 31, 2014, unless the failure of the closing to occur by such date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligation under the merger agreement or a material breach of the merger agreement by such party;

·if any court or other governmental entity shall have issued a statute, rule, order, decree or regulation or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the merger or making the merger illegal;

·if the Yuma stockholders fail to approve and adopt the merger agreement by the requisite vote;

·if there has been a material breach of any of the representations, warranties or covenants set forth in the merger agreement on the part of any of the other parties, which breach has not been cured prior to the earlier of 10 days (with regard to representations and warranties) or 20 days (with regard to covenants) following receipt by the breaching party of written notice of such breach from the terminating party or December 31, 2014 (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement); or

·if the Pyramid stockholders fail to approve and adopt the merger agreement.

·by Yuma if, notwithstanding the existence of the voting agreement with the members of the board of directors of Yuma, prior to receipt of the Yuma stockholders' approval, Yuma receives a superior offer (as defined below), resolves to accept such superior offer, complies with the termination fee payment obligations and gives Pyramid at least four business days' prior written notice of its intention to terminate;

·by Yuma, if the board of directors of Pyramid shall have failed to recommend, or shall have withdrawn, modified or amended in a manner adverse to Yuma in any material respect its previous board recommendation, or shall have resolved to do any of the foregoing, or shall have recommended another acquisition proposal defined below or if the board of directors of Pyramid shall have resolved to accept a superior offer;

·by Pyramid, if, notwithstanding the existence of the voting agreement with Michael D. Herman, Chairman, and Interim President and Chief Executive Officer of Pyramid, prior to receipt of the Pyramid stockholders' approval, Pyramid receives a superior offer, resolves to accept such superior offer, complies with the termination fee payment obligations and gives Yuma at least four business days' prior written notice of its intention to terminate;

by Pyramid, if the board of directors of Yuma shall have failed to recommend, or shall have withdrawn, modified or amended in a manner adverse to Pyramid in any material respect its previous Yuma board recommendation, or shall have resolved to do any of the foregoing, or shall have recommended another acquisition proposal or if the board of directors of Yuma shall have resolved to accept a superior offer;

·by Pyramid, if the stockholders of Yuma fail to approve the merger; or

by Yuma, if the stockholders of Pyramid fail to approve and adopt the merger agreement and the proposals related to the restated articles of incorporation of Pyramid at the Pyramid stockholders' meeting (including any adjournment or postponement thereof).

For purposes of these termination provisions, the term "acquisition proposal" means any offer or proposal, whether written or oral, from any person or group (as defined in Section 13(d)(3) of the Exchange Act) other than Pyramid or Yuma or any affiliates thereof (each, a "third party") to acquire beneficial ownership of (a) 15% or more of any class of the equity securities of such party or (b) 15% or more of the fair market value of the assets of such party. The term "superior offer" means an unsolicited bona fide written offer by a third party to enter into (a) a merger, consolidation, business combination or other similar transaction as a result of which either (A) the stockholders of a party to the merger agreement prior to such transaction in the aggregate cease to own at least 50% of the voting securities of the entity surviving or resulting from such transaction (B) in which a person or group acquires beneficial ownership of securities representing 50% or more of the voting power of the party's capital stock or (b) a sale, lease or other disposition of at least 50% of the assets of the party, taken as a whole, that: (A) was not obtained or made as a direct or indirect result of a breach of (or in violation of) the merger agreement; and (B) is on terms and conditions that the board of directors of Pyramid or Yuma, as applicable, determines, in its reasonable, good faith judgment, after obtaining and taking into account such matters that its board of directors deems relevant following consultation with its outside legal counsel and financial advisor is reasonably likely to be more favorable, from a financial point of view, to Pyramid's stockholders or Yuma's stockholders, as applicable, than the merger and the other transactions and is reasonably capable of consummation.

For more information regarding the rights of Pyramid and Yuma to terminate the merger agreement, see “The Merger Agreement—Termination of the Merger Agreement” beginning on page [—].

Except for the termination fee set forth in the merger agreement and as described below, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated therein shall be paid by the party incurring such costs or expenses.

Under the merger agreement, Yuma may be required to pay to Pyramid or Pyramid may be required to pay Yuma a termination fee of \$1.0 million if the merger agreement is terminated under certain circumstances. For more information regarding termination fees, see “The Merger Agreement—Termination of the Merger Agreement” beginning on page [—].

*Payment of Termination Fee by Yuma.* Yuma shall pay Pyramid a cash termination fee of \$1.0 million (the “Yuma Termination Fee”) in the event that (i) Yuma terminates the merger agreement because it accepts a superior offer; (ii) Pyramid terminates the merger agreement as a result of a breach of a covenant by Yuma or because Yuma changes or fails to make its recommendation of the merger; or (iii) Pyramid terminates the merger agreement because Yuma stockholders fail to approve the merger; provided that in this instance (A) after the date of the merger agreement and prior to the date Yuma solicits the approval of Yuma’s stockholders, an acquisition proposal has been publicly announced and not withdrawn or abandoned at the time of termination, and (B) within one year after such termination, Yuma enters into a definitive agreement with respect to or consummates such acquisition proposal.

*Payment of Termination Fee by Pyramid.* Pyramid shall pay Yuma a cash termination fee of \$1.0 million (the “Pyramid Termination Fee”) in the event that (i) Pyramid terminates the merger agreement because it accepts a superior offer; (ii) Yuma terminates the merger agreement as a result of a breach of a covenant by Pyramid; or (iii) Yuma terminates the merger agreement because Pyramid’s stockholders fail to approve the issuance of stock necessary to effect the merger; provided that in this instance (A) after the date of the merger agreement and prior to the Pyramid special meeting, an acquisition proposal has been publicly announced and not withdrawn or abandoned at the time of termination, and (B) within one year after such termination, Pyramid enters into a definitive agreement with respect to or consummates such acquisition proposal.

### **We May Amend the Terms of the Merger and Waive Rights Under the Merger Agreement**

Subject to compliance with applicable law, Pyramid and Yuma may amend the merger agreement at any time before or after approval and adoption of the merger agreement by Pyramid and Yuma stockholders. However, after such approval and adoption there may not be, without further approval of Pyramid and Yuma stockholders, any amendment of the merger agreement that alters or changes, in a way that adversely affects the holders of any shares of Pyramid or

Yuma capital stock or alters or changes the merger consideration to be received by the Yuma stockholders in the merger.

At any time prior to the effective time of the merger, Pyramid and Yuma may, to the extent legally allowed:

- extend the time for the performance of any of the obligations or other acts of the other parties under the merger agreement;

- waive any inaccuracies in the other parties' representations and warranties; and

- waive the other parties' compliance with any of its agreements or conditions contained in the merger agreement.

Any such waiver or extension is subject to certain conditions. See "The Merger Agreement—Amendment of the Merger Agreement."

### **Regulatory Filings and Approvals Required to Complete the Merger**

We are not aware of any material governmental or regulatory approvals required for the completion of the merger and compliance with the applicable corporate law of the States of California and Delaware.

## **The Special Meetings and Voting**

(Pages [—])

### **Pyramid Special Meeting of Stockholders**

The special meeting of the stockholders of Pyramid will be for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the merger agreement, as it may be amended from time to time.
2. To consider and vote upon the proposals related to the restated articles of incorporation of Pyramid.
3. To approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan.
4. To consider and vote on any proposal to authorize Pyramid's board of directors, in its discretion, to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above.

Pyramid does not expect to transact any other business at the special meeting. Pyramid's board of directors has fixed the close of business on [-], 2014 as the record date for determining those Pyramid stockholders entitled to vote at the special meeting and any adjournment or postponement thereof. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting. A complete list of the Pyramid stockholders will be available for examination at the offices of Pyramid in Bakersfield, California during ordinary business hours for a period of 10 days prior to the special meeting.

The approval and adoption of the merger agreement and the approval of the proposals related to the Pyramid restated articles of incorporation each require the affirmative vote of the holders of at least a majority of the shares of Pyramid common stock issued and outstanding and entitled to vote at the Pyramid special meeting. The affirmative vote of the holders of at least a majority of the shares of Pyramid common stock represented in person or by proxy at the special meeting and voting on each such proposal, provided that such shares voting affirmatively must also constitute a majority of the required quorum for the meeting, is required to approve the proposal to approve and adopt the Pyramid 2014 Long-Term Incentive Plan and the proposal to adjourn the Pyramid special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above.



**The board of directors of Pyramid recommends that Pyramid stockholders vote “FOR” each of the proposals to be voted on at the special meeting.**

### **Yuma Special Meeting of Stockholders**

The special meeting of the stockholders of Yuma will be for the following purposes:

1. To consider and vote on the proposal to approve and adopt the merger agreement, as it may be amended from time to time, and the transactions contemplated by the merger agreement; and
2. To consider and vote on the proposal to adjourn the Yuma special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal regarding the merger.

Yuma’s board of directors has fixed the close of business on [-], 2014 as the record date for determining the holders of shares of Yuma common stock and preferred stock entitled to receive notice of and to vote at the Yuma special meeting and any adjournments or postponements thereof. Each holder of shares of Yuma common stock and preferred stock outstanding on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the Yuma special meeting and at any adjournment or postponement thereof. In order for Yuma to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of Yuma common stock and preferred stock entitled to vote at the meeting must be present.

The approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the shares of Yuma common stock issued and outstanding and entitled to vote at the Yuma special meeting. Approval of the merger agreement also requires the affirmative vote of the holders of two-thirds or 66 % of Yuma’s Series A and Series B preferred stock issued and outstanding and voting together separately as a class. The affirmative vote of a majority of the votes cast by holders of Yuma common stock at the Yuma special meeting is required to approve the proposal to adjourn the Yuma special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Yuma special meeting to approve and adopt the merger agreement.

## Voting Agreements

Yuma has entered into an amended and restated voting agreement with Michael D. Herman, Chairman, Interim President and Chief Executive Officer of Pyramid, who owns approximately [-]% of the outstanding shares of Pyramid common stock as of the record date of the Pyramid special meeting of stockholders. The voting agreement provides, among other things, that Michael D. Herman will vote in favor of the proposal to approve and adopt the merger agreement and the proposals related to the Pyramid restated articles of incorporation. Mr. Herman also agreed not to sell, transfer or otherwise dispose of his shares of Pyramid common stock, subject to certain exceptions provided in the voting agreement.

Certain of Yuma's officers and directors (and certain of their affiliates) who own in the aggregate approximately [-]% of the outstanding shares of Yuma common stock, approximately [-]% of the outstanding shares of Yuma Series A preferred stock, and approximately [-]% of the outstanding shares of Yuma Series B preferred stock as of the record date of the Yuma special meeting of stockholders entered into an amended and restated voting agreement with Pyramid, in which each stockholder agreed to vote in favor of the merger. Each stockholder also agreed not to sell, transfer or otherwise dispose of that stockholder's shares of Yuma common stock and preferred stock, subject to certain exceptions provided in the voting agreement.

For more information regarding these voting agreements, see "Voting Agreements" on page [—].

## Matters to be Considered in Deciding How to Vote

(Pages [—])

## Recommendation of the Pyramid Board of Directors and Its Reasons for the Merger

After careful consideration, the Pyramid board of directors approved the merger agreement on February 4, 2014. **The Pyramid board of directors recommends that Pyramid stockholders vote "FOR" the proposal to approve and adopt the merger agreement; "FOR" the proposals related to the restated articles of incorporation of Pyramid; "FOR" the proposal to approve and adopt the Pyramid 2014 Long-Term Incentive Plan; and "FOR" any proposal to authorize Pyramid's board of directors to adjourn the special meeting.** Because of their mutual dependence, if the proposal to approve and adopt the merger agreement or the proposals related to the restated articles of incorporation of Pyramid are not all approved, then none will be deemed to have been approved.

For the factors considered by Pyramid's board of directors in reaching its decision to approve these matters as well as the Pyramid board of directors' reasons for, and certain risks related to, the merger, see "The Merger—Recommendation of Pyramid's Board of Directors and Reasons for the Merger" beginning on page [—].

### **Recommendation of the Yuma Board of Directors and Its Reasons for the Merger**

After careful consideration, on February 4, 2014, the Yuma board of directors unanimously (i) determined that the merger is fair to and in the best interests of Yuma and its stockholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, and (iii) approved the merger, the merger agreement and the transactions contemplated thereby. **The Yuma board of directors unanimously recommends that Yuma stockholders vote "FOR" the proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement and "FOR" any adjournment proposal.**

For the factors considered by the Yuma board of directors in reaching its decision to approve the merger agreement and approve the consummation of the transactions contemplated by the merger agreement, including the merger, as well as the Yuma board of directors' reasons for, and certain risks related to, the merger, see "The Merger—Recommendation of Yuma's Board of Directors and Reasons for the Merger" beginning on page [—].

### **Fairness Opinion of ROTH Capital Partners to the Pyramid Board of Directors**

ROTH rendered its opinion to Pyramid's board of directors that, as of the date of the opinion, based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the exchange ratio (meaning the number of shares of Pyramid common stock to be issued for each share of Yuma common stock and preferred stock in the merger) is fair to Pyramid and its stockholders, from a financial point of view.

The full text of the written opinion of ROTH, dated February 5, 2014, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this proxy statement/prospectus. ROTH provided its opinion for the information and assistance of Pyramid's board of directors in connection with its consideration of the merger. ROTH's opinion is not a recommendation as to how any holder of Pyramid's common stock should vote with respect to the issuance of Pyramid common stock in the merger or any other matter.

Pursuant to a letter agreement dated December 20, 2013, Pyramid engaged ROTH to act as its financial advisor in connection with the contemplated merger transaction. As compensation for its services in connection with the merger, Pyramid paid ROTH \$150,000 upon the delivery of its fairness opinion. Additional compensation equal to 1.5% of the merger consideration, in no event less than \$300,000 nor more than \$450,000, will be payable on completion of the merger. In addition, Pyramid has agreed to reimburse ROTH for its expenses, including attorneys' fees and disbursements, and to indemnify ROTH and related persons against various liabilities.

### **Material U.S. Federal Income Tax Consequences of the Merger**

Subject to the qualifications, limitations and assumptions described in "Material U.S. Federal Income Tax Consequences" beginning on page [—], the following five paragraphs are the opinion of TroyGould PC regarding the material U.S. federal income tax consequences of the merger:

the merger, that is, the merger of Merger Subsidiary with and into Yuma, will qualify as a reorganization within the meaning of Section 368(a) of the Code;

no gain or loss will be recognized by a U.S. holder of Yuma common stock and/or preferred stock on receipt of Pyramid common stock pursuant to the merger;

the aggregate tax basis of the Pyramid common stock received by each U.S. holder of Yuma common stock and/or preferred stock will equal the aggregate tax basis of the Yuma stock surrendered by such holder in exchange for Pyramid common stock;

the holding period of the Pyramid common stock received by each U.S. holder will include the period during which such holder held the Yuma common stock and/or preferred stock surrendered in exchange for Pyramid common stock; and

no gain or loss will be recognized by Pyramid, Yuma or the U.S. holders of Pyramid common stock by reason of the merger.

### **Interests of Pyramid and Yuma Directors and Executive Officers in the Merger**

In considering the recommendation of the boards of directors of Pyramid and Yuma with respect to the merger, stockholders should be aware that the executive officers and directors of Pyramid and Yuma have certain interests in the merger that may be different from, or in addition to, the interests of Pyramid and Yuma stockholders. Pyramid's

and Yuma’s boards of directors were aware of these interests and considered them, among other matters, when adopting resolutions to approve and adopt the merger agreement and recommending that their respective stockholders vote to approve and adopt the merger agreement. For a discussion of the possibly conflicting interests, see “The Merger—Interests of Yuma’s Directors and Executive Officers in the Merger” beginning on page [—] and “The Merger—Interests of Pyramid’s Directors and Executive Officers in the Merger” beginning on page [—]

**Per Share Market Price and Dividend Information**

The following table sets forth the closing prices per share of Pyramid common stock, as well as the implied value of the proposed merger consideration for each share of Yuma common stock (after conversion of Yuma preferred stock to Yuma common stock), on February 5, 2014, the last full trading day prior to the public announcement of the merger, and [-], 2014 the last full trading day that this information could practicably be calculated prior to the date of this proxy statement/prospectus, which was calculated by assuming that (A) 57,493 shares of Yuma common stock are issued and outstanding, (B) all issued and outstanding shares of Yuma Series A preferred stock convert into 19,954 shares of Yuma common stock, (C) all issued and outstanding shares of Yuma Series B preferred stock convert into 10,261 shares of Yuma common stock, and (D) no shares of Yuma common stock or preferred stock dissent, (E) Yuma does not issue any restricted stock awards to its employees between the date of this proxy statement/prospectus and the effective time of the merger, and (F) Pyramid issues 66,336,701 shares of its common stock in the merger..

	Pyramid Common Stock	Implied Value Per Share of Yuma Common Stock
February 5, 2014	\$ 5.44	\$ 4,114.47
[-], 2014	[-]	[-]

Because the aggregate merger consideration is fixed and will not be adjusted as a result of changes in the market price of Pyramid common stock, the merger consideration equivalent will fluctuate with the market price of Pyramid common stock. The merger agreement does not include a price-based termination right or provisions that would limit the impact of increases or decreases in the market price of Pyramid common stock. You should obtain current market quotations for the Pyramid shares from a newspaper, the Internet or your broker prior to voting on the merger agreement.

Neither Pyramid nor Yuma paid dividends on its common stock during the past three years and neither company has any current intention of doing so in the foreseeable future.

### **Appraisal Rights**

Holders of Yuma common stock and preferred stock have the right to dissent from the proposed merger and, subject to certain conditions provided for in Section 262 of the DGCL, are entitled to receive payment of the fair value of their Yuma common stock or preferred stock. Yuma stockholders will be bound by the terms of the merger unless they dissent by complying with all of the requirements of the Delaware dissenters' rights statute. See "Dissenters' Rights of Appraisal" beginning on page [—] for a summary of dissenters' rights available to Yuma stockholders, which summary is not intended to be a complete statement of applicable Delaware law and is qualified in its entirety by reference to Section 262 of the DGCL which is set forth in its entirety as Annex E to this proxy statement/prospectus.

Pyramid stockholders do not have dissenter's or appraisal rights in connection with the merger.

### **Comparison of the Rights of Stockholders of Yuma Energy, Inc. and Pyramid Oil Company**

Holders of Yuma common stock and preferred stock hold stock in a Delaware corporation and will have different rights as stockholders of Pyramid, a California corporation, due to the different laws governing these companies. The differences are described in more detail under "Significant Differences Between the Corporation Laws of California and Delaware" beginning on page 147.

**Selected Consolidated Historical Financial Data of Pyramid**

Set forth below are selected data derived from Pyramid's audited financial statements as of and for the years ended December 31, 2009 through 2013 and Pyramid's unaudited financial statements as of and for the three months ended March 31, 2014 and 2013. This information should be read together with Pyramid's financial statements and related notes and management's discussion and analysis of operations and financial condition of Pyramid contained in this proxy statement/prospectus under the captions "Historical Financial Statements of Pyramid" and "Management's Discussion and Analysis of Operations and Financial Condition of Pyramid," respectively.

	Three Months Ended March 31,		Year Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(unaudited)						
	(In thousands, except per share data)						
<b>Statement of Operations Data</b>							
Total Revenue	\$1,044	\$1,008	\$5,201	\$4,995	\$5,690	\$4,836	\$3,312
Income (Loss) from Operations	(224 )	164	(77 )	975	1,161	53	(537 )
Net Income (Loss)	(159 )	113	157	778	1,095	246	(189 )
Net Income (Loss) per Share							
Basic and Diluted	\$(0.03 )	\$0.02	\$0.03	\$0.17	\$0.23	\$0.05	\$(0.04 )
Weighted Average Number of Basic Shares Outstanding	4,688	4,688	4,688	4,686	4,684	4,678	4,678
<b>Balance Sheet Data</b>							
Cash and Cash Equivalents	\$4,556	\$3,828	\$4,404	\$3,834	\$2,763	\$1,536	\$1,439
Short-term Investments	2,142	2,137	2,141	2,136	2,128	3,059	3,344
Total Assets	13,206	12,789	14,180	12,761	11,882	10,630	10,142
Notes Payable	-	-	-	-	55	40	21
Stockholders' Equity	10,821	10,771	10,980	10,658	9,881	8,742	8,373
Total Liabilities and Stockholders' Equity	13,206	12,789	14,180	12,761	11,882	10,630	10,142
<b>Per Share Data</b>							
Net Book Value per							
Common Share	\$2.31	\$2.30	\$2.34	\$2.27	\$2.11	\$1.87	\$1.79
Common Shares Outstanding	4,688	4,688	4,688	4,688	4,684	4,678	4,678

**Selected Consolidated Historical Financial Data of Yuma**

Set forth below are selected data derived from Yuma's audited consolidated financial statements as of and for the years ended December 31, 2010 through 2013, Yuma's unaudited consolidated financial statements as of and for the year ended December 31, 2009, and Yuma's unaudited consolidated financial statements as of and for the three months ended March 31, 2014 and 2013. This information should be read together with Yuma's consolidated financial statements and related notes and management's discussion and analysis of operations and financial condition of Yuma contained in this proxy statement/prospectus under "Historical Consolidated Financial Statements of Yuma" and "Management's Discussion and Analysis of Operations and Financial Condition of Yuma," respectively.

	Three Months Ended March 31,		Year Ended December 31,				
	2014 (unaudited)	2013	2013	2012	2011	2010	2009 (unaudited)
(In thousands, except outstanding shares and per share data)							
<b>Revenues and other operating income:</b>							
Sales of natural gas and crude	\$10,355	\$4,870	\$28,076	\$21,282	\$18,954	\$16,847	\$27,169
Other revenue	241	127	1,067	602	477	528	1,344
Total revenues	10,597	4,997	29,143	21,884	19,431	17,375	28,513
<b>Expenses:</b>							
Marketing cost of sales	321	2336	1,234	891	4,153	5,904	11,541
Lease operating	3,659	1,348	9,316	5,099	4,792	6,039	6,508
Re-engineering and workovers	2	51	2,522	434	1,340	-	-
General and administrative – stock based compensation	48	-	452	-	-	-	-
General and administrative – other	3,150	1,252	5,605	4,340	3,485	4,030	4,157
Depreciation, depletion and amortization	5,726	1,662	12,077	5,074	2,866	3,740	7,605
Asset retirement obligation accretion expense	142	64	668	265	240	203	305
(Gain) loss on asset disposal	-	-	(19 )	10	138	4	2
Ceiling test write-down	-	-	-	-	-	-	5,639
Bad debt expense	27	1	194	210	238	158	152
Recovery of bad debts	-	-	(3 )	(69 )	-	-	-
Total expenses	13,075	4,612	32,046	16,254	17,252	20,078	35,909
<b>Other income (expense):</b>							
Change in fair value of preferred stock derivative liability - Series A in 2011-2013, Series B in 2013 and 2012	1,472	2,004	(26,259)	(17,099)	(5,604 )	-	-
Interest expense	(139 )	(165 )	(568 )	(210 )	(597 )	(860 )	(747 )
Interest income	1	2	7	8	14	53	18
	-	-	(175 )	-	-	-	-



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Bank mandated derivative instruments							
novation cost							
Other, net	-	(2 )	(72 )	-	166	638	181
Total other income (expense)	1,334	1,838	(27,067)	(17,301)	(6,021 )	(169 )	(548 )
Net loss from continuing operations before taxes	(1,144 )	2,223	(29,970)	(11,671)	(3,841 )	(2,873 )	(7,944 )
Income tax expense (benefit)	(849 )	115	3,080	3,098	854	(797 )	(1,896 )
Net loss from continuing operations	(295 )	2,108	(33,050)	(14,769)	(4,695 )	(2,076 )	(6,048 )
Discontinued operations – pipeline segment	-	-	-	-	(18 )	3,973	4,013
Net income (loss)	(295 )	2,108	(33,050)	(14,769)	(4,715 )	1,897	(2,036 )
Less net income attributable to non-controlling interest	-	-	-	-	2	6	6
Net loss attributable to Yuma Energy, Inc.	(577 )	1,836	(33,050)	(14,769)	(4,713 )	1,891	(2,042 )
Preferred stock, Series A and Series B							
Accretion	282	272	1,102	964	-	-	-
Dividends paid in cash	-	-	146	1,363	438	-	-
Dividends paid in kind	-	-	5,412	-	-	-	-
Net loss available to common stockholders	\$(577 )	\$1,836	\$(39,710)	\$(17,096)	\$(5,153 )	\$1,891	\$(2,042 )

	As of and for the Three Months Ended March 31,		As of and for the Year Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
	(unaudited)		(unaudited)				
	(In thousands, except outstanding shares and per share data)						
Earnings (loss) per common share:							
Basic	\$(10.64 )	\$34.00	\$(732 )	\$(317 )	\$(95 )	\$1,657	\$(1,790 )
Diluted	\$(10.64 )	\$26.67	\$(732 )	\$(317 )	\$(95 )	\$1,657	\$(1,790 )
Weighted average shares outstanding:							
Basic	54,000	54,000	54,236	54,000	54,000	1,141	1,141
Diluted	54,000	79,036	54,236	54,000	54,000	1,141	1,141

Statement of Cash Flow Data

Cash provided by (used in)							
Operating activities	\$4,930	\$5,676	\$13,008	\$4,897	\$2,735	\$7,845	\$ 5,054
Investing activities	(1,906 )	(5,160 )	(25,346 )	(30,410)	(10,677)	4,587	(6,473 )
Financing activities	(853 )	725	11,247	29,877	(43 )	(9,384 )	7,051

Balance Sheet Data

Total assets	\$111,760	\$91,406	\$111,632	\$87,015	\$57,118	\$56,954	\$ 66,206
Long-term debt	30,565	19,050	31,215	17,875	2,975	11,000	17,650
Stockholders' equity	(48,501 )	(6,651 )	(47,888 )	(8,434 )	8,566	14,575	16,444



### **Selected Unaudited Pro Forma Condensed Combined Financial Information**

The merger will be accounted for under the Financial Accounting Standards Board's Accounting Standards Codification Topic 805 which governs transactions that are considered to be reverse acquisitions for accounting purposes. In the merger, Pyramid is the acquiror for legal purposes, but for accounting purposes, Yuma will be deemed to be the acquiror and Pyramid the acquiree.

The following table shows information about Yuma's financial condition and results of operations, including per share data, on a pro forma basis after giving effect to the merger of Pyramid and Yuma. We refer to this information in this proxy statement/prospectus as pro forma financial information. The table sets forth information relating to the merger as if it had become effective on March 31, 2014 with respect to balance sheet data (using currently available fair value information for Pyramid) and January 1, 2013, with respect to statement of operations data for the three months ended March 31, 2014 and for the year ended December 31, 2013. This unaudited pro forma financial information assumes that the merger will be accounted for using the purchase method of accounting and represents a current estimate based on available information of pro forma results of operations. The unaudited pro forma balance sheet data includes adjustments to record the assets and liabilities of Pyramid at their estimated fair values as of the date the merger is effective, and is subject to further adjustment as additional information becomes available and as additional analyses are performed. As part of the merger, Yuma's outstanding preferred stock will be converted to common stock of the combined company and Yuma's derivative liability will be reclassified to equity of the combined company; and these adjustments have been made to reflect the conversion of Yuma's preferred stock to common stock.

The merger agreement provides that Pyramid issue approximately 66,336,701 shares of common stock as consideration to Yuma stockholders.

This table should be read together with, and is qualified in its entirety by, the historical financial statements, including the notes thereto, of Pyramid and Yuma appearing elsewhere in this proxy statement/prospectus and the more detailed unaudited pro forma condensed combined financial information, including the notes thereto, appearing under "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page [•].

The unaudited pro forma financial information, while helpful in illustrating the financial characteristics of the combined company using certain assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies and asset dispositions, among other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combination would have been had they occurred as of the beginning of such periods.

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As of and  
for the  
Three Months Ended  
March 31,  
2014  
As of and for the  
Year Ended  
December 31, 2013  
(In thousands, except per share  
data)

Pro Forma Statement of Operations Data

Operating revenues	\$ 11,641	\$ 33,534
Net income (loss) available to common stockholders	\$(2,122 )	\$(6,992 )
Net income (loss) per common share:		
Basic	\$(0.03 )	\$(0.10 )
Diluted	\$(0.03 )	\$(0.10 )

Pro Forma Balance Sheet Data

Total assets	\$ 146,075
Long-term debt	\$ 30,565
Stockholders' equity	\$ 63,346

**Summary Pro Forma Combined Oil, Natural Gas and Natural Gas Liquids Reserve and Production Data**

The following table sets forth information with respect to the historical and pro forma combined estimated oil, natural gas and natural gas liquids, or NGLs, reserves as of December 31, 2013 of Yuma and Pyramid. This pro forma information gives effect to the merger as if it occurred on December 31, 2013. The Yuma and Pyramid reserve data presented below was derived from independent engineering reports of each company. Netherland, Sewell & Associates, Inc. (“NSAI”) prepared the Yuma reserve estimates as of December 31, 2013, and MHA Petroleum Consultants, Inc. (“MHA”) prepared the Pyramid reserve estimates as of December 31, 2013. Future exploration, exploitation and development expenditures, as well as future commodity prices and service costs, will affect the reserve volumes attributable to the acquired properties. The reserve estimates shown below were determined using a 12-month average price for oil, natural gas and natural gas liquids for the year ended December 31, 2013.

	Estimated Quantities of Reserves as of December 31, 2013		
	Yuma Historical	Pyramid Historical	Merger Pro Forma Combined
Estimated Proved Reserves:			
Oil (MBbls)	11,615	450	12,065
NGL (MBbls)	2,767	-	2,767
Natural Gas (MMcf)	38,372	14	38,386
Total (Mboe) <sup>(1)</sup>	20,777	452	21,229
Estimated Proved Developed Reserves:			
Oil (MBbls)	1,607	450	2,057
NGL (MBbls)	493	-	493
Natural Gas (MMcf)	10,317	14	10,331
Total (Mboe) <sup>(1)</sup>	3,819	452	4,261
Estimated Proved Undeveloped Reserves:			
Oil (MBbls)	10,008	-	10,008
NGL (MBbls)	2,275	-	2,275
Natural Gas (MMcf)	28,056	-	28,056
Total (Mboe) <sup>(1)</sup>	16,958	-	16,958

(1) Assumes a ratio of 6 Mcf of natural gas per barrel of oil.

The following table sets forth summary historical and pro forma combined oil, natural gas and natural gas liquids production information for the three months ended March 31, 2014 and for the year ended December 31, 2013. This pro forma information gives effect to the merger as if it occurred on January 1, 2014 and January 1, 2013 for the three and twelve month periods, respectively. The historical Pyramid and Yuma oil, natural gas and natural gas liquids production data presented below is derived from the independent engineering reports of each company.

Three Months Ended March 31, 2014      Year Ended December 31, 2013

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	Yuma Historical	Pyramid Historical	Merger Pro Forma Combined	Yuma Historical	Pyramid Historical	Merger Pro Forma Combined
Oil (Bbls)	62,887	10,348	73,235	184,349	43,000	227,349
NGL (Bbls)	31,326	-	31,326	51,875	-	51,875
Natural Gas (Mcf)	855,889	-	855,889	1,580,468	6,000	1,586,468
Total (Boe) <sup>(1)</sup>	236,861	10,348	247,209	499,635	44,000	543,635

(1) Assumes a ratio of 6 Mcf of natural gas per barrel of oil.

## Comparative Per Share Information

The following table sets forth certain historical net income (loss) per share of Yuma and Pyramid and per share book value information on an unaudited pro forma combined basis after giving effect to the merger under the reverse acquisition purchase method of accounting and on a pro forma basis.

The unaudited pro forma condensed combined per share information does not purport to represent what the results of operations or financial position of Yuma would actually have been had the merger occurred at the beginning of the periods shown or to project Yuma's results of operations or financial position for any future period or date. Such pro forma information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial information and accompanying notes included in this proxy statement/prospectus as described under "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page [—].

The historical per share information is derived from, and should be read in conjunction with, the financial statements for Pyramid, and the financial statements for Yuma, both included elsewhere herein. Neither Yuma nor Pyramid declared any cash dividends related to their respective common stock during the periods presented.

	As of and for the Three Months Ended March 31, 2014	As of and for the Year Ended December 31, 2013
Yuma Historical Per Common Share Data:		
Basic	\$ (10.64	) \$ (732 )
Diluted	\$ (10.64	) \$ (732 )
Book value <sup>(a)</sup>	\$ (894	) \$ (883 )
Pyramid Historical Per Common Share Data:		
Basic	\$ (0.03	) \$ 0.03
Diluted	\$ (0.03	) \$ 0.03
Book value <sup>(a)</sup>	\$ 2.31	\$ 2.34
Merger Pro Forma Combined Per Common Share Data:		
Basic <sup>(b)</sup>	\$ (0.03	) \$ (0.10 )
Diluted <sup>(b)</sup>	\$ (0.03	) \$ (0.10 )
Book value <sup>(c)</sup>	\$ 0.90	\$ 0.92

Computed by dividing stockholders' equity by the weighted average number of shares of common stock at the end (a) of such period plus the dilutive effect of interests in securities (such as outstanding options and Yuma's preferred stock on an as converted basis).

(b) Based on the pro forma net income which gives effect to the merger under the reverse acquisition method of accounting.

(c)

Computed by dividing stockholders' equity by the number of weighted average outstanding shares of Pyramid common stock at the end of such period, adjusted to include the estimated number of shares of Pyramid common stock to be issued in the merger plus the dilutive effect of interests in securities (such as outstanding options) at the end of such period.



### Comparative Per Share Market Price and Dividend Information

Pyramid common stock is listed for trading on the NYSE MKT under the symbol “PDO.” The following table sets forth, for the periods indicated, the high and low sale prices per share of Pyramid common stock on the NYSE MKT. There is no trading market in Yuma’s common stock or preferred stock.

For current price information, you should consult publicly available sources. Yuma has neither declared nor paid any cash dividends on its common stock in the past two years. Pyramid has neither declared nor paid any cash dividends on its common stock during the past two years, and does not anticipate declaring any dividends on its common stock in the foreseeable future.

### Pyramid Common Stock

Quarter Ended	High	Low	
<b><u>2012</u></b>			
March 31	\$6.23	\$3.82	
June 30	5.20	4.05	
September 30	4.85	4.07	
December 31	4.56	3.75	
<b>2013</b>			
March 31	\$4.48	\$4.04	
June 30	4.33	3.90	
September 30	4.74	4.15	
December 31	5.77	4.61	
<b>2014</b>			
March 31		\$ 7.15	\$ 4.86
June 30		\$ 6.30	\$ 5.03
September 30 (through August 6, 2014)		\$ 5.92	\$ 5.30

The following table sets forth the closing prices per share of Pyramid common stock, as well as the implied value of the proposed merger consideration for each share of Yuma common stock (after conversion of Yuma preferred stock to Yuma common stock), on February 5, 2014, the last full trading day prior to the public announcement of the merger, and [-], 2014 the last full trading day that this information could practicably be calculated prior to the date of

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this proxy statement/prospectus, which was calculated by assuming that (A) 57,493 shares of Yuma common stock are issued and outstanding, (B) all issued and outstanding shares of Yuma Series A preferred stock convert into 19,954 shares of Yuma common stock, (C) all issued and outstanding shares of Yuma Series B preferred stock convert into 10,261 shares of Yuma common stock, and (D) no shares of Yuma common stock or preferred stock dissent, (E) Yuma does not issue any restricted stock awards to its employees between the date of this proxy statement/prospectus and the effective time of the merger, and (F) Pyramid issues 66,336,701 shares of its common stock in the merger.

	Pyramid Common Stock	Implied Value Per Share of Yuma Common Stock
February 5, 2014	\$ 5.44	\$ 4,114.47
[-], 2014	[-]	[-]

## **RISK FACTORS**

*In addition to the other information contained in this proxy statement/prospectus, including the matters addressed in “Cautionary Statement Concerning Forward-Looking Statements,” you should carefully consider the following risk factors before deciding how to vote. You should also read and consider the risk factors associated with each of the businesses of Pyramid and Yuma because these risk factors may affect the operations and financial results of the combined company.*

### **Risks Relating to the Merger**

*Because all of the merger consideration to be received by Yuma stockholders is a fixed amount of Pyramid common stock and the market price of shares of Pyramid common stock will fluctuate, Yuma stockholders cannot be sure of the aggregate value of the merger consideration they will receive.*

Upon the effective time of the merger, each share of Yuma common stock and preferred stock will be converted into the right to receive merger consideration consisting of a pro rata share of an aggregate of 66,336,701 shares of Pyramid common stock pursuant to the terms of the merger agreement. Because the aggregate number of shares of Pyramid common stock is fixed and will not be adjusted as a result of changes in the market price of Pyramid common stock, the value of the merger consideration Yuma stockholders will receive will fluctuate with the market price of Pyramid common stock. The merger agreement does not include a price-based termination right or provisions that would limit the impact of increases or decreases in the market price of Pyramid common stock or adjust the portion of the merger consideration to be paid in Pyramid common stock as a result of any change in the market price of shares of Pyramid common stock between the date of this proxy statement/prospectus and the date that Yuma stockholders receive shares of Pyramid common stock in exchange for their shares of Yuma common stock or preferred stock. The market price of Pyramid common stock will likely be different, and may be lower, on the date Yuma stockholders receive their shares of Pyramid common stock than the market price of shares of Pyramid common stock as of the date of this proxy statement/prospectus.

During the 12-month period ended on June 30, 2014, shares of Pyramid common stock traded in a range from a low of \$4.03 to a high of \$7.15 and ended that period at \$5.78 per share. See “Price Range of Common Stock and Dividends” beginning on page [—] for more detailed share price information. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in oil and natural gas prices, changes in Pyramid’s business, operations and prospects, and regulatory considerations. Many of these factors are beyond Pyramid’s control. If the market price of Pyramid common stock declines after Yuma stockholders vote, they may receive less value than they expected when they voted. Neither Pyramid nor Yuma is permitted to terminate the merger agreement, adjust the merger consideration or resolicit the vote of Yuma stockholders because of changes in the market price of Pyramid common stock.

***The merger agreement limits Pyramid's ability to pursue alternatives to the merger.***

The merger agreement contains provisions that could adversely impact competing proposals to acquire Pyramid. These provisions include the prohibition on Pyramid generally from soliciting any acquisition proposal or offer for a competing transaction and the requirement that Pyramid pay a termination fee of approximately \$1.0 million in cash if the merger agreement is terminated in specified circumstances in connection with an alternative transaction. In addition, even if the board of directors of Pyramid determines that a competing proposal to acquire Pyramid is superior, Pyramid may not exercise its right to terminate the merger agreement unless it notifies Yuma of its intention to do so and gives Yuma at least four business days to propose revisions to the terms of the merger agreement or to make another proposal in response to the competing proposal. See “The Merger Agreement—No Solicitation” beginning on page [—].

Yuma required Pyramid to agree to these provisions as a condition to Yuma's willingness to enter into the merger agreement. These provisions, however, might discourage a third party that might have an interest in acquiring all or a significant part of Pyramid from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher value than the current proposed merger consideration. Furthermore, the termination fee may result in a potential competing acquiror proposing to pay a lower per share price to acquire Pyramid than it might otherwise have proposed to pay.

***The opinion obtained by the board of directors of Pyramid from its financial advisor will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.***

The Pyramid board of directors has not requested an updated opinion as of the date of this proxy statement/prospectus from ROTH, Pyramid's financial advisor, nor has it obtained such an update since the board is not aware of any material changes to Pyramid, Yuma or their respective businesses, results of operations or financial positions. This opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to the financial advisor as of, the date of such opinion. Developments subsequent to the date of such opinion, including changes in the operations and prospects of Yuma or Pyramid, general market and economic conditions and other factors that may be beyond the control of Yuma and Pyramid, may affect such opinion. The opinion is included as Annex D to this proxy statement/prospectus. For a description of the opinion that the Pyramid board of directors received from its financial advisor and a summary of the material financial analyses ROTH provided to the Pyramid board of directors in connection with rendering such opinion, please refer to the section entitled “The Merger—Opinion of ROTH Capital Partners to the Pyramid Board of Directors” beginning on page [—].

***Pyramid stockholders will have a significantly reduced ownership and voting interest after the merger and will exercise less influence over management.***

Immediately after the completion of the merger, it is expected that former Pyramid stockholders, who collectively own 100% of Pyramid, will own approximately 7% of Pyramid, based on the number of shares of Pyramid common stock outstanding as of [-], 2014.

***The merger and related transactions are subject to approval by the stockholders of both Pyramid and Yuma.***

In order for the merger to be completed, both Pyramid's stockholders and Yuma's stockholders must approve and adopt the merger agreement, which requires the affirmative vote of the holders of at least a majority of the issued and outstanding shares of Pyramid common stock and Yuma common stock, and at least two-thirds or 66 % of Yuma's outstanding Series A and Series B preferred stock voting together as a separate class.

***Any delay in completing the merger may substantially reduce the benefits expected to be obtained from the merger.***

The closing of the merger is conditioned on obtaining various approvals by Yuma's and Pyramid's respective stockholders and a number of other conditions beyond the control of Yuma and Pyramid. These conditions may prevent or delay the merger from being completed. Yuma and Pyramid cannot predict whether or when the conditions required to complete the merger will be satisfied. Any delay in completing the merger may materially adversely affect the ability of the combined company to attain the benefits that Yuma and Pyramid expect to achieve from the merger. If the merger is not completed on or before December 31, 2014, either Yuma or Pyramid may terminate the merger agreement, unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligations under the merger agreement or a material breach of the merger agreement by such party. See "The Merger Agreement —Conditions to the Completion of the Merger" beginning on page [—].

***Merger-related charges will be incurred.***

Yuma and Pyramid estimate that, as a result of the merger, the combined company expects to incur merger-related cash expenses of approximately \$1.5 million, consisting of investment banking, legal and accounting fees and financial printing and other related charges. The foregoing amount is a preliminary estimate and the actual amount may be higher or lower. Moreover, the combined company is likely to incur additional expenses in future periods in connection with the integration of Yuma's and Pyramid's businesses.

***Failure to complete the merger could negatively impact the stock price and the future business and financial results of Pyramid.***

If the merger is not completed, the ongoing business of Pyramid may be adversely affected and Pyramid would be subject to a number of risks, including the following:

Pyramid will not realize the benefits expected from the merger, including a potentially enhanced competitive and financial position, and instead will be subject to all the risks it currently faces as an independent company;

· Pyramid may experience negative reactions from the financial markets and Pyramid's customers and employees;

under the merger agreement, Pyramid may be required to pay to Yuma a termination fee of approximately \$1.0 million if the merger agreement is terminated under certain circumstances. If such termination fee is payable, the payment of this fee could have material and adverse consequences to the financial condition and operations of Pyramid. See "The Merger Agreement — Termination of the Merger Agreement" beginning on page [—];

the merger agreement places certain restrictions on the conduct of Pyramid's business prior to the completion of the merger or the termination of the merger agreement. Such restrictions, the waiver of which is subject to the consent of Yuma, may prevent Pyramid from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the merger. See "The Merger Agreement — Conduct of Business Pending the Merger" for a description of the restrictive covenants applicable to Pyramid beginning on page [—]; and

matters relating to the merger (including integration planning) may require substantial commitments of time and resources by Pyramid management, which would otherwise have been devoted to other opportunities that may have been beneficial to Pyramid as an independent company.

### **Risks Relating to Pyramid's Business**

***Pyramid's future performance is dependent upon its ability to continue to identify, acquire and develop additional oil and gas properties, the failure of which could result in under use of capital and losses.***

Pyramid's future performance depends upon its ability to continue to identify, acquire and develop additional oil and gas reserves that are economically recoverable. Pyramid's success will depend upon Pyramid's ability to continue to acquire working and revenue interests in properties upon which oil and gas reserves are ultimately discovered in commercial quantities, and Pyramid's ability to develop additional prospects that contain proven oil and gas reserves to the point of production. The successful acquisition and development of oil and gas properties requires an assessment of recoverable reserves, future oil and gas prices and operating costs, potential environmental and other liabilities, and other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain.

***The oil and gas industry is highly competitive, and Pyramid may not have sufficient resources to compete effectively.***

The oil and gas industry is highly competitive. Pyramid competes with oil and natural gas companies and other individual producers and operators, many of which have substantially greater financial and other resources than it has. Pyramid's larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than Pyramid can and may enjoy a competitive advantage in the recruitment of qualified personnel. Competitors may be able to absorb the burden of any changes in laws and regulations in the jurisdictions in which Pyramid does business and handle longer periods of reduced prices for oil and gas more easily than it can. Pyramid's competitors may be able to pay more for oil and gas leases and properties and may be able to define, evaluate, bid for and purchase a greater number of leases and properties than it can. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than Pyramid can. Pyramid's ability to acquire additional properties in the future will depend upon its ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

***Pyramid's exploration, development and production activities are subject to certain environmental regulations which may affect its costs of operations.***

In general, Pyramid's exploration and production activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Specifically, Pyramid is subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. However, such laws and regulations are frequently changed and any such changes may have material adverse effects on Pyramid's activities. Pyramid is unable to predict the ultimate cost of compliance with such laws and regulations. To date Pyramid has not been required to spend any material amounts on compliance with environmental regulations. However, Pyramid may be required to do so in future and this may affect its ability to expand or maintain its operations.

***Any change to government regulation or administrative practices may have a negative impact on Pyramid's ability to operate and its profitability.***

The business of oil and gas exploration and development is subject to substantial regulation under federal, state, local and foreign laws relating to the exploration for, and the development, upgrading, marketing, pricing, taxation, and transportation of oil and gas and related products and other matters. Amendments to current laws and regulations governing operations and activities of oil and gas exploration and development operations could have a material adverse impact on Pyramid's business. Permits, leases, licenses, and approvals are required from a variety of regulatory authorities at various stages of exploration and development.

***Pyramid may be unable to replace, maintain or expand its oil and gas reserves in order to prevent its future reserves and production from declining, which would adversely affect future cash flows and income.***

In general, production from oil and gas properties declines over time as reserves are depleted, with the rate of decline depending on reservoir characteristics. Pyramid's future oil and gas production is highly dependent upon its ability to economically find, develop, acquire and maintain reserves in commercial quantities.

To the extent cash flow from operations is reduced, either by a decrease in prevailing prices for oil and gas or an increase in finding and development costs, and external sources of capital become limited or unavailable, Pyramid's ability to make the necessary capital investment to maintain or expand its asset base of oil and gas reserves would be impaired. Even with sufficient available capital, Pyramid's future exploration and development activities may not result in additional proved reserves, and it might not be able to drill productive wells at acceptable costs.



*The oil and gas exploration and production industry is historically a cyclical industry and market fluctuations in the prices of oil and gas could adversely affect Pyramid's business.*

Prices for oil and gas tend to fluctuate significantly in response to factors beyond Pyramid's control. These factors include:

- weather conditions in the United States and where Pyramid's property interests are located;
- economic conditions, including demand for petroleum based products, in the United States and the rest of the world;
- actions by OPEC, the Organization of Petroleum Exporting Countries;
- political instability in the Middle East, North Africa and other major oil and gas producing regions;
- governmental regulations;
- domestic tax policy;
- the price of foreign imports of oil and gas;
- the cost of exploring for, producing and delivering oil and gas;
- the discovery rate of new oil and gas reserves;
- the rate of decline of existing and new oil and gas reserves;
- available pipeline and other oil and gas transportation capacity;
- the ability of oil and gas companies to raise capital;
- the overall supply and demand for oil and gas; and

the availability of alternate fuel sources.

Changes in commodity prices may significantly affect Pyramid's capital resources, liquidity and expected operating results. Price changes will directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non cash charges to earnings due to impairment.

Changes in commodity prices may also significantly affect Pyramid's ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and the development and exploitation of projects. Pyramid expects that commodity prices will continue to fluctuate significantly in the future.

***Exploratory and developmental drilling and production operations involve many risks that are outside Pyramid's control and which may result in a material adverse effect on its business, financial condition or results of operations.***

The business of exploring for, developing and producing oil and gas involves a substantial risk of investment loss. Drilling and operating oil and gas wells involves the risk that the wells may be unproductive or that, although productive, the wells may not produce oil or gas in economic quantities. Other hazards, such as unusual or unexpected geological formations, pressures, fires, blowouts, power outages, gas leakage, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic if water or other deleterious substances are encountered that impair or prevent the production of oil or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances.

*At times Pyramid participates in joint ventures wherein it is dependent upon the efforts of various third parties that Pyramid does not control and, as a result, it may not be able to control the timing of development efforts, associated costs, or the rate of production of reserves (if any).*

The success of Pyramid's business interests in certain joint ventures, where it owns less than a majority interest depends upon the efforts of various third parties that Pyramid does not control. As a result, Pyramid may have limited ability to exercise influence over certain joint venture decisions, operations or costs in certain joint venture activities. Pyramid's dependence on the operator and, where applicable, other working interest owners for these projects and Pyramid's limited ability to influence operations and associated costs could prevent Pyramid from realizing targeted returns on capital in drilling or acquisition activities. The success and timing of development and exploitation activities on joint venture properties operated by others depend upon a number of factors that will be largely outside of Pyramid's control, including:

- the timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- approval of other participants in drilling wells;
- selection of technology;
- the rate of production of the reserves; and

the availability of suitable drilling rigs, drilling equipment, production and transportation infrastructure, and qualified operating personnel.

Pyramid also relies upon various consultants and service companies to provide it with technical assistance and services. Pyramid relies upon the services of geologists, geophysicists, chemists, engineers and other scientists to explore and analyze oil and gas prospects to determine a method in which its oil and gas prospects may be developed in a cost effective manner.

#### **Risks Relating to Yuma's Business**

You should read and consider the following risk factors specific to Yuma's business that will also affect the combined company after the merger.

***Oil and natural gas prices are volatile, and low prices could have a material adverse impact on Yuma's business.***

Yuma's revenues, profitability and future growth and the carrying value of its properties depend substantially on prevailing oil and natural gas prices. Prices also affect the amount of cash flow available for capital expenditures and Yuma's ability to borrow and raise additional capital. The amount Yuma will be able to borrow under its credit agreement will be subject to periodic redetermination based in part on current oil and natural gas prices and on changing expectations of future prices. Lower prices may also reduce the amount of oil and natural gas that Yuma can economically produce and have an adverse effect on the value of its properties.

Historically, the markets for oil and natural gas have been volatile, and they are likely to continue to be volatile in the future. Among the factors that can cause volatility are:

- the domestic and foreign supply of oil and natural gas;

- the ability of members of the Organization of Petroleum Exporting Countries and other producing countries to agree upon and maintain oil prices and production levels;

- social unrest and political instability, particularly in major oil and natural gas producing regions outside the United States, such as northern Africa and the Middle East, and armed conflict or terrorist attacks, whether or not in oil or natural gas producing regions;

- the level of consumer product demand;

- the growth of consumer product demand in emerging markets, such as China;

- labor unrest in oil and natural gas producing regions;

weather conditions, including hurricanes and other natural occurrences that affect the supply and/or demand of oil and natural gas;

the price and availability of alternative fuels;

the price of foreign imports;

worldwide economic conditions; and

the availability of liquid natural gas imports.

These external factors and the volatile nature of the energy markets make it difficult to estimate future prices of oil and natural gas.

***Yuma depends on computer and telecommunications systems and failures in its systems or cyber security attacks could significantly disrupt its business operations.***

Yuma has entered into agreements with third parties for hardware, software, telecommunications and other information technology services in connection with its business. It is possible Yuma could incur interruptions from cyber security attacks, computer viruses or malware. Yuma believes that it has positive relations with its related vendors and maintains adequate anti-virus and malware software and controls; however, any interruptions to its arrangements with third parties to its computing and communications infrastructure or its information systems could significantly disrupt its business operations.

***Yuma may not be able to drill wells on a substantial portion of its acreage.***

Yuma may not be able to drill on a substantial portion of its acreage for various reasons. Yuma may not generate or be able to raise sufficient capital to do so. Future deterioration in commodities pricing may also make drilling some acreage uneconomic. Yuma's actual drilling activities and future drilling budget will depend on drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, lease expirations, gathering system and pipeline transportation constraints, regulatory approvals and other factors. In addition, any drilling activities Yuma is able to conduct may not be successful or add additional proved reserves to its overall proved reserves, which could have a material adverse effect on its future business, financial condition and results of operations.

***Yuma's ability to sell its production and/or receive market prices for its production may be adversely affected by transportation capacity constraints and interruptions.***

If the amount of natural gas, condensate or oil being produced by Yuma and others exceeds the capacity of the various transportation pipelines and gathering systems available in its operating areas, it will be necessary for new transportation pipelines and gathering systems to be built. Or, in the case of oil and condensate, it will be necessary for Yuma to rely more heavily on trucks to transport its production, which is more expensive and less efficient than transportation via pipeline. Currently, Yuma anticipates that additional pipeline capacity will be required in the Bakken / Three Forks formations area to transport oil and condensate production, which increased substantially during 2012 and 2013 and is expected to continue to increase. The construction of new pipelines and gathering systems is capital intensive and construction may be postponed, interrupted or cancelled in response to changing economic conditions and the availability and cost of capital. In addition, capital constraints could limit Yuma's ability to build gathering systems to transport its production to transportation pipelines. In such event, costs to transport Yuma's production may increase materially or it might have to shut in its wells awaiting a pipeline connection or capacity and/or sell its production at much lower prices than market or than it currently projects, which would adversely affect Yuma's results of operations.

A portion of Yuma's production may also be interrupted, or shut in, from time to time for numerous other reasons, including as a result of weather conditions, accidents, loss of pipeline or gathering system access, field labor issues or strikes, or it might voluntarily curtail production in response to market conditions. If a substantial amount of Yuma's production is interrupted at the same time, it could adversely affect its cash flow.

***Unless Yuma replaces its reserves, its reserves and production will decline, which would adversely affect Yuma's financial condition, results of operations and cash flows.***

Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Decline rates are typically greatest early in the productive life of a well. Estimates of the decline rate of an oil or natural gas well are inherently imprecise, and are less precise with respect to new or emerging oil and natural gas formations with limited production histories than for more developed formations with established production histories. Yuma's production levels and the reserves that it currently expects to recover from its wells will change if production from Yuma's existing wells decline in a different manner than it has estimated and can change under other circumstances. Thus, Yuma's future oil and natural gas reserves and production and, therefore, its cash flow and results of operations are highly dependent upon Yuma's success in efficiently developing and exploiting its current properties and economically finding or acquiring additional recoverable reserves. Yuma may not be able to develop, find or acquire additional reserves to replace current and future production at acceptable costs. If Yuma is unable to replace current and future production, cash flows and the value of reserves may decrease, adversely affecting Yuma's business, financial condition and results of operations.

***Estimates of proved oil and natural gas reserves involve assumptions and any material inaccuracies in these assumptions will materially affect the quantities and the value of Yuma's reserves.***

This proxy statement/prospectus contains estimates of Yuma's proved oil and natural gas reserves. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and natural gas reserves is complex. This process requires significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from those estimated. Any significant variance could materially affect the estimated quantities and the value of Yuma's reserves. Yuma's properties may also be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. In addition, Yuma may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond its control.

At December 31, 2013, approximately 81.6% of Yuma's estimated reserves were classified as proved undeveloped. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. The reserve data assumes that Yuma will make significant capital expenditures to develop its reserves. The estimates of these oil and natural gas reserves and the costs associated with development of these reserves have been prepared in accordance with SEC regulations; however, actual capital expenditures will likely vary from estimated capital

expenditures, development may not occur as scheduled and actual results may not be as estimated.

***Yuma depends substantially on the continued presence of key personnel for critical management decisions and industry contacts.***

Yuma's success depends upon the continued contributions of its executive officers and key employees, particularly with respect to providing the critical management decisions and contacts necessary to manage and maintain growth within a highly competitive industry. Competition for qualified personnel can be intense, particularly in the oil and natural gas industry, and there are a limited number of people with the requisite knowledge and experience. Under these conditions, Yuma could be unable to attract and retain these personnel. The loss of the services of any of Yuma's executive officers or other key employees for any reason could have a material adverse effect on its business, operating results, financial condition and cash flows.

***Yuma's business is highly competitive.***

The oil and natural gas industry is highly competitive in many respects, including identification of attractive oil and natural gas properties for acquisition, drilling and development, securing financing for such activities and obtaining the necessary equipment and personnel to conduct such operations and activities. In seeking suitable opportunities, Yuma competes with a number of other companies, including large oil and natural gas companies and other independent operators with greater financial resources, larger numbers of personnel and facilities, and, in some cases, with more expertise.

***Yuma's oil and natural gas activities are subject to various risks which are beyond its control.***

Yuma's operations are subject to many risks and hazards incident to exploring and drilling for, producing, transporting, marketing and selling oil and natural gas. Although Yuma may take precautionary measures, many of these risks and hazards are beyond its control and unavoidable under the circumstances. Many of these risks or hazards could materially and adversely affect its revenues and expenses, the ability of certain of its wells to produce oil and natural gas in commercial quantities, the rate of production and the economics of the development of, and its investment in the prospects in which Yuma has or will acquire an interest. Any of these risks and hazards could materially and adversely affect Yuma's financial condition, results of operations and cash flows. Such risks and hazards include:

human error, accidents, labor force and other factors beyond Yuma's control that may cause personal injuries or death to persons and destruction or damage to equipment and facilities;



blowouts, fires, hurricanes, pollution and equipment failures that may result in damage to or destruction of wells, producing formations, production facilities and equipment;

· unavailability of materials and equipment;

· engineering and construction delays;

· unanticipated transportation costs and delays;

· unfavorable weather conditions;

· hazards resulting from unusual or unexpected geological or environmental conditions;

· environmental regulations and requirements;

· accidental leakage of toxic or hazardous materials, such as petroleum liquids or drilling fluids, into the environment;

· hazards resulting from the presence of hydrogen sulfide (H<sub>2</sub>S) or other contaminants in natural gas Yuma produces;

· changes in laws and regulations, including laws and regulations applicable to oil and natural gas activities or markets for the oil and natural gas produced;

· fluctuations in supply and demand for oil and natural gas causing variations of the prices Yuma receives for its oil and natural gas production; and

· the availability of alternative fuels and the price at which they become available.

As a result of these risks, expenditures, quantities and rates of production, revenues and operating costs may be materially adversely affected and may differ materially from those anticipated by Yuma.

***Yuma's exploration and development drilling efforts and the operation of its wells may not be profitable or achieve its targeted returns.***

Yuma requires significant amounts of undeveloped leasehold acreage to further its development efforts. Exploration, development, drilling and production activities are subject to many risks, including the risk that commercially productive reservoirs will not be discovered. Yuma invests in property, including undeveloped leasehold acreage, which it believes will result in projects that will add value over time. Yuma's leasehold acreage may not be profitably developed, new wells drilled by it may not be productive and it may not recover all or any portion of its investment in such leasehold acreage or wells. Drilling for oil and natural gas may involve unprofitable efforts, not only from dry wells but also from wells that are productive but do not produce sufficient net reserves to return a profit after deducting operating and other costs. In addition, wells that are profitable may not achieve Yuma's targeted rate of return. Yuma's ability to achieve its target results is dependent upon the current and future market prices for oil and natural gas, costs associated with producing oil and natural gas and its ability to add reserves at an acceptable cost.

In addition, Yuma may not be successful in controlling its drilling and production costs to improve its overall return. The cost of drilling, completing and operating a well is often uncertain and cost factors can adversely affect the economics of a project. Yuma cannot predict the cost of drilling and completing a well, and it may be forced to limit, delay or cancel drilling operations as a result of a variety of factors, including:

· unexpected drilling conditions;

· pressure or irregularities in formations;

· equipment failures or accidents and shortages or delays in the availability of drilling and completion equipment and services;

· adverse weather conditions, including hurricanes; and

· compliance with governmental requirements.

*Yuma is subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.*

Companies that explore for and develop, produce, sell and transport oil and natural gas in the United States are subject to extensive federal, state and local laws and regulations, including complex tax and environmental, health and safety laws and the corresponding regulations, and are required to obtain various permits and approvals from federal, state and local agencies. If these permits are not issued or unfavorable restrictions or conditions are imposed on Yuma's drilling activities, it may not be able to conduct operations as planned. Yuma may be required to make large expenditures to comply with governmental regulations. Matters subject to regulation include:

- water discharge and disposal permits for drilling operations;
- drilling bonds;
- drilling permits;
- reports concerning operations;
- air quality, noise levels and related permits;
- spacing of wells;
- rights-of-way and easements;
- unitization and pooling of properties;
- pipeline construction;
- gathering, transportation and marketing of oil and natural gas;
- taxation; and
- waste transport and disposal permits and requirements.

Failure to comply with these laws may result in the suspension or termination of operations and subject Yuma to liabilities under administrative, civil and criminal penalties. Compliance costs can be significant. Moreover, these laws or the enforcement thereof could change in ways that substantially increase the costs of doing business. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially and adversely affect Yuma's business, financial condition and results of operations. Under these laws and other environmental health and safety laws and regulations, Yuma could be held liable for personal injuries, property damage (including site clean-up and restoration costs) and other damages including the assessment of natural resource damages. Failure to comply with these laws and regulations may also result in the suspension or termination of Yuma's operations and subject it to administrative, civil and criminal penalties. Some laws and regulations may impose strict as well as joint and several liability for environmental contamination, which could subject Yuma to liability for the conduct of others or for its own actions that were in compliance with all applicable laws at the time such actions were taken. Environmental and other governmental laws and regulations also increase the costs to plan, design, drill, install, operate and abandon oil and natural gas wells. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects. Part of the regulatory environment in which Yuma operates includes, in some cases, federal requirements for performing or preparing environmental assessments, environmental impact studies and/or plans of development before commencing exploration and production activities. In addition, Yuma's activities are subject to regulation by oil and natural gas-producing states relating to conservation practices and protection of correlative rights. These regulations affect Yuma's operations and limit the quantity of oil and natural gas it may produce and sell. Delays in obtaining regulatory approvals or necessary permits, the failure to obtain a permit or the receipt of a permit with excessive conditions or costs could have a material adverse effect on Yuma's ability to explore on, develop or produce its properties. Additionally, the oil and natural gas regulatory environment could change in ways that might substantially increase the financial and managerial costs to comply with the requirements of these laws and regulations and, consequently, adversely affect Yuma's profitability.

***Federal, state and local legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.***

From time to time, legislation has been proposed in Congress to amend the federal Safe Drinking Water Act to require federal permitting of hydraulic fracturing and the disclosure of chemicals used in the hydraulic fracturing process. Federal, state, tribal and local governments have been adopting or considering restrictions on or prohibitions of fracturing in areas where Yuma has non-operated working interests and the operator of such properties could be subject to additional levels of regulation, operational delays or increased operating costs and could have regulatory burdens imposed upon it that could make it more difficult to perform hydraulic fracturing and increase the costs of compliance and doing business.

At the Federal level, for example, the EPA is conducting a wide-ranging study on the effects of hydraulic fracturing on drinking water resources. In December 2012, the EPA issued a progress report describing its ongoing study, and announcing its expectation that a final draft report will be released for public comment and peer review in 2014. Other governmental reviews have also been recently conducted or are under way that focus on environmental aspects of hydraulic fracturing, including for example, a Federal Bureau of Land Management rulemaking for hydraulic fracturing practices on federal and Indian lands that has resulted in a May 2013 proposal that would require public disclosure of chemicals used in hydraulic fracturing on federal and Indian lands, confirmation that the wells used in fracturing operations meet proper construction standards and development of plans for managing flowback water from such activities. These activities could result in additional regulatory scrutiny that could make it difficult to perform hydraulic fracturing and increase the costs of compliance and doing business with regard to Yuma's non-operated properties.

Certain states likewise have adopted, and other states are considering the adoption of regulations that impose new or more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. In addition to state laws, local land use restrictions, such as city ordinances, may restrict or prohibit drilling in general or hydraulic fracturing in particular. Such efforts have extended to bans on hydraulic fracturing.

In connection with its non-operated properties in the Williston Basin, as a working interest owner, Yuma uses a significant amount of water with respect to hydraulic fracturing operations. The inability to locate sufficient amounts of water, or dispose of or recycle water used in exploration and production operations, could adversely impact Yuma's operations. Moreover, new environmental initiatives and regulations could include restrictions on Yuma's ability to participate in certain operations such as hydraulic fracturing or disposal of waste, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of oil and natural gas. Compliance with environmental regulations and regulatory permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase the operating costs of Yuma's non-operated properties in the Williston Basin and cause delays, interruptions or termination of operations, all of which could have an adverse effect on Yuma's results of operations and financial condition.

Hydraulic fracturing involves the injection of water, sand and various chemicals under pressure into geologic formations to fracture the surrounding rock and stimulate production. This process may give rise to operational issues such as an underground migration of water and chemicals to unintended areas, wellbore integrity, possible surface spillage and contamination caused by mishandling of fracturing fluids, including chemical additives. Properly administering the hydraulic fracturing process entails operational costs and a failure to properly administer the process could cause significant remedial and financial costs.

***Regulation related to global warming and climate change could have an adverse effect on Yuma's operations and demand for oil and natural gas.***

Studies over recent years have indicated that emissions of certain gases may be contributing to warming of the Earth's atmosphere. In response to these studies, governments have begun adopting domestic and international climate change regulations that require reporting and reductions of the emission of greenhouse gases. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of oil, natural gas and refined petroleum products, are considered greenhouse gases. Internationally, the United Nations Framework Convention on Climate Change, and the Kyoto Protocol address greenhouse gas emissions, and several countries, including those comprising the European Union, have established greenhouse gas regulatory systems. In the United States, at the state level, many states, either individually or through multi-state regional initiatives, have begun implementing legal measures to reduce emissions of greenhouse gases, primarily through the planned development of emission inventories, emission targets, greenhouse gas cap and trade programs or incentives for renewable energy generation, while others have considered adopting such greenhouse gas programs.

The EPA has issued greenhouse gas monitoring and reporting regulations that went into effect January 1, 2010, and required reporting by regulated facilities by March 2011 and annually thereafter. In November 2010, the EPA issued a final rule requiring companies to report certain greenhouse gas emissions from oil and natural gas facilities. On July 19, 2011, the EPA amended the oil and natural gas facility greenhouse gas reporting rule to require reporting beginning in September 2012. Beyond measuring and reporting, the EPA issued an “Endangerment Finding” under section 202(a) of the Clean Air Act, concluding greenhouse gas pollution threatens the public health and welfare of current and future generations. The finding served as the first step to issuing regulations that require permits for and reductions in greenhouse gas emissions for certain facilities. Recently, the EPA issued four new regulations for the oil and natural gas industry, including: a new source performance standard for volatile organic compounds (“VOCs”); a new source performance standard for sulfur dioxide; an air toxics standard for oil and natural gas production; and an air toxics standard for natural gas transmission and storage. The final rule includes the first federal air standards for natural gas wells that are hydraulically fractured, or refractured, as well as requirements for several sources, such as storage tanks and other equipment, and limits methane emissions from these sources. Compliance with these regulations will impose additional requirements and costs on Yuma’s operations.

In the courts, several decisions have been issued that may increase the risk of claims being filed by governments and private parties against companies that have significant greenhouse gas emissions. Such cases may seek to challenge air emissions permits that greenhouse gas emitters apply for and seek to force emitters to reduce their emissions or seek damages for alleged climate change impacts to the environment, people, and property.

Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gases could require Yuma to incur additional operating costs, such as costs to purchase and operate emissions or other compliance costs, and reduce demand for its products.

***The ongoing implementation of federal legislation enacted in 2010 could have an adverse impact on Yuma’s ability to use derivative instruments to reduce the effects of commodity prices, interest rates and other risks associated with its business.***

Historically, Yuma has entered into a number of commodity derivative contracts in order to hedge a portion of its oil and natural gas production and, periodically, interest expense. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which requires the SEC and the Commodity Futures Trading Commission (or CFTC), along with other federal agencies, to promulgate regulations implementing the new legislation. The CFTC, in coordination with the SEC and various U.S. federal banking regulators, has issued regulations to implement the so-called “Volcker Rule” under which banking entities are generally prohibited from proprietary trading of derivatives. Although conditional exemptions from this general prohibition are available, the Volcker Rule may limit the trading activities of banking entities that have been counterparties to Yuma’s derivatives trades in the past. Also, a provision of the Dodd-Frank Act known as the “swaps push-out rule” may require some of the banking counterparties to Yuma’s commodity derivative contracts to “push out” some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty.

The CFTC also has finalized other regulations implementing the Dodd-Frank Act's provisions regarding trade reporting, margin and position limits; however, some regulations remain to be finalized and it is not possible at this time to predict when the CFTC will adopt final rules. For example, the Dodd-Frank Act and the CFTC regulations may require compliance with margin requirements and with certain clearing and trade-execution requirements in connection with certain of Yuma's derivative activities. Also, the CFTC has re-proposed regulations setting position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions are expected to be made exempt from these limits. It is possible that the CFTC, in conjunction with the U.S. federal banking regulators, may mandate that financial counterparties entering into swap transactions with end-users must do so with credit support agreements in place, which could result in negotiated credit thresholds above which Yuma would be required to post collateral.

The Dodd-Frank Act and any additional implementing regulations could significantly increase the cost of some commodity derivative contracts (including through requirements to post collateral, which could adversely affect Yuma's available liquidity), materially alter the terms of some commodity derivative contracts, limit its ability to trade some derivatives to hedge risks, reduce the availability of some derivatives to protect against risks it encounters, reduce its ability to monetize or restructure its existing commodity derivative contracts, and potentially increase its exposure to less creditworthy counterparties. If Yuma reduces its use of derivatives as a consequence, its results of operations may become more volatile and its cash flows may be less predictable, which could adversely affect its ability to plan for and fund capital expenditures. Increased volatility may make Yuma less attractive to certain types of investors. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. If the implementing regulations result in lower commodity prices, Yuma's revenues could be adversely affected. Any of these consequences could adversely affect its business, financial condition and results of operations.

***Yuma cannot be certain that the insurance coverage it maintains will be adequate to cover all losses that may be sustained in connection with all oil and natural gas activities.***

Yuma maintains general and excess liability policies, which it considers to be reasonable and consistent with industry standards. These policies generally cover:

· personal injury;

· bodily injury;



third party property damage;

medical expenses;

legal defense costs;

pollution in some cases;

well blowouts in some cases; and

workers compensation.

As is common in the oil and natural gas industry, Yuma will not insure fully against all risks associated with its business either because such insurance is not available or because it believes the premium costs are prohibitive. A loss not fully covered by insurance could have a materially adverse effect on Yuma's financial position, results of operations and cash flows.

***Title to the properties in which Yuma has an interest may be impaired by title defects.***

Yuma generally obtains title opinions on significant properties that it drills or acquires. Additionally, undeveloped acreage has greater risk of title defects than developed acreage. Generally, under the terms of the operating agreements affecting Yuma's properties, any monetary loss is to be borne by all parties to any such agreement in proportion to their interests in such property. If there are any title defects or defects in assignment of leasehold rights in properties in which Yuma holds an interest, it will suffer a financial loss.

***The unavailability or high cost of drilling rigs, pressure pumping equipment and crews, other equipment, supplies, water, personnel and oil field services could adversely affect Yuma's ability to execute its exploration and development plans on a timely basis and within its budget.***

The oil and gas industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies, water or qualified personnel. During these periods, the costs and delivery times of rigs, equipment and supplies are substantially greater. In addition, the demand for, and wage rates of, qualified drilling rig crews rise as the number of active rigs in service increases. Increasing levels of exploration and production may increase the demand for oilfield services and equipment, and the costs of these services and equipment may increase, while the quality of these

services and equipment may suffer. The unavailability or high cost of drilling rigs, pressure pumping equipment, supplies or qualified personnel can materially and adversely affect Yuma's operations and profitability. In order to secure drilling rigs and pressure pumping equipment, Yuma has entered into certain contracts that extend over several months. If demand for drilling rigs and pressure pumping equipment subside during the period covered by these contracts, the price Yuma is required to pay may be significantly more than the market rate for similar services.

***Yuma depends on the skill, ability and decisions of third-party operators of the oil and natural gas properties in which it has a non-operated working interest.***

The success of the drilling, development and production of the oil and natural gas properties in which Yuma has or expects to have a non-operating working interest is substantially dependent upon the decisions of such third-party operators and their diligence to comply with various laws, rules and regulations affecting such properties. The failure of any third-party operator to make decisions, perform their services, discharge their obligations, deal with regulatory agencies, and comply with laws, rules and regulations, including environmental laws and regulations in a proper manner with respect to properties in which Yuma has an interest could result in material adverse consequences to its interest in such properties, including substantial penalties and compliance costs. Such adverse consequences could result in substantial liabilities to Yuma or reduce the value of its properties, which could negatively affect its results of operations.

***Hedging transactions may limit Yuma's potential gains and increase its potential losses.***

In order to manage Yuma's exposure to price risks in the marketing of its oil, natural gas, and natural gas liquids production, Yuma has entered into oil, natural gas, and natural gas liquids price hedging arrangements with respect to a portion of its anticipated production and it may enter into additional hedging transactions in the future. While intended to reduce the effects of volatile oil, natural gas and natural gas liquids prices, such transactions may limit its potential gains and increase its potential losses if oil, natural gas and natural gas liquids prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose Yuma to the risk of loss in certain circumstances, including instances in which:

Yuma's production is less than expected;

there is a widening of price differentials between delivery points for Yuma's production; or

the counterparties to Yuma's hedging agreements fail to perform under the contracts.

### **Risks Relating to Pyramid's Operations After Consummation of the Merger**

*We may not be able to successfully integrate the businesses of Pyramid and Yuma following the merger.*

The success of the merger depends in large part upon our ability to integrate our organizations, operations, systems and personnel. The integration of two previously independent companies is a challenging, time-consuming and costly process. Pyramid and Yuma have operated and, until the effective time of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with suppliers, customers and employees or to achieve the anticipated benefits of the merger. In addition, successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company. If we are not able to integrate our organizations, operations, systems and personnel in a timely and efficient manner, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

*Pyramid's merger with Yuma, if completed, may not achieve its intended results.*

Pyramid and Yuma entered into the merger agreement with the expectation that the merger would result in various benefits, cost savings and operating efficiencies. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether the business of Yuma is integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues generated by the combined company, and diversion of management's time and energy and could have an adverse effect on the combined company's financial position, results of operations or cash flows.

*Pyramid's business plan after consummation of the merger includes substantial capital requirements which may require additional debt or equity financing.*

After consummation of the merger, Pyramid expects to make substantial capital expenditures for the acquisition, development, production and exploration of its oil and gas properties in order to fully realize its business plan. Pyramid's capital requirements will depend on numerous factors, and it cannot predict accurately the exact timing and amount of its capital requirements. Although Pyramid intends to finance a substantial portion of its future capital expenditures through cash flow from operations, cash on hand, and its revolving credit facility, it may require additional funds which could come from debt or equity financing or asset sales. A decrease in expected revenues or adverse change in market conditions could make obtaining financing economically unattractive or impossible or reduce the value Pyramid expects to receive from asset divestitures.

A significant increase in Pyramid's indebtedness, or an increase in its indebtedness that is proportionately greater than its issuances of equity could negatively impact its ability to remain in compliance with the financial covenants under Pyramid's revolving credit facility which could force it to limit or defer its planned oil and gas leasing, exploration and development program. Moreover, if Pyramid is unable to finance its growth as expected, it could be required to sell assets, seek alternative financing, the terms of which may not be attractive to Pyramid, or reduce the scope of its business plan.

In addition, a significant increase in Pyramid's indebtedness could cause it to be unable to obtain sufficient credit capacity with counterparties to finance the hedging of its future crude oil and gas production which may limit its ability to manage price risk. As a result of these factors, Pyramid may lack the capital necessary to fully pursue its drilling program, obtain credit necessary to enter into derivative contracts to hedge its future crude oil and gas production or to capitalize on other business opportunities.

### **Risks Relating to Pyramid Common Stock After Consummation of the Merger**

*The trading price of Pyramid common stock may be volatile.*

The trading price of shares of Pyramid common stock has from time to time fluctuated widely and in the future Pyramid common stock may be subject to similar fluctuations. The trading price may be affected by a number of factors including the risk factors set forth in this document, as well as Pyramid's operating results, financial condition, drilling activities and general conditions in the oil and natural gas exploration and development industry, the economy, the securities markets and other events.

The influx of such a substantial number of shares into the public market could have a significant negative effect on the trading price of Pyramid common stock. In recent years broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. In a volatile market, Pyramid may experience wide fluctuations in the market price of its common stock. These fluctuations may have an extremely negative effect on the market price of Pyramid common stock.

***The expected executive officers and directors after the closing of the merger of the combined company are expected to collectively beneficially own approximately 60.1% of the outstanding shares of Pyramid common stock after the closing of the merger and continue to have substantial control over Pyramid, which will limit Pyramid stockholders' ability to influence the outcome of important transactions, including a change in control.***

The expected executive officers and directors after the merger of the combined company and their affiliates, in the aggregate, beneficially will own approximately 60.1% of the outstanding shares of Pyramid common stock, based on the number of shares anticipated to be outstanding at the closing of the merger. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by Pyramid's stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of Pyramid, could deprive its stockholders of an opportunity to receive a premium for their Pyramid common stock as part of a sale of Pyramid and might ultimately affect the market price of Pyramid common stock.

***Offerings of debt by Pyramid, which would be senior to Pyramid's common stock upon liquidation, and/or preferred stock, which would be senior to Pyramid common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of Pyramid's common stock.***

Pyramid may from time to time issue debt securities in connection with any number of activities, including strategic acquisitions, repayment of debt, capital expenditures and other uses. Upon liquidation, holders of such debt securities and lenders with respect to other borrowings by Pyramid will receive distributions of Pyramid's available assets prior to the holders of Pyramid's common stock.

Pyramid's board of directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders. Pyramid's board of directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over Pyramid common stock with respect to dividends or upon Pyramid's dissolution, winding-up and liquidation and other terms. If Pyramid issues preferred stock in the future that has a preference over its common stock with respect to the payment of dividends or upon its liquidation, dissolution, or winding-up, or if Pyramid issues preferred stock with voting rights that dilute the voting power of the common stock, the rights of holders of Pyramid common stock or the market price of Pyramid common stock could be

adversely affected.

In addition, offerings of Pyramid common stock or of securities linked to Pyramid common stock may dilute the holdings of Pyramid existing common stockholders or reduce the market price of Pyramid common stock. Holders of Pyramid common stock are not entitled to preemptive rights.

## **THE COMPANIES**

### **Pyramid Oil Company**

Since Pyramid's incorporation on October 9, 1909, it has been engaged in the business of the exploration, development and production of crude oil and natural gas. Pyramid acquires interests in land and producing properties through acquisitions and leases and then drills and/or operates crude oil or natural gas wells in efforts to discover and produce oil and gas. Crude oil and natural gas produced from these properties are sold to various refineries and pipeline companies. The majority of the oil and gas properties that Pyramid owns and operates are for its account. Pyramid also participates in joint ventures with other companies in the development of oil and gas properties.

Although Pyramid owns some minor oil and gas interests in New York, Wyoming and Texas, all of its major revenue-producing properties are in California. At December 31, 2013, Pyramid's estimated total proved oil and natural gas reserves, as prepared by its independent reserve engineering firm, MHA Petroleum Consultants, Inc. ("MHA"), were approximately 452 MBoe, consisting of 449 MBbls of oil, and 14 MMcf of natural gas. Approximately 100% of Pyramid's proved reserves were classified as proved developed. Pyramid maintains operational control of approximately 98.5% of its proved reserves. Full year 2013 production averaged 121 Boe/d compared to 126 Boe/d in 2012. Pyramid's total operating revenues for 2013 were approximately \$5.2 million compared to \$5.0 million in 2012.

Pyramid's principal executive offices are located at 2008 – 21st Street, Bakersfield, California 93301 and its mailing address is P. O. Box 832, Bakersfield, California 93302, and its telephone number is (661) 325-1000. Pyramid's website address is [www.pyramidoil.com](http://www.pyramidoil.com), although the information on its website is not deemed to be part of this proxy statement/prospectus.

### **Pyramid Merger Subsidiary, Inc.**

Pyramid Merger Subsidiary, Inc., a Delaware corporation, is a direct wholly owned subsidiary of Pyramid and was formed solely for the purpose of consummating the merger. Pyramid Merger Subsidiary, Inc. has not carried on any activities to date, except for activities incidental to formation and activities undertaken in connection with the merger. Its principal offices are located at 2008 – 21st Street, Bakersfield, California 93301, its mailing address is P. O. Box 832, Bakersfield, California 93302, and its telephone number is (661) 325-1000.

## **Yuma Energy, Inc.**

Yuma Energy, Inc. is a U.S.-based oil and gas company focused on the exploration for, and development of, conventional and unconventional oil and gas prospects. Yuma's predecessor was established in 1983. Yuma was originally incorporated under the name "The Yuma Companies, Inc.," and subsequently changed its name to Yuma Energy, Inc. in August 2013. Yuma has employed a 3-D seismic-based strategy to build a multi-year inventory of development and exploration prospects. Yuma's current operations are focused on onshore central Louisiana, where Yuma is targeting the Austin Chalk, Tuscaloosa, Wilcox, Frio, Marg Tex and Hackberry formations. In addition, Yuma has a non-operated position in the Bakken Shale in North Dakota. Yuma's core competencies in generating oil and gas prospects include: unconventional oil plays; onshore liquids-rich projects; and high impact deep onshore prospects located beneath known producing trends, identified through the use of 3-D seismic surveys.

At December 31, 2013, Yuma's estimated total proved oil and natural gas reserves, as prepared by its independent reserve engineering firm, Netherland, Sewell & Associates, Inc. ("NSAI"), were approximately 20,777 MBoe, consisting of 11,615 MBbls of oil, 2,767 MBbls of natural gas liquids, and 38,372 MMcf of natural gas. Approximately 18.4% of Yuma's proved reserves were classified as proved developed. Yuma maintains operational control of approximately 79% of its proved reserves. For the year ended December 31, 2013, Yuma's production averaged 1,369 Boe/d compared to 685 Boe/d for the year ended December 31, 2012. Yuma's total revenues for the year ended December 31, 2013 were \$29,142,572 compared to \$21,883,909 for the year ended December 31, 2012. For the three months ended March 31, 2014, production averaged 2,632 Boe/d compared to 875 Boe/d for the three months ended March 31, 2013. Yuma's total revenues for the first three months of 2014 were \$10,596,932 compared to \$4,756,590 for the first three months of 2013.

Yuma's principal executive offices are located at 1177 West Loop South, Suite 1825, Houston, Texas 77027, and its telephone number is (713) 968-7000. Yuma's website address is [www.yumaenergyinc.com](http://www.yumaenergyinc.com), although the information on its website is not deemed to be part of this proxy statement/prospectus.

## **Recent Developments**

Yuma spudded its second operated Austin Chalk well, the Crosby 14-1, in the Greater Masters Creek Field on March 27, 2014. This well is located in Section 14 Township 2 South, Range 7 West in Vernon Parish, Louisiana. The Crosby 14-1 will be drilled vertically to approximately 15,000 feet to the top of the Austin Chalk formation and then up to 6,000 feet horizontally in the Austin Chalk pay interval. Yuma expects this well will be drilled and tested during August 2014. If successful, Yuma expects to have the well on production in late September 2014.



Plans are underway to drill a development well offsetting Yuma's 2013 Wilcox formation discovery on its Musial prospect located in Livingston Parish, Louisiana. Yuma's discovery, the Starns 38-1, was drilled to a measured total depth of 10,119 feet and was put on production in late April 2013, and averaged 101 Bbl/d and 229 barrels of water per day while on pump. By December 2013 the production rate had declined to 30 Bbl/d. The downhole pump was re-configured and the producing interval was treated for paraffin and asphaltene buildup in January 2014. The well began producing on its own and water production dropped significantly. During July 2014, the well flowed at an average rate of 125 barrels of oil and eight barrels of water per day. Yuma spudded an offset well, the Nettles 39-1, on July 2, 2014. Yuma reached a total depth of 10,051 feet during July 2014 and logged 18 feet of net pay in the primary objective, the First Wilcox sand. The Starns 38-1 also had 18 net feet of pay in the First Wilcox sand. Below the First Wilcox sand, the logs indicated 12 net feet of pay in the Fourth Wilcox sand which was not productive in the Starns 38-1 well. Yuma has run production casing and will begin by testing the Fourth Wilcox sand and, if productive, will produce the well from that sand and will recompleat the well in the First Wilcox sand at a later date. If the completion efforts are successful, Yuma expects to have the well on production during August 2014.

Yuma participated for an 18.9% working interest in a successful infill development well in the Ringwood Field located in Major County, Oklahoma. The Bertha No. 8-3 was completed in early April 2014 in the Hunton formation at a depth of 8,010 feet at an initial production rate of 150 barrels of oil per day.

## PYRAMID SPECIAL MEETING

### General

This proxy statement/prospectus is being furnished to Pyramid stockholders in connection with the solicitation of proxies by the Pyramid board of directors to be used at the special meeting of stockholders to be held at [-], on [-], 2014, at [-] a.m., local time, and at any adjournment or postponement of that meeting. This proxy statement/prospectus and the enclosed form of proxy card are first being sent to Pyramid stockholders on or about [-], 2014.

### Purpose of the Pyramid Special Meeting

At the Pyramid special meeting, holders of Pyramid common stock as of the record date of [-], 2014 will be asked to consider and vote on:

Proposal 1: the proposal to approve and adopt the merger agreement and the transactions contemplated thereby which are further described in the sections of this proxy statement/prospectus entitled “The Merger” and “The Merger Agreement”;

Proposal 2: the proposals to approve certain amendments to Pyramid’s restated articles of incorporation, each to take effect only upon consummation of the merger, as follows (as further described herein under the section entitled “Restated articles of incorporation of Pyramid Oil Company Proposals”):

Proposal 2A: a provision in the restated articles of incorporation of Pyramid that increases the authorized shares of Pyramid common stock from 50,000,000 shares to 300,000,000 shares;

Proposal 2B: a provision in the restated articles of incorporation of Pyramid that provides for the classification of the board of directors of Pyramid into two classes with staggered terms;

Proposal 2C: a provision in the restated articles of incorporation of Pyramid that eliminates cumulative voting in the election of directors;

Proposal 2D: a provision in the restated articles of incorporation of Pyramid that changes the name of the combined company to “Yuma Energy, Inc.” after the merger;

Proposal 3: the proposal to approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan; and

Proposal 4: the proposal to adjourn the Pyramid special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the proposals listed above.

### **Recommendation of the Pyramid Board of Directors**

Pyramid's board of directors has unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated thereby are advisable, fair to, and in the best interests of Pyramid and its stockholders, (ii) approved the merger agreement, the merger and the other transactions contemplated thereby, (iii) approved the restated articles of incorporation of Pyramid, (iv) approved the Pyramid 2014 Long-Term Incentive Plan, and (v) approved the proposal to authorize Pyramid's board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

**The Pyramid board of directors unanimously recommends that Pyramid stockholders vote:**

**“FOR” the proposal to approve and adopt the merger agreement;**

**“FOR” the proposal to amend the restated articles of incorporation of Pyramid to increase the authorized shares of common stock from 50,000,000 shares to 300,000,000 shares;**

**“FOR” the proposal to amend the restated articles of incorporation of Pyramid to provide for the classification of the board of directors of Pyramid into two classes with staggered terms;**

**“FOR” the proposal to amend the restated articles of incorporation of Pyramid to eliminate cumulative voting in the election of directors; and**

**“FOR” the proposal to amend the restated articles of incorporation of Pyramid to change the name of the Pyramid to “Yuma Energy, Inc.” after the merger;**

**“FOR” the proposal to approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan; and**

**“FOR” any adjournment proposal.**

### **Record Date and Voting**

The Pyramid board of directors has fixed the close of business on [-], 2014 as the record date for determining the holders of shares of Pyramid common stock entitled to receive notice of and to vote at the Pyramid special meeting and any adjournments or postponements thereof. Only holders of record of shares of Pyramid common stock at the close of business on that date will be entitled to vote at the Pyramid special meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were [-] shares of Pyramid common stock outstanding, held by approximately [-] holders of record.

Each holder of shares of Pyramid common stock outstanding on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the Pyramid special meeting and at any adjournment or postponement thereof. In order for Pyramid to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of Pyramid common stock entitled to vote at the meeting must be present. You will be deemed to be present if you attend the meeting or if you submit a proxy (including through the mail or by telephone or the Internet) that is received at or prior to the meeting (and not revoked).

If your proxy is properly executed and received by Pyramid in time to be voted at the Pyramid special meeting, the shares represented by your proxy (including those given through the mail or by telephone or the Internet) will be voted in accordance with your instructions. If you execute your proxy but do not provide Pyramid with any instructions, your shares will be voted “FOR” the proposals set forth in the notice of special meeting.

The only matters that we expect to be presented at the Pyramid special meeting are set forth in the notice of special meeting. If any other matters properly come before the Pyramid special meeting, the persons named in the proxy card will vote the shares represented by all properly executed proxies on such matters in their best judgment.

## Quorum

If you vote in person or by proxy at the Pyramid special meeting, you will be counted for purposes of determining whether there is a quorum at the meeting. Shares of Pyramid common stock present in person or by proxy at the Pyramid special meeting that are entitled to vote will be counted for the purpose of determining whether there is a quorum for the transaction of business at the Pyramid special meeting. The Pyramid bylaws provide that a majority of the outstanding shares of Pyramid common stock entitled to vote at the meeting, represented in person or by proxy, constitutes a quorum at a meeting of its stockholders.

As of the record date:

Pyramid directors and executive officers and their affiliates owned and were entitled to vote [-] shares of Pyramid common stock, representing approximately [-]% of the outstanding shares of Pyramid common stock;

Pyramid directors and executive officers and their affiliates did not own any shares of Yuma common stock or Yuma preferred stock; and

Michael D. Herman, Pyramid's Chairman of the Board of Directors and Interim President and Chief Executive Officer, has entered into a voting agreement with Yuma pursuant to which he has agreed, among other things, to vote all shares of Pyramid common stock owned by him in favor of the proposal to approve and adopt the merger agreement and the proposals related to the Pyramid restated articles of incorporation and to grant an irrevocable proxy to Sam L. Banks empowering him to vote all such shares of Pyramid common stock at any meeting of Pyramid stockholders called for the purpose of voting on the merger agreement and the provisions of the restated articles of incorporation of Pyramid. As of [-], 2014, Mr. Herman owned approximately [-]% of the issued and outstanding common stock of Pyramid.

Pyramid currently expects that its directors and executive officers will vote their shares of Pyramid common stock “FOR” all of the proposals set forth in the notice of special meeting.

### **Vote Required**

***Approval and adoption of the merger agreement*** (Proposal 1). Approval of the proposal to approve and adopt the merger agreement requires the affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock.

***Approval of the Pyramid restated articles of incorporation proposals*** (Proposals 2A, 2B, 2C and 2D). Approval of each of the proposals related to the Pyramid restated articles of incorporation requires the affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock.

***Approval and adoption of the Pyramid Oil Company 2014 Long-Term Incentive Plan*** (Proposal 3). Approval of the proposal to approve and adopt the Pyramid Oil Company 2014 Long-Term Incentive Plan requires the affirmative vote of a majority of the shares of Pyramid common stock represented in person or by proxy at the special meeting and voting on the proposal, provided that such shares voting affirmatively must also constitute a majority of the required quorum for the meeting.

***Approval of the adjournment of the Pyramid special meeting*** (Proposal 4). Approval of the proposal to authorize Pyramid’s board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above requires the affirmative vote of a majority of the shares of Pyramid common stock represented in person or by proxy at the special meeting and voting on the proposal, provided that such shares voting affirmatively must also constitute a majority of the required quorum for the meeting.

Abstentions will be counted in determining the presence of a quorum, and broker non-votes will be counted in determining the presence of a quorum. Broker non-votes will not be counted as votes cast with regard to the proposal to approve and adopt the merger agreement or the proposals related to the restated articles of incorporation of Pyramid and, as such, broker non-votes could result in there not being sufficient votes cast for these proposals. With respect to the proposal to approve and adopt the Pyramid 2014 Long-Term Incentive Plan and the proposal to authorize Pyramid’s board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposals listed above, broker non-votes and abstentions could prevent these proposals from receiving the required affirmative vote of (i) a majority of the shares represented in person or by proxy and voting on each proposal and (ii) a majority of the shares required to constitute a quorum.

## **Revocability of Proxies**

The presence of a stockholder at the Pyramid special meeting will not automatically revoke that stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the special meeting to the Corporate Secretary, Pyramid Oil Company, P.O. Box 832, Bakersfield, California 93302;

submitting another signed and later dated proxy card and returning it by mail in time to be received before Pyramid's special meeting or by submitting a later dated proxy by the Internet or telephone prior to the special meeting; or

attending the Pyramid special meeting and voting in person.

## **Voting Methods**

A Pyramid stockholder of record may vote by attending the special meeting in person. You may also complete and mail your proxy card in the return envelope enclosed or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card.

## **Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of Pyramid may solicit proxies for the special meeting from Pyramid stockholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. Pyramid and Yuma will equally share the expenses incurred in connection with the printing and mailing of this proxy statement/prospectus.

## **YUMA SPECIAL MEETING**

### **General**

This proxy statement/prospectus is being furnished to Yuma stockholders in connection with the solicitation of proxies by the Yuma board of directors to be used at the special meeting of stockholders to be held at [-], on [-], 2014 at [-] a.m., local time, and at any adjournment or postponement of that meeting. This proxy statement/prospectus and the enclosed form of proxy are first being sent to Yuma stockholders on or about [-], 2014.

### **Purpose of the Yuma Special Meeting**

At the Yuma special meeting, holders of Yuma common stock and preferred stock as of the record date will be asked to consider and vote on:

- Proposal 1: the proposal to approve the merger, the merger agreement and the transactions contemplated by the merger agreement, which are further described in the sections entitled “The Merger” and “The Merger Agreement”; and
- Proposal 2: the proposal to adjourn the Yuma special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal regarding the merger.

### **Recommendation of the Yuma Board of Directors**

The Yuma board of directors has unanimously (i) determined that the merger is fair to and in the best interests of Yuma and its stockholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, and (iii) approved the merger and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby.

**The Yuma board of directors unanimously recommends that Yuma stockholders vote:**



**“FOR” the proposal to approve the merger, the merger agreement and the transactions contemplated by the merger agreement; and**

**“FOR” any adjournment proposal.**

### **Record Date and Voting**

The Yuma board of directors has fixed the close of business on [-], 2014 as the record date for determining the holders of shares of Yuma common stock and preferred stock entitled to receive notice of and to vote at the Yuma special meeting and any adjournments or postponements thereof. Only holders of record of shares of Yuma common stock and preferred stock at the close of business on that date will be entitled to vote at the Yuma special meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were [-] shares of Yuma common stock outstanding, held by approximately [-] holders of record, and [-] shares of Yuma preferred stock outstanding, held by approximately [-] holders of record.

Each holder of shares of Yuma common stock and preferred stock outstanding on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the Yuma special meeting and at any adjournment or postponement thereof. In order for Yuma to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of Yuma common stock and preferred stock entitled to vote at the meeting must be present. You will be deemed to be present if you attend the meeting or if you submit a proxy card (including through the mail) that is received at or prior to the meeting (and not revoked).

If your proxy card is properly executed and received by Yuma in time to be voted at the Yuma special meeting, the shares represented by your proxy card (including those given through the mail) will be voted in accordance with the instructions that you mark on your proxy card. If you execute your proxy but do not provide Yuma with any instructions, your shares will be voted “FOR” the proposals set forth in the notice of special meeting.

The only matters that we expect to be presented at the Yuma special meeting are set forth in the notice of special meeting. If any other matters properly come before the Yuma special meeting, the persons named in the proxy card will vote the shares represented by all properly executed proxies on such matters in their best judgment.

## Quorum

If you vote in person or by proxy at the Yuma special meeting, you will be counted for purposes of determining whether there is a quorum at the meeting. Shares of Yuma common stock and preferred stock present in person or by proxy at the Yuma special meeting that are entitled to vote will be counted for the purpose of determining whether there is a quorum for the transaction of business at the Yuma special meeting. The Yuma bylaws provide that a majority of the outstanding shares of Yuma common stock and preferred stock entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of its stockholders.

As of the record date:

Yuma directors and executive officers and their affiliates owned and were entitled to vote approximately [-] shares of Yuma common stock, representing approximately [-]% of the outstanding shares of Yuma common stock and approximately [-] shares of Yuma preferred stock, representing approximately [-]% of the outstanding shares of Yuma preferred stock;

Pyramid directors and executive officers and their affiliates did not own any shares of Yuma common stock or Yuma preferred stock; and

Sam L. Banks, James W. Christmas, Frank A. Lodzinski, Ben T. Morris, Richard K. Stoneburner, Richard W. Volk and certain of their affiliates have entered into a voting agreement with Pyramid pursuant to which these individuals have agreed, among other things, to vote all shares of Yuma common stock and preferred stock owned by each of them in favor of the transactions contemplated in the merger agreement and to grant an irrevocable proxy to Michael D. Herman or any other designee of Pyramid empowering him to vote all such shares of Yuma common stock and preferred stock at any meeting of Yuma stockholders called for the purpose of voting on the merger. As of [-], 2014, these stockholders owned approximately [-]% of the issued and outstanding common stock of Yuma and [-]% of the issued and outstanding Yuma preferred stock.

Yuma currently expects that its executive officers will vote their shares of Yuma common stock and its directors will vote their shares of Yuma preferred stock “FOR” all proposals set forth in the notice of special meeting.

## Vote Required

**Adoption of merger agreement** (Proposal 1). The affirmative vote of the holders of a majority of the outstanding shares of Yuma common stock and two-thirds or 66 % of the outstanding shares of Yuma Series A and Series B

preferred stock, voting together but as a separate class, entitled to vote at the Yuma special meeting are required to approve and adopt the merger agreement. The required vote of Yuma stockholders on the merger agreement is based upon the number of outstanding shares of Yuma common stock and preferred stock entitled to vote at the Yuma special meeting, and not the number of shares that are actually voted. The failure to submit a proxy card by mail or in person at the Yuma special meeting of any Yuma stockholder or the abstention from voting by any Yuma stockholder, will have the same effect as a vote against the approval and adoption of the merger agreement by the Yuma stockholder.

***Approval of the adjournment of the Yuma special meeting*** (Proposal 2). The affirmative vote of a majority of the votes cast by holders of Yuma common stock and preferred stock voting together at the Yuma special meeting is required to approve the proposal to adjourn the Yuma special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Yuma special meeting to adopt the merger agreement. The required vote of holders of Yuma common stock and preferred stock to approve the proposal to adjourn the special meeting of Yuma stockholders, if necessary, to solicit additional proxies is based on the number of shares that are actually voted, not on the number of outstanding shares of Yuma common stock and preferred stock. The failure to submit a proxy card by mail or in person at the special meeting of Yuma stockholders or the abstention from voting by holders of Yuma common stock will have no effect on this proposal. In accordance with the Yuma bylaws, a vote to approve the proposal to adjourn the Yuma special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Yuma special meeting to adopt the merger agreement may be taken in the absence of a quorum. Yuma does not intend to call a vote on this proposal if Proposal 1 has been approved at the Yuma special meeting.

### **Revocability of Proxies**

The presence of a stockholder at the Yuma special meeting will not automatically revoke that stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the special meeting to Kirk F. Sprunger, Corporate Secretary, Yuma Energy, Inc., 1177 West Loop South, Suite 1825, Houston, Texas, 77090;

- submitting another proxy prior to the special meeting by mail that is dated later than the original proxy; or
- attending the Yuma special meeting and voting in person.

### **Voting by Mail**

Yuma stockholders of record may submit their proxy cards by mail with the postage-paid envelope provided.

### **Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of Yuma may solicit proxies for the special meeting from Yuma stockholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. Yuma and Pyramid will equally share the expenses incurred in connection with the printing and mailing of this proxy statement/prospectus.

## **THE MERGER**

*The following is a description of the material aspects of the merger. While Pyramid and Yuma believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to Pyramid stockholders and Yuma stockholders. Pyramid and Yuma encourage Pyramid stockholders and Yuma stockholders to carefully read this entire proxy statement/prospectus, including the merger agreement attached to this proxy statement/prospectus as Annex A and incorporated herein by reference, for a more complete understanding of the merger.*

### **General**

The Pyramid board of directors and the Yuma board of directors each have approved the merger agreement, which provides for Merger Subsidiary, a wholly-owned subsidiary of Pyramid, to be merged with and into Yuma, with Yuma surviving this merger as a wholly owned subsidiary of Pyramid. We expect to complete the merger in the third quarter of 2014.

Each share of Pyramid common stock issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of Pyramid. Each share of Yuma common stock (including the shares of Yuma preferred stock converted into shares of Yuma common stock) expected to be issued and outstanding at the effective time of the merger will be converted into the right to receive 756.34 shares of Pyramid common stock, subject to adjustment if the Yuma board of directors grant restricted stock awards to employees between the date of this proxy statement/prospectus and the effective time of the merger and in the event of dissenting shares, other than issued and outstanding unvested shares of Yuma restricted common stock and Yuma restricted stock units issued to employees under the Yuma stock plan that will be assumed by Pyramid.

### **Background of the Merger**

Yuma's predecessor was established in 1983 and Yuma has operated as a privately-held independent oil and gas exploration, development and production company since 1996. It has financed its activities through a combination of internally generated funds and industry participations in projects that it has originated. In 2010, sensing growing opportunities in the U.S. oil and gas industry, management of Yuma began to explore various strategic avenues to increase the level of Yuma's activity and its oil and gas production, revenues and reserves.

Pyramid has been in the oil and gas business since 1909. Except for some minor interests in New York, Texas and Wyoming, its properties and operations are located in Kern and Santa Barbara Counties in California. However, it has only limited financial and other resources and therefore has not been able to expand its oil and gas operations, revenues, production or reserves or otherwise take advantage of emerging opportunities in the oil and gas industry.

Yuma placed approximately \$30.5 million (net of offering costs) of its preferred stock with accredited investors in 2011 and 2012. As part of the placements, Yuma undertook to create a liquidity event for its investors through (1) an initial public offering of its securities, (2) merging with an existing public company, (3) registering its preferred stock and underlying common stock, or (4) otherwise. In the fall of 2012, Alex Montano currently with ROTH, and Sam L. Banks, Chairman and Chief Executive Officer of Yuma, began discussing the advantages and disadvantages of Yuma becoming a reporting and trading company through a reverse merger with an existing public entity. In January 2013, Mr. Montano contacted Michael D. Herman, then Chairman and principal stockholder of Pyramid, to introduce Yuma and the reverse merger concept. Several telephonic discussions were held among Mr. Herman, Mr. Banks and Mr. Montano, again considering advantages and disadvantages of a possible merger transaction which culminated in an in-person meeting in Houston, Texas in April 2013. At the conclusion of the meeting the parties decided not to pursue a transaction.

During the past two years, Yuma had no relationship with ROTH other than as described herein and during the past two years there was no compensation agreement, plan, arrangement or understanding between ROTH and Yuma and there are none presently contemplated for the future.

During the past two years, Pyramid's only relationship and compensation arrangements with ROTH are as described herein and under "Opinion of ROTH Capital Partners to the Pyramid Board of Directors—General" beginning on page [—].

Beginning in early 2013, Yuma spent several months exploring reverse mergers with Australian companies and the placement and listing of its common stock on the Australian Stock Exchange. For various reasons, it became unclear whether the undertaking on a foreign stock exchange would meet the short term and long term objectives of Yuma, a U.S. company, and its U.S. stockholders.

In October of 2013, John H. Alexander, President and Chief Executive Officer and a Director of Pyramid, resigned his positions. Michael D. Herman, the then Chairman of Pyramid assumed the role as Interim President and Chief Executive Officer of Pyramid. Based upon the relative size of Pyramid and the capital requirements necessary to acquire or continue to develop its oil properties, the Pyramid board of directors determined to consider options to enhance stockholder value. This was not a formal process, but an informal approach to evaluation of options. Maintaining the status quo was not deemed to be in the best long term interests of Pyramid stockholders. Therefore, over the following months, Mr. Herman had conversations with ROTH about possible joint ventures, business combinations and mergers. Based upon the conversations with Mr. Herman, ROTH made an introduction to Yuma and arranged meetings between both companies. The Pyramid board of directors determined this to be the best option for Pyramid stockholders based in part on the operating history of Yuma, its current portfolio of oil and gas properties, its current reserve base and production, and the quality of Yuma's management team and board of directors.

November 5, 2013. During a visit to Houston, representatives of ROTH visited the offices of Yuma. During the course of the meeting, ROTH suggested that it might be timely to revisit a possible merger with Pyramid since John H. Alexander, the long time President, Chief Executive Officer and director of Pyramid had resigned from such positions as of September 30, 2013, and Pyramid was operating with an Interim President and Chief Executive Officer, Mr. Herman. Subsequently, Mr. Banks contacted Mr. Herman to see if there was an interest on the part of Pyramid to resume discussions regarding a merger of the two companies.

After an expression of interest by Mr. Herman in Mr. Bank's overture, the following occurred and is a chronological discussion of events leading up to the filing of a Registration Statement on Form S-4 of which this proxy statement/prospectus is a part. In almost all discussions including the December 23, 2013 conference call summarized below, Pyramid was represented by its Chairman and Interim President and Chief Executive Officer, Michael D. Herman and Richard D. Kasch, a director, and advised by its counsel TroyGould PC; Yuma was represented by its Chairman and Chief Executive Officer, Sam L. Banks, James J. Jacobs, Vice President Corporate and Business Development and Kirk F. Springer, Chief Financial Officer, Treasurer and Corporate Secretary. Yuma was advised by its counsel Jones & Keller, P.C. ROTH was not formally engaged by Pyramid until December 20, 2013. Prior to this engagement, ROTH was the primary driver of the concept of a business combination between Yuma and Pyramid. ROTH's efforts included arranging for meetings, facilitating the exchange of information and providing discussion points orally for the merits of such a transaction to each party. Once the decision was made to proceed with the transaction, Pyramid engaged ROTH as its exclusive financial advisor.

November 11, 2013. Messrs. Banks and Herman called Mr. Montano of ROTH to inform him that both Yuma and Pyramid had renewed interest in pursuing a combination of the two companies and asked ROTH if it could advise Pyramid as to the course of action to be taken.

November 18, 2013. ROTH contacted Yuma and Pyramid and informed them that it would review information on both companies and discuss, at a high level, the substantive and procedural aspects of a possible combination of the two companies.

November 22, 2013 through November 26, 2013. Yuma began to assemble information leading to a corporate presentation it had indicated it would make available to ROTH and Pyramid's management and board in their analyses of Yuma, its business operations, financial condition and future prospects. Several emails requesting and providing information were exchanged by Yuma and ROTH. Yuma completed its 38 page corporate presentation dated November 2013 and forwarded a copy to ROTH for its use in advising Pyramid. The corporate presentation described Yuma's oil and gas business, primarily its key producing oil and gas properties, acreage positions, financial position and management backgrounds. The presentation did not mention Pyramid or the proposed merger; hence, it did not contain any opinions or appraisals of relative values. Yuma also provided ROTH with interim summary reserve information as of July 31, 2013 and Yuma's audited historical financial information.

December 3, 2013. As part of the ongoing information process mentioned above, Yuma provided ROTH, an Independent Technical Expert's Report prepared by Netherland, Sewell & Associates, Inc. ("NSAI") which estimated reserves and future revenue as of July 31, 2013 relating to certain of Yuma's oil and gas properties located in Louisiana, North Dakota, Oklahoma and Texas.

December 4, 2013 through December 11, 2013. ROTH prepared a valuation analysis of Yuma based in part on certain information provided by Yuma including, audited financial statements, third-party reserve reports and the corporate presentation referred to above, encompassing its corporate history, management and board of directors, existing properties and an asset summary. ROTH requested that Yuma review the information contained in the analysis to address any errors or inconsistencies. ROTH made revisions in its valuations and then sent a complete presentation to Mr. Herman including its estimated value of Yuma and the potential impact a combination with Yuma might have on Pyramid. The valuation included data provided by the management team of Yuma. The revisions made were primarily based on the Pyramid closing stock price for each day, which affected the valuation. ROTH reviewed its presentation with Mr. Herman who determined to call a special meeting of Pyramid's board of directors to begin to consider a merger with Yuma.

December 12, 2013. A conference call was held between Pyramid's board of directors and representatives of ROTH to review ROTH's presentation. During the course of the conversation, ROTH discussed a wide range of options available to accomplish a business combination. As part of these conversations, ROTH was asked by Mr. Herman to suggest relative valuations of both Pyramid and Yuma. ROTH advised the board as to how it viewed the proposed value for Yuma and the resultant valuation for Pyramid. ROTH's presentation included an analysis of each of Yuma and Pyramid as a stand-alone entity and then as a combined company together with the relative values of Yuma and Pyramid contributed thereto. During this presentation, ROTH explained the manner in which it valued Yuma, including its inferred values based upon:



1. Oil and Gas Reserves
2. Net Asset Value
3. Mergers and Acquisitions Comparable Transactions
4. Comparable Public Companies

Likewise, ROTH applied the same manner of value to Pyramid, (utilizing appropriate comparable transactions and companies) to suggest a range of value for Pyramid. Based upon these separate analyses, ROTH then discussed the relative contribution by each of Yuma and Pyramid to a combined company based primarily on:

1. Oil and Natural Gas Reserves
2. Current Production
3. Net Asset Value

In addition, ROTH provided to the board of Pyramid an analysis taking into consideration the premium paid by acquirers in recent transactions that ROTH believed were comparable to a Yuma/Pyramid combination. Based upon this analysis, ROTH suggested that should Pyramid command a similar premium, that it should be based upon the relative contributions of value to a combined company, Pyramid should retain 7% ownership on a post-merger basis.

In addition, ROTH provided an analysis on how a combined company would compare to certain publicly traded companies that ROTH believed were comparable to the combined company. In particular, based upon the board's familiarity with Synergy Resources Corporation, ROTH conducted a side-by-side comparison to Synergy Resources Corporation taking into consideration, current rates of production, reserve volumes, net present value and projected EBITDA for 2013 and 2014.

Based upon this analysis, ROTH recommended that Pyramid tentatively propose the acquisition of Yuma based upon a 93/7 equity split with 7% being allocated to Pyramid. It was agreed that in the event the parties moved forward with a transaction, Pyramid would engage ROTH as its financial advisor. The Pyramid board then instructed ROTH and management to arrange a meeting with representatives from Yuma to discuss this proposal. This valuation analysis along with the analysis prepared earlier by ROTH was relied upon primarily by the Pyramid board in its decisions regarding the valuation used for the merger.

December 13, 2013. ROTH contacted Yuma and Pyramid, and arranged a meeting to be held between the two companies' management teams on December 18, 2013 in Denver, Colorado. Yuma also provided a form of confidentiality agreement to ROTH for Pyramid's review.

December 17, 2013. ROTH returned the confidentiality agreement reflecting Pyramid's comments to Yuma for its consideration and it was signed on December 27, 2013.

December 18, 2013. Mr. Banks and James J. Jacobs, Yuma's Vice President of Corporate and Business Development, traveled to Denver, Colorado to meet with Mr. Herman and Rick D. Kasch, a member of Pyramid's board of directors, and Mr. Montano. ROTH began the meeting with a discussion of various aspects of a potential business combination of Yuma and Pyramid, including its determination that an appropriate business combination would result in a 93/7 post ownership structure, as discussed on the December 12th conference call between ROTH and Pyramid's board of directors. Thereafter, the meeting continued with the representatives of each company gathering information and asking specific questions about the other company's business, assets, financial condition and future prospects and general questions about the other company's future plans, motivations and interest in pursuing a combination of the two companies. At the outset, both parties agreed that this should be an all-stock transaction that would most closely align the interest of the respective stockholders and provide them with future upside potential. A cash purchase by Yuma of Pyramid assets would not achieve the longer range strategies of either company. Furthermore, given the anticipated capital requirements to continue to develop the oil and gas assets of Yuma, it was agreed that all available cash should be utilized for asset development.

Discussions of the foregoing and Yuma's near and long-term strategy ensued and included:

· Yuma's future plans for acreage, asset and/or company acquisitions;

· a more detailed examination of the key aspects of future targeted areas for Yuma's growth, including oil/liquids bias, conventional/unconventional prospects and geographic areas of focus;

a more detailed examination of Yuma's processes for identifying areas to lease within new prospective plays, including the geologic, geophysical and technical information and processes underlying its target areas;

· Yuma's plans to finance its acquisition strategy and growth;

· the status and nature of any acquisition discussions Yuma has had with other companies and industry partners;

· details of Yuma's management, technical and operational staff and information regarding their ability to execute Yuma's strategy;

· Yuma's expectations regarding the effect that the mergers and acquisitions market and commodity prices might have on its strategy;

· information regarding Yuma's current liquidity and near-term capital plans and financing strategies;

· further details regarding the process and timing of a possible transaction between the companies; and

· information regarding the current ownership structure of Yuma as between common and preferred stockholders.

December 19, 2013. Yuma management advised its board of directors that Mr. Banks and Mr. Jacobs had business combination discussions with Pyramid and requested authorization to make or accept an offer to Pyramid looking to merge the two companies. After Messrs. Banks and Jacobs provided their summaries and assessment of the discussions with Mr. Herman and ROTH, including the proposed 93/7 post-transaction ownership split, valuation of ROTH and Yuma's own internal analysis of value (upon which Yuma management used primarily in its decisions regarding valuation for the merger), the Yuma board expressed its interest in the benefits that a combination with Pyramid might bring to Yuma and its stockholders. These benefits primarily included advantages that might accrue as a result of Yuma's assuming Pyramid's role as a fully reporting SEC company with securities listed on a national stock exchange. Yuma's board of directors unanimously agreed that management should pursue the opportunity with Pyramid management and ROTH. In accordance with the board's instructions later the same day Yuma sent a proposal to Pyramid in-line with the ROTH presentation suggesting a combination of the two companies with a post-transaction ownership of 93% and 7% as between Yuma stockholders and Pyramid stockholders, respectively.

December 20, 2013. Pyramid formally engaged ROTH for the purposes of serving as its exclusive advisor in connection with, among other possible transactions (i) any merger, consolidation, reorganization or other business combination, or (ii) acquisition of assets, acquisition of stock, sale, transfer or other disposition of all or a significant portion of the capital stock or assets of Pyramid, tender or exchange offer, leveraged buyout, joint venture formation or partnership, or any other business disposition.

December 23, 2013. A board meeting was held by Pyramid to discuss the December 18th meeting in Denver. A representative of ROTH was present at the meeting and responded to questions from the Pyramid board of directors. Next steps were discussed and the board authorized management and its representatives to undertake the necessary steps towards concluding a form of business combination with Yuma. Pyramid's board of directors considered and ultimately determined that a special committee of its board of directors to negotiate and oversee the transaction on behalf of the entire board was not necessary or warranted under the circumstances. In reaching its determination, the board considered that Mr. Herman had no current intention of entering into an employment agreement or remaining employed with Pyramid beyond any reasonable transition period after the merger and that he was by far the largest holder of Pyramid common stock, which directly aligned his interests with other stockholders. Also, Mr. Herman had no change-in-control or similar payment that would be triggered by the merger. Moreover, substantial business and financial experience and unique perspectives of each member of Pyramid's board coupled with the active involvement of each of the independent members of the board supported the decision not to form a special committee of the board.

December 23, 2013. After a favorable indication of interest from Pyramid, a conference call was held among Yuma, Pyramid and ROTH to discuss the next steps to be taken. All agreed that a non-binding term sheet should be prepared by counsel so that both companies and ROTH would have a clear understanding of the basic structure, terms and conditions of the proposed transaction. Counsel for each company was contacted and work on the term sheet was commenced.

December 26, 2013. Counsel to Pyramid forwarded the first draft of a preliminary non-binding term sheet. Among other things, the term sheet set forth: (i) the proposed structure of the transaction (a reverse triangular merger); (ii) an exclusivity or non-solicitation period until January 31, 2014 at which time the term sheet would expire unless a definitive, contractually binding, agreement had been reached; and (iii) conditions to the closing of any such transaction. The term sheet was signed on December 27, 2013.

December 28, 2013 through February 4, 2014. Management teams of Yuma and Pyramid, counsel to Yuma and counsel to Pyramid, began the process of negotiating the merger agreement, including the mutual representations and warranties of the companies, covenants and conditions to closing, non-solicitation provisions and exceptions, fiduciary outs for alternative and superior proposals, and termination fees and expenses. Also during this period, management of Pyramid and Yuma exchanged due diligence checklists and continued their analyses of each other's business, assets, financial condition and future prospects, which process had begun in preceding weeks. ROTH assisted in these activities giving both parties insight into market customs and practices in transactions of the same general nature or contemplated by Yuma and Pyramid. Many drafts of the merger agreement were exchanged, revised, again exchanged until a near final draft was agreed to by management of Pyramid, its counsel, and management of Yuma and its counsel. The drafts reflected the addition of information which was being provided by the parties, a provision for reincorporation of Pyramid from California to Delaware (which was later abandoned), the treatment of stock options and restricted stock awards, treatment of dissenting shares of Yuma, procedure for the exchange of shares, the nature and extent of representations and warranties of both companies and the amount of "fiduciary out" breakup fees. These drafts resulted in a near final draft which became the final draft of the merger agreement as included in this proxy statement/prospectus as Annex A.

January 7, 2014 through January 9, 2014. Members of Yuma's management team held due diligence meetings in Pyramid's Bakersfield offices.

January 27, 2014 through January 29, 2014. Members of Yuma's management team held additional due diligence meetings in Pyramid's Bakersfield offices.

February 1, 2014 and February 3, 2014. The board of directors of Pyramid met telephonically with counsel to discuss terms and conditions of the draft merger agreement and related issues for the board to consider. The board also met telephonically with Pyramid's independent auditor, SingerLewak LLP, to discuss financial statement and related matters concerning the proposed merger.

February 4, 2014. The board of directors of Yuma met telephonically with management and counsel. At the meeting, management of Yuma provided an overview of the transaction process and timing; Yuma's management and counsel provided a comprehensive report on diligence activities and findings; and Yuma's counsel provided a status report on the final negotiations of significant terms of the draft merger agreement. The Yuma board of directors then considered and unanimously approved the proposed combination with Pyramid on the terms and conditions set forth in the final draft of the merger agreement. Management was authorized to execute the merger agreement and the related voting agreement and take all actions necessary to carry out its terms and conditions of both agreements.

February 4, 2014. Pyramid's board of directors met telephonically with counsel and representatives of ROTH to engage in further discussions regarding the proposed transaction structure with Yuma and associated issues. All directors were present. The terms of the merger agreement draft of February 3, 2014 were discussed including

treatment of stock options of Pyramid, tax treatment of the merger consideration, procedures for the exchange of shares, the desire of Yuma to have Pyramid reincorporated from California to Delaware, representations, warranties and conditions in the merger agreement, the “fiduciary out” section of the merger agreement, and Pyramid’s and Yuma’s conduct of activities prior to closing of the merger. Counsel to Pyramid provided an overview of the proposed merger transaction and process for the Pyramid board to consider the reincorporation which was later abandoned, the merger and the merger agreement.

Pyramid’s board of directors also received ROTH’s financial analyses of the proposed transaction. ROTH provided a written presentation relating to its proposed fairness opinion, which presentation included an overview of Pyramid and Yuma, and each method of valuation analysis utilized by ROTH, as well as financial analyses of both companies. More information regarding ROTH’s financial analyses and fairness opinion is set forth herein under “The Merger—Opinion of ROTH Capital Partners to the Pyramid Board of Directors.” ROTH delivered its oral opinion that the exchange ratio of the merger was fair to Pyramid and its stockholders, from a financial point of view, and ROTH stated that its written opinion, confirming its oral opinion, which was based on and subject to various assumptions made, procedures followed and matters considered in connection with such opinion, would be forthcoming on February 5, 2014.

Thereafter the Pyramid board of directors unanimously: (i) approved the merger, the merger agreement and each of the transactions contemplated therein which include, among other things, the reincorporation from California to Delaware (which was later abandoned), approval of the issuance of shares to Yuma stockholders and the change of name of the combined entity to “Yuma Energy, Inc.”; (ii) authorized management to execute the merger agreement in substantially the form presented to the Pyramid board and the related voting agreement and take all actions necessary to carry out its terms and conditions of both agreements; and (iii) recommended that the merger agreement be submitted to Pyramid stockholders for approval in accordance with the terms of the merger agreement.

February 6, 2014. Pyramid and Yuma issued a joint press release announcing the proposed merger and Pyramid filed a Current Report on Form 8-K with the SEC regarding the execution of the merger agreement.

Late July 2014. During late July, Pyramid and Yuma negotiated the form of the amended and restated agreement and plan of merger and reorganization. Under the new structure a proposed reincorporation of Pyramid from California to Delaware was eliminated. The economics of the transaction remained the same.

August 1, 2014. The Yuma board of directors unanimously approved the amended and restated agreement and plan of merger and reorganization and the amended and restated voting agreements. Also on August 1, 2014, Pyramid's board of directors met telephonically with counsel and representatives of ROTH to engage in discussions regarding the new proposed transaction structure with Yuma and associated issues. All directors were present. The terms of the amended and restated agreement and plan of merger and reorganization draft of July 31, 2014 were discussed, including the amendments to the restated articles of incorporation of Pyramid. Counsel to Pyramid provided an overview of the revised merger transaction and process for the Pyramid board to consider the merger and the amended and restated agreement and plan of merger and reorganization.

Thereafter the Pyramid board of directors unanimously: (i) approved the merger, the amended and restated agreement and plan of merger and reorganization and each of the transactions contemplated therein which include, among other things, approval of the issuance of shares to Yuma stockholders and approval of the Pyramid restated articles of incorporation; (ii) authorized management to execute the merger agreement in substantially the form presented to the Pyramid board and the related voting agreement and take all actions necessary to carry out its terms and conditions of both agreements; and (iii) recommended that the merger agreement be submitted to Pyramid stockholders for approval in accordance with the terms of the merger agreement.

### **Recommendation of Pyramid's Board of Directors and Reasons for the Merger**

Pyramid's board of directors has determined that the merger is fair to, and in the best interests of, Pyramid and its stockholders. In deciding to approve the merger agreement and to recommend that Pyramid's stockholders vote to approve the issuance of shares of Pyramid common stock in connection with the merger, Pyramid's board of directors consulted with Pyramid's management and legal and financial advisors and considered a variety of factors, including the following material factors:

the combination will greatly diversify Pyramid's oil and gas operations which are presently concentrated in a small area in California;

the combination will increase estimated proved reserves;

the combined entity's market capitalization and its expected enhanced access to debt and equity capital markets, which the Pyramid board of directors believes will enhance the ability to finance development and production of the

combined entity's increased scale of operations;

the merger will provide Pyramid with participation in a larger portfolio of exploitation and exploration opportunities in liquids prone resource plays within areas targeted by Yuma;

the merger will create a larger company that is expected to have more liquidity in its common stock and better access to capital markets, which should provide greater financial flexibility;

the merger agreement generally prohibits Pyramid, its management employees, directors and advisors from taking any action to seek or solicit an alternative transaction or takeover proposal and from recommending, participating in discussions regarding or furnishing information with respect to an alternative takeover proposal, except in each case in limited circumstances, which permit the members of the Pyramid board to comply with their fiduciary duties; and

in the event that the merger is not consummated, the failed transaction costs, including costs of potential litigation, arising from the failed merger agreement, will be significant to a company the size of Pyramid.

Pyramid's board of directors considered other information and a number of additional factors in reaching its decision including:

information concerning the financial condition, results of operations, prospects and businesses of Pyramid and Yuma, including the respective companies' reserves, production volumes, cash flows from operations, performance of common stock of Pyramid's common stock price over various periods, as well as current industry, economic and market conditions;

the results of business, legal and financial due diligence investigations of Yuma conducted by Pyramid's management and its legal and financial advisors;



the presentation and opinion of ROTH to the effect that, as of the date of the opinion and based on the assumptions, limitations, qualifications and conditions stated in the opinion letter, from a financial point of view, the merger exchange ratio is fair to Pyramid and its stockholders, from a financial point of view;

the provisions that allow Pyramid to engage in negotiations with, and provide information to, third parties in response to unsolicited, bona fide, written acquisition proposals from such third parties that may be superior to the Yuma proposed merger; and

unless an alternative superior merger proposal received from a third party is matched by Yuma, the merger agreement allows Pyramid to terminate the merger agreement prior to the receipt of Pyramid's stockholder approval of the merger and to enter into a written agreement with a third party to effectuate a superior proposal.

Pyramid's board of directors also considered a variety of risks and other potentially negative factors concerning the merger and the transactions contemplated by the merger agreement, including:

because Pyramid will be issuing a large number of new shares of common stock to Yuma's stockholders in the merger, each outstanding share of Pyramid common stock immediately prior to the merger will represent a much smaller percentage of Pyramid's total shares of common stock after the merger;

- if oil or gas prices decrease, the combined assets will be less desirable from a financial point of view;

there are significant risks inherent in combining and integrating two companies, including that the companies may not be integrated successfully and that successful integration of the companies will require the dedication of management resources, which will temporarily detract attention from the day-to-day businesses of the combined company;

the capital requirements necessary to achieve the expected growth of the combined company's businesses will be significant, and there can be no assurance that the combined company will be able to fund all of its capital requirements from operating cash flows;

the merger might not be completed as a result of a failure to satisfy the conditions contained in the merger agreement. Neither Pyramid nor Yuma is obligated to consummate the merger unless the conditions in the merger agreement are satisfied or, in some cases, waived; and

- other matters described under the caption "Risk Factors" beginning on page [—].

This discussion of the information and factors considered by Pyramid's board of directors in reaching its conclusions and recommendations includes all of the material factors considered by the board but is not intended to be exhaustive. In view of the wide variety of factors considered by Pyramid's board of directors in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, Pyramid's board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of Pyramid's board of directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of Pyramid's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Concerning Forward-Looking Statements" beginning on page [—] of this proxy statement/prospectus.

***Recommendation of the Pyramid Board of Directors***

Pyramid's board of directors determined that the merger, the merger agreement and the other transactions contemplated in the merger agreement are fair to, and in the best interests of Pyramid and its stockholders. Accordingly, the Pyramid board of directors unanimously adopted resolutions (i) determining that the merger agreement and the merger, in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are fair to, advisable and in the best interests of Pyramid and its stockholders, (ii) approving and adopting the merger agreement and approving the merger and the other transactions contemplated by the merger agreement, (iii) directing that the merger agreement be submitted to a vote of the Pyramid stockholders at the Pyramid special meeting and (iv) recommending that the Pyramid stockholders vote "FOR" the approval and adoption of the merger agreement.

## Recommendation of Yuma's Board of Directors and Reasons for the Merger

After careful consideration, the Yuma board of directors unanimously approved and adopted the merger agreement, the merger and the other transactions contemplated by the merger agreement and determined that the merger agreement, the merger and the other transactions contemplated by the merger, taken as a whole, are advisable, fair to and in the best interests of Yuma and its stockholders. The Yuma board of directors unanimously recommends that Yuma stockholders vote "FOR" the proposal to approve and adopt the merger agreement.

In reaching its decision that the merger and the other transactions contemplated by the merger agreement, taken as a whole, are advisable, fair to and in the best interests of Yuma and its stockholders, Yuma's board of directors consulted with Yuma's management and its third party legal advisors and considered a variety of factors, including the following material factors:

the fact that there is no public trading market for Yuma's common stock or preferred stock and that shares of the combined company's common stock will be registered and listed for trading on the NYSE MKT;

the public nature of the combined company's common stock may facilitate future capital raising, acquisitions of assets or companies for shares of common stock, and a means through stock options and similar incentives to attract high caliber officers and employees and align their interests with those of stockholders;

through their receipt of Pyramid common stock as part of the merger consideration, Yuma stockholders have the opportunity to participate in the combined company's growth and share appreciation in the future (including share appreciation resulting from further exploitation and development of Yuma assets) should they determine to retain their Pyramid common stock after the merger;

Yuma's board of directors also considered that the structure of the merger consideration would be desirable to its stockholders in that the common stock is issuable in the merger would not be a taxable transaction for Yuma's stockholders;

the combined entity's market capitalization and its expected enhanced access to debt and equity capital markets, which the Yuma board of directors believes will enhance the ability to finance development and production of the combined entity's increased scale of operations;

the importance of increased operating scale and size in successfully growing, developing and operating a large geographically diverse "resource play" focused company in today's oil and gas industry. Yuma's board recognized that scale and size have become increasingly important in securing access to services and equipment, sourcing acquisitions, developing infrastructure, attracting necessary debt and equity capital and attracting and retaining quality

technical and operating personnel. The board believes the merger and subsequent public reporting visibility and trading of its securities will provide the opportunity for growth and related benefits of scale faster than Yuma could attain if it were to continue growing as a private entity;

- the financial position of Pyramid in that it has cash and generates positive cash flow on a monthly basis;

Yuma's management believes the Pyramid assets have reserve growth potential with lower cost to grow production;

current industry, economic and market conditions and the understanding of the Yuma board of directors of the present and anticipated environment in the independent exploration and production sector of the energy industry, including the continuing consolidation within the sector; and

the results of the business, petroleum engineering, legal, environmental and financial due diligence investigations of Pyramid conducted by Yuma's management and outside advisors.

In addition to the merger consideration, Yuma's board of directors considered additional terms and conditions of the merger agreement that it believes are favorable, including:

the exchange ratio for the Pyramid shares to be received in the merger is fixed so that the Yuma stockholders will have the continued opportunity to benefit from any appreciation in the share price of Pyramid common stock between the announcement of the merger agreement and completion of the merger;

the provisions that allow Yuma to engage in negotiations with, and provide information to, third parties in response to unsolicited, bona fide, written acquisition proposals from such third parties that may be superior to the Pyramid merger consideration;

unless an alternative superior merger proposal received from a third party is matched by Pyramid, the merger agreement allows Yuma to terminate the merger agreement prior to the receipt of Yuma's stockholder approval of the merger and to enter into a written agreement with a third party to effectuate a superior proposal; and

the merger agreement requires the approval of the holders of at least a majority of Yuma's common stock and two-thirds or 66 % of its preferred stock.

The Yuma board of directors also considered certain risks associated with the merger including, among others, the following risks:

- that the merger might not be completed as a result of a failure to satisfy one or more conditions to the merger;
  - that the operations of the two companies may not be integrated successfully;
  - that any anticipated synergies may not be fully realized;

that the trading value of the shares of Pyramid on the date the merger agreement was signed might be less at the time the merger is consummated as a result of market fluctuations in the price of Pyramid common stock due to the fixed exchange ratio of the Pyramid common stock to be issued for the Yuma common stock and preferred stock;

that the merger agreement generally prohibits Yuma, its management employees, directors and advisors from taking any action to seek or solicit an alternative transaction or takeover proposal and from recommending, participating in discussions regarding or furnishing information with respect to an alternative takeover proposal, except in each case in limited circumstances, which permit the members of the Yuma board to comply with their fiduciary duties;

that in the event of the termination of the merger agreement in certain instances Yuma could be responsible for payment to Pyramid of a termination fee of \$1.0 million;

in the event that the merger is not consummated, the failed transaction costs, including costs of potential litigation, arising from the failed merger agreement, will be significant to Yuma; and

- other matters described under the caption "Risk Factors" beginning on page [—].

The foregoing discussion of the factors considered by the Yuma board of directors in making its decision is not exhaustive, but includes the material factors considered by the Yuma board of directors. In view of the variety of material factors considered in connection with its evaluation of the merger, the Yuma board of directors did not find it

practicable to, and did not, quantify or otherwise assign relative or specific weight to any of these factors, and individual directors may have given different weight to different factors. Rather, Yuma's board of directors made its determination based on the totality of the information presented to it.

The above description of the Yuma board of directors' considerations relating to the merger is forward-looking in nature. This information should be read in light of the factors discussed above under "Cautionary Statement Concerning Forward-Looking Statements" beginning on page [—] of this proxy statement/prospectus.

***Recommendation of the Yuma Board of Directors***

At its meeting on February 4, 2014, after due consideration, the Yuma board of directors unanimously adopted resolutions (i) determining that the merger agreement and the merger, in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are fair to, advisable and in the best interests of Yuma and its stockholders, (ii) approving and adopting the merger agreement and approving the merger and the other transactions contemplated by the merger agreement, (iii) directing that the merger agreement be submitted to a vote of the Yuma stockholders at the Yuma special meeting and (iv) recommending that the Yuma stockholders vote "FOR" the approval and adoption of the merger agreement.

## Opinion of ROTH Capital Partners to the Pyramid Board of Directors

Pyramid's board of directors retained ROTH Capital Partners, LLC, or ROTH, to deliver an opinion as to the fairness of the exchange ratio in the merger as to Pyramid and its stockholders. At a meeting of Pyramid's board of directors on February 4, 2014, ROTH issued its oral opinion to the board of directors, later confirmed in a written opinion dated February 5, 2014, that, based upon and subject to the assumptions, procedures, considerations and limitations set forth in the written opinion and based upon such other factors as ROTH considered relevant, the exchange ratio in the merger is fair to Pyramid and its stockholders, from a financial point of view, as of the date of the opinion.

**The full text of the ROTH written opinion dated February 5, 2014, confirming its oral opinion issued to Pyramid's board of directors on February 4, 2014, sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by ROTH in rendering its opinion, is attached to this proxy statement/prospectus as Annex D and is incorporated in its entirety herein by reference. You are urged to, and should, carefully read the ROTH opinion in its entirety and this summary is qualified by reference to the written opinion. The ROTH opinion addresses only the fairness, from a financial point of view and as of the date of the opinion, of the exchange ratio in the merger. ROTH's opinion was provided to Pyramid's board of directors in connection with its consideration of the merger and does not address Pyramid's underlying business decision to proceed with or effect the merger or the structure of the merger, or the relative merits of the merger compared to any alternative business strategy or transaction in which Pyramid might otherwise engage. The ROTH opinion was not approved by an internal committee.**

In connection with rendering the opinion described above and performing its financial analyses, ROTH, among other things:

· reviewed and analyzed the financial terms of the unsigned execution draft of the merger agreement, dated February 4, 2014;

· reviewed certain publicly available business and financial information of Pyramid that ROTH believed to be relevant to its inquiry;

· reviewed certain internal financial statements and other financial and operating data concerning Pyramid and Yuma, respectively;

· reviewed certain financial forecasts relating to Yuma prepared by the management of Yuma;

· reviewed the reported prices and trading activity for Pyramid common stock;

compared the financial performance of Yuma and Pyramid, respectively, and the prices and trading activity of Pyramid common stock with that of certain publicly traded companies ROTH deemed relevant;

compared certain financial terms of the merger to financial terms, to the extent publicly available, of certain other business combination transactions ROTH deemed relevant; and

performed such other analyses and considered such other factors as ROTH deemed appropriate.

In addition, ROTH held multiple conversations with senior management and the board of directors of Pyramid, including, in particular, regarding the course of discussions of the merger. These conversations also entailed recent developments in the business operations of Pyramid, including a review of business opportunities and anticipated oil and natural gas production schedules prepared by management along with the corresponding financial projections.

The preparation of an opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to particular circumstances. Therefore, such an opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, ROTH did not attribute any particular weight to any analysis or factor considered by it, or make any conclusion as to how the results of any given analysis, taken alone, supported its opinion. Accordingly, ROTH believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all of the factors and analyses, would create a misleading view of the processes underlying ROTH's opinion. In addition, in certain of its analyses ROTH derived a value for Yuma and compared the consideration being paid by Pyramid to certain other companies and other transactions that ROTH deemed comparable. No public companies and/or transaction utilized by ROTH, as a comparison, are identical to Yuma or Pyramid or to the proposed transaction with Pyramid. An analysis of the results of such comparison is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and transactions and other factors that could affect the public trading value of the comparable companies or enterprise value of the comparable transactions to which Yuma and the transaction with Pyramid were being compared.



In performing its analyses, ROTH made certain assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of ROTH, Yuma and Pyramid. Any estimates contained in the analyses performed by ROTH are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty. The ROTH opinion and ROTH's presentation to the Pyramid board were among several factors taken into consideration by the Pyramid board in making its determination to approve the merger agreement. Consequently, the ROTH analyses described herein should not be viewed as determinative of the decision of the Pyramid board or the Pyramid management to engage in the merger.

The following is a summary of the material financial analyses that ROTH prepared and relied on in delivering its opinion to the Pyramid board of directors. This summary includes information presented in tabular format, which tables must be read together with the text of each analysis summary and considered as a whole in order to understand fully the financial analyses presented by ROTH. The tables alone do not constitute a complete summary of the financial analyses. The order in which these analyses are presented below, and the results of those analyses, should not be taken as any indication of the relative importance or weight given to these analyses by ROTH or Pyramid's board of directors. Except as otherwise noted, the following quantitative information, to the extent that it is based upon market data, is based upon market data as it existed on or before February 3, 2014, and is not necessarily indicative of current market conditions.

### *Financial Analyses*

ROTH utilized a series of financial analyses whereby it, among other things, compared Yuma to certain transactions and peer companies to determine a range of values for Yuma. ROTH also valued Yuma's assets using a net asset value and discounted cash flow analysis. The mean of these values was then compared to the enterprise value of Pyramid as of February 3, 2014, which was calculated by ROTH to be \$20,225,000.

### *Comparable Transaction Analysis*

ROTH conducted a comparable transactions analysis by examining the terms of selected transactions in the U.S. Gulf Coast region that ROTH believed are comparable to Yuma based upon varying factors including size, geographic location, and/or market perception. Based upon its initial review, ROTH considered 234 transactions and removed all the transactions prior to December 28, 2012, resulting in 105 transactions. ROTH further reduced the sampling group to 33 comparable transactions based upon a specific review of the transactions compared to Yuma. ROTH reduced the number of comparable transactions down to 33 based upon the available information on each specific transaction. In certain cases, there was not sufficient information available on a particular transaction to allow a proper comparative analysis. ROTH compared the purchase price being paid, versus the amount of proved reserves being purchased to

determine an inferred price being paid per proved barrel of oil equivalent (“Boe”) in dollars per one million barrels of oil equivalent (“MMBoe”) (the “Proved Reserves Value”). ROTH also compared the purchase price being paid, versus the amount of daily production being purchased to determine an inferred price being paid per BOE produced each day (the “Production Value”). In reviewing these transactions, ROTH took into consideration various factors including total transaction value, geographic location and diversity of the proven assets and the relative mix of reserves broken down into proved developed and proved un-developed categories.

ROTH conducted a review of the valuation of Yuma based upon comparable transactions in the U.S. Gulf Coast region since December 28, 2012 and found that the mean Proved Reserves Value was \$20.67 per BOE and that the mean per flowing barrel was \$109,937 per Boe/d. The mean Proved Reserves Value and the mean Production Value were applied to Yuma’s reserve report as of July 31, 2013 of approximately 19.8 MMBoe, Yuma’s current rate of production of 2,850 Boe/d, and reduced by Yuma’s asset retirement obligation (\$14,855,000), working capital deficit (\$1,086,000), and long term debt (\$24,950,000). Yuma’s additional assets of \$19,430,000 were added to the valuation.

	Transaction Value (\$MM)	Transaction Value / Proved Reserves Value (MMBoe)	Transaction Value / Flowing Barrel (MBoe/d)
High	\$ 768.00	\$ 57.21	\$ 293,333.33
Low	\$ 26.25	\$ 7.03	\$ 16,605.26
Mean	\$ 272.45	\$ 20.67	\$ 109,937.10
Median	\$ 235.60	\$ 18.79	\$ 97,237.25

Using the mean Proved Reserves Value, the mean inferred value for Yuma resulted in \$388,032,578 as adjusted for the items above the table. Using the mean price paid per flowing barrel value, the mean inferred value for Yuma resulted in a value of \$291,859,742 as adjusted for the items above the table.

### *Comparable Company Analysis*

ROTH performed a separate analysis of the implied value of Yuma using a selected group of publicly traded oil and gas companies primarily focused on exploration or early stage appraisal assets. Based on its review of the applicable metrics for each of the selected sector relevant peer companies that it believes are comparable to Yuma based upon varying factors including size, geographic location, and/or market perception. ROTH determined the total enterprise value per EBITDA (earnings before interest, taxes, depreciation and amortization) for the year ended December 31, 2013 and management projections for the year ending December 31, 2014. ROTH utilized: (i) enterprise value (“EV”) (which is defined as market value of equity plus book value of debt and liquidation value of preferred stock, less excess cash and cash equivalents); and (ii) Yuma management’s estimated EBITDA for the year ended December 31, 2013 (\$12 million) and management projections for EBITDA for the year ending December 31, 2014 (\$50 million). These estimates and projections were prepared by Yuma based upon assumptions which at the time included additional drilling of wells, estimates of oil and gas prices, LOE assumptions, corporate assumptions (including general and administrative), capital assumptions, and assumptions regarding working interests that would be realized in 2013 and 2014. In addition, ROTH had discussions with management of Yuma to discuss the estimates and projections for EBITDA in 2013 and 2014 and in particular the increase in estimates for 2014 versus 2013. Key factors addressed included continued growth in production volumes from new wells, and the full impact of certain reversionary working interests that would be realized in 2013 and 2014. In addition to these EBITDA assumptions, ROTH relied on information including, current rates of production, provided by Yuma’s management and the net present value of Yuma’s oil and natural gas reserves.

Based on these criteria, ROTH identified and analyzed the following selected companies:

<b>Company Name</b>	<b>Ticker</b>
<b>Goodrich Petroleum, Corp.</b>	GDP
<b>Bonanza Creek Energy, Inc.</b>	BCEI
<b>Diamondback Energy, Inc.</b>	FANG
<b>Gulfport Energy Corp.</b>	GPOR
<b>Synergy Resources Corp.</b>	SYRG
<b>Contango Oil &amp; Gas Company</b>	MCF
<b>Approach Resources, Inc.</b>	AREX

For the selected companies the analysis indicated the following criteria:

	EV/EBITDA		EV/EBITDA	
	FY2013		FY2014	
Max	24.2	x	24.4	x
Min	8.2	x	5.8	x
Mean	13.6	x	12.1	x
Median	12.3	x	9.1	x

ROTH then determined an EBITDA multiple based upon the mean value of the peer companies. ROTH then applied the mean value multiples to Yuma's EBITDA projections resulting in FY2013 and FY2014 enterprise values of \$158,800,000 and \$613,700,000, respectively, for Yuma. The difference in Yuma's estimated enterprise value in 2013 and 2014 is the mathematical difference between the projected 2013 EBITDA multiplied by the peer group multiple calculated for 2013 and the 2014 projected EBITDA multiplied by the peer group multiple calculated for 2014.

#### *Net Asset Valuation Analysis*

Based upon management information, ROTH estimated the net asset value ("NAV") based on Yuma's existing base of proved developed producing, proved developed non-producing and proved undeveloped reserves per Yuma's reserve report prepared by Netherland Sewell & Associates dated July 31, 2013 and Yuma's management field estimates as of July 31, 2013. The NAV was determined using PV-10 (as defined below) and risking factors based on reserve category and location, as discussed with Yuma management. ROTH estimated NAV by adding (i) the PV-10 of the proved developed producing, proved developed non-producing and proved undeveloped reserves, which were discounted at varying rates to reflect the relative certainty of the individual reserve categories, plus (ii) the book value or estimated market value of other assets, less (iii) outstanding debt, asset retirement obligation and working capital deficit. The term "PV-10" means the present value of estimated future revenues to be generated from the production of proved reserves calculated in accordance with SEC guidelines, net of estimated lease operating expense, production taxes and future development costs, using prices, as prescribed in the SEC rules, and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service, depreciation, depletion and amortization, or federal income taxes and discounted using an annual discount rate of 10%. PV-10 is considered a non-GAAP financial measure as defined by the SEC.

Based on this analysis, the Net Asset Value for Yuma was calculated by ROTH to be \$404,542,130.

*Discounted Cash Flow Analysis*

ROTH performed discounted cash flow analysis on the proved reserves of Yuma. A discounted cash flow analysis is a traditional valuation methodology used to derive the valuation of an asset by calculating the “present value” of estimated future cash flows of the asset. The term “present value” refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a range of discount rates that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. To calculate the estimated enterprise value of the oil and gas assets of Yuma (the “Assets”) using discounted cash flow analysis, ROTH used (a) management-furnished assumptions regarding the Assets’ production volumes on a per well basis and for the life of the field; (b) management-furnished assumptions regarding the Assets’ capital expenditures required to develop and produce such volumes; (c) management-furnished operational assumptions and estimates of expenditure for the Assets; and (d) the fiscal terms as provided by management. ROTH used a discount rate of 10.0%. The discount rates were based on ROTH’s analysis of how similar projects are evaluated in the market and across the selected sector relevant peer companies. The assumptions utilized by ROTH in the discounted cash flow analysis were: West Texas Intermediate oil price starting in 2013 with \$107.108 per barrel and ending 2027 with a price of \$102.609 per barrel; Henry Hub gas price starting 2013 with \$3.874 per cubic feet and ending 2027 with a price of \$3.213 per cubic feet; tax expenses of \$162.352 million; capital cost expenses of \$414.382 million; and operating expenses of \$104.936 million.

Based upon this discounted cash flow analysis, Yuma has a value of \$443,000,000 as calculated by ROTH.

*Contribution Analysis*

ROTH utilized various analyses to determine a range of value of Yuma, and then applied that value in a contribution analysis with the enterprise value of Pyramid as of February 3, 2014. ROTH undertook a review of the relative values being contributed by Pyramid and Yuma on a combined, post transaction basis. In particular, ROTH focused on the contribution of value related to total proved reserves, daily production in Boe and discounted cash flow at 10%. ROTH compared this contribution of value to the proposed ownership breakdown of the combined entity on a post transaction basis, on average Yuma’s contribution will result in 96.8% and Pyramid’s contribution will result in 3.2% compared to an exchange ratio that will result in 93.0% of the post transaction company being owned by the stockholders of Yuma and 7.0% of the post transaction company being owned by the stockholders of Pyramid.

Production	Reserves	Discounted Cash
(Boe/d)	(Boe)	Flow 10%

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Pyramid	4.2	%	2.4	%	3.2	%
Yuma	95.8	%	97.6	%	96.8	%
Total	100.0	%	100.0	%	100.0	%

*Relative Values*

ROTH determined the value for Yuma of \$371,400,000 using the mean of the values derived from the above financial analyses and compared that to the enterprise value of Pyramid. This comparison showed that on a combined basis, Yuma's assets were contributing 96.8% of the value on a post-merger basis and Pyramid's assets were contributing 3.2% of the value on a post-merger basis.

*General*

For purposes of its opinion, ROTH relied upon and assumed the accuracy and completeness of the financial statements and other information provided by Yuma and Pyramid or otherwise made available to ROTH and did not assume responsibility to independently verify such information. ROTH further relied upon the assurances of management of Yuma and Pyramid that the information provided was prepared on a reasonable basis in accordance with industry practice, and, with respect to financial planning data, reflects the best currently available estimates and judgment of management of Yuma and Pyramid, and management was not aware of any information or facts that would make the information provided to ROTH incomplete or misleading. ROTH expressed no opinion regarding such financial planning data or the assumptions on which it is based. ROTH expresses no opinion as to any such financial forecasts, estimates or forward-looking information or the assumptions on which they were based. ROTH has relied, with the consent of Yuma and Pyramid, on advice of the outside counsel, the third party engineering firm, and the independent accountants to Yuma, and on the assumptions of the management of Yuma as to all accounting, legal, tax and financial reporting matters with respect to Yuma and the merger agreement.

For the purposes of its opinion, ROTH assumed that neither Yuma nor Pyramid are party to any material pending transaction, including any external financing, recapitalization, acquisition or transactions contemplated by the merger agreement, other than the merger. ROTH also assumed the merger will be consummated pursuant to the terms of the merger agreement without amendments thereto and without waiver by any party of any conditions or obligations thereunder. In arriving at its opinion, ROTH assumed that all the necessary regulatory approvals and consents required for the merger will be obtained in a manner that will not adversely affect Yuma or Pyramid or alter the terms of the merger agreement.

In arriving at its opinion, ROTH did not perform any appraisals or valuations of any specific assets or liabilities of Yuma or Pyramid and was not furnished with any such appraisals or valuations. ROTH expressed no opinion regarding the liquidation value of Yuma or Pyramid or any other entity. Without limiting the generality of the foregoing, ROTH undertook no independent analysis of any pending or threatened litigation, possible un-asserted claims or other contingent liabilities, to which Yuma, or any of its respective affiliates was a party or may be subject and, at the discretion of Yuma, and with its consent, ROTH's opinion makes no assumption concerning, and therefore does not consider, the possible assertions of claims, outcomes or damages arising out of any such matters.

ROTH's opinion is necessarily based upon the information available to ROTH and facts and circumstances as they existed and were subject to evaluation on the date of the opinion. Events occurring after that date could materially affect the assumptions used in preparing the opinion.

ROTH was engaged to render its opinion on the basis of its experience with mergers and acquisitions in the energy industry in general, and on the basis of its experience with small companies in the exploration and production sector of the energy industry. ROTH is a nationally recognized investment banking firm regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of its business, ROTH and its affiliates may actively trade in the equity securities of Pyramid for their own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. ROTH may in the future provide investment banking and financial services to Pyramid or Yuma for which ROTH would expect to receive compensation.

Pursuant to the terms of the engagement of ROTH, Pyramid paid ROTH a fee of \$150,000 plus reasonable out-of-pocket expenses. No portion of the fee is based upon whether ROTH delivered a favorable opinion with respect to the merger exchange ratio. Pyramid also agreed to reimburse ROTH for reasonable expenses and to indemnify ROTH and related parties against certain liabilities, including liabilities under the federal securities laws, arising out of its engagement. In addition, ROTH will be paid a financial advisory fee upon closing of the merger of 1.5% of the merger consideration, not to be less than \$300,000 nor more than \$450,000 of which \$75,000 was paid upon execution of the engagement agreement. The amount and timing of the payment of fees to ROTH was determined based upon negotiations between Pyramid and ROTH.

**Interests of Yuma’s Directors and Executive Officers in the Merger**

In considering the recommendation of the Yuma board of directors with respect to adopting the merger agreement, Yuma stockholders should be aware that members of the board of directors and executive officers of Yuma have interests in the merger that may be different from, or in addition to, interests they may have as Yuma stockholders. For example, following the consummation of the merger, all of the directors of Yuma will become the directors of Pyramid and all of the executive officers of Yuma will become the executive officers of Pyramid.

Yuma’s board of directors was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the merger agreement including the merger and transactions contemplated thereby and to recommend that its stockholders approve and adopt the merger agreement proposal contemplated by this proxy statement/prospectus.

**Interests of Pyramid’s Directors and Executive Officers in the Merger**

In considering the recommendation of the Pyramid board of directors with respect to approving and adopting the merger agreement, Pyramid stockholders should be aware that members of the board of directors and executive officers of Pyramid have interests in the merger that may be different from, or in addition to, interests they may have as Pyramid stockholders. For example, following the consummation of the merger, all of the directors of Pyramid shall receive continued indemnification and Pyramid will purchase a “tail” insurance policy of directors’ and officers’ liability insurance after the merger.



Pyramid's board of directors was aware of this potential conflict of interest and considered it, among other matters, in reaching its decision to approve the merger agreement including the merger and transactions contemplated thereby and to recommend that its stockholders approve and adopt the merger agreement proposal contemplated by this proxy statement/prospectus.

### **Pyramid's Board of Directors and Management After Consummation of the Merger**

Pyramid has agreed to take all necessary action to cause, effective at the effective time of the merger, the number of directors on the Pyramid board of directors to be set at six. In addition, Yuma will nominate six members to serve as the board of directors of Pyramid. In the event that the merger is not completed, the directors and officers of Pyramid will continue in office.

Following completion of the merger, Yuma executive officers will retain their current roles with Pyramid.

### **Regulatory Filings and Approvals Required For Completion of the Merger**

Neither Pyramid nor Yuma is aware of any material governmental or regulatory approval required for the completion of the merger, other than filings and compliance with the applicable corporate law of the States of California and Delaware.

### **Treatment of Yuma Restricted Stock Awards and Restricted Stock Units**

Each restricted stock award which was issued pursuant to Yuma's stock plans and is outstanding immediately prior to the effective time of the merger, and that has not then vested with the closing of the merger, shall be assumed by Pyramid through the issuance to each holder thereof of a restricted stock award by Pyramid.

Each restricted stock unit which was issued pursuant to Yuma's stock plans and is outstanding immediately prior to the effective time of the merger, and that has not then vested and been settled, shall be assumed by Pyramid through the issuance to each holder thereof of a restricted stock unit award by Pyramid.

### **Treatment of Pyramid Restricted Stock Awards**

Each restricted stock award which was issued pursuant to Pyramid's stock plan and is outstanding immediately prior to the effective time of the merger, shall vest upon closing of the merger.

### **Dividends**

The merger agreement provides that, prior to the effective time:

Yuma or any of its subsidiaries may not declare, set aside or pay any dividend or other distribution, whether payable in cash, stock or any other property or right, with respect to its capital stock, except with respect to the Yuma preferred stock and Yuma may permit any direct or indirect wholly-owned subsidiary to do any of the foregoing; and

Pyramid or any of its subsidiaries may not declare, set aside or pay any dividend or other distribution, whether payable in cash, stock or any other property or right, with respect to its capital stock, except that Pyramid may permit any direct or indirect wholly-owned subsidiary to do any of the foregoing.

### **Corporate Name Following the Completion of the Merger**

In connection with the completion of the merger, Pyramid will change its registered name to "Yuma Energy, Inc."

### **Listing of Pyramid Shares**

It is a condition to completion of the merger that the shares of Pyramid common stock issuable in the merger be authorized for listing on the NYSE MKT, subject to official notice of issuance.

## **THE MERGER AGREEMENT**

*The following section summarizes material provisions of the Amended and Restated Agreement and Plan of Merger and Reorganization referred to herein as the “merger agreement.” This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. This summary is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this proxy statement/prospectus. You are urged to read the merger agreement carefully and in its entirety before making any decisions regarding the merger.*

*The merger agreement summary is included in this proxy statement/prospectus only to provide you with information regarding the terms and conditions of the merger agreement, and not to provide any other factual information about Pyramid or Yuma or their respective businesses. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this proxy statement/prospectus.*

*The representations, warranties and covenants contained in the merger agreement and described in this proxy statement/prospectus were made only for purposes of the merger agreement and as of specific dates and may be subject to more recent developments and to limitations agreed upon by the parties, including being qualified by reference to confidential disclosures which may modify, qualify or create exceptions to the representations and warranties, for the purposes of allocating risk between the parties to the merger agreement instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors. The representations and warranties contained in the merger agreement do not survive the effective time of the merger. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement.*

### **Merger Consideration**

The merger agreement provides that at the effective time of the merger each share of Yuma common stock (including the shares of Yuma preferred stock converted into shares of Yuma common stock) issued and outstanding immediately prior to the effective time will be converted into the right to receive 756.34 shares of Pyramid common stock, which is subject to adjustment if Yuma grants restricted stock awards between the date of this proxy statement/prospectus and the effective time of the merger and in the event of dissenting shares. This will include the shares of common stock to which holders of Yuma preferred stock are entitled upon conversion of their shares of preferred stock into shares of common stock.

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In the merger, Pyramid will issue 66,336,701 shares of its common stock which will be allocated as follows:

	Shares of Pyramid common stock
Based on shares expected to outstanding at the effective time of the merger as of August 6, 2014	
Holders of Yuma common stock	43,484,014
Holders of Yuma Series A preferred stock	15,091,925
Holders of Yuma Series B preferred stock	7,760,762
TOTAL:	66,336,701

The current fair market value of Pyramid common stock may not be equivalent to the fair market value of Pyramid common stock on the date that the merger consideration is received by a Yuma stockholder or at any other time. The actual fair market value of the Pyramid common stock received by Yuma stockholders depends upon the fair market value of Pyramid common stock upon receipt, which may be higher or lower than the market price of Pyramid common stock on the date the merger agreement was announced, on the date that this proxy statement/prospectus is mailed to Yuma's stockholders, or on the date of the special meeting of Yuma stockholders.

If, between the date of the merger agreement and the effective time of the merger, the shares of Pyramid common stock are changed into a different number or class of shares by reason of reclassification, split-up, combination, exchange of shares or similar readjustment, or a stock dividend is declared with a record date within that period, appropriate adjustments will be made to the exchange ratio.

No fractional shares of Pyramid common stock will be issued to any stockholder of Yuma in connection with the merger. For each fractional share that would otherwise be issued, Pyramid will pay cash in an amount equal to the fraction multiplied by the average of the closing sale prices of Pyramid common stock on the NYSE MKT for the five trading days' preceding the date on which the merger occurs. No interest will be paid or accrued on cash payable in lieu of fractional shares of Pyramid common stock.

## **Conversion of Shares; Exchange of Certificates**

### ***General***

The conversion of Yuma common stock and preferred stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after the effective time of the merger, [-], as exchange agent, will exchange certificates formerly representing shares of Yuma common stock and preferred stock for the merger consideration to be received in the merger pursuant to the terms of the merger agreement.

### ***Letter Of Transmittal***

Soon after the effective time of the merger, the exchange agent will send a letter of transmittal to each person who was a Yuma stockholder at the effective time of the merger who has not previously and properly surrendered certificates representing shares of Yuma common stock or preferred stock to the exchange agent. This mailing will contain instructions on how to surrender certificates formerly representing shares of Yuma common stock or preferred stock (if these certificates have not already been surrendered) in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If certificates formerly representing shares of Yuma common stock or preferred stock are presented for transfer after the effective time of the merger, they will be exchanged for the merger consideration into which the shares of Yuma common stock or preferred stock formerly represented by that certificate shall have been converted.

If a certificate formerly representing shares of Yuma common stock or preferred stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification.

### ***Dividends and Distributions***

Until Yuma stockholders surrender their Yuma stock certificates for exchange, any dividends or other distributions declared after the effective time of the merger with respect to Pyramid common stock into which any shares could

have been converted will accrue, but will not be paid. When such Yuma stockholder surrenders his or her certificates, Pyramid will pay any unpaid dividends or other distributions, without interest. After the effective time of the merger, there will be no transfers on the stock transfer books of Pyramid.

### ***Withholding***

Pyramid and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to any Yuma stockholder the amounts it is required to deduct and withhold under the Code or any state, local or foreign tax law. Withheld amounts will be treated for all purposes of the merger as having been paid to the Yuma stockholders from whom they were withheld.

### **Effective Time**

The merger will be completed when a statement of merger is filed with the Secretary of State of the State of Delaware, which is the effective time of the merger.

Subject to satisfaction of the other conditions to the merger, it is anticipated that the closing of the merger will occur promptly after approval and adoption of the merger agreement by the requisite vote of the Yuma stockholders and the approval of Pyramid stockholders of the approval and adoption of the merger agreement and approval of the proposals related to the restated articles of incorporation of Pyramid. However, the effective time of the merger could be delayed if there is a delay in satisfying any conditions to the merger. There can be no assurances as to whether, or when, Pyramid and Yuma will obtain any required approvals or complete the merger. If the merger is not completed on or before December 31, 2014, either Pyramid or Yuma may terminate the merger agreement, unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligations under the merger agreement or a material breach of the merger agreement by such party. See “—Conditions to the Completion of the Merger” below.

### **Conditions to the Completion of the Merger**

The completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

***Conditions to Each Party's Obligations***

Each party's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- approval and adoption by Yuma's stockholders of the merger agreement;
- approval and adoption by Pyramid's stockholders of the merger agreement;
- approval by Pyramid's stockholders of the proposals related to the restated articles of incorporation of Pyramid;
- absence of any statute, rule, order, decree or regulation, and of any action taken by any court or other governmental entity of competent jurisdiction, which temporarily, preliminarily or permanently restrains, precludes, enjoins or otherwise prohibits the consummation of the merger or makes the merger illegal;
- other than the filing of the certificate of merger in accordance with Delaware law, the receipt of all authorizations, consents and approvals of all governmental entities required to be obtained prior to consummation of the merger, except for such authorizations, consents and approvals the failure of which to be obtained individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on any party to the merger agreement;
- effectiveness of the registration statement, of which this proxy statement/prospectus constitutes a part, and absence of any stop order or proceedings for such purpose pending before or threatened by the SEC; and
- approval by the NYSE MKT of listing of the shares of Pyramid common stock to be issued in the merger, subject to official notice of issuance.

***Additional Conditions to Yuma's Obligations***

The obligation of Yuma to complete the merger is subject to the satisfaction or waiver of the following conditions:

- accuracy of Pyramid's representations and warranties contained in the merger agreement both at and as of the date of the merger agreement and at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except where, in the

case of all representations and warranties except those regarding Pyramid's capitalization, corporate power and authority, tax matters, and validity of the merger agreement, the failure to be accurate individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Pyramid;

- the performance in all material respects by Pyramid of its obligations contained in the merger agreement;

absence of any suit, action or proceeding by any court or other governmental entity seeking to restrain, preclude, enjoin or prohibit the merger or any of the other transactions contemplated by the merger agreement; and

during the period from the execution of the merger agreement until the effective time there shall not have occurred a material adverse effect, as defined in the merger agreement, on Pyramid.

***Additional Conditions to Pyramid's Obligations***

The obligations of Pyramid to complete the merger are subject to the satisfaction or waiver of the following conditions:

accuracy of Yuma's representations and warranties contained in the merger agreement both at and as of the date of the merger agreement and at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except where, in the case of all representations and warranties except those regarding Yuma's capitalization, corporate power and authority, tax matters and validity of the merger agreement, the failure to be accurate individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Yuma;

- the performance in all material respects by Yuma of its obligations contained in the merger agreement;



absence of any suit, action or proceeding by any court or other governmental entity seeking to (1) restrain, preclude, enjoin or prohibit the merger or any of the other transactions contemplated by the merger agreement, or (2) prohibit or limit in any material respect the ownership or operation of any of the parties to the merger agreement or any of their respective affiliates of a substantial portion of the business or assets of Yuma, or to require any person to dispose of or hold separate any material portion of the business or assets of Yuma, taken as a whole, as a result of the merger or any of the other transactions contemplated by the merger agreement;

the number of dissenting shares not exceeding 1% of the outstanding shares of common stock of Yuma or 5% of Yuma's Series A preferred stock or 5% of Yuma's Series B preferred stock;

receipt of all material consents and approvals of any person that Yuma or Pyramid or any of their respective subsidiaries are required to obtain in connection with the consummation of the merger, including consents and approvals from parties to loans, contracts, leases or other agreements, except for such consents and approvals the failure of which to be obtained individually or in the aggregate would not be reasonably likely to have or result in a material adverse effect on Yuma or Pyramid, as applicable;

the board of directors of Yuma shall have a good faith belief that as of the date on which the registration statement on Form S-4 is filed and on the closing of the merger, that (i) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and (ii) Yuma, Pyramid and Pyramid's subsidiary will each be a "party to the reorganization" within the meaning of Section 368 of the Code (which is a condition to the merger and such belief will be based on the tax opinion of TroyGould PC discussed under "Material Federal U.S. Tax Consequences"); and

at closing of the merger, all of the directors and officers of Pyramid shall have resigned in writing from their positions as directors and officers effective upon the election of the persons designated by Yuma, or the appointment of persons designated by Yuma, each to hold office in accordance with the restated articles of incorporation of Pyramid until their respective successors are duly elected or appointed and qualified; provided that the designated board shall have a sufficient number of "independent directors" to satisfy applicable SEC and NYSE MKT rules.

## **Representations and Warranties**

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. Each of Pyramid and Yuma has made representations and warranties to the other in the merger agreement with respect to the following subject matters:

corporate existence, good standing and qualification to conduct business;  
capitalization, including ownership of subsidiary capital stock and the absence of restrictions or encumbrances with respect to capital stock of any subsidiary;

- corporate power and authorization to enter into and carry out the obligations of the merger agreement and the enforceability of the merger agreement;
- absence of any conflict or violation of organizational documents, third party agreements or law or regulation as a result of entering into and carrying out the obligations of the merger agreement;
- governmental, third party and regulatory approvals or consents required to complete the merger;
- · filings and reports with the SEC, and financial information;
- · · absence of certain changes, events or circumstances;
- · · · absence of undisclosed liabilities;
- accuracy of the information supplied for inclusion in this proxy statement/prospectus;
- · employee benefit plans;
- · · litigation, government orders, judgments and decrees;
- · · · compliance with laws;
- · · · · intellectual property;
- · · · · material contracts;
- · · · · taxes;
- · · · · environmental matters;
- · · real property and operating equipment;
- · · · insurance;
- · · · labor and employment matters;
- · · · transactions with affiliates;
- · · derivative and hedging transactions;
- · · disclosure controls and procedures;
- · oil and gas reserves, assets and operations;
- · · investment company status;



outstanding on the date of the merger agreement;

not (i) redeem, purchase, acquire or offer to purchase or acquire any shares of its capital stock or any options, warrants or rights to acquire any of its capital stock or any security convertible into or exchangeable for its capital stock, (ii) make any acquisition of any capital stock, assets or businesses of any other person other than expenditures for current assets in the ordinary course of business consistent with past practice and expenditures for fixed or capital assets in the ordinary course of business consistent with past practice, (iii) sell, pledge, dispose of or encumber any assets or businesses that are material to Yuma, except (A) sales, leases, rentals and licenses in the ordinary course of business consistent with past practice, (B) pursuant to contracts that are in force at the date of the merger agreement (C) dispositions of obsolete or worthless assets or, or (iv) enter into any contract with respect to any of the foregoing;

use all reasonable efforts to preserve intact its business organization and goodwill, keep available the services of its present officers and key employees, and preserve the goodwill and business relationships with customers and others having business relationships with it, other than as expressly permitted by the terms of the merger agreement;

not make capital expenditures or enter into any binding commitment or contract to make capital expenditures, except (i) capital expenditures which Yuma is currently committed to make, (ii) capital expenditures in the ordinary course of Yuma's business, (iii) capital expenditures for repairs and other capital expenditures necessary in light of circumstances not anticipated as of the date of the merger agreement which are necessary to avoid significant disruption to Yuma's business or operations consistent with past practice, and (iv) repairs and maintenance in the ordinary course of business;

not adopt a plan or agreement of complete or partial liquidation or dissolution;

not pay, discharge or satisfy any material claims, material liabilities or material obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction (i) of any such material claims, material liabilities or material obligations in the ordinary course of business consistent with past practice or (ii) of material claims, material liabilities or material obligations reflected or reserved against in, or contemplated by, the Yuma financial statements (or the notes thereto);

not enter into any contract that restrains, limits or impedes the ability of Yuma to compete with or conduct any business or line of business, including geographic limitations on the activities of Yuma;

except in the ordinary course of Yuma's business, not materially modify or amend, or terminate any Yuma material contract, or waive, relinquish, release or terminate any material right or material claim, or enter into any contract that would have been a Yuma material contract if it had been in existence at the time of the execution of the merger agreement; and

not agree to take any of the foregoing actions.

### *Operations of Pyramid*

Pyramid has agreed that it will, and will cause its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as expressly contemplated or permitted by the merger agreement, required by applicable law, or agreed to in writing by Yuma:

conduct its business in the ordinary course of business consistent with past practice;

not (i) amend or propose to amend its restated articles of incorporation or its amended and restated bylaws, (ii) split, combine, subdivide or reclassify any shares of its common stock, or (iii) declare, set aside or pay any dividend or distribution payable in cash, stock, property or otherwise, or make any other distribution in respect of any shares of its common stock;

use all reasonable efforts to preserve intact its business organization and goodwill, keep available the services of its present officers and key employees, and preserve the goodwill and business relationships with customers and others having business relationships with it, other than as expressly permitted by the terms of the merger agreement;

not adopt a plan or agreement of complete or partial liquidation or dissolution;

not pay, discharge or satisfy any material claims, material liabilities or material obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction (i) of any such material claims, material liabilities or material obligations in the ordinary course of business consistent with past practice or (ii) of material claims, material liabilities or material obligations reflected or reserved against in, or contemplated by, Pyramid financial statements (or the notes thereto);

not enter into any contract that restrains, limits or impedes its ability to compete with or conduct any business or line of business, including geographic limitations on its activities;

not make any changes in financial or tax accounting methods, principles or practices (or change an annual accounting period), except insofar as may be required by a change in generally accepted accounting principles or applicable law;

not enter into, amend, modify or renew any employment, consulting, severance or similar contract with, pay any bonus or grant any increase in salary, wage or other compensation or any increase in any employee benefit to, any of its directors, officers or employees, except in each such case (i) as may be required by applicable law or (ii) to satisfy obligations existing as of the date hereof pursuant to the terms of contracts that are in effect on the date hereof;

not enter into, establish, adopt, amend or modify any pension, retirement, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare plan, agreement, program or arrangement, in respect of any of its directors, officers or employees, except, in each such case (i) as may be required by applicable law or pursuant to the terms of the merger agreement, (ii) to satisfy obligations existing as of the date hereof pursuant to the terms of contracts that are in effect on the date hereof or

except to the extent required under existing employee and director benefit plans, agreements or arrangements as in effect on the date hereof or as expressly provided by the merger agreement, not accelerate the payment, right to payment or vesting of any bonus, severance, profit sharing, retirement, deferred compensation, stock option, insurance or other compensation or benefits;

· not agree to the settlement of any claim, litigation, investigation or other action that is material to it;

except in the ordinary course of its business, not materially modify or amend, or terminate any Pyramid material contract, or waive, relinquish, release or terminate any material right or material claim, or enter into any contract that would have been a Pyramid material contract if it had been in existence at the time of the execution of the merger agreement; and

· not agree to take any of the foregoing actions.

## **No Solicitation**

### *General*

Each party to the merger agreement has agreed that it shall not, nor shall it authorize or permit any of the officers, directors, investment bankers, attorneys or accountants retained by it to, and that it shall use commercially reasonable efforts to cause its non-officer employees and other agents not to (and shall not authorize any of them to) directly or indirectly:

- (i) solicit, initiate, encourage, induce or knowingly facilitate the communication, making, submission or announcement of any acquisition proposal (as defined below) or acquisition inquiry (as defined below) or take any action that could reasonably be expected to lead to an acquisition proposal or acquisition inquiry;
- (ii) furnish any information regarding such party to any person in connection with or in response to an acquisition proposal or acquisition inquiry;
- (iii) engage in discussions or negotiations with any person with respect to any acquisition proposal or acquisition inquiry;

(iv) approve, endorse or recommend any acquisition proposal; or

(v) execute or enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any acquisition proposal; provided, however, that, notwithstanding anything contained in these subsections, prior to obtaining Yuma stockholders' approval, Yuma may, and prior to obtaining Pyramid stockholder approval, Pyramid may, furnish nonpublic information regarding such party to, and enter into discussions or negotiations with, any person in response to a bona fide written acquisition proposal, which such party's board of directors determines in good faith, after consultation with a nationally recognized independent financial advisor and its outside legal counsel, constitutes, or is reasonably likely to result in, a superior offer as defined below (and is not withdrawn) if: (A) such acquisition proposal was not solicited in violation of these subsections; (B) the board of directors of such party concludes in good faith based on the advice of outside legal counsel, that the failure to take such action is reasonably likely to result in a breach of the fiduciary duties of the board of directors of such party under applicable laws; (C) at least two business days prior to furnishing any such nonpublic information to, or entering into discussions with, such person, such party gives the other parties written notice of the identity of such person and of such party's intention to furnish nonpublic information to, or enter into discussions with, such person; (D) such party receives from such person an executed confidentiality agreement containing provisions at least as favorable to such party as those contained in applicable confidentiality agreements; and (E) prior to furnishing any such nonpublic information to such person, such party furnishes such nonpublic information to the other parties hereto (to the extent such nonpublic information has not been previously furnished by such party to the other parties). Without limiting the generality of the foregoing, each party acknowledges and agrees that, in the event any representative of such party (whether or not such representative is purporting to act on behalf of such party) takes any action that, if taken by such party, would constitute a breach of these subsections by such party, the taking of such action by such representative shall be deemed to constitute a breach of these subsections by such party for purposes of the merger agreement.



For purposes of the merger agreement, the term: (i) “acquisition inquiry” means, with respect to Pyramid or Yuma, an inquiry, indication of interest or request for information that could reasonably be expected to lead to an acquisition proposal with such party; (ii) “acquisition proposal” means, with respect to Pyramid or Yuma, any offer or proposal, whether written or oral, from any person or group (as defined in Section 13(d)(3) of the Exchange Act) (a “third party”) to acquire beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of (a) 15% or more of any class of the equity securities of such party or (b) 15% or more of the fair market value of the assets of such party, in each case pursuant to any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction or series of related transactions, which is structured to permit a third party to acquire beneficial ownership of (y) 15% or more of any class of equity securities of the party or (z) 15% or more of the fair market value of the assets of the party; provided, however, that, for purposes of determining whether termination fees are payable (as discussed below), all such references to “15%” shall be deemed to be “50%”; and (iii) “superior offer” means an unsolicited bona fide written offer by a third party to enter into (a) a merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction as a result of which either (A) the stockholders of a party prior to such transaction in the aggregate cease to own at least 50% of the voting securities of the entity surviving or resulting from such transaction (or the ultimate company entity thereof) or (B) in which a person or “group” (as defined in Section 13(d)(3) of the Exchange Act) directly or indirectly acquires beneficial ownership of securities representing 50% or more of the voting power of the party’s capital stock then outstanding or (b) a sale, lease, exchange transfer, license, acquisition or disposition of any business or other disposition of at least 50% of the assets of the party, taken as a whole, in a single transaction or a series of related transactions that: (A) was not obtained or made as a direct or indirect result of a breach of (or in violation of) the merger agreement; and (B) is on terms and conditions that the board of directors of Pyramid or Yuma, as applicable, determines, in its reasonable, good faith judgment, after obtaining and taking into account such matters that its board of directors deems relevant following consultation with its outside legal counsel and financial advisor: (x) is reasonably likely to be more favorable, from a financial point of view, to Pyramid’s stockholders or Yuma’s stockholders, as applicable, than the merger and the other transactions contemplated thereby; and (y) is reasonably capable of being consummated.

### ***Notice of Proposal or Inquiry***

If any party or any representative of such party receives an acquisition proposal or acquisition inquiry at any time during the period prior to closing the merger, then such party shall promptly (and in no event later than 24 hours after such party becomes aware of such acquisition proposal or acquisition inquiry) advise the other parties hereto orally and in writing of such acquisition proposal or acquisition inquiry (including the identity of the person making or submitting such acquisition proposal or acquisition inquiry, and the terms thereof). Such party shall keep the other parties informed in all material respects with respect to the status and terms of any such acquisition proposal or acquisition inquiry and any modification or proposed modification thereto.

### ***Cessation of Current Discussions***

Each party agreed to immediately cease and cause to be terminated any existing discussions with any person that relate to any acquisition proposal or acquisition inquiry as of the date of the merger agreement.

### **Termination of the Merger Agreement**

The merger agreement may be terminated, and the merger may be abandoned, at any time prior to the effective time of the merger (whether before or after the Pyramid stockholder approval or any approval of the merger agreement by the stockholders of Yuma):

(a) by mutual written consent of Pyramid and Yuma duly authorized by each of their respective boards of directors; or

(b) by either Pyramid or Yuma, if the merger has not been consummated by December 31, 2014; provided, however, that the right to terminate the merger agreement shall not be available to (i) Pyramid, if the failure of Pyramid to fulfill any of its material obligations under the merger agreement caused the failure of the merger to occur on or before such date, or (ii) Yuma, if the failure of Yuma to fulfill any of its material obligations under the merger agreement caused the failure of the merger to occur on or before such date, or (iii) Pyramid or Yuma, if the failure of the merger to occur on or before such date is due solely to the failure to obtain effectiveness of the registration statement of which this proxy statement/prospectus is a part, notwithstanding the performance by Pyramid of any of its obligations to do so; or

(c) by either Pyramid or Yuma, if (i) there has been a breach by the other of any representation or warranty contained in the merger agreement which would reasonably be expected to have a material adverse effect on Pyramid or Yuma, as the case may be, and which breach is not curable or, if curable, the breaching party shall not be using on a continuous basis its reasonable best efforts to cure in all material respects such breach after written notice of such breach by the terminating party or such breach has not been cured within ten business days after written notice of such breach by the terminating party, or (ii) there has been a breach of any of the covenants or agreements set forth in the merger agreement on the part of the other party, which would reasonably be expected to have a material adverse effect on Pyramid or Yuma, as the case may be, and which breach is not curable or, if curable, the breaching party shall not be using on a continuous basis its reasonable best efforts to cure such breach after written notice of such breach by the terminating party or such breach has not been cured within twenty business days after written notice of such breach by the terminating party; or

(d) by either Pyramid or Yuma after ten days following the entry of any final and non-appealable judgment, injunction, order or decree by a court or governmental agency or authority of competent jurisdiction restraining or prohibiting the consummation of the merger; or

(e) by Yuma if, notwithstanding the existence of the voting agreement with Yuma, prior to receipt of the Yuma stockholders' approval, Yuma receives a superior offer, resolves to accept such superior offer, complies with Yuma's termination fee payment obligations described below and gives Pyramid at least four business days' prior written notice of its intention to terminate; provided, however, that such termination shall not be effective until such time as the payment shall have been received by Pyramid; or

(f) by Yuma, if the board of directors of Pyramid shall have failed to recommend, or shall have withdrawn, modified or amended in a manner adverse to Yuma in any material respect Pyramid's board recommendation, or shall have resolved to do any of the foregoing, or shall have recommended another acquisition proposal or if the board of directors of Pyramid shall have resolved to accept a superior offer; or

(g) by Pyramid if, notwithstanding the existence of the voting agreement with Pyramid, prior to receipt of the Pyramid stockholders' approval, Pyramid receives a superior offer, resolves to accept such superior offer, complies with Pyramid's termination fee payment obligations described below and gives Yuma at least four business days' prior written notice of its intention to terminate; provided, however, that such termination shall not be effective until such time as the payment shall have been received by Yuma; or

(h) by Pyramid, if the board of directors of Yuma shall have failed to recommend, or shall have withdrawn, modified or amended in a manner adverse to Pyramid in any material respect Yuma's board recommendation, or shall have resolved to do any of the foregoing, or shall have recommended another acquisition proposal or if the board of directors of Yuma shall have resolved to accept a superior offer; or

(i) (x) by Pyramid, if the stockholders of Yuma fail to approve the merger, or (y) by Yuma, if the stockholders of Pyramid fail to approve the matters to be voted upon at the Pyramid stockholders' meeting (including any adjournment or postponement thereof).

### ***Termination Fees***

*Payment of Termination Fee by Yuma.* Yuma shall pay to Pyramid a termination fee in an amount in cash equal to \$1.0 million (the "Yuma Termination Fee") in the event that (i) Yuma terminates the merger agreement because it

accepts a superior offer; (ii) Pyramid terminates the merger agreement (as a result of a breach of a covenant by Yuma) or because Yuma changes or fails to make its recommendation of the merger; or (iii) Pyramid terminates the merger agreement because Yuma stockholders fail to approve the merger, provided, in the case of this clause (iii), that (A) after the date of the merger agreement and prior to the date Yuma solicits the approval of Yuma's stockholders at a meeting or by written consent, an acquisition proposal has been publicly announced and not withdrawn or abandoned at the time of termination, and (B) within one year after such termination, Yuma enters into a definitive agreement with respect to or consummates such acquisition proposal. Payment of the Yuma Termination Fee shall be paid to Pyramid within five business days following the date of termination of the merger agreement; provided, however, that in the event of payment pursuant to clause (iii) above, on the date of the execution and delivery by Yuma of the definitive agreement regarding such acquisition proposal.

*Payment of Termination Fee by Pyramid.* Pyramid shall pay to Yuma a termination fee in an amount in cash equal to \$1.0 million (the "Pyramid Termination Fee") in the event that (i) Pyramid terminates the merger agreement because it accepts a superior offer; (ii) Yuma terminates the merger agreement (as a result of a breach of a covenant by Pyramid); or (iii) Yuma terminates the merger agreement because Pyramid's stockholders fail to approve the issuance of stock necessary to effect the merger, provided, in the case of this clause (iii), that (A) after the date of the merger agreement and prior to the Pyramid special meeting, an acquisition proposal has been publicly announced and not withdrawn or abandoned at the time of termination, and (B) within one year after such termination, Pyramid enters into a definitive agreement with respect to or consummates such acquisition proposal. Payment of the Pyramid Termination Fee shall be paid to Yuma within five business days following the date of termination of the merger agreement; provided, however, that in the event of payment pursuant to clause (iii) above, on the date of the execution and delivery by Pyramid of the definitive agreement regarding such acquisition proposal.

### ***Effect of Termination***

In the event of termination of the merger agreement by either Pyramid or Yuma, written notice thereof shall be given to the other party or parties, specifying the provision hereof pursuant to which such termination is made, and there shall be no liability or further obligation on the part of Yuma, Pyramid or their respective officers, directors or affiliates (except as otherwise specifically set forth in the merger agreement such as the payment of termination fees, all of which shall survive the termination). Nothing in the merger agreement relieves any party from liability for fraud or any willful breach of the merger agreement.

### **Amendment of the Merger Agreement**

Subject to compliance with applicable law, Pyramid and Yuma may amend the merger agreement at any time before or after approval and adoption of the merger agreement by Pyramid and Yuma stockholders. However, after any approval and adoption of the merger agreement by Yuma stockholders there may not be, without their further approval, any amendment of the merger agreement that alters or changes, in a way that adversely affects the holders of any shares of Pyramid or Yuma capital stock or alters or changes the merger consideration to be received by the Yuma stockholders in the merger.

### **Expenses**

The merger agreement provides that each of Pyramid and Yuma will pay its own costs and expenses in connection with the transactions contemplated in the merger agreement, except as described above in “—Termination of the Merger Agreement—Termination Fees.”

### **No Third Party Beneficiaries**

The merger agreement is not intended to, and does not, confer upon you or any person other than Pyramid and Yuma and their permitted assigns any rights or remedies, except that Pyramid’s directors and officers will have the right to enforce the covenant to continue to provide indemnification and liability insurance coverage to them after the completion of the merger.

### **Specific Performance**

The parties are entitled to specific performance of the terms of the merger agreement in addition to any other remedy to which they are entitled at law or in equity.

## VOTING AGREEMENTS

*The following summary describes specified aspects of voting agreements, as amended and restated, entered into in connection with the proposed and the merger. This discussion does not purport to be complete and is qualified in its entirety by reference to the voting agreements, which are attached as Annex B and Annex C and incorporated herein by reference. We urge you to read the voting agreements carefully and in their entirety.*

### **Pyramid Significant Stockholder**

As an inducement to Yuma to enter into the merger agreement, Michael D. Herman entered into a voting agreement with Yuma. As of the record date for the Pyramid special meeting, Mr. Herman directly and indirectly owned an aggregate of approximately [-] shares of Pyramid common stock representing approximately [-]% of the outstanding shares of Pyramid common stock.

Pursuant to the terms of the voting agreement, Mr. Herman agreed to vote in favor of the proposal to approve and adopt the merger agreement and the proposals related to the Pyramid restated articles of incorporation. Mr. Herman appointed Sam L. Banks, Chairman and Chief Executive Officer of Yuma, as his proxy and attorney-in-fact to vote its shares of Pyramid common stock in accordance with the provisions of the voting agreement and revoked all prior proxies. Mr. Herman also agreed not to sell, transfer or otherwise dispose of its shares of Pyramid common stock, subject to certain exceptions provided in the voting agreement.

The voting agreement terminates upon the earlier to occur of (1) the completion of the merger or (2) the termination of the merger agreement in accordance with its terms. See “The Merger Agreement—Termination of the Merger Agreement” beginning on page [—].

### **Yuma Stockholders**

As an inducement to Pyramid and Merger Subsidiary to enter into the merger agreement, certain of Yuma’s directors (and certain of their affiliates) entered into a voting agreement with Pyramid and Merger Subsidiary. As of the record date for the Yuma special meeting, these stockholders directly and indirectly owned an aggregate of approximately [-] shares of Yuma common stock representing approximately [-]% of the outstanding shares of Yuma common stock, approximately [-] shares of Yuma Series A preferred stock representing approximately [-]% of the outstanding shares of Yuma Series A preferred stock, and approximately [-] shares of Yuma Series B preferred stock representing approximately [-]% of the outstanding shares of Yuma Series B preferred stock.

Pursuant to the terms of the voting agreement, each stockholder agreed to vote in favor of the merger, the adoption of the merger agreement and the approval of any other transactions contemplated by the merger agreement. Each stockholder appointed Michael D. Herman, Chairman and Interim President and Chief Executive Officer of Pyramid, as such stockholder's proxy and attorney-in-fact to vote such stockholder's shares of Yuma common stock and preferred stock in accordance with the provisions of the voting agreement and revoked all prior proxies. Each stockholder also agreed not to sell, transfer or otherwise dispose of such stockholder's shares of Yuma common stock and preferred stock, subject to certain exceptions provided in the voting agreement.

The voting agreement terminates upon the earlier to occur of (1) the completion of the merger or (2) the termination of the merger agreement in accordance with its terms. See "The Merger Agreement—Termination of the Merger Agreement" beginning on page [—].

## **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

### **General**

The following discussion, which is based upon the opinion of TroyGould PC, counsel to Pyramid, summarizes the material U.S. federal income tax consequences of the merger of Merger Subsidiary with and into Yuma (which we refer to as the merger). The discussion is limited to the material U.S. federal income tax consequences to (1) U.S. holders (as defined below) of Yuma common stock and/or preferred stock, and (2) Pyramid and Yuma.

This summary is not exhaustive of all possible tax considerations. The discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), regulations promulgated under the Code by the U.S. Treasury Department (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the Internal Revenue Service (the “IRS”), and judicial decisions, all as in effect on the date of this proxy statement/prospectus and all of which are subject to differing interpretations or to change, possibly with retroactive effect. Such change could materially and adversely affect the tax consequences described below. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. Neither the summary of the tax consequences set forth below nor the opinion of TroyGould PC is binding on the IRS or any court. We have not requested a ruling from the IRS regarding the U.S. federal income tax consequences of the merger.

This summary does not address all aspects of U.S. federal income taxation that may be important to a particular holder in light of the holder’s investment or tax circumstances or to holders subject to special tax rules such as partnerships, subchapter S corporations or other pass-through entities, banks, financial institutions, tax-exempt entities, insurance companies, regulated investment companies or mutual funds, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, trusts and estates, dealers or brokers in stocks, securities or currencies, traders in securities that have elected to use the mark-to-market method of accounting for their securities, persons holding their stock as part of an integrated transaction (including a straddle, hedge, constructive sale or conversion transaction), persons whose functional currency for tax purposes is not the U.S. dollar, persons subject to the alternative minimum tax provisions of the Code, non-U.S. holders, U.S. expatriates or holders of Yuma common stock and/or preferred stock who received their stock through the exercise of employee stock options, through tax qualified retirement plans or otherwise as compensation. This summary does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction or under any U.S. federal laws other than those pertaining to the income tax.

This summary addresses only those U.S. holders of Yuma common stock and/or preferred stock who hold their stock, and who will hold their shares of Pyramid common stock that they receive in the merger, as capital assets within the meaning of Section 1221 of the Code, which generally means property held for investment. In addition, the following discussion addresses only “U.S. holders” for U.S. federal income tax purposes. As used in this summary, a “U.S. holder”



means a beneficial owner of Yuma common stock and/or preferred stock who is:

- an individual who is a citizen or resident of the United States;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust (1) the substantial decisions of which are controlled by one or more U.S. persons and which is subject to the primary supervision of a U.S. court or (2) that has validly elected under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Yuma common stock and/or preferred stock, the U.S. federal income tax consequences to a partner in such partnership (or owner of such entity) generally will depend on the status of the partner and the activities of the partnership (or other entity). Any entity treated as a partnership for U.S. federal income tax purposes that holds such stock, and any partners in such partnership, should consult their own tax advisors with respect to the tax consequences of the merger.

In connection with providing its opinion expressed below regarding the material U.S. federal income tax consequences of the merger, TroyGould PC made and relied upon the following assumptions, without any independent investigation or inquiry, and its opinion is subject to, and limited and qualified by the effect of, such assumptions: (1) all corporate records furnished to TroyGould PC by the parties to the merger agreement are accurate and complete; (2) the merger will be effected in accordance with the terms and conditions of the merger agreement and as described in the registration statement of which this proxy statement/prospectus is a part, and no transaction or condition described in the merger agreement and affecting the opinion of TroyGould PC will be waived by any party to the merger; (3) all statements as to factual matters, including those concerning the merger, that are set forth in the merger agreement and the registration statement are accurate and complete and will remain accurate and complete at all times up to and including the effective time of the merger; (4) each representation or warranty that is made in the merger agreement based upon the knowledge or belief of a party to the merger agreement, or that is similarly qualified, is accurate and complete and will remain accurate and complete at all times up to and including the effective time of the merger, in each case without such qualification; (5) the parties to the merger agreement have complied with and, if applicable, will continue to comply with, their respective covenants that are contained in the merger agreement; and (6) with respect to documents that TroyGould PC reviewed in connection with its opinion, all documents submitted to such counsel as originals are authentic; all documents submitted to it as certified, facsimile, or photostatic copies conform to the originals of such documents, and such original documents are authentic; the signatures on all documents are genuine; and all natural persons who have executed any of such documents have the legal capacity to do so.

If any of the assumptions described in the preceding paragraph is untrue for any reason or if the merger is consummated in a manner that is different from the manner in which it is described in the merger agreement or the registration statement, the opinion of TroyGould PC may be adversely affected and may not be relied upon.

**This summary is not a complete analysis or description of all of the tax consequences that may be relevant to U.S. holders. We urge you to consult your own tax advisor regarding your particular circumstances and the U.S. federal income and estate tax consequences to you of the merger, as well as (1) any tax consequences arising under the alternative minimum tax and the laws of any applicable state, local, foreign or other tax jurisdiction, (2) the possible effects of changes in U.S. federal or other tax laws, (3) the requirement to retain records pertaining to your receipt of Pyramid common stock, and (4) the requirement in certain cases to file with your federal income tax return a statement setting forth certain facts relating to your receipt of such stock.**

#### **Material U.S. Federal Income Tax Consequences of the Merger**

Subject to the qualifications, limitations and assumptions described above in this section, the opinion of TroyGould PC regarding the material U.S. federal income tax consequences of the merger is as follows:

the merger, that is, the merger of Merger Subsidiary with and into Yuma, will qualify as a reorganization within the meaning of Section 368(a) of the Code;

no gain or loss will be recognized by a U.S. holder of Yuma common stock and/or preferred stock on receipt of Pyramid common stock pursuant to the merger;

the aggregate tax basis of the Pyramid common stock received by each U.S. holder of Yuma common stock and/or preferred stock will equal the aggregate tax basis of the Yuma stock surrendered by such holder in exchange for Pyramid common stock;

the holding period of the Pyramid common stock received by each U.S. holder will include the period during which such holder held the Yuma common stock and/or preferred stock surrendered in exchange for Pyramid common stock; and

no gain or loss will be recognized by Pyramid, Yuma or the U.S. holders of Pyramid common stock by reason of the merger.

Holders of Yuma common stock and/or preferred stock may be entitled to appraisal rights under Delaware law in connection with the merger. If a U.S. holder of Yuma common stock and/or preferred stock receives cash pursuant to the exercise of appraisal rights, such holder generally will recognize gain or loss, measured by the difference between the amount received (other than any amount relating to interest, which will be taxable as ordinary income) and such holder's tax basis in the holder's Yuma stock. Such gain or loss generally will constitute capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for the Yuma common stock and/or preferred stock exchanged by such U.S. holder for cash is greater than one year as of the effective time of the merger. The deductibility of capital losses is subject to limitations. A holder of Yuma common stock and/or preferred stock who exercises appraisal rights is urged to consult with the holder's tax advisor regarding the tax consequences of the exercise of appraisal rights.

A U.S. holder of Yuma common stock and/or preferred stock who receives cash instead of a fractional share of Pyramid common stock will be treated as having received the fractional share of Pyramid common stock pursuant to the merger and then as having exchanged the fractional share of Pyramid common stock for cash in a redemption by Pyramid. In general, this deemed redemption will be treated as a sale or exchange and a U.S. holder will recognize gain or loss equal to the difference between (1) the amount of cash received by such U.S. holder and (2) the portion of the basis of the shares of Yuma stock allocable to such fractional interest. Such gain or loss generally will constitute capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for the Yuma stock exchanged by such U.S. holder is greater than one year as of the effective time. The deductibility of capital losses is subject to limitations.

Cash payments received in the merger by a U.S. holder may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 31% of the cash payable to the U.S. holder, unless the U.S. holder provides proof of an applicable exemption, furnishes the holder's taxpayer identification number (which, in the case of an individual, is his or her social security number) and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

## DISSENTERS' RIGHTS OF APPRAISAL

Under Section 262 of the Delaware General Corporation Law, referred to as the DGCL, holders of Yuma's common stock and preferred stock as of [-], 2014, the record date, who do not wish to accept the merger consideration as described in this proxy statement/prospectus may dissent and elect to have the fair value of their shares of Yuma common stock and preferred stock (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially determined and paid to the holder in cash (together with interest, if any) in the amount determined to be the fair value, provided that the holder complies with the provisions of Section 262 of the DGCL.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL, and is qualified in its entirety by the full text of Section 262, which is provided in its entirety as Annex E to this proxy statement/prospectus. All references in Section 262 and in this summary to a "stockholder" are to the record holder of the shares of Yuma's common stock and preferred stock as to which appraisal rights are asserted. **A person having a beneficial interest in shares of Yuma's common stock and preferred stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow properly the steps summarized below in a timely manner to perfect appraisal rights.**

Under Section 262, where a proposed merger is to be submitted for approval and adoption at a meeting of stockholders, as in the case of the special meeting, the corporation, not less than 20 days before the meeting, must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in that notice a copy of Section 262. This proxy statement/prospectus constitutes such notice, and the applicable statutory provisions of the DGCL are attached to this proxy statement/prospectus as Annex E. Any stockholder who wishes to exercise appraisal rights or who wishes to preserve the right to do so should review carefully the following discussion and Annex E to this proxy statement/prospectus. **Failure to comply with the procedures specified in Section 262 timely and properly will result in the loss of appraisal rights.** Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of Yuma's common stock and preferred stock, Yuma believes that its stockholders who consider exercising such appraisal rights should seek the advice of counsel.

Any holder of Yuma's common stock or preferred stock wishing to exercise the right to demand appraisal under Section 262 of the DGCL must satisfy each of the following conditions:

as more fully described below, the holder must deliver to Yuma a written demand for appraisal of the holder's shares before the vote on the merger agreement at the Yuma special meeting, which demand will be sufficient if it reasonably informs Yuma of the identity of the holder and that the holder intends to demand the appraisal of the holder's shares;

the holder must not vote the holder's shares of Yuma's common stock or preferred stock in favor of the merger agreement; a proxy which does not contain voting instructions will, unless revoked, be voted in favor of the merger agreement and, therefore, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the merger agreement or abstain from voting on the merger agreement; and

the holder must continuously hold the shares from the date of making the demand through the effective date of the merger; a stockholder who is the record holder of shares of Yuma's common stock or preferred stock on the date the written demand for appraisal is made but who thereafter transfers those shares before the effective date of the merger will lose any right to appraisal in respect of those shares.

Neither voting (in person or by proxy) against, abstaining from voting on or failing to vote on the proposal to adopt and approve the merger agreement will constitute a written demand for appraisal within the meaning of Section 262. The written demand for appraisal must be in addition to and separate from any such proxy or vote.

Only a holder of record of shares of Yuma's common stock or preferred stock issued and outstanding immediately before the effective time of the merger is entitled to assert appraisal rights for the shares in that holder's name. A demand for appraisal should be executed by or on behalf of the stockholder of record, fully and correctly, as the stockholder's name appears on the stock certificates, and should specify the stockholder's name and mailing address, the number of shares of common stock or preferred stock owned and that the stockholder intends to demand appraisal of the stockholder's common stock or preferred stock. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity. If the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a stockholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is acting as agent for such owner or owners. A record holder such as a broker who holds shares as nominee for several beneficial owners may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising appraisal rights with respect to the shares held for one or more other beneficial owners. In such case, the written demand should set forth the number of shares as to which appraisal is sought, and where no number of shares is expressly mentioned the demand will be presumed to cover all shares held in the name of the record owner. **Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine appropriate procedures for the making of a demand for appraisal by the nominee.**

A Yuma stockholder who elects to exercise appraisal rights under Section 262 should mail or deliver a written demand to:

Yuma Energy, Inc.

Attention: Corporate Secretary

1177 West Loop South, Suite 1825

Houston, Texas 77027

Within ten days after the effective date of the merger, Pyramid, as the surviving corporation, must send a notice as to the effectiveness of the merger transaction to each of Yuma's former stockholders who has made a written demand for appraisal in accordance with Section 262 and who has not voted to adopt the merger agreement. Within 120 days after the effective date of the merger, but not thereafter, either Pyramid or any dissenting stockholder who has complied with the requirements of Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the value of the shares of common stock or preferred stock held by all dissenting stockholders. Yuma and Pyramid have no obligation to, and have no present intention to file, a petition for appraisal, and stockholders seeking to exercise appraisal rights should not assume that Pyramid or Yuma will file such a petition. Accordingly, stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. Inasmuch as Pyramid and Yuma have no obligation to file such a petition, the failure of a stockholder to do so within the period specified could nullify the stockholder's previous written demand for appraisal.

Within 120 days after the effective date of the merger, any stockholder who has complied with the provisions of Section 262 to that point in time will be entitled to receive from Pyramid, upon written request, a statement setting forth the aggregate number of shares not voted in favor of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Pyramid must mail that statement to the stockholder within 10 days after receipt of the request or within 10 days after expiration of the period for delivery of demands for appraisals under Section 262, whichever is later. Notwithstanding the foregoing, a person who is the beneficial owner of shares of Yuma common stock or preferred stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from Pyramid the statement described in this paragraph.

A stockholder timely filing a petition for appraisal with the Delaware Court of Chancery must deliver a copy to Pyramid, and it will then be obligated within 20 days to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded appraisal of their shares. After notice to those stockholders, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine which stockholders are entitled to appraisal rights. The Delaware Court of Chancery may require stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates

to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and if any stockholder fails to comply with the requirement, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

In the event that the Delaware Court of Chancery determines the holders of Yuma's common stock or preferred stock entitled to appraisal, an appraisal proceeding shall be conducted in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. Through this proceeding, the Delaware Court of Chancery will determine the "fair value" of the shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. The costs of the action may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable. Upon application of a dissenting stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all of the shares entitled to appraisal. **Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined under Section 262 could be more than, the same as or less than the value of Pyramid shares they would receive under the merger agreement if they did not seek appraisal of their shares.**

In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered, and that "[f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider "market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of the merger and which throw any light on future prospects of the merged corporation." In *Weinberger*, the Delaware Supreme Court stated that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." However, Section 262 provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger."



Any of Yuma's stockholders who have duly demanded an appraisal in compliance with Section 262 will not, after the effective date of the merger, be entitled to vote the shares subject to that demand for any purpose or be entitled to the payment of dividends or other distributions on those shares (except dividends or other distributions payable to holders of record of shares as of a record date before the effective date of the merger).

At any time within 60 days after the effective date of the merger, any of Yuma's stockholders who have not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw its demand for appraisal and accept the merger consideration by delivering to Pyramid a written withdrawal of the stockholder's demand for appraisal. However, any such attempt to withdraw made more than 60 days after the effective date of the merger will require Pyramid's written approval. No appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw its demand for appraisal and accept the merger consideration offered pursuant to the merger agreement within 60 days after the effective date of the merger. If Pyramid does not approve a stockholder's request to withdraw a demand for appraisal when that approval is required or, except with respect to a stockholder that withdraws its right to appraisal in accordance with the proviso in the immediately preceding sentence, if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder would be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be more than, the same as or less than the value of the Pyramid shares being offered pursuant to the merger agreement.

**Failure to comply strictly with all of the procedures set forth in Section 262 of the DGCL may result in the loss of a stockholder's statutory appraisal rights. Consequently, any stockholder wishing to exercise appraisal rights is urged to consult legal counsel before attempting to exercise appraisal rights.**

Holders of Pyramid common stock do not have any appraisal or dissenter's rights with respect to the merger.

## ACCOUNTING TREATMENT

The merger will be accounted for as a reverse acquisition under the purchase method of accounting. Pyramid will be treated as the acquired corporation for accounting and financial reporting purposes. Pyramid's assets, liabilities and other items will be adjusted to their estimated fair value on the closing date of the merger and combined with the historical book values of the assets and liabilities of Yuma. Applicable income tax effects of these adjustments will be included as a component of Pyramid's deferred tax asset or liability. The difference between the estimated fair value of the assets (including separately identifiable intangible assets), liabilities and other items (adjusted as discussed above) and the purchase price will be recorded as goodwill. Financial statements of Yuma issued after the merger will reflect the values and will not be restated retroactively to reflect the historical financial position or results of operations of Pyramid.

## INFORMATION ABOUT YUMA

### General

Yuma Energy, Inc. is a U.S.-based oil and gas company focused on the exploration for, and development of, conventional and unconventional oil and gas prospects. Yuma's predecessor was established in 1983. Yuma has employed a 3-D seismic-based strategy to build a multi-year inventory of development and exploration prospects. Yuma's current operations are focused on onshore central Louisiana, where Yuma is targeting the Austin Chalk, Tuscaloosa, Wilcox, Frio, Marg Tex and Hackberry formations. In addition, Yuma has a non-operated position in the Bakken Shale in North Dakota. Yuma's core competencies in generating oil and gas prospects include: unconventional oil plays; onshore liquids-rich projects; and high impact deep onshore prospects located beneath known producing trends, identified through the use of 3-D seismic surveys. There is no trading market for the common equity of Yuma.

Yuma's corporate strategy involves the execution of a structured four stage plan. The key elements of this plan are:

- Transition existing inventory of reserves into production.
- Further development and appraisal of existing projects.

Acquisition of additional working interests within drilling units in existing operated proved undeveloped locations through infield leasing while retaining a greater percentage working interest in, and operatorship of, its projects going forward.

- Add to project inventory through ongoing prospect generation, exploration and strategic acquisitions.

Yuma's core competencies include generating:

- Unconventional oil resource plays;
- Onshore liquids-rich projects, through the use of 3-D seismic surveys; and

Identification of high impact deep onshore prospects located beneath known producing trends through the use of 3-D seismic surveys.

Yuma's key strengths and competitive advantages:

Extensive technical knowledge and history of operations in the Gulf Coast region. Since 1983 Yuma or its predecessor has operated in the Gulf Coast region, which is an area that extends through Texas, Louisiana and Mississippi. Yuma's extensive understanding of the geology and experience in interpreting well control, core and 3-D seismic data in this area provides Yuma a competitive advantage in exploring and developing projects in the Gulf Coast region. Yuma has cultivated amicable and mutually beneficial relationships with acreage owners in this region and adjacent oil and gas operators, which generally provides for effective leasing and development activities.

In-house technical expertise in 3-D seismic programs. Yuma designs and generates in-house 3-D seismic survey programs on many of its projects. By controlling the 3-D seismic program from field acquisition through seismic processing and interpretation, Yuma gains a competitive advantage through proprietary knowledge of the project.

Liquids-rich, quality assets with attractive economics. Yuma's reserves and drilling locations are primarily oil plays with associated liquids-rich natural gas. As at December 31, 2013, Yuma's proved reserves comprised approximately 56% oil, 31% natural gas and 13% natural gas liquids.

Existing well diversified portfolio of producing and non-producing assets. Yuma's current portfolio of producing and non-producing assets covers a large area within the U.S. Gulf Coast.

Significant inventory of oil and gas assets. Yuma has a significant inventory of both proved reserves and significant growth assets that can be developed over the near to medium term. In addition, Yuma has the ability to organically generate new oil and gas prospects and projects through techniques utilized by its experienced management team, which include (1) analyzing subsurface data and 2-D seismic data to identify areas where a 3-D seismic survey could be acquired for the generation of oil and gas prospects, (2) negotiating mineral rights with large landowners in prospective areas, and (3) reprocessing of older 3-D seismic surveys utilizing new technology. Once that is determined, the technical team surveys prospective areas for new oil and gas deposits and what methods might be employed to identify those likely locations. In recent years, the predominant method used has been to conduct 3-D seismic surveys. Once a survey has been acquired, the team evaluates the seismic data.

Yuma operated assets. In order to maintain better control over its assets, Yuma has established a leasehold position comprised primarily of assets where Yuma is the operator. By controlling operations, Yuma is able to dictate the pace of development and better manage the cost, type and timing of exploration and development activities.

Experienced management team. Yuma has a highly qualified management team with an average of approximately 30 years industry experience, including extensive experience in the Gulf Coast region. The Yuma team has substantial expertise in the design, acquisition, processing and interpretation of new 3-D seismic surveys, and its experienced operations staff allows for efficient turnaround from project identification to drilling to production.

Experienced Yuma board of directors. Yuma's directors have substantial experience managing successful public companies and realizing value for investors through the development, acquisition and monetization of both conventional and unconventional oil and gas assets in the Gulf Coast region.

## **Recent Developments**

Yuma spudded its second operated Austin Chalk well, the Crosby 14-1, in the Greater Masters Creek Field on March 27, 2014. This well is located in Section 14 Township 2 South, Range 7 West in Vernon Parish, Louisiana. The Crosby 14-1 will be drilled vertically to approximately 15,000 feet to the top of the Austin Chalk formation and then up to 6,000 feet horizontally in the Austin Chalk pay interval. Yuma expects this well will be drilled and tested during August 2014. If successful, Yuma expects to have the well on production in late September 2014.

Plans are underway to drill a development well offsetting Yuma's 2013 Wilcox formation discovery on its Musial prospect located in Livingston Parish, Louisiana. Yuma's discovery, the Starns 38-1, was drilled to a measured total depth of 10,119 feet and was put on production in late April 2013, and averaged 101 Bbl/d and 229 barrels of water per day while on pump. By December 2013 the production rate had declined to 30 Bbl/d. The downhole pump was re-configured and the producing interval was treated for paraffin and asphaltene buildup in January 2014. The well began producing on its own and water production dropped significantly. During July 2014, the well flowed at an average rate of 125 barrels of oil and eight barrels of water per day. Yuma spudded an offset well, the Nettles 39-1, on July 2, 2014. Yuma reached a total depth of 10,051 feet during July 2014 and logged 18 feet of net pay in the primary objective, the First Wilcox sand. The Starns 38-1 also had 18 net feet of pay in the First Wilcox sand. Below the First Wilcox sand, the logs indicated 12 net feet of pay in the Fourth Wilcox sand which was not productive in the Starns 38-1 well. Yuma has run production casing and will begin by testing the Fourth Wilcox sand and, if productive, will produce the well from that sand and will recomplete the well in the First Wilcox sand at a later date. If the completion efforts are successful, Yuma expects to have the well on production during August 2014.

Yuma participated for an 18.9% working interest in a successful infill development well in the Ringwood Field located in Major County, Oklahoma. The Bertha No. 8-3 was completed in early April 2014 in the Hunton formation at a depth of 8,010 feet at an initial production rate of 150 barrels of oil per day.

## **Competition**

In addition to being highly volatile, the domestic oil and gas business is highly competitive among many independent operators and major oil companies in the industry. Yuma's competitors may possess financial resources and technical capabilities which are greater than those available to Yuma and they may, therefore, be able to pay more for desirable properties or more effectively exploit productive prospects due to their size and ability to secure better service contracts.

## **Environmental Regulations**

Yuma conducts its operations according to high industry standards and in compliance with all applicable laws and regulations. Yuma's operations are generally subject to numerous stringent federal, state and local environmental regulations under various acts including the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Water Pollution Control Act, and the Resources Conservation and Recovery Act. For example, Yuma's operations are affected by diverse environmental regulations including those regarding the disposal of produced oilfield brines, other oil-related wastes, and additional wastes not directly related to oil and gas production. Additional regulations exist regarding the containment and handling of crude oil as well as preventing the release of oil into the environment. It is not possible to estimate future environmental compliance costs due in part, to the uncertainty of continually changing environmental initiatives. Future environmental costs can be expected to be significant to the entire oil and gas industry and such regulatory compliance costs may have a material adverse effect on Yuma's capital expenditures, earnings and competitive position.

**Employees**

As of the date of this proxy statement/prospectus, Yuma had 31 full-time employees. All of Yuma’s employees are in the United States. Yuma also utilizes temporary employees, independent contractors, and part-time employees as needed. None of Yuma’s employees are represented by a labor union and Yuma considers its employee relations to be good.

**Properties**

*Offices*

Yuma leases property as detailed in the following table.

<b>Location</b>	<b>Approximate Size</b>	<b>Lease Expiration Date</b>	<b>Intended Use</b>
Houston, Texas	15,180 sq. ft.	December 31, 2017	Office
Houston, Texas	3,195 sq. ft.	April 30, 2017	Storage

Aggregate annual rental payments for Yuma’s facilities are approximately \$508,633. Yuma’s current facilities are generally adequate for anticipated needs over the next 24 months.

*Oil, Gas and Natural Gas Liquids Reserve Information*

All of Yuma’s oil and gas reserves are located in the United States. Unaudited information concerning the estimated net quantities of all of Yuma’s proved reserves and the standardized measure of future net cash flows from the reserves is presented in Note Y – “Supplementary Information on Oil and Natural Gas Exploration, Development and Production Activities (Unaudited),” in the Notes to the Historical Consolidated Financial Statements of Yuma for the three years ended December 31, 2013 in this proxy statement/prospectus. Yuma’s reserve estimates have been prepared by Netherland, Sewell & Associates, Inc. (“NSAI”), an independent petroleum engineering firm. Yuma does not have any long-term supply or similar agreements with foreign governments or authorities.

Set forth below is a summary of Yuma's oil, gas and natural gas liquid reserves as of December 31, 2013 and based on the reserve report prepared by NSAI. Yuma did not provide any reserve information to any federal agencies in 2013.

	Oil (MBbls)	NGL (MBbls)	Gas (MMcf)	Total (Mboe)	Present Value Discounted at 10% (\$ in thousands) <sup>(1)</sup>
Proved developed	1,607	493	10,317	3,819	\$ 102,105
Proved undeveloped	10,008	2,275	28,056	16,958	\$ 329,144
Total proved	11,615	2,767	38,372	20,777	\$ 431,248

*Oil, Gas and Natural Gas Liquids Reserve Quantities*

	Oil (MBbl)	Gas (MMcf)	NGL (MBbls)
Beginning proved reserve quantities, January 1, 2013	6,164	31,071	1,576
Purchases of minerals-in-place	6,482	16,496	1,478
Extensions and discoveries	92	363	-
Production	(202 )	(1,276 )	(66 )
Revisions of quantity estimates	(862 )	(8,281 )	(281 )
Proved reserve quantities, December 31, 2013	11,615	38,372	2,767
Ending proved developed reserve quantities:			
December 31, 2012	1,131	10,157	344
December 31, 2013	1,607	10,317	493

(1) Present Value Discounted at 10% ("PV10") is a Non-GAAP measure that differs from the GAAP measure "standardized measure of discounted future net cash flows" in that PV10 is calculated without regard to future income taxes. Yuma management believes that the presentation of PV10 value is relevant and useful to investors because it presents the estimated discounted future net cash flows attributable to Yuma's estimated proved reserves independent of its income tax attributes, thereby isolating the intrinsic value of the estimated future cash flows attributable to its reserves. Because many factors that are unique to each individual company impact the amount of future income taxes to be paid, Yuma believes the use of a pre-tax measure provides greater comparability of assets when evaluating companies. For these reasons, Yuma management uses, and believes the industry generally uses, the PV10 measure in evaluating and comparing acquisition candidates and assessing the potential return on investment related to investments in oil and natural gas properties. PV10 does not necessarily represent the fair market value of oil and gas properties.



PV10 is not a measure of financial or operational performance under GAAP, nor should it be considered in isolation or as a substitute for the standardized measure of discounted future net cash flows as defined under GAAP. For presentation of the standardized measure of discounted future net cash flows, please see Note Y – “Supplementary Information on Oil and Natural Gas Exploration, Development and Production Activities (Unaudited),” in the Notes to the Historical Consolidated Financial Statements of Yuma for the three years ended December 31, 2013 included with this proxy statement/prospectus. The table below titled “Non-GAAP Reconciliation” provides a reconciliation of PV10 to the standardized measure of discounted future net cash flows.

Non-GAAP Reconciliation (in thousands)

The following table reconciles Yuma’s direct interest in oil and gas reserves as of December 31, 2013:

Present value of estimated future net revenues (PV10)	\$431,248
Future income taxes, discounted at 10%	(105,894)
Standardized measure of discounted future net cash flows	\$325,354

Uncertainties are inherent in estimating quantities of proved reserves, including many risk factors beyond Yuma’s control. Reserve engineering is a subjective process of estimating subsurface accumulations of oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and the interpretation thereof. As a result, estimates by different engineers often vary, sometimes significantly. In addition, physical factors such as the results of drilling, testing and production subsequent to the date of the estimates, as well as economic factors such as change in product prices, may require revision of such estimates. Accordingly, oil and natural gas quantities ultimately recovered will vary from reserve estimates.

*Proved Undeveloped Reserves*

From January 1, 2013 to January 1, 2014, Yuma’s proved undeveloped reserves (“PUDs”) increased 74% from 9,752 MBoe to 16,958 MBoe, or an increase of 7,207 MBoe. Increases due to acquisitions were 10,247 MBoe, which were primarily attributable to the purchase of Addison Oil, LLC’s producing assets and acreage in the Greater Masters Creek Field. Yuma also added approximately 108 MBoe to proved undeveloped reserves, in extensions and discoveries, primarily as a result of successful drilling in 2013 and the commensurate PUDs associated with drilling at its Musial Prospect inside the Livingston 3D shoot. Reserves of 444 MBoe were moved from the PUD reserve category to the proved developed producing category through the drilling of the Crosby 12-1. Yuma incurred approximately \$6.1 million in capital expenditures during 2013 in converting the Crosby 12-1 well to the proved developed reserve category. The remaining change in PUDs of (2,705) MBoe was a result of decreased prices, performance revisions over the time period and a small amount of production. Based on Yuma’s 2013 year end independent engineering reserve report, Yuma plans to drill all of its PUD drilling locations within five years.

*Preparation of Reserve Estimates*

Yuma has engaged an independent petroleum engineering consulting firm, Netherland, Sewell & Associates, Inc. (“NSAI”), to prepare its annual reserve estimates and has relied on NSAI’s expertise to ensure that Yuma’s reserve estimates are prepared in compliance with SEC guidelines. NSAI was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. Within NSAI, the technical persons primarily responsible for preparing the estimates set forth in the NSAI reserves report incorporated herein are G. Lance Binder and Philip R. Hodgson. Mr. Binder has been practicing consulting petroleum engineering at NSAI since 1983. Mr. Binder is a Registered Professional Engineer in the State of Texas (No. 61794) and has over 30 years of practical experience in petroleum engineering, with over 30 years of experience in the estimation and evaluation of reserves. He graduated from Purdue University in 1978 with a Bachelor of Science degree in Chemical Engineering. Mr. Hodgson has been practicing consulting petroleum geology at NSAI since 1998. Mr. Hodgson is a Licensed Professional Geoscientist in the State of Texas, Geology (No. 1314) and has over 29 years of practical experience in petroleum geosciences. He graduated from University of Illinois in 1982 with a Bachelor of Science Degree in Geology and from Purdue University in 1984 with a Master of Science Degree in Geophysics. Both technical principals meet or exceed the education, training, and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers; both are proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines.

Yuma’s principal engineer is primarily responsible for overseeing Yuma’s independent petroleum engineering firm during the preparation of Yuma’s reserve report. His professional qualifications meet or exceed the qualifications of reserve estimators and auditors set forth in the “Standards Pertaining to Estimation and Auditing of Oil and Gas Reserves Information” promulgated by the Society of Petroleum Engineers. His qualifications include: Bachelors of Science degree in Petroleum Engineering from Texas A&M University, 1999; Masters in Finance from the University of Houston in 2008; Executive Masters of Business Administration degree from Rice University in 2011; member of the Society of Petroleum Engineers since 1998; and more than 14 years of experience in the oil and gas industry.

Yuma maintains adequate and effective internal controls over its reserve estimation process as well as the underlying data upon which reserve estimates are based. The primary inputs to the reserve estimation process are technical information, financial data, ownership interest, and production data. The relevant field and reservoir technical information, which is updated annually, is assessed for validity when Yuma's independent petroleum engineering firm has technical meetings with its engineers, geologist, operations and land personnel. Current revenue and expense information is obtained from Yuma's accounting records, which are subject to external quarterly reviews, annual audits and its own set of internal controls over financial reporting. All current financial data such as commodity prices, lease operating expenses, production taxes and field-level commodity price differentials are updated in the reserve database and then analyzed to ensure that they have been entered accurately and that all updates are complete. Yuma's current ownership in mineral interests and well production data are also subject to Yuma's internal controls over financial reporting, and they are incorporated in Yuma's reserve database as well and verified internally by Yuma to ensure their accuracy and completeness. Once the reserve database has been updated with current information, and the relevant technical support material has been assembled, Yuma's independent engineering firm meets with Yuma's technical personnel to review field performance and future development plans in order to further verify the validity of estimates. Following these reviews the reserve database is furnished to NSAI so that it can prepare its independent reserve estimates and final report. The reserve estimates prepared by NSAI are reviewed and compared to Yuma's internal estimates by Yuma's principal engineer and staff in Yuma's reservoir engineering department. Material reserve estimation differences are reviewed between NSAI's reserve estimates and Yuma's internally prepared reserves on a case-by-case basis. An iterative process between NSAI and Yuma, and additional data is provided to address the differences. If the supporting documentation will not justify additional changes, the NSAI reserves are accepted. In the event that additional data supports a reserve estimation adjustment, NSAI will analyze the additional data, and may make changes it deems necessary. Additional data is usually comprised of updated production information on new wells. Once the review is completed and all material differences are reconciled, the reserve report is finalized and Yuma's reserve database is updated with the final estimates provided by NSAI. Access to Yuma's reserve database is restricted to specific members of Yuma's reservoir engineering department.

*Net Oil, Gas and Natural Gas Liquids Production, Average Price and Average Production Cost*

The net quantities of oil, gas and natural gas liquids produced and sold by Yuma for each of the three years ended December 31, 2013, the average sales price per unit sold and the average production cost per unit are presented below.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Oil Production (Bbls)	184,349	154,437	109,304
Gas Production (Mcf)	1,580,468	515,112	367,465
Natural Gas Liquids Production (Bbls)	51,875	9,571	1,692
Total Production (Boe)*	499,635	249,860	172,240
Average realized price:			
Excluding hedging (realized and unrealized)			
Crude Oil and Condensate (per Bbl)	\$104.26	\$107.57	\$109.39
Natural Gas (per Mcf)	\$3.83	\$3.07	\$4.51
Natural Gas Liquids (per Bbl)	\$40.17	\$42.67	\$53.08
Including hedging (realized only)			

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Crude Oil and Condensate (per Bbl)	\$102.46	\$106.45	\$105.48
Natural Gas (per Mcf)	\$4.08	\$4.07	\$7.41
Natural Gas Liquids (per Bbl)	\$40.17	\$42.67	\$53.08
Production cost per Boe**	\$12.40	\$11.99	\$18.54

\* Barrels of oil equivalent have been calculated on the basis of six thousand cubic feet (Mcf) of natural gas equal to one barrel of oil equivalent (1 Boe).

Excludes ad valorem taxes (which are included in lease operating expenses on Yuma's consolidated statements of income in the Historical Consolidated Financial Statements of Yuma for the three years ended December 31, 2013, 2012 and 2011 included with this proxy statement/prospectus) of \$717,922, \$101,628, and \$54,457 in 2013, 2012, and 2011, respectively and severance taxes.

Effective January 1, 2013, Yuma acquired its interest in the Greater Masters Creek Field, which contained 78% of Yuma's total proved reserves as of December 31, 2013. No other single field accounted for 15% or more of Yuma's proved reserves as of December 31, 2013. The net quantities of oil and gas produced and sold by Yuma for the year ended December 31, 2013, the average sales price per unit sold and the average production cost per unit for the Greater Master Creek Field are presented below.

Greater Masters Creek Field	Year Ended December 31, 2013
Oil Production (Bbls)	24,972
Gas Production (Mcf)	85,866
Natural Gas Liquids Production (Bbls)	8,702
Total Production (Boe)*	47,985
Average realized price:**	
Crude Oil and Condensate (per Bbl)	\$ 100.87
Natural Gas (per Mcf)	\$ 4.07
Natural Gas Liquids (per Bbl)	\$ 34.98
Production cost per Boe***	\$ 97.12

\* Barrels of oil equivalent have been calculated on the basis of six thousand cubic feet (Mcf) of natural gas equal to one barrel of oil equivalent (1 Boe).

\*\* Excludes hedges (realized and unrealized) as they are not recorded by specific field.

Excludes ad valorem taxes (which are included in lease operating expenses on Yuma's consolidated statements of \*\*\*income in the Historical Consolidated Financial Statements of Yuma included with this proxy statement/prospectus) of \$570,940 in 2013 and severance taxes.

Yuma's La Posada (Bayou Herbert) field contained 17% of Yuma's total proved reserves as of December 31, 2012. No other single field accounted for 15% or more of Yuma's proved reserves as of December 31, 2012. The net quantities of oil and gas produced and sold by Yuma for the year ended December 31, 2012, the average sales price per unit sold and the average production cost per unit for Yuma's La Posada (Bayou Herbert) field are presented below.

La Posada (Bayou Herbert) Field	Year Ended December 31, 2012
Oil Production (Bbls)	6,780
Gas Production (Mcf)	345,309
Natural Gas Liquids Production (Bbls)	8,442
Total Production (Boe)*	72,774
Average realized price:**	
Crude Oil and Condensate (per Bbl)	\$ 107.68
Natural Gas (per Mcf)	\$ 3.17
Natural Gas Liquids (per Bbl)	\$ 43.05
Production cost per Boe***	\$ 2.54

\* Barrels of oil equivalent have been calculated on the basis of six thousand cubic feet (Mcf) of natural gas equal to one barrel of oil equivalent (1 Boe).

\*\* Excludes hedges (realized and unrealized) as they are not recorded by specific field.

\*\*\* Excludes severance taxes but includes ad valorem taxes in lease operating expenses since this well is non-operated by Yuma and the operator does not break-out the ad valorem taxes from lease operating expenses.

Yuma's Fresh Water Bayou South field contained 18% of Yuma's total proved reserves as of December 31, 2011. No other single field accounted for 15% or more of Yuma's proved reserves as of December 31, 2011. The net quantities

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of oil and gas produced and sold by Yuma for the year ended December 31, 2011, the average sales price per unit sold and the average production cost per unit for Yuma's Fresh Water Bayou South field are presented below.

Fresh Water Bayou South	Year Ended December 31, 2011
Oil Production (Bbls)	108
Gas Production (Mcf)	17,978
Natural Gas Liquids Production (Bbls)	-
Total Production (Boe)*	3,104
Average realized price:**	
Crude Oil and Condensate (per Bbl)	\$ 112.53
Natural Gas (per Mcf)	\$ 4.30
Natural Gas Liquids (per Bbl)	-
Production cost per Boe***	\$ 68.40

\* Barrels of oil equivalent have been calculated on the basis of six thousand cubic feet (Mcf) of natural gas equal to one barrel of oil equivalent (1 Boe).

\*\* Excludes hedges (realized and unrealized) as they are not recorded by specific field.

\*\*\* Excludes severance taxes but includes ad valorem taxes in lease operating expenses since this well is non-operated by Yuma and the operator does not break-out the ad valorem taxes from lease operating expenses.

In 2013, four purchasers each accounted for 78% of Yuma's consolidated oil and gas revenues. In 2012, four purchasers accounted for 79% of Yuma's unaffiliated oil and gas revenues. In 2011, three purchasers accounted for approximately 65% of Yuma's unaffiliated oil and gas revenues. No other single purchaser accounted for 10% or more of Yuma's oil and gas revenues in 2013, 2012 or 2011. There are adequate alternate purchasers of Yuma's production such that it believes the loss of one or more of the above purchasers would not have a material adverse effect on its results of operations or cash flows.

*Gross and Net Productive Wells*

As of December 31, 2013, Yuma's total gross and net productive wells were as follows:

Productive Wells

<b>Oil (1)</b>		<b>Natural Gas (1)</b>		<b>Total (1)</b>	
Gross	Net	Gross	Net	Gross	Net
Wells	Wells	Wells	Wells	Wells	Wells
80	41	37	2	117	43

A gross well is a well in which a working interest is owned. The number of net wells represents the sum of fractions of working interests Yuma owns in gross wells. Productive wells are producing wells plus shut-in wells (1) Yuma deems capable of production. Horizontal re-entries of existing wells do not increase a well total above one gross well. Yuma has working interests in 10 gross wells with completions into more than one productive zone; in the table above, these wells with multiple completions are only counted as one gross well.

*Gross and Net Developed and Undeveloped Acres*

As of December 31, 2013, Yuma had total gross and net developed and undeveloped leasehold acres as set forth below. The developed acreage is stated on the basis of spacing units designated or permitted by state regulatory authorities. Gross acres are those acres in which a working interest is owned. The number of net acres represents the sum of fractional working interests Yuma owns in gross acres.

State	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net

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Louisiana	102,161	53,993	44,040	28,034	146,202	82,028
North Dakota	18,513	965	-	-	18,513	965
Texas	2,601	296	54	13	2,655	308
Oklahoma	2,160	96	-	-	2,160	96
Total	125,435	55,350	44,094	28,047	169,530	83,397

As of December 31, 2013, Yuma had leases representing 12,518 net acres (12,020 of which were in the Greater Masters Creek Field) expiring in 2014; 7,579 net acres (4,379 of which were in the Greater Masters Creek Field) expiring in 2015; and 7,950 net acres (7,643 of which were in the Greater Masters Creek Field) expiring in 2016 and beyond. The 12,020 net acres expiring in 2014 in the Greater Masters Creek Field all fall under one lessor and can be extended (for as long as Yuma chooses to do so) under a continuous drilling provision by drilling one well at a location of Yuma's choice approximately every six months. For the remainder of the leases, Yuma anticipates that its current and future drilling plans, along with selected lease extensions, will address the majority of the remaining leases expiring in the Greater Masters Creek Field in 2015 and beyond.

*Exploratory Wells and Development Wells*

Set forth below for the three years ended December 31, 2013 is information concerning the number of wells Yuma drilled during the years indicated.

Year	Net Exploratory Wells Drilled		Net Development Wells Drilled		Total Net Productive and Dry Wells Drilled
	Productive	Dry	Productive	Dry	
2013	.32	-	.57	.31	1.21
2012	.33	.28	.64	-	1.25
2011	.13	.29	.30	-	.71

*Present Activities*

At August 1, 2014, Yuma had 2 gross (0.9001 net) wells in the process of drilling or completing, the Crosby 14-1 and the Nettles 39-1.



*Supply Contracts or Agreements*

Crude oil and condensate are sold through month-to-month evergreen contracts. The price is tied to an index or a weighted monthly average of posted prices with certain adjustments for gravity, BS&W (Basic Sediment and Water) and transportation. Generally, the index or posting is based on WTI (West Texas Intermediate) and adjusted to LLS (Light Louisiana Sweet) or HLS (Heavy Louisiana Sweet). For the years ended December 31, 2013, 2012 and 2011, the LLS postings averaged \$9.58, \$17.16 and \$17.20 over WTI, respectively. For the three months ended March 31, 2014 and 2013, the LLS postings averaged \$6.05 and \$20.14 over WTI, respectively.

Yuma's natural gas is sold under multi-year contracts with pricing tied to either first of the month index or a monthly weighted average of purchaser prices received. Natural gas liquids are also sold under multi-year contracts usually tied to the related natural gas contract. Pricing is based on published prices for each product or a monthly weighted average of purchaser prices received.

Yuma also engages in hedging activities as discussed below in "Management's Discussion and Analysis of Financial Condition and Results of Operations of Yuma – Hedging Activities."

*Description of Major Properties and General Strategy*

Yuma is the operator of properties containing approximately 79% of its proved oil and gas reserves. As operator, Yuma is able to directly influence exploration, development and production operations. Yuma's producing properties have reasonably predictable production profiles and cash flows, subject to commodity price fluctuations, and have provided a solid foundation for its technical staff to pursue the development of its undeveloped acreage, further develop its existing properties and also generate new projects that Yuma believes have the potential to increase stockholder value.

As is common in the industry Yuma participates in non-operated properties on a selective basis; its non-operating participation decisions are dependent on the technical and economic nature of the projects and the operating expertise and financial standing of the operators. The following is a description of Yuma's major oil and gas properties.

*Greater Masters Creek Field in the Austin Chalk Trend*

Yuma's Austin Chalk asset consists of approximately 76,178 net acres in the Masters Creek field area, specifically in the Allen, Vernon, Rapides and Beauregard Parishes in West Central Louisiana. Austin Chalk production in the Masters Creek area was first reported in 1996 and approximately 50 wells were producing by the end of 1997. The Austin Chalk Trend in Masters Creek is located at an average vertical depth of approximately 15,000 feet and has an average thickness in excess of 300 feet. The Austin Chalk is a low-permeability reservoir that has been developed with horizontal wellbores that intersect natural fractures in the rock. The reservoir is not mechanically stimulated or fractured.

The Austin Chalk reservoir infill drilling opportunity covers 450 square miles in the greater Masters Creek area. The well spacing of the previous development of the area was approximately 8,000 to 10,000 feet (i.e. 1,250 to 1,600 acre spacing), which Yuma estimates is insufficient for the purposes of fully draining the recoverable hydrocarbons from each production unit. Infield sidetrack wells have found near-virgin reservoir conditions less than 2,500 feet from wells that produced over 650 MBbl of oil and 1.8 Bcf of gas, and there are numerous examples of successful down-spacing along the Greater Masters Creek Field area.

Typical per-well production from the Greater Masters Creek Field area is significantly higher than the per-well production for all wells in the Austin Chalk Trend and oil is sold at Light Louisiana Sweet pricing. Yuma's proved reserves in the Greater Masters Creek Field area are predominantly liquids, with oil and natural gas liquids making up 78% of Yuma's proved reserves as of December 31, 2013, of 9,838.8 MBbl of oil, 25,142.9 Mcf of gas and 2,270.7 MBbl of natural gas liquids. Given that the area is an existing field which has previously been developed, there is extensive existing infrastructure available throughout Yuma's leases in the Greater Masters Creek Field.

Yuma's development plan is to drill new 6,000 foot single lateral wells between existing wells in order to more effectively drain the reservoir. Based on this down spacing development plan, Yuma has identified 70 proved undeveloped locations which it operates and 14 non-operated proved developed locations. These locations have been confirmed by NSAI.

In November 2013, Yuma completed its first development well, the Crosby 12-1, which tested at a peak rate of 529 Bbl/d of oil and 2,604 Mcf/d of gas and approximately 260 Bbl/d of natural gas liquids. Yuma started drilling the second development well, the Crosby 14-1, in the beginning of March 2014.

*La Posada – Bayou Hebert Field*

Yuma's La Posada asset is situated on the eastern flank of the Tigre Lagoon Planulina Embayment between Live Oak field and the Avery Island Salt Dome. The Embayment, one of several in southern Louisiana, is a semi-regional "mini-basin" characterized by thick sequences of Planulina sands and numerous structures that formed in response to a lowering of sea levels followed by shelf edge collapse. Oil and gas production from the Embayment has been prolific with cumulative production from all sands of 2.9 Tcfe.

Two existing production fields are located nearby to the north of La Posada. The Erath field, developed in 1940, is known to have produced a total of 1.2 Tcf of gas and 43 MMbbl of oil, while the Tigre Lagoon field, developed in 1947, has produced a total of 421 Bcf of gas and 20 MMbbl of oil.

Yuma has a 12.5% working interest in La Posada, which is an oil and gas discovery located in Vermilion Parish, Louisiana. The prospect was generated by Yuma utilizing 40 square miles of 3-D seismic data recorded in 2004 targeted over a large lower Miocene structure. The primary objectives were the Lower Planulina Cris R sands, located at a depth of approximately 17,700 to 18,250 feet.

The prospect was successfully tested on the southern portion of the structure by the operator PetroQuest Energy in 2011. The Thibodeaux-1 well was drilled to a total depth of 19,079 feet and logged a net 217 feet of hydrocarbon bearing sand. The well was completed and as of December 31, 2013 has cumulatively produced 16.3 Bcf of gas and 308 MBbl of oil. The liquid yield is approximately 39 Bbls of natural gas liquids per MMcf gas from all sand intervals. On December 31, 2013, the well produced 30 MMcf gas and 639 Bbls of oil.

In 2012, the Broussard-2 well was drilled to a depth of 19,150 feet on the north side of the structure. This well logged a net 328 feet of hydrocarbon bearing sand in the Lower Planulina Cris R-1 and Cris R-2A, B and C sandstones. The well was completed and as of December 31, 2013, has cumulatively produced 17.3 Bcf of gas and 310 MBbl of oil. On December 31, 2013, the well produced 50 MMcf of gas and 865 Bbl of oil.

In 2013, the Broussard-1 well (originally drilled and temporarily abandoned in 2007) was re-entered and sidetracked to the upper Cris R sand as an acceleration well. The Broussard-1 sidetrack was drilled to a depth of 18,035 feet and encountered the upper productive sand. The well was completed and as of December 31, 2013 has cumulatively produced 6.1 Bcf of gas and 118 MBbl of oil. On December 31, 2013, the well produced 30 MMcf of gas and 695 Bbl of oil.

On December 31, 2013, the total Bayou Herbert field production was 110 MMcf of gas and 2,199 Bbl of oil. PetroQuest Energy refers to the newly discovered field as “La Cantera.”

### *Livingston Prospects*

South Louisiana has been one of the most prolific oil and gas producing provinces along the U.S. Gulf Coast. Oil and gas production in the vicinity of Yuma’s Livingston Parish 3-D seismic survey area comes from several reservoirs that range from shallow Miocene sandstones to deep Lower Tuscaloosa sandstones, located in the St. Helena and Livingston Parishes, Louisiana. The primary exploration targets which produce in the region include intermediate depth Eocene Wilcox sandstones and the deeper lower Tuscaloosa sand-stones.

Yuma’s in-house team acquired, processed and interpreted the Livingston 3-D seismic survey that covers approximately 138 square miles of an area not previously imaged with a 3-D survey. Yuma has leased 2,872 net acres (8,411 gross acres), and holds an average 33% working interest across the prospects.

Along the lower Cretaceous shelf-edge and within the project area, several large oil and gas fields produce from depths that range from 5,000 to 20,000 feet. Recording of the 3-D survey began in the fourth quarter of 2008 and processing of the data was completed in August 2009.

Since acquisition of the 3-D seismic data, Yuma has drilled five exploration wells with four discoveries. Three of the wells targeted the lower Tuscaloosa formation (oil), one well targeted the Wilcox formation (oil), and one well drilled for a shallow Miocene target (gas). Two development wells have also been drilled in the Lower Tuscaloosa. Currently, four wells are producing from the Lower Tuscaloosa, one well is producing from the Wilcox, and a shallow Miocene discovery proved to be limited in size and is temporarily abandoned. At December 31, 2013, several of the wells were undergoing work-overs to enhance production. Daily production from all five Livingston 3-D wells after the recompletions were completed during the first quarter of 2014 reached in excess of 500 Boe/d (net 116 Boe/d).

Yuma has identified three new lower Tuscaloosa prospects in the Livingston 3-D seismic survey area and two Wilcox development locations.

*Bakken – Yellowstone and Southeast Homerun*

The Mississippian-Devonian Bakken formation of the Williston Basin is characterized by low porosity and low permeability reservoirs, organic-rich source rocks, and regional hydrocarbon charge. The unconventional play is the current focus of exploration and development activity by many operators, with the U.S. Geological Survey (“USGS”) estimating mean technologically recoverable resources estimates for the 3.65 BBbl of oil, 1.85 Tcf of associated/dissolved natural gas, and 148 MMbbl of natural gas liquids. Productive areas, or “sweet spots,” are localized areas of improved reservoir permeability through natural fracturing or development of rock matrix permeability, or a combination of both.

Yuma currently holds an average 5% non-operated working interest in 18,513 gross acres (965 net acres) across twenty-five (25) 1,280 acre drilling units in McKenzie County, North Dakota. Of the total acreage position, approximately 938 acres (96.2%) are held by production. Yuma holds interests in six producing oil wells and two active salt water disposal wells. All producing wells are located over two fields, Yellowstone and Southeast Homerun. Yuma’s interests are currently operated by Zavanna, LLC, and Emerald Oil.

Approximately 140 drilling locations remain across Yuma’s Bakken asset. In addition, significant future infill and Three Forks development upside potential exists as Yuma holds its working interest share over all depths of acreage on the leases.

*Lake Fortuna Field (Raccoon Island)*

Yuma’s legacy producing Lake Fortuna asset was discovered in 1996 in St. Bernard Parish, Louisiana when Yuma’s 3-D Raccoon Island prospect was drilled. The target was Middle Miocene sand on a known productive structure. This normally pressured structure is on trend with some of the most prolific oil production in South Louisiana and has similar trapping mechanism and stratigraphical section. In 2005, Yuma acquired the majority of the working interest in Raccoon Island from Amerada Hess, and now owns a working interest of 91%. The proved developed producing reserves for the field are 250 MBbl of oil net to Yuma’s interest with a net present value at 10% discount rate of \$9.5 million as of December 31, 2013.

*Chacahoula field*

Yuma’s legacy producing Chacahoula asset is a shallow piercement dome located in northern Lafourche Parish, Louisiana. Since the discovery of oil and gas at the dome in 1938, the Chacahoula asset has produced over 785 BCF

of gas and 33 MMbbl of oil from more than 30 middle and lower Miocene sandstone reservoirs. In 1998, a 110 square mile 3-D seismic survey was acquired over the field and surrounding area by Phillips Petroleum. In 2001, Yuma and Phillips Petroleum initiated a joint exploration agreement which granted Yuma access to the 3-D seismic data as well as confidential subsurface data for the purpose of generating drilling prospects.

Yuma's acreage position in the Chacahoula asset is held by production and comprises approximately 11 net acres (45 gross acres) at Bolivar and 9 net acres (24 gross) at Point Loma. The total remaining proved reserves for the field are 319 MBbl of oil and 143 MMcf of gas net to Yuma's interest with a net present value at 10% discount rate of \$9.6 million as of December 31, 2013.

*Chandeleur Block 71*

Yuma holds a 30% working interest in the producing Chandeleur Block 71 in St. Bernard Parish, Louisiana. The structure from which the two Yuma-operated wells produce was originally found to be productive by other operators between 1975 and 1989, and was reanalyzed using 3-D seismic data along with subsurface and production data. Yuma recognized the need for additional wells to recover the remaining reserves from the structures, and subsequently drilled one well in each of 2004 and 2005 targeting the middle Miocene sand section along productive downthrown structures.

### *Title to Properties*

It is customary in the oil and gas industry to make a limited review of title to undeveloped oil and gas leases at the time they are acquired. It is also customary to obtain more extensive title examinations prior to the commencement of drilling operations on undeveloped leases or prior to the acquisition of producing oil and gas properties. With respect to the future acquisition of both undeveloped and proved properties, we plan to conduct title examinations on such properties in a manner consistent with industry and banking practices. Yuma has obtained title opinions, title reports or otherwise conducted title investigations covering substantially all of its producing properties and believe it has satisfactory title to such properties in accordance with standards generally accepted in the oil and gas industry. Yuma's properties are subject to customary royalty interests, overriding royalty interests, and other burdens which it believed do not materially interfere with the use or affect the value of such properties. Yuma's credit facility is secured by substantially all of its oil and gas properties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Yuma – Liquidity and Capital Resources" beginning on page [—].

### **Legal Proceedings**

A description of Yuma's legal proceedings is included in Note Q – "Contingencies," of the Notes to the Historical Consolidated Financial Statements of Yuma for the three years ended December 31, 2013 and is incorporated herein by reference.

From time to time, Yuma is a party to litigation or other legal proceedings that it considers to be a part of the ordinary course of its business. Yuma is not currently involved in any legal proceedings, nor is it a party to any pending or threatened claims, that could reasonably be expected to have a material adverse effect on Yuma's financial condition or results of operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF YUMA

The following discussion should be read in conjunction with the consolidated financial statements of Yuma and the notes thereto included elsewhere in this proxy statement/prospectus. The discussion includes certain forward-looking statements. For a discussion of important factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Risk Factors – Risks Relating to Yuma's Business" and "Cautionary Statement Concerning Forward-Looking Statements."

#### Overview

Yuma Energy, Inc. is a U.S.-based oil and gas company focused on the exploration for, and development of, conventional and unconventional oil and gas prospects. Yuma's predecessor was established in 1983. Yuma has employed a 3-D seismic-based strategy to build a multi-year inventory of development and exploration prospects. Yuma's current operations are focused on onshore central Louisiana, where Yuma is targeting the Austin Chalk, Tuscaloosa, Wilcox, Frio, Marg Tex and Hackberry formations. In addition, Yuma has a non-operated position in the Bakken Shale in North Dakota. Yuma's core competencies in generating oil and gas prospects include: unconventional oil plays; onshore liquids-rich projects; and high impact deep onshore prospects located beneath known producing trends, identified through the use of 3-D seismic surveys.

At December 31, 2013, Yuma's estimated total proved oil and natural gas reserves, as prepared by its independent reserve engineering firm, Netherland, Sewell & Associates, Inc. ("NSAI"), were approximately 20,777 MBoe, consisting of 11,615 MBbls of oil, 2,767 MBbls of natural gas liquids, and 38,372 MMcf of natural gas. Approximately 18.4% of Yuma's proved reserves were classified as proved developed. Yuma maintains operational control of approximately 79% of its proved reserves. For the year ended December 31, 2013, production averaged 1,369 Boe/d compared to 685 Boe/d for the year ended December 31, 2012. Yuma's total revenues for 2013 were \$29,142,572 compared to \$21,883,909 in 2012. For the three months ended March 31, 2014, production averaged 2,632 Boe/d compared to 875 Boe/d for the three months ended March 31, 2013. Yuma's total revenues for the first three months of 2014 were \$10,596,932 compared to \$4,756,590 for the first three months of 2013.

#### Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and that could potentially result in materially different results under different assumptions and conditions. For a detailed description of Yuma's accounting policies, see Note B – "Summary of Significant Accounting Policies," in the Notes to



the Historical Consolidated Financial Statements of Yuma for the three years ended December 31, 2013 included in this proxy statement/prospectus.

### Sales and Other Operating Revenues

The net quantities of oil, natural gas and natural gas liquids produced and sold by Yuma for each of the three years ended December 31, 2013, and for the three months ended March 31, 2014 and 2013, and the average sales price per unit sold are presented below.

	Three Months Ended March		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
Production volumes:					
Crude oil and condensate (Bbl)	62,887	38,010	184,349	154,437	109,304
Natural gas (Mcf)	855,889	211,007	1,580,468	515,112	367,465
Natural gas liquids (Bbl)	31,326	5,533	51,875	9,571	1,692
Barrel of oil equivalent (Boe)	236,861	78,711	499,635	249,860	172,240
Average prices realized:					
Excluding commodity derivatives (both realized and unrealized)					
Crude oil and condensate (per Bbl)	\$ 101.41	\$ 108.31	\$ 104.26	\$ 107.57	\$ 109.39
Natural gas (per Mcf)	\$ 5.08	\$ 3.77	\$ 3.83	\$ 3.07	\$ 4.51
Natural gas liquids (per Bbl)	\$ 44.73	\$ 45.11	\$ 40.17	\$ 42.67	\$ 53.08
Including commodity derivatives (realized only)					
Crude oil and condensate (per Bbl)	\$ 95.41	\$ 108.52	\$ 102.46	\$ 106.45	\$ 105.48
Natural gas (per Mcf)	\$ 4.38	\$ 4.21	\$ 4.08	\$ 4.07	\$ 7.41
Natural gas liquids (per Bbl)	\$ 44.73	\$ 45.11	\$ 40.17	\$ 42.67	\$ 53.08

Yuma's revenues for the three years ended December 31, 2013, and for the three months ended March 31, 2014 and 2013, are summarized in the below table:

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
Sales of crude oil, natural gas and natural gas liquids:					
Crude oil and condensate	\$ 6,377,088	\$ 4,116,699	\$ 19,220,185	\$ 16,613,315	\$ 11,956,612
Natural gas	4,345,599	794,689	6,049,500	1,581,783	1,656,813
Natural gas liquids	1,401,246	249,588	2,083,905	408,389	89,815
Realized gain/(loss) on commodity derivatives	(973,194 )	102,257	72,076	341,066	639,380
Unrealized gain/(loss) on commodity derivatives	(978,386 )	(675,613 )	(231,886 )	1,256,918	231,847
Gas marketing sales	183,086	282,322	881,823	1,080,644	4,379,970
Other revenue	241,493	126,648	1,066,969	601,794	477,102
Total revenues	\$ 10,596,932	\$ 4,996,590	\$ 29,142,572	\$ 21,883,909	\$ 19,431,539

#### *Sale of Crude Oil and Condensate*

Crude oil and condensate are sold through month-to-month evergreen contracts. The price is tied to an index or a weighted monthly average of posted prices with certain adjustments for gravity, BS&W (Basic Sediment and Water) and transportation. Generally, the index or posting is based on WTI (West Texas Intermediate) and adjusted to LLS (Light Louisiana Sweet) or HLS (Heavy Louisiana Sweet). For the years ended December 31, 2013, 2012 and 2011, the LLS postings averaged \$9.58, \$17.16 and \$17.20 over WTI, respectively. For the three months ended March 31, 2014 and 2013, the LLS postings averaged \$6.05 and \$20.14 over WTI, respectively.

The following trends were experienced in the sale of crude oil and condensate:

Yuma's crude oil revenues increased by 16% in 2013 compared to 2012 as a result of new production at Broussard 1 and 2 (La Posada), the Addison acquisition, and the Bakken wells in North Dakota. These were partially offset by volume declines at Raccoon Island (Lake Fortuna). A 3% decline in average oil prices without commodity derivatives caused a further reduction in crude oil revenues from 2012 to 2013.

Between the years ended December 31, 2011 and December 31, 2012, Yuma's crude oil revenues experienced a significant improvement as a result of a 41% rise in volumes, with increases from Raccoon Island (Lake Fortuna), Olympic (Livingston), La Posada, and the Bakken wells, only partially offset by declines at the Caviar wells.

Average oil prices experienced a 2% decline from 2011 to 2012, somewhat reducing the volumetric increases for the same period.

Yuma's crude oil revenues increased by 55% in the first three months of 2014 compared to the first three months of 2013 as a result of new production at Broussard 1, Starns 38-1 and Crosby 12-1, the acquisition of properties during 2013, primarily the Addison acquisition, and the additional interest attributable to Yuma resulting from the La Posada payout. These were partially offset by a 6% decline in average oil prices without taking into account commodity derivatives.

#### *Sale of Natural Gas and Natural Gas Liquids*

Yuma's natural gas is sold under multi-year contracts with pricing tied to either first of the month index or a monthly weighted average of purchaser prices received. Natural gas liquids are also sold under multi-year contracts usually tied to the related natural gas contract. Pricing is based on published prices for each product or a monthly weighted average of purchaser prices received.

The following trends were experienced in the sale of natural gas and natural gas liquids:

Yuma's natural gas revenues experienced a marked improvement due to an increase in gas volumes of 1,065,356 Mcf, or 207%, from 2012 to 2013. Increases in natural gas sales from the Addison acquisition wells and the new wells at La Posada were slightly reduced by wells at Caviar, Pierre Pass and Cote de Mer being shut-in. These volumetric benefits were further enhanced by increased natural gas prices realized for 2013 compared to 2012.

Natural gas liquids revenues increased 410% from 2012 to 2013 as a result of the Addison acquisition and the new wells at La Posada.

Yuma's natural gas revenues decreased in 2012 compared to 2011 due to declining gas prices during that period. As a partial offset to this price decline, natural gas volumes in 2012 increased 40% compared to 2011. This improvement in gas production came from new production at the La Posada Field, reduced by the drop in volumes at the Caviar wells and State Tract 89.

Despite a 20% decline in natural gas liquids prices from 2011 to 2012, natural gas liquids revenues during the same period increased 355% due to new production at La Posada.

Yuma's natural gas revenues increased due to higher gas volumes of 644,882 Mcf, or 306%, from the three months ended March 31, 2013 to the same period of 2014. Increases in natural gas sales from the Addison acquisition wells and the new wells at Broussard 1 and Crosby 12-1 were further improved by Yuma's additional interest in the La Posada wells after payout. These volumetric benefits were enhanced by a 35% increase in natural gas prices realized for the first three months of 2014 compared to the same period in 2013.

The volumetric factors affecting natural gas revenues also had a favorable impact on natural gas liquids revenues, resulting in a 461% increase in natural gas liquids revenues for the first three months of 2014 over the same period in 2013.

#### *Gas Marketing Sales*

Gas marketing sales are natural gas volumes purchased from certain Yuma operated wells and the aggregated volumes sold with a mark-up of \$.03 per MMBtu. Texas Southeastern Gas Marketing Company ("Marketing"), a wholly owned gas marketing subsidiary of Yuma, purchases and sells natural gas on behalf of Yuma and its working interest partners.

The revenues of Marketing continued to decline due to reduced natural gas production in St. Bernard and Plaquemines Parishes, Louisiana. Revenues fell by \$3,299,326 from 2011 to 2012 and by an additional \$198,821 from 2012 to 2013.

#### *Marketing Cost of Sales*

Marketing's cost of sales for the three years ended December 31, 2013 tracked the revenue trend due to the reduction of volumes sold from Yuma wells in St. Bernard and Plaquemine Parishes, Louisiana. In the first three months of 2014, the net operating income of Marketing continued to decline due to reduced natural gas production in St. Bernard and Plaquemines Parishes, Louisiana

*Lease Operating Expenses*

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2013 <sup>(2)</sup>	2012 <sup>(2)</sup>	2011 <sup>(2)</sup>
Lease operating expenses	\$ 3,658,505	\$ 1,347,731	\$9,316,364	\$5,098,868	\$4,792,117
LOE per Boe	\$ 15.45	\$ 17.12	\$18.65	\$20.41	\$27.82

If severance and ad valorem taxes were not included in the above table, lease operating costs would have been reduced by \$1,192,727 and \$493,237 during the three months ended March 31, 2014 and 2013, respectively, and operating costs per barrel of oil equivalent would have been reduced to \$10.41 and \$10.85 for the three months ended March 31, 2014 and 2013, respectively.

If severance and ad valorem taxes were not included in the above table, lease operating costs would have been reduced by \$3,121,185, \$2,104,025, and \$1,598,325 during the years 2013, 2012 and 2011, respectively, and operating costs per barrel of oil equivalent would have been reduced to \$12.40, \$11.99, and \$18.54 for the years 2013, 2012 and 2011, respectively.

Lease operating expenses (“LOE”) include all costs incurred to operate wells and related facilities, both operated and non-operated. In addition to direct operating costs such as labor, repairs and maintenance, equipment rentals, materials and supplies, fuel and chemicals, LOE also includes severance taxes, product marketing and transportation fees, insurance, ad valorem taxes and operating agreement allocable overhead. LOE excludes costs classified as re-engineering and workovers.

LOE for 2013 increased by \$4,217,496 from 2012. This increase was primarily due to the Addison acquisition and LOE from new wells at La Posada (Broussard 1), Musial (Starns 38-1), and Austin Chalk (Crosby 12-1). However, LOE per barrel of oil equivalent decreased for the same period, from \$20.41 in 2012 to \$18.65 in 2013, a 9% reduction.

For the year 2012, LOE rose by \$306,751 compared to the year 2011, primarily due to increased severance tax expenses attributable to improved crude oil revenues during the same period. LOE per Boe decreased from \$27.82 in 2011 to \$20.41 in 2012, or a 27% decline. The addition of relatively low cost production from the La Posada wells was responsible for the reduction in LOE per Boe.

LOE for the first three months of 2014 increased by \$2,310,774 from the same period of 2013. This increase was primarily due to the Addison acquisition, LOE from new wells at Broussard 1, Starns 38-1 and Crosby 12-1, and Yuma's increased share of LOE at La Posada resulting from its additional interest after payout. However, LOE per barrel of oil equivalent decreased for the same period, from \$17.12 in 2013 to \$15.45 in 2014, a 10% reduction due to significantly increased production volumes.

### *Re-engineering and Workovers*

Re-engineering and workover expenses include the costs to restore or enhance production in current producing zones as well as costs of significant non-recurring operations.

These workover costs increased from \$433,599 in 2012 to \$2,521,707 in 2013 primarily due to major re-engineering programs on Yuma's Livingston properties, the USA 34-1 well acquired from Addison, and the non-operated DS&B 117 well, in addition to non-recurring operation expenses for the Crosby 12-1 salt water disposal and costs to bring various Addison-acquired wells to producing standards.

In 2012, there were only minor workover projects, resulting in costs of \$433,599, a 68% decrease from the workover expenses of \$1,340,127 in 2011, which included substantial expenditures at Yuma's Racoon Island salt water disposal well.

There were only minor workover costs in the three months ended March 31, 2014, with a resulting expense of \$1,510. For the same period of 2013, workover expenses of \$50,957 were generated by projects at the Weyerhaeuser wells 57-2 and 9-1, DS&B 1, and the non-operated McIlhenny well.

### *General and Administrative Expenses*

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
General and administrative:					
Stock based compensation	\$ 56,122	\$ -	\$589,164	\$-	\$-
Other	3,901,701	2,058,748	8,253,038	6,928,704	6,264,375
Capitalized	(759,838)	(806,957)	(2,786,669)	(2,589,342)	(2,779,203)

Net	\$ 3,197,985	\$ 1,251,791	\$ 6,055,533	\$ 4,339,362	\$ 3,485,172
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General and administrative (“G&A”) expenses primarily consist of overhead expenses, employee remuneration and professional and consulting fees. Yuma capitalizes certain G&A expenditures where they satisfy the criteria for capitalization under GAAP as relating to oil and gas exploration activities.

During 2013, Yuma was successful in expanding its staffing, particularly in the engineering and business development areas with the intent to more effectively manage Yuma’s producing properties and continue Yuma’s expansion and growth. Consistent with these goals, Yuma has modified its compensation practices to insure Yuma will continue to retain and attract capable employees. Accordingly, G&A costs (including costs capitalized) increased \$1,913,498, or 28% for 2013 from 2012. Cash G&A costs increased by \$1,324,334, or 19% as a result of increases in salaries and the overall head count as well as other general overhead expenses. Non-cash charges related to stock-based compensation of \$452,058 were new in 2013 and were a result of additional incentive stock awards granted during 2013.

G&A expenses (including costs capitalized under full cost accounting) for the year ended December 31, 2012 increased by \$664,329, or 11% over 2011. The increases were partially attributable to Yuma implementing an annual incentive plan for key members of the management team tied to certain performance metrics for 2012. Each year's performance metrics are set by Yuma’s board of directors. During 2013, Yuma granted an aggregate of \$444,294 in cash awards.

For the three months ended March 31, 2014, net G&A cost was \$1,946,194, or 155%, over the amount for the same period in 2013. This increase was principally due to the write-off of \$1,589,130 in expenses incurred to explore several alternatives to obtaining a public listing for Yuma stock. General outside consulting and professional fees unrelated to the merger agreement also increased from the same period in 2013 by \$78,385.

*Depreciation, Depletion and Amortization (“DD&A”)*

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
DD&A	\$ 5,726,083	\$ 1,661,505	\$ 12,077,368	\$ 5,074,070	\$ 2,865,878

DD&A for 2013 was up from 2012 primarily due to the Addison acquisition, which increased oil and gas properties before asset retirement obligations (“ARO”) by \$7,170,715. The increase to property for Addison ARO was \$6,043,412. Future development costs increased by \$213,711,517 to \$423,330,417, a 102% increase, largely due to 33 additional Addison Proved Undeveloped Locations (“PUDs”). Depletion per barrel went from \$19.84 to \$23.87. The increases were offset by increases to Proved (“IP”) reserves. At January 1, 2013, the effective date of the Addison acquisition, the acquisition added 6,145 MBbls of oil, 17,130 MMcf gas and 1,573 MBbls in natural gas liquids. At year-end 2013, total reserves were up 7,859 MBbls (61%), 7,301 MMcf (24%) for gas and 1,191 MBbls (76%) for natural gas liquids after consideration for reductions due to production of existing reserves during 2013.

DD&A for 2012 increased 77% from 2011 primarily due to the addition of the Bakken acreage and Austin Chalk acreage to Yuma’s reserves. Future development costs increased \$196,312,700 to \$209,618,900 at year end 2012, of which \$194,782,200 was for Bakken and Austin Chalk. The estimated costs to abandon future wells increased \$8,001,209, primarily due to Bakken and Austin Chalk. These increases to the depreciable base were largely offset by the increases to reserves for Bakken and Austin Chalk: 4,775 MBbls of oil, 12,930 MMcf of gas, and 1,199 MBbls of natural gas liquids.

DD&A for the three months ended March 31, 2014 was up from the same period in 2013 primarily due to the Addison acquisition, which increased oil and gas properties before AROs by \$7,073,031. The increase to property for Addison ARO was \$6,043,412. Future development costs increased by \$215,080,016 to \$423,335,360, a 103% increase, largely due to 33 additional Addison PUDs. Depletion per barrel increased from \$20.67 to \$24.08. The increases were offset by increases to proved reserves. On April 5, 2013, Yuma closed on the Addison acquisition (with an effective date of January 1, 2013), which added 6,145 MBbls of oil, 17,130 MMcf of natural gas and 1,573 MBbls of natural gas liquids. At March 31, 2014, total reserves, as estimated by Yuma, were up 5,284 MBbls (84%) for oil, 6,738 MMcf (22%) for natural gas and 1,167 MBbls (75%) for natural gas liquids after consideration for reductions due to production of existing reserves during 2014.

*Adjusted EBITDA*

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011



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Net Income	\$ (294,978 )	\$ 2,107,829	\$(33,050,103)	\$(14,769,468)	\$(4,712,855)
Add: Depreciation, depletion & amortization of property and equipment	5,726,083	1,661,505	12,077,368	5,074,070	2,865,878
Add: Interest expense, net of interest income and amounts capitalized	138,370	163,177	560,340	201,945	583,045
Add: Income tax expense	(849,000 )	114,800	3,080,272	3,098,309	853,496
EBITDA	4,720,475	4,047,311	(17,332,123)	(6,395,144 )	(410,436 )
Add: Costs associated with exploring public listing alternatives	1,589,130	-	27,056	-	-
Add: Change in value of preferred stock derivative liability	(1,472,030 )	(2,003,655 )	26,258,559	17,098,504	5,604,231
Add: Accretion of asset retirement obligation	142,144	64,244	668,497	265,323	239,612
Add: Bank mandated commodity derivative novation cost	-	-	175,000	-	-
Deduct: Amortization of (benefit) cost from commodity derivatives (sold) and purchased, net	(23,437 )	(18,150 )	(72,600 )	(112,508 )	-
Add: Net commodity derivatives mark-to-market (gain) loss	978,386	675,613	231,886	(1,256,918 )	(231,847 )
Adjusted EBITDA	\$ 5,934,668	\$ 2,765,363	\$ 9,956,275	\$ 9,599,257	\$ 5,201,560

“EBITDA” represents earnings before interest, taxes, depreciation, depletion and amortization, and is a non-GAAP financial measure. Because Yuma makes other adjustments to its EBITDA formula by considering the change in the preferred stock derivative liability, accretion of asset retirement obligations, changes in commodity derivative values and bank mandated commodity derivative novation cost, management refers to this metric as adjusted EBITDA and it is provided as an additional metric that is used by Yuma’s board of directors and management to measure operating performance and trends. Adjusted EBITDA for 2013 increased from 2012 by \$329,962 (3%). The 2012 amount increased from 2011 by \$4,397,697 (85%). The small increase for 2013 was from increased LOE mostly offsetting revenue increases. The increase in 2012 from 2011 includes a decrease of \$3,621,861 in marketing cost of sales from decreased activity by Marketing. The related decrease in marketing revenues was offset by increased exploration and production revenues. Adjusted EBITDA for the three months ended March 31, 2014 increased from the same period in 2013 by \$1,580,175 (57%), which was due primarily to increased oil and gas revenue as discussed above.

*Interest Expense*

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
Interest Expense	\$ 376,320	\$ 404,286	\$ 1,599,492	\$ 891,173	\$ 705,283
Interest Capitalized	(236,901 )	(239,063 )	(1,031,816 )	(681,090 )	(108,060 )
Net	\$ 139,419	\$ 165,223	\$ 567,676	\$ 210,083	\$ 597,223
Bank Debt	\$ 30,565,000	\$ 19,050,000	\$ 31,215,000	\$ 17,875,000	\$ 2,975,000

Some of the proceeds from the Yuma Series A preferred stock offering in 2011 were used to retire bank debt, which remained down at the end of 2011. In the first three months of 2012, bank debt was used to finance the acquisition of Bakken and Austin Chalk acreage. In addition, further Austin Chalk acreage was added throughout 2012. The additions added to outstanding debt and added to capitalized interest for the associated work-in-progress accounts. The Series B preferred stock offering in the beginning of the third quarter of 2012 again lowered the debt balance. At the beginning of the second quarter of 2013, debt was used to finance the acquisition of the Addison acreage.

At the beginning of the second quarter of 2013, debt was used to finance the acquisition of the Addison acreage, attributing to much of the increase in debt for the three months ended March 31, 2014 compared to the same period in 2013. Interest for the three months ended March 31, 2013 was, however, greater than the same period in 2014 because 2013 interest included \$123,925 of debt cost write-off due to the exit of a lender from the Yuma loan syndicate.

*Bank-mandated Commodity Derivative Novation Cost*

Société Générale joined the Yuma credit facility as agent bank on February 13, 2013, replacing Union Bank, N.A. Société Générale charged a one-time fee of \$175,000 to novate Yuma's commodity derivatives (i.e., substitute Yuma's commodity derivative instrument counter-party) from British Petroleum to Société Générale. The novation fee was a loan requirement resulting from the change in agent banks.

*Income Tax Expense*

The following summarizes Yuma's income tax expense (benefit) and effective tax rates:

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	Twelve Months Ended December 31,		
	2013	2012	2011
Consolidated Net Income (Loss) before Income Taxes	\$(29,969,831)	\$(11,671,159)	\$(3,859,359)
Income Tax Expense (Benefit)	3,080,272	3,098,309	853,496
Effective Tax Rate	(10.28)%	(26.55)%	(22.11)%
Adjusted Consolidated Net Income (Loss) before Income Taxes <sup>1</sup>	(3,711,272)	5,427,345	1,744,872
Income Tax Expense (Benefit)	3,080,272	3,098,309	853,496
Effective Tax Rate, as adjusted	(83.00)%	57.09%	48.91%

<sup>1</sup> Adjusted to exclude the change in fair value of preferred stock derivative liability.

The differences between the U.S. federal statutory rate of 35% and Yuma's effective tax rates for the years ended December 31, 2013, 2012 and 2011 are due primarily to the tax effects of the excess of book basis over the tax basis in the full cost pool and the net operating loss carryforwards for each period.

## Liquidity and Capital Resources

### Cash Flows

Yuma's primary source of cash for 2013 and 2011 was operating activities. Yuma's primary source of cash in 2012 was from financing activities. During 2011, Yuma raised gross proceeds of \$14,605,000 (net of \$1,271,396 in expenses) through the sale of the Series A preferred stock. For 2011, proceeds from the sale of preferred stock were largely offset by repayments of borrowings under Yuma's credit facility. During 2012, Yuma raised gross proceeds of \$18,590,000 (offset by offering expenses of \$1,406,295) from the sale of the Series B preferred stock. For 2012, cash was primarily provided by borrowings from Yuma's credit facility of \$14,900,000 and the sale of the Series B preferred stock. For 2013, cash was provided almost equally by operations and borrowings under Yuma's credit facility. Cash from operations increased in 2012 over 2011 due primarily to increased production volumes as more fully described below. Cash from operations increased in 2013 over 2012 primarily from increases in production volumes and the realization of Yuma's back-in at its La Posada field as more fully described below.

For the three months ended March 31, 2014, cash flows provided by operations more than covered investment activities and repayments of borrowings. The net increase in cash for the first three months of 2014 compared with the same period in 2013 was \$930,456, representing a 75% increase. This is primarily the result of reduced investment expenditures during the first three months of 2014 compared with the same period in 2013.

	Three Months Ended March 31		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
Cash flows provided by operating activities	\$ 4,929,579	\$ 5,675,541	\$ 13,008,322	\$ 4,896,736	\$ 2,735,321
Cash flows provided by (used for) investing activities	(1,905,758 )	(5,160,326 )	(25,348,460)	(30,412,467)	(10,678,985)
Cash flows provided by (used for) financing activities	(853,027 )	725,123	11,249,627	29,879,721	(40,856 )
Net increase (decrease) in cash	\$ 2,170,794	\$ 1,240,338	\$(1,090,511 )	\$ 4,363,990	\$(7,984,520 )

### Cash Flows From Operating Activities

For 2013, net cash provided by operating activities increased \$8,111,586, or 166%, from 2012. Yuma believes that it has sufficient liquidity and capital resources to execute its business plans over the next twelve months. Yuma expects to fund its planned capital program through its existing credit facility and projected cash flows. In 2012 as compared to 2011, net cash provided by operating activities increased by \$2,161,415 (79%). These year-over-year increases

were directly attributable to increases in production.

Cash flows from operations were \$4,929,579 and \$5,675,541 for the three months ended March 31, 2014 and 2013, respectively. This represents a decrease of 13.1%. Revenues in the first three months of 2014 increased over the same period of 2013 primarily due to increased production in the La Posada field, new production at Crosby 12-1, and the increased interest to Yuma resulting from the La Posada payout. These increases were offset by higher lease operating expenses associated with the increased working interest at La Posada, new production at Crosby 12-1 and the Addison acquisition.

#### *Cash Flows From Investing Activities*

During 2013, Yuma realized proceeds from the sale of interests in its projects and the sale of a salt water disposal well of \$882,666. During 2012, Yuma had proceeds of \$1,386,649 from the sales of interests in various Yuma projects including its Amazon 3-D Seismic Project, Tigre Lagoon 3-D Seismic Project, and several individual wells, including Piranha and Musial. During 2013, Yuma completed the Addison acquisition of producing oil and gas properties including the assumption of certain liabilities for a cost of \$7,350,000. During 2012, Yuma completed two significant acquisitions, one non-operated joint venture of development acreage in the Bakken region of North Dakota for \$4,175,000, and a second operated acreage position in the Greater Masters Creek Field of the Austin Chalk Trend in Central Louisiana for \$8,891,134. During 2011, Yuma made no significant acquisitions.

Yuma's cash used in investing activities was \$26,248,133 for 2013, \$31,796,630 for 2012 and \$10,676,504 for 2011. Yuma's cash used by investing activities for capital expenditures on property, plant and equipment was \$2,308,992 for the three months ended March 31, 2014 and \$5,215,033 for the three months ended March 31, 2013. The following summarizes the expenditures by type:

	Three Months Ended March 31,		Twelve Months Ended December 31,		
	2014	2013	2013	2012	2011
Acquisition of acreage and new properties	\$ 1,568,197	\$ 3,012,809	\$ 11,966,227	\$ 18,830,912	\$ 4,636,929
Drilling and completion	1,354,247	2,104,282	11,788,741	11,668,105	3,012,481
Recompletions, capital workovers and P&A	(651,934 )	58,722	2,412,658	978,364	2,998,430
Total oil and natural gas investing activities	2,270,510	5,175,813	26,167,626	31,477,381	10,647,840
Corporate office property & equipment purchases	38,482	39,220	80,507	319,249	28,664
Total cash used in investing activities	\$ 2,308,992	\$ 5,215,033	\$ 26,248,133	\$ 31,796,630	\$ 10,676,504

The cost of acreage and new properties and additions to the asset retirement obligations in 2013 are primarily from the Addison acquisition in the Austin Chalk Trend in Louisiana. The plugging of two wells in Louisiana make up most of the recompletions, capital workovers and plugging and abandoning ("P&A") costs in 2013. The acquisition of acreage in the Austin Chalk Trend in Louisiana and a non-operated working interest in the Bakken in North Dakota account for most of the costs of acreage and new properties in 2012. In both 2013 and 2012, Yuma drilled or participated in the drilling of wells in its Amazon, Livingston and La Posada prospect areas in Louisiana and the Bakken in North Dakota. In 2013, Yuma drilled its first well in the Austin Chalk. Yuma incurred substantial workover and facilities reconfiguration costs in the Raccoon Island field in 2011.

During the three months ended March 31, 2014, the Greater Masters Creek Field accounted for \$1,993,613 of Yuma's total oil and natural gas investing activities. Of that, \$898,142 was spent primarily on lease extensions and geological and geophysical activities. The remaining \$1,095,471 included \$1,060,550 of drilling costs for the Crosby 14-1. A net credit of \$671,553 for insurance recovery on the Grief Bros. 1 created a credit balance for recompletions, capital workovers and P&A for the three months ended March 31, 2014. An unintended flow of gas at the surface caused the operator, to re-enter the well and plug it. The well had been inactive for a couple of years prior to that time.

For the three months ended March 31, 2013, lease related costs of \$2,243,384 were incurred on the Austin Chalk Project, a part of the Greater Masters Creek Field. Other significant lease related costs for the first three months of 2013 were \$325,081 for Livingston and \$258,870 for Tigre Lagoon. Costs incurred in the Bakken to drill and complete the Bunning 35-26 1H and build the Jerry and Monson SWD facilities amounted to \$555,707. At La Posada, \$372,075 was incurred to drill and complete the Broussard 1 side track and upgrade the production facilities. Also,

\$916,803 was spent drilling the Starns 38-1 at Livingston.

*Cash Flows From Financing Activities*

Yuma's cash flows, both in the short-term and the long-term, are impacted by highly volatile crude oil and natural gas prices. Although Yuma mitigates this risk by hedging a significant portion of its future crude oil and natural gas production out two years (three to five years historically), a significant deterioration in commodity prices negatively impacts revenues, earnings, and cash flows, capital spending, and potentially Yuma's liquidity. Sales volumes and costs also impact cash flows; however, these historically have not been as volatile or as impactful as commodity prices in the short-term.

Yuma's long-term cash flows are highly dependent on its success in efficiently developing current reserves and economically finding, developing and acquiring additional recoverable reserves. Cash investments are required to continuously fund exploration and development projects and acquisitions, which are necessary to offset the inherent declines in production and reserves. Yuma may not be able to find, develop or acquire additional reserves to replace its current and future production at acceptable costs, which could materially adversely affect its future liquidity. For a discussion of risk factors related to Yuma's business and operations, please refer to the section entitled "Risk Factors – Risks Relating to Yuma's Business" in this proxy statement/prospectus.

Yuma expects to finance future acquisition, development and exploration activities through available working capital, cash flows from operating activities, advances from its credit facility, sale of non-strategic assets, and the possible issuance of additional debt and/or equity securities. In addition, Yuma may slow or accelerate its development of existing reserves to more closely match its projected cash flows.

At March 31, 2014, Yuma had a \$40 million borrowing base, with available borrowing capacity of \$9,435,000 in accordance with its credit facility. The borrowing base is reviewed and redetermined in March and September of each year and was increased to \$44.5 million on April 22, 2014.

	Three Months Ended March 31, 2014	Twelve Months Ended 2013	Twelve Months Ended 2012	December 31, 2011
<b>Credit Facility:</b>				
Balances outstanding, beginning of the period	\$ 31,215,000	\$17,875,000	\$2,975,000	\$15,958,696
Activity during the period	(650,000	) 13,340,000	14,900,000	(12,983,696)
Balances outstanding, end of the period	\$ 30,565,000	\$31,215,000	\$17,875,000	\$2,975,000
Issuance of Series A Preferred Stock	-	-	-	\$13,333,604
Issuance of Series B Preferred Stock	-	-	\$17,183,705	-

Other than the credit facility, Yuma had debt of \$178,027, \$183,601 and \$236,464 (2013, 2012 and 2011, respectively) from installment loans financing oil and gas property insurance premiums.

In April 2013, Yuma borrowed \$8,300,000 (net of \$2,050,000 repayments) under its credit facility. These proceeds were principally used to fund the Addison acquisition that closed on April 5, 2013.

Debt in 2014 has been favorably impacted by the La Posada payout revenues and has been trending lower.

## **Hedging Activities**

### *Current Commodity Derivative Contracts*

Yuma seeks to reduce its sensitivity to oil and gas price volatility and secure favorable debt financing terms by entering into commodity derivative transactions which may include fixed price swaps, price collars, puts and other derivatives. Yuma believes its hedging strategy should result in greater predictability of internally generated funds, which in turn can be dedicated to capital development projects and corporate obligations. The following is a summary of Yuma's current oil and gas commodity derivative contracts as of December 31, 2013.



*Oil Commodity Derivatives January 2014 through 2016*

Basis	Derivative Volumes	Collars with Short Puts (3-ways)			Swaps with Short Puts		
		Floor	Ceiling	Short Puts	Swaps	Swaps	Short Puts
2014 NYMEX WTI	50,900	\$ 90.88	\$ 103.57	\$ 69.71			
NYMEX WTI	222,126				\$95.23		
Argus LLS	22,816				\$99.40		
NYMEX WTI	54,000					\$ 89.33	\$ 70.00
Total	349,842						
2015 NYMEX WTI	117,100	\$ 87.31 *	\$ 104.36	\$ 67.98 *			
2016 NYMEX WTI	70,263	\$ 92.38	\$ 106.39	\$ 72.38			

\* 16% includes a \$5.56 premium to be paid per barrel (27,588 barrels) not included in average price calculation.

*Gas Commodity Derivatives January 2014 through 2016*

		Collars with Short Puts (3-ways)				
	Basis	Derivative Volumes	Floor	Ceiling	Short Puts	Swaps
2014	NYMEX	779,285	\$ 4.15	\$ 4.47	\$ 3.35	
	NYMEX	2,047,751				\$4.07
	Total	2,827,036				
2015	NYMEX	2,377,371	\$ 4.00	\$ 4.47	\$ 3.25	
	NYMEX	165,388				\$3.63
	Total	2,542,759				
2016	NYMEX	1,122,533	\$ 4.10	\$ 4.35	\$ 3.25	

*Fair Market Value of Commodity Derivatives*

	March 31, 2014		December 31, 2013	
	Oil	Gas	Oil	Gas
Assets				
Noncurrent	\$684,295	\$-	\$818,637	\$-
Liabilities				
Current	(766,323)	(996,465)	(423,217)	(253,915)
Noncurrent	-	(12,766)	-	(218,649)

Assets and liabilities are netted within each commodity on the balance sheet as all contracts are with the same counterparty. For the balances without netting, refer to Note H – “Commodity Derivative Instruments” in the Notes to the Historical Consolidated Financial Statements of Yuma for the three years ended December 31, 2013 and Note C – “Commodity Derivative Instruments” in the Unaudited Condensed Notes to the Consolidated Financial Statements of Yuma for the three months ended March 31, 2014 included elsewhere in this proxy statement/prospectus.

The fair market value of Yuma’s commodity derivative contracts in place at March 31, 2014 and December 31, 2013 were net liabilities of \$1,091,259 and \$77,144, respectively. For the three months ended March 31, 2014, Yuma recognized, in oil and gas revenues, realized cash settlement losses on commodity derivatives of \$996,631. For the three months ended March 31, 2013, Yuma recognized, in oil and gas revenues, realized cash settlement gains on commodity derivatives of \$84,107. Also recognized in revenue were gains (net of losses) for commodity derivatives

sold (net of commodity derivatives purchased) of \$23,438 and \$18,150 for the first three months of 2014 and 2013, respectively.

Based on the estimated fair market value of Yuma's commodity derivatives at March 31, 2014, Yuma expects to reclassify losses on commodity derivatives of \$6,888 net after taxes into earnings from accumulated other comprehensive income during the twelve months ending March 31, 2015; however, actual cash settlement gains and losses recognized may differ materially.

Please see Note C – “Commodity Derivative Instruments” of the Unaudited Condensed Notes to the Consolidated Financial Statements of Yuma for the three months ended March 31, 2014 for additional information on Yuma's commodity derivatives.

Hedging commodity prices for a portion of Yuma's production is a fundamental part of Yuma's corporate financial management. Yuma does not engage in speculative commodity trading activities and does not hedge all available or anticipated quantities of its production. In implementing its hedging strategy Yuma seeks to:

- effectively manage cash flow to minimize price volatility and generate internal funds available for operations, capital development projects and additional acquisitions; and

- ensure its ability to support its exploration activities as well as administrative and debt service obligations.

Estimating the fair value of derivative instruments requires complex calculations, including the use of a discounted cash flow technique, estimates of risk and volatility, and subjective judgment in selecting an appropriate discount rate. In addition, the calculations use future market commodity prices which, although posted for trading purposes, are merely the market consensus of forecasted price trends. The results of the fair value calculation cannot be expected to represent exactly the fair value of Yuma's commodity derivatives. Yuma currently obtains fair value positions from its counterparties and compares that value to the calculated value provided by its outside commodity derivative consultant. Yuma believes that the practice of comparing the consultant's value to that of Yuma's counterparties, who are more specialized and knowledgeable in preparing these complex calculations, reduces its risk of error and approximates the fair value of the contracts, as the fair value obtained from Yuma's counterparties would be the cost to Yuma to terminate a contract at that point in time.

## Commitments and Contingencies

Yuma has the following contractual obligations and commitments as of March 31, 2014:

	Debt <sup>(1)</sup>	Liability for Commodity Derivatives <sup>(2)</sup>	Operating Leases	Asset Retirement Obligations
2014	\$-	\$ 1,482,582	\$399,294	\$ 1,783,756
2015	-	92,487	536,137	174,619
2016	-	(483,810 )	544,472	361,514
2017	30,565,000	-	534,055	161,387
2018	-	-	2,197	708,422
Thereafter	-	-	-	7,636,619
Totals	\$30,565,000	\$ 1,091,259	\$2,016,155	\$ 10,826,317

This table does not include future commitment fees, interest expense or other fees because the credit agreement is a (1) floating rate instrument, and Yuma cannot determine with accuracy the timing of future loans, advances, repayments or future interest rates to be charged.

(2) Represents the estimated future payments under Yuma's oil and natural gas derivative contracts based on the future market prices as of March 31, 2014. These amounts will change as oil and natural gas commodity prices change.

## Off Balance Sheet Arrangements

Yuma has no off balance sheet arrangements, special purpose entities, financing partnerships or guarantees (other than Yuma's guarantee of Yuma Exploration and Production Company, Inc.'s credit facility).

## Quantitative and Qualitative Disclosures About Market Risk of Yuma

*Commodities.* Yuma is exposed to market risk from changes in commodity prices. In the normal course of business, Yuma enters into derivative transactions, including commodity price collars, swaps and floors to mitigate its exposure to commodity price movements. Yuma does not participate in these transactions for trading or speculative purposes. While the use of these arrangements may limit the benefit to Yuma of increases in the prices of oil and natural gas, it also limits the downside risk of adverse price movements.

*Interest rates.* Yuma is exposed to financial risk from changes in future interest rates to the extent that it incurs future indebtedness. As of March 31, 2014, Yuma had outstanding indebtedness under its credit facility of \$30,565,000, which matures in May 2017. The credit facility provides for a variable interest rate. In the event interest rates rise significantly, and Yuma incurs future indebtedness without mitigating or fixing future interest rates, Yuma's interest expense will increase in accordance with any future borrowings and at rates in effect at the time of those borrowings.

## **INFORMATION ABOUT PYRAMID**

### **Overview**

Pyramid Oil Company is a California corporation that has been in the oil and gas business continuously, since it was incorporated on October 9, 1909. Pyramid is engaged in the business of exploration, development and production of crude oil and natural gas.

Pyramid acquires interests in land and producing properties through acquisition and lease on which it drills and/or operates crude oil or natural gas wells in efforts to discover and/or to produce oil and gas. Crude oil and natural gas produced from these properties are sold to various refineries and pipeline companies. The majority of all oil and gas properties that Pyramid owns and operates, is for its own account. Pyramid also participates in specific joint ventures with other companies in the development of oil and gas properties. Pyramid's interests in these properties will vary depending on the availability of said interests and their locations. Although Pyramid owns some minor oil and gas interests in New York, Texas and Wyoming, all of its operations and major revenue producing properties are in California.

Pyramid's executive offices are located at 2008-21st Street, Bakersfield, California, 93301 and its mailing address is P. O. Box 832, Bakersfield, California 93302, and its telephone number is (661) 325-1000. It maintains a website at the address [www.pyramidoil.com](http://www.pyramidoil.com). We are not including the information contained on Pyramid's website as part of, or incorporating it by reference into, this proxy statement/prospectus. Through the website, Pyramid makes available its annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after it files such material with the SEC.

### **Description of Business – Oil and Gas Operations**

#### *Exploration and Development*

Pyramid operates in a highly competitive industry wherein many companies, from large multinational companies to small independent producers, are competing for a finite amount of oil and gas resources. Pyramid seeks out properties to explore for oil and gas by drilling and also seeks out producing oil and gas properties that can be purchased and operated. Management believes that under the right economic conditions, several of the producing properties that Pyramid owns could have further developmental potential. Certain oil properties currently owned and operated by Pyramid may be receptive to enhanced oil recovery procedures under certain economic conditions.

*Oil and Gas Production Operations*

Pyramid owns and operates 27 oil and gas leases (properties) located within Kern and Santa Barbara Counties in the State of California. Nine of these properties were non-operated during 2013. All of the non-operated properties were shut-down before January 1, 2013. No other properties were shut-down prior to 2013. Most of these properties are capable of producing oil or natural gas, although not all of these properties are considered profitable under certain economic conditions. There are no proved reserves attributed to the nine properties that were shut-down prior to January 1, 2013 at December 31, 2013. All of the non-operated properties were written-down in prior periods.

During 2013, Pyramid operated 18 leases within California; 12 of these leases had total annual gross oil production exceeding 1,000 barrels per lease. Production activities primarily consist of the daily pumping of oil from a well(s) into tanks, maintaining the production facilities both at the well and tank settings, preparing and shipping the crude oil to buyers. Daily operations differ from one property to another, depending on the number of wells, the depth of the wells, the gravity of the oil produced and the location of the property. All of Pyramid's oil production is classified as primary recovery production at this time; although certain properties may be conducive to secondary recovery operations in the future, depending on the prevailing price of oil.

Primary recovery of oil and gas is by means of natural flow(s) or artificial lift of oil and gas from a single well bore. Natural gas and petroleum fluids enter the well bore by means of reservoir pressure or gravity flow; fluids and gases are moved to the surface by natural pressure or by means of artificial lift (pumping). In secondary recovery operations, liquids or gases are injected into the reservoirs for the purpose of augmenting reservoir energy or increasing reservoir temperatures. Secondary recovery operations, usually, but not always, are done after the primary-recovery phase has passed.

Pyramid employs field personnel (i.e., pumpers, rig crews, roustabouts and equipment operators) that perform basic daily activities associated with producing oil and gas. Daily operations include inspections of surface facilities and equipment, gauging, reporting and shipping oil, and routine maintenance and repair activities on wells, production facilities and equipment Pyramid owns and maintains various pieces of equipment necessary for employees to perform various repair and maintenance tasks on Pyramid properties. Such equipment consists of service rigs, mobile pumps, vacuum trucks, hot oil truck, backhoe, trucks and trailers.

Occasionally, Pyramid drills new wells or re-drills existing wells on properties it owns in an attempt to increase the daily oil and gas production. In the last five years, Pyramid has utilized the services of outside drilling contractors for drilling new wells and re-drilling existing wells. Maintenance and repairs of existing wells to maintain or increase oil and gas production are carried out by Pyramid's personnel on a continuing basis. Most maintenance and repair work is performed with its own rigs.

Economic factors associated with the price of oil and gas and the productive output of wells determines the number of active wells Pyramid operates. Under certain economic conditions, it has the potential to operate approximately 102 wells, and of these, on average, 47 were in operation during 2013 on a daily basis. Pyramid also owns other oil and gas interests outside the State of California that it does not operate. These interests are located in New York, Texas and Wyoming.

#### *Marketing of Crude Oil and Natural Gas*

Pyramid sells its crude oil to Phillips 66 and Kern Oil & Refining, accounting for approximately 51% and 47%, respectively, of Pyramid's crude oil sales in 2013. While revenue from these customers is significant, and the loss of any one could have an adverse effect on Pyramid, it is management's opinion that the oil and gas it produces could be sold to other crude oil purchasers, refineries or pipeline companies. Phillips 66 and its predecessors, and Kern Oil have been customers of Pyramid for over twenty years. Natural gas is sold to companies in the area of operations. Pyramid sells its oil pursuant to short-term contracts. Accordingly, the amount of oil Pyramid sells is dependent upon market demand. Market demand for its production is subject to various influences and can never be assured, especially in an era of changing prices. The base values for crude oil Pyramid sells is set by major oil companies in response to area and market strengths and international influences. Types and qualities of crude oil vary substantially in base values posted by crude oil buyers in various areas of the country. Pyramid's crude oil sales are not seasonal, but uniform throughout the year.

#### *Competition and Industry Conditions*

The profitability of Pyramid's operations depends primarily on the production of oil and gas in commercially profitable quantities. Oil and gas properties often fail to provide a return sufficient to repay the substantial sums of money required for their acquisition, exploration and development. The acquisition, exploration and development of oil and gas properties is a highly competitive business. Many entities with which Pyramid competes have significantly greater financial and staff resources. Such competitive disadvantages could materially and adversely affect Pyramid's ability to acquire new properties or develop existing properties.

#### *Regulations*



Pyramid's business is affected by numerous governmental laws and regulations, including energy, environmental, conservation, tax and other laws and regulations relating to the petroleum industry. Changes in any of these laws and regulations could have a material and adverse effect on Pyramid's business and financial stability. In view of the many uncertainties with respect to current laws and regulations, including their applicability to Pyramid, it cannot predict the overall effect of such laws and regulations on future operations.

#### *Taxation*

The operations of Pyramid, as is the case in the petroleum industry generally, are significantly affected by federal tax laws. Federal, as well as state, tax laws have many provisions applicable to corporations which could affect its future tax liability.

#### *Environmental*

Pyramid's activities are subject to existing federal and state laws and regulations governing environmental quality and pollution control. These laws may require the acquisition of permits relating to certain ongoing operations, for drilling, emissions, waste water disposal and other air and water quality controls. In view of the uncertainty and unpredictability of environmental statutes and regulations, Pyramid cannot ensure that such laws and regulations will not materially and adversely affect its business. Pyramid does not currently anticipate any material effect on its capital expenditures or earnings as the result of governmental regulations, enacted or proposed, concerning environmental protection or the discharge of material into the environment. Pyramid is actively pursuing an ongoing policy of upgrading and restoring older properties to comply with current and proposed environmental regulations.

#### *Commitments and Contingencies*

Pyramid is liable for future dismantlement and abandonment costs associated with its oil and gas properties. These costs include down-hole plugging and abandonment of wells, future site restoration, post closure and other environmental exit costs. The costs of future dismantlement and abandonment have been accrued and recorded in the financial statements. See Note 9. "Asset Retirement Obligations" in the Notes to Historical Financial Statements of Pyramid contained in this proxy statement/prospectus.

## **Employees**

As of the date of this proxy statement/prospectus, Pyramid had 12 full-time employees and one part-time individual. Two full-time and one part-time individual were office or administrative personnel, and the rest were field personnel. Pyramid contracts for additional labor services when needed. Pyramid is not a party to any union contracts. It believes that its employee relationships are satisfactory.

## **Properties**

### *Description of Properties*

Pyramid's principal assets consist of proven and unproven oil and gas properties, oil and gas production related equipment and developed and undeveloped real estate holdings. Pyramid's oil and gas properties are located exclusively in the continental United States, in California, New York, Texas and Wyoming.

Developed oil and gas properties are those on which sufficient wells have been drilled to economically recover the estimated reserves calculated for the property. Undeveloped properties do not presently have sufficient wells to recover the estimated reserves. Pyramid did not have any proved undeveloped reserves at December 31, 2013 and 2012. Pyramid had proved undeveloped reserves of 44,700 barrels of crude oil, 77,700 barrels of crude oil, and 96,000 barrels of crude oil at December 31, 2011, 2010 and 2009, respectively.

Pyramid had proved undeveloped reserves of 44,700 barrels of crude oil at December 31, 2011. These reserves were attributable to two wells that Pyramid planned to drill in 2012. Pyramid projected that it would cost approximately \$1,281,000 to drill and complete these wells. One of these wells the Santa Fe #20 well, a development well, was drilled and completed in the first quarter of 2012. This well is currently not producing and a valuation allowance of \$207,000 was recorded in the fourth quarter against the Santa Fe lease. The other well that was projected to be drilled in 2012, the CLI 4-H well, was not drilled in 2012 and Pyramid currently does not anticipate drilling this well at any time in the foreseeable future.

### *Oil and Gas Properties*

Pyramid's estimated future net recoverable oil and gas reserves from proved reserves, both developed and undeveloped properties were assembled by MHA and are as follows:

	Crude Oil (Bbls)	Natural Gas (Mcf)
December 31,		
2013	449,000	14,000
2012	482,000	-
2011	546,000	42,000

Using the 12 month average of the first-of-the-month oil and gas prices and 12 month average of lease operating expenses, the estimated value of future net revenues to be derived from Pyramid's proved developed oil and gas reserves, discounted at 10%, were \$13,967,270 at December 31, 2013, \$13,712,000 at December 31, 2012, \$18,439,000 at December 31, 2011.

#### *Internal Controls over Reserve Estimation*

Pyramid's proved reserve information as of December 31, 2013 included in this proxy statement/prospectus was estimated by its independent petroleum consultant, MHA Petroleum Consultants, LLC ("MHA"), in accordance with generally accepted petroleum engineering and evaluation principles and definitions and guidelines established by the SEC. The technical persons responsible for preparing the reserves estimates presented herein meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. MHA and its predecessors have been preparing Pyramid's reserve information for over twenty-five years and thus, are familiar with Pyramid's operations and its oil and gas properties.

Pyramid's personnel provide data (such as well ownership interests, oil and gas prices, production volumes and well operating costs) to MHA. The primary Pyramid employees responsible for reviewing MHA, use of its data and MHA's estimation of Pyramid's reserves are Michael D. Herman, Interim CEO and Lee G. Christianson, CFO. Pyramid has employed the services of a third-party geologist to provide MHA with technical data (such as well logs, geological information and well histories). Mr. Herman has been Chairman of the Board and a director since 2005. Mr. Christianson has been with Pyramid for over twenty-five years.

Pyramid's net oil and gas production after royalty and other working interests for the past three years ending December 31, were as follows:

	2013	2012	2011
Crude oil (Bbls)	43,000	45,000	55,000
Natural gas (Mcf)	6,000	6,000	9,000

Pyramid's average sales prices per barrel or per MCF of crude oil and natural gas, respectively, and production costs per equivalent barrel (gas production is converted to equivalent barrels at the rate of 6 MCF per barrel, representing the estimated relative energy content of gas to oil) for the past three years ending December 31, were as follows:

	2013	2012	2011
Sales price:			
Crude oil (per barrel)	\$103.78	\$106.60	\$104.78
Natural gas (per Mcf)	\$3.15	\$2.76	\$3.87
Production costs (per Boe)	\$45.60	\$41.00	\$33.00

The average selling price of Pyramid's crude oil at December 31, 2013, was approximately \$102.17 per barrel and the average selling price of its natural gas at December 31, 2013, was approximately \$3.31 per Mcf.

As of December 31, 2013, Pyramid had the following gross and net position in wells and proved acres:

	Wells		Proved Acres	
	Gross (1)	Net (1)	Gross (2)	Net (2)
Oil	110	109	8,782	1,403
Natural Gas	22	7	12,246	4,082
Total	132	116	21,028	5,485

(1) "Gross wells" represent the total number of wells in which Pyramid has a working interest. "Net wells" represent the number of gross wells multiplied by the percentage of the working interests therein held by Pyramid.

(2) "Gross acreages" represents all acres in which Pyramid has a working interest. "Net acres" represent the aggregate of the working interests of Pyramid in the gross acres.

Pyramid did not drill any wells during 2013.

Pyramid drilled one development well in 2012, the Santa Fe No. 20. This well is currently non-producing. A valuation allowance of \$207,000 was recorded in the fourth quarter of 2012 against the Santa Fe lease.

Pyramid drilled two wells in 2011, the Pike 1-H well and the Jacoby-Potter Unit #1 well. Both of these wells were drilled jointly with different partners in each well. Both of these wells were drilled in the first quarter of 2011. Pyramid is the operator of the Pike 1-H well. Pyramid's share of the costs of drilling the Pike well was \$897,000. This well was written down by \$673,000 during 2011 because the production from the well was lower than projected. The write-down was based on Pyramid's share of projected future net cash flows for the well. The Jacoby-Potter well was drilled by the joint venture in Texas. Pyramid participated as one of the non-operators in the drilling of this well. Pyramid's share of the costs for drilling this well were \$54,000. This well was abandoned as a dry-hole. Pyramid recorded a valuation allowance of \$54,000 during 2011 for this well.

As of December 31, 2013, Pyramid held positions in unproven acreage in the following locations. "Unproven" oil and gas properties are those on which the presence of commercial quantities of reserves of crude oil or natural gas has not been established. "Undeveloped" acreage exists on those oil and gas properties where economically recoverable reserves are estimated to exist in proved reservoirs from wells to be drilled in the future.

State	Counties	Acres	
		Gross	Net
New York	Mount Morris and Livingston Counties	34,800	9,788
Texas	McMullen County	5,700	713

*Real Property Owned*

Pyramid owned the following real property as of December 31, 2013, all located in California.

**County of Kern**

Mullaney yard	20 acres
Miller property	112 acres
Ranton property	80 acres
Murphy property	50 acres

**City of Bakersfield** 3 lots

Pyramid's executive offices are located on the three lots of real property in the city of Bakersfield, California. This property was acquired by Pyramid in 1986. The office building located on this property is a one story structure with approximately 4,200 square feet and is in good condition.

**Legal Proceedings**

Pyramid is subject to potential litigation in the normal course of business. The resolution in any reporting period of such litigation could have a material impact on Pyramid's financial position or results of operations for that period. Pyramid is not party to any proceedings or actions which management believes might have a material effect upon its financial position or results of operations nor have any such proceedings or actions been threatened.

## MANAGEMENT OF PYRAMID

Set forth below is a description of Pyramid’s management as of the date of this proxy statement/prospectus. Upon completion of the merger, each of Pyramid’s current directors and officers will resign and the newly appointed directors will commence serving as directors of the combined company and the newly appointed executive officers will begin serving as executive officers of the combined company on and after the merger. See “Management of Pyramid Following the Merger.”

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael D. Herman	56	Chairman of the Board of Directors, Interim President and Chief Executive Officer
Rick D. Kasch	63	Director
Gary L. Ronning	71	Director
Lee G. Christianson	66	Chief Financial Officer and Corporate Secretary

Set forth below are descriptions of the backgrounds of the officers and directors of Pyramid and their principal occupations for the past five years.

**Michael D. Herman** has been Chairman of Pyramid’s board of directors since July 2005 and its largest shareholder since July 2005. Mr. Herman has served as Pyramid’s Interim President and Chief Executive Officer since September 30, 2013. Mr. Herman is also the Chairman and CEO of Enservco Corporation, (NYSE MKT: ENSV). Enservco provides various energy-related services such as frac heating, acidizing, hot oiling, water hauling and disposal for customers in several basins in the continental United States. Mr. Herman was the Chairman and owner of Pasadena, California based Key Food Ingredients, Inc. from January 1, 2005 until October, 2007. Key Food Ingredients supplies dehydrated vegetables from its factory in Qingdao, China to customers worldwide. Mr. Herman was Chairman and owner of Telematrix, Inc. from October 1992 until December 1998, when that company was sold to a major hospitality company, and he repurchased a majority ownership interest in December 2004 and held that majority ownership interest until April 2006. Telematrix, Inc. designs and distributes communications products and telephones to hospitality and business customers globally.

Mr. Herman has been active in the oil and gas producing and servicing business since the mid-1980’s. His broad experience in the oil and gas industry and diverse business experience outside the oil and gas industry are valuable resources to Pyramid’s board in formulating business strategy, addressing business opportunities and resolving operational issues that arise from time to time.

**Rick D. Kasch** was appointed to Pyramid’s board of directors on October 8, 2013. Since July 2012, until his appointment as President in April 2013, Mr. Kasch served as Chief Financial Officer of Enservco Corporation, (NYSE MKT: ENSV). On July 25, 2012, Mr. Kasch was elected to the Board of Directors of Enservco Corporation. Mr.

Kasch served as the principal financial officer of the Enservco Corporation's predecessor (Enservco LLC) since its inception in May 2007. Mr. Kasch also served as the principal financial officer, Secretary and Treasurer of Dillco Fluid Services, Inc. since December 2007. Further, he has served as a manager and the principal financial officer for Heat Waves Hot Oil Service LLC since March 2006. Additionally, Mr. Kasch has served as the Chief Financial Officer for various other companies, including software development companies and internet based companies. Mr. Kasch received a BBA – Accounting degree from the University of South Dakota. Mr. Kasch is a CPA but does not hold an active license.

**Gary L. Ronning** has served as a member of Pyramid's board of directors since 1998. Mr. Ronning has been Executive Vice President, Western Region of Prime Natural Resources, LLC, since 1999. Mr. Ronning previously worked with Ferguson Energy, an independent oil and gas exploration company beginning in 1967. Mr. Ronning also has had several positions with Ferguson Energy, managing operations and production in several states.

Mr. Ronning has been engaged in all aspects of the oil and gas industry continuously since 1967. Mr. Ronning brings to the Pyramid board a range and length of industry experience that is a unique asset.

**Lee G. Christianson** has been employed in the oil and gas industry for 38 years. Mr. Christianson has served as Pyramid's Chief Financial Officer since 1988 and as Pyramid's Corporate Secretary since 1990. Mr. Christianson worked for another publicly held oil and gas company from 1976 to 1988 in various accounting positions. Mr. Christianson received a BSBA – Accounting degree from the University of North Dakota. Mr. Christianson obtained his CPA in 1976 in Minnesota but has since let it lapse.

### *Code of Ethics*

Pyramid has adopted a Code of Business Conduct and Ethics that is applicable to all of its directors, officers and employees. A copy of the code is available at no charge to any person who sends a request for a copy to the Corporate Secretary, Pyramid Oil Company, P.O. Box 832, Bakersfield, California 93302. A copy of the Code is also available on our website at [www.pyramidoil.com](http://www.pyramidoil.com).



***Audit Committee***

The members of the Pyramid audit committee are Rick D. Kasch and Gary L. Ronning. The Pyramid audit committee reviews Pyramid's financial and accounting organization, financial reporting and the reports of the independent registered public accounting firm and is responsible for the selection and oversight of the independent registered public accounting firm. The Pyramid board of directors has determined that Mr. Kasch is an "audit committee financial expert" within the meaning of Item 407(d)(5) of the SEC's Regulation S-K. A copy of the Pyramid audit committee's charter is available on Pyramid's website at [www.pyramidoil.com](http://www.pyramidoil.com).

***Compensation Committee***

The members of the Compensation Committee are Mr. Kasch and Mr. Ronning. The Compensation Committee recommends and approves the compensation of the Company's directors and executive officers, including approving individual executive officer compensation, and reviews and recommends to the Board compensation plans, policies and benefit programs for employees generally. A copy of the Compensation Committee's charter is available on the Company's website at [www.pyramidoil.com](http://www.pyramidoil.com).

***Nominating and Governance Committee***

The members of Pyramid's nominating committee are Mr. Kasch and Mr. Ronning. The Pyramid nominating committee recommends prospective directors to fill vacancies that may arise from time to time and proposes individuals for election to the Pyramid board of directors. A copy of the Pyramid nominating committee's charter is available on Pyramid's website at [www.pyramidoil.com](http://www.pyramidoil.com).

***Executive Compensation of Pyramid***

The following table sets forth the compensation for the 2013 and 2012 fiscal years for the two persons who served as Pyramid's Principal Executive Officer during the 2013 fiscal year. No other Pyramid executive officer had total compensation in excess of \$100,000 for the 2013 fiscal year.

***Summary Compensation Table of Pyramid***

Name and Principal Position	Year	Salary	Bonus (1)	Option Awards	All Other Compensation (5)	Total (4)
Michael D. Herman (2) Interim President and Chief Executive Officer	2013	-	-	\$ 83,207	\$ 1,600	(2) \$83,207
John H. Alexander (3) Former President and Chief Executive Officer	2013	\$112,100	-	-	\$ 1,034,119	(4) \$1,146,219
	2012	\$142,800	-	-	-	\$142,800

(1) Perquisites and other personal benefits provided to the CEO were less than \$10,000 in the aggregate for each of the 2013 and 2012 fiscal years and, in accordance with applicable SEC regulations, they are not listed in this table.

Mr. Herman became Pyramid's Interim President and CEO on September 30, 2013. However, Mr. Herman does not receive any compensation in his capacity as Interim President and CEO. All compensation that Mr. Herman

(2) receives from Pyramid is received in his capacity as a non-employee director of Pyramid and is described below under "Compensation of Directors of Pyramid." As reported under "Compensation of Directors of Pyramid," Mr. Herman received \$1,600 for director's fees during the 2013 fiscal year.

(3) Mr. Alexander resigned as President, CEO and as director of Pyramid on September 30, 2013.

Represents \$967,329 that Pyramid agreed to pay to Mr. Alexander pursuant to a Settlement Agreement and General Release of Claims, dated as of September 30, 2013, in satisfaction of amounts owed to Mr. Alexander under his employment agreement upon the termination of his employment and \$30,000 of consulting fees that

(4) Pyramid paid to Mr. Alexander during the 2013 fiscal year following the termination of his employment on September 30, 2013. See Note 14, "Settlement Agreement" of the Notes to the Historical Financial Statements of Pyramid included elsewhere in this proxy statement/prospectus. Mr. Alexander also received, pursuant to the Settlement Agreement, a vehicle valued at \$30,790 and a golf club membership valued at \$6,000.

The amounts for option awards represent the estimated fair value of stock options at the date of grant. Fair value of the options is determined by the Black-Scholes option pricing model in accordance with FASB ASC Topic 718.

(5) For a discussion of the valuation assumptions used, see Note 10, "Share Based Compensation," of the Notes to the Historical Financial Statements of Pyramid included elsewhere in this proxy statement/prospectus.

*Outstanding Pyramid Equity Awards at Year Ended December 31, 2013*

Name	Option Awards		Option Exercise Price (\$)	Option Expiration Date
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable		
Michael D. Herman Interim President and Chief Executive Officer	10/8/13	50,000	\$ 5.16	10/8/18
John H. Alexander Former President and Chief Executive Officer	-	-	-	-

*Compensation of Directors of Pyramid*

Prior to October 8, 2013, only non-employee directors of Pyramid received payment for service as directors of Pyramid. Non-employee directors received an annual retainer fee of \$2,000, \$800 for each Pyramid board meeting attended in person, \$400 for each telephonic meeting over one hour and \$250 for committee meetings not held in conjunction with a Pyramid board meeting. Each Pyramid board meeting was attended by all of the Pyramid directors in 2013. Effective October 8, 2013, outside directors' compensation was \$30,000 per year, payable quarterly, with no fees payable for attending Pyramid board meetings.

Effective October 8, 2013, the Pyramid board of directors approved a one-time grant of 5-year options to purchase 25,000 shares of Pyramid common stock for each of Mr. Kasch and Mr. Ronning. The Pyramid board of directors also approved a grant of 5-year options to purchase 50,000 shares of Pyramid common stock for Mr. Herman in his capacity as Chairman of the Board of Directors of Pyramid. These options are immediately vested and do not have a cashless exercise provision. The options have an exercise price of \$5.16 per share, which equals the closing price of Pyramid's common stock on October 8, 2013.

The following table sets forth information concerning the compensation paid to Pyramid non-employee directors during 2013 for their services as directors.

Name	Fees Earned or Paid In Cash	Option Awards <sup>(1)</sup>	All Other Compensation	Total
Michael D. Herman <sup>(2)</sup>	\$ 1,600	\$ 82,207	-	\$ 83,807

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Rick D. Kasch	\$ 7,500	\$ 41,103	-	\$48,603
Gary L. Ronning	\$ 11,100	\$ 41,103	-	\$52,203
John E. Turco <sup>(3)</sup>	\$ 3,600	-	-	\$3,600
John H. Alexander <sup>(4)</sup>	-	-	-	-

(1) Represents the aggregate grant date fair value of the stock options awarded to the director, calculated in accordance with FASB ASC Topic 718, and does not take into account any estimated forfeitures. For information regarding the valuation assumptions used with respect to the option grants, see Note 10, "Share Based Compensation," of the Notes to the Historical Financial Statements of Pyramid included elsewhere in this proxy statement/prospectus.

The amounts shown above do not necessarily correspond to the actual values that will be recognized by each Pyramid director from the awards.

(2) Pursuant to applicable rules of the SEC, the compensation that Mr. Herman, Pyramid's Interim President and Chief Executive Officer, received in his capacity as a director is also reported by us above in the above Summary Compensation Table of Pyramid.

(3) Mr. Turco resigned as a director of Pyramid effective September 30, 2013.

(4) Mr. Alexander resigned as a director of Pyramid effective September 30, 2013 and did not receive any compensation for his service on Pyramid's board of directors.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PYRAMID**

The following discussion should be read in conjunction with the financial statements of Pyramid and the notes thereto included elsewhere in this proxy statement/prospectus. The following discussion includes certain forward-looking statements. For a discussion of important factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Risk Factors – Risks Relating to Pyramid's Business" and "Cautionary Statement Concerning Forward-Looking Statements."

#### **Impact of Changing Prices**

Average prices decreased by approximately \$3.82 per barrel of oil equivalent sold during 2013 as compared with average prices for 2012. In 2013 there were 242 separate crude oil price changes, as compared with 244 price changes in 2012. The difference between the highest (\$112.70) and lowest (\$95.15) posted prices in 2013 was \$17.55 per barrel. By comparison, this same differential in 2012 was \$33.55 per barrel.

#### **Critical Accounting Policies**

##### *Costs Incurred in Oil and Gas Producing Activities*

Pyramid has adopted the "successful efforts" method of accounting for its oil and gas exploration and development activities, as set forth in FASB ASC Topic 932.

Pyramid initially capitalizes expenditures for oil and gas property acquisitions until they are either determined to be successful (capable of commercial production) or unsuccessful. The carrying value of all undeveloped oil and gas properties is evaluated periodically and reduced if such carrying value appears to have been impaired. Leasehold costs relating to successful oil and gas properties remain capitalized while leasehold costs which have been proven unsuccessful are charged to operations in the period the leasehold costs are proven unsuccessful. Costs of carrying and retaining unproved properties are expensed as incurred.

The costs of drilling and equipping development wells are capitalized, whether the wells are successful or unsuccessful. The costs of drilling and equipping exploratory wells are capitalized until they are determined to be either successful or unsuccessful. If the wells are successful, the costs of the wells remain capitalized. If, however, the wells are unsuccessful, the capitalized costs of drilling the wells, net of any salvage value, are charged to operations in the period the wells are determined to be unsuccessful.

Pyramid adopted FASB Financial Accounting Standards Board (“FASB”) ASC Topic No. 360-10-15, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of” (the “Statement”). The Statement specifies when an impairment loss should be recognized and how impairment losses should be measured for long-lived assets to be held and used and for long-lived assets to be disposed of. In accordance with the Statement, the costs of proved oil and gas properties and equipment are periodically assessed on a lease by lease basis to determine if such costs exceed undiscounted future cash flows, and if conditions warrant an impairment reserve will be provided based on the estimated future discounted cash flows. Pyramid recorded an impairment reserve of \$151,243, \$237,771 and \$751,263 at December 31, 2013, 2012 and 2011, respectively. The accumulated impairment reserve was \$4,988,758 and \$4,980,931 at December 31, 2013 and 2012, respectively.

#### *Depletion, Depreciation, and Amortization*

Depletion of leasehold costs of producing oil and gas properties is provided on the unit-of-production method, by individual property unit, based on estimated recoverable proved reserves. Depreciation and amortization of the costs of producing wells and related equipment are provided on the unit-of-production method, by individual property unit, based on estimated recoverable proved developed reserves. Amortization of the costs of undeveloped oil and gas properties is based on Pyramid’s experience, giving consideration to the holding periods of leaseholds. The average depletion per equivalent barrel of crude oil produced for 2013, 2012 and 2011 were \$11.88, \$16.66 and \$24.27, respectively.

Drilling and operating equipment, buildings, automotive, office and other property and equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the shorter of the estimated useful lives or the applicable lease terms (range of 3 to 19 years). Any permanent impairment of the carrying value of property and equipment is provided for at the time such impairments become known.

### ***Recent Accounting Pronouncements***

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The amendments in this ASU clarify the scope for derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transactions that are either offset or subject to netting arrangements. An entity is required to apply the amendments for fiscal years beginning on or after January 1, 2013. Pyramid does not expect the adoption of ASU 2013-01 to have a material impact on its financial statements.

In April 2013, the FASB issued ASU 2013-07, "Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting." The amendments in this update are being issued to clarify when an entity should apply the liquidation basis of accounting. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Pyramid does not expect the adoption of ASU 2013-07 to have a material impact on its financial statements.

In July 2013, the FASB issued ASU No. 2013-011, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or A Tax Credit Carryforward Exists." These amendments provide guidance on the financial statement presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 will not have a material impact on Pyramid's consolidated financial statements.

### **Liquidity and Capital Resources**

Pyramid had cash and short-term investments of \$6,545,000 at December 31, 2013, for a net increase of \$575,000, when compared to December 31, 2012. Short-term investments consist of certificates of deposit having original maturities of three months to eighteen months. Pyramid had long-term investments of \$1,132,000 at December 31, 2013. Long-term investments consist of certificates of deposit having original maturities of 18 months or more. During 2013, operating activities generated cash of \$1,018,000. During 2013, cash was consumed by capital spending of \$195,000 and the funding of a "Rabbi Trust" in the amount of \$967,000, for further information, see Note 14. "Settlement Agreement" of the Notes to the Historical Financial Statements of Pyramid included elsewhere in this proxy statement/prospectus. Adequate funds were available to carry out all necessary oil and gas operations and to maintain Pyramid's equipment. A \$500,000 line of credit, unused at December 31, 2012, also provided a source of additional liquidity during 2013 although it was not drawn upon during the year.

Pyramid believes that its existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource it needs for the fiscal year ending December 31, 2014. In addition to its current assets, Pyramid also has a credit facility of \$500,000 available in the event that it needs other resources to fund its liquidity and capital resource needs. Although Pyramid may increase its capital expenditures during the current fiscal year to enhance its current oil production capacities, it does not anticipate that such expenditures would exceed the amount of liquidity currently available. Pyramid believes that its existing assets and the cash expected to be generated from operations will be sufficient during fiscal year 2014, without giving effect to the anticipated Yuma merger, are based on the following:

As of December 31, 2013, the amount of cash, cash equivalents, short-term and long-term investments was equal to \$7,677,000 in the aggregate.

As of December 31, 2013, Pyramid had approximately \$9,072,000 in current assets and \$1,894,000 of current liabilities.

As of December 31, 2013, Pyramid had no long-term or current debt.

Pyramid did not drill any wells in 2013. Pyramid is not a party to off-balance sheet arrangements and does not engage in trading activities involving non-exchange traded contracts. In addition, Pyramid has no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of Pyramid's assets. Management continues to examine various alternatives for increasing capital resources including, among other things, participation with industry and/or private partners in drilling and exploration prospects and specific rework of existing properties to enhance production and expansion of its sales of crude oil and natural gas in California. If necessary, Pyramid could sell certain nonessential assets to raise capital for the benefit of these programs.

Pyramid drilled one development well during 2012. Pyramid drilled two joint-venture wells in 2011. All three wells were financed internally.



Pyramid's proved developed producing crude oil reserves decreased by approximately 32,000 barrels at December 31, 2013 compared to at December 31, 2012. The decrease in crude oil reserves was due to crude oil production of 43,000 barrels offset by an increase of 11,000 barrels as a result of revisions of previous estimates.

Pyramid's proved developed producing crude oil reserves decreased by approximately 19,000 barrels at December 31, 2012 compared to at December 31, 2011. The decrease in crude oil reserves was due to crude oil production of 45,000 barrels offset by an increase of 26,000 barrels as a result of revisions of previous estimates.

Pyramid's proved developed producing crude oil reserves increased by approximately 41,600 barrels at December 31, 2011 compared to at December 31, 2010. The increase in crude oil reserves was due primarily to revisions of previous estimates. The increase in reserves due to revisions of estimates is due primarily to higher net average crude prices (after production taxes and operating expenses) for 2011. Certain oil and gas properties recoverable reserves and net revenues increased due to the higher net average prices.

Certain properties that Pyramid owns have become uneconomic and have been shut-down. When these properties are not operated, any reserves that could be assigned to these properties are not included in the year-end engineering report of total Pyramid reserves. Another major factor that directly affects Pyramid's future reserves are the prices of crude oil used to value the year-end reserves. Pyramid uses the 12-month average of the first-of-the-month oil and gas prices for reserve valuation purposes. The prices used to value the year-end reserves have a significant impact on the estimated future net recoverable oil and gas reserves from proved developed properties. At certain depressed price levels, some of the Pyramid's oil and gas properties are not economical to operate and thus its year-end engineering reserve reports do not assign any oil and gas reserves to these properties. Conversely, if prices used to value the year-end reserves should increase to a certain level, the reserves on these leases would be economic to produce and would increase Pyramid's reserves.

Pyramid currently is executing a plan to increase oil and gas production volumes on its core California properties. This effort is principally focused on workovers of existing wells. Pyramid also is planning to re-drill and deepen three existing wells into the Monterey formation on Pyramid's Delaney Tunnell property in Santa Maria, California. Two of the wells will be utilized for production and one will be used for disposal of produced water. All necessary state permits have been received. However, in light of management's focus on the merger agreement with Yuma, Pyramid has not established a definitive drilling timeline.

Pyramid has positioned itself to withstand various types of economic uncertainties, and has maintained a strong balance sheet and working capital position. In addition, Pyramid has filed a shelf registration statement on Form S-3 with the SEC. The registration statement gives Pyramid the flexibility to offer and sell from time to time, up to \$30 million of common or preferred stock. Pyramid does not have immediate plans to sell securities under the shelf registration statement.

Pyramid's future growth, without giving effect to the anticipated merger with Yuma, will be highly dependent on the level of success it has in its operations and capital investments, including the outcome of wells that have not yet been drilled. Pyramid's future capital investment program may be modified due to exploration and development successes or failures, market conditions and other variables. The production and sales of oil and gas involves many complex processes that are subject to numerous uncertainties, including reservoir risk, mechanical failures, human error and market conditions.

Pyramid may be subject to future costs necessary for compliance with the implementation of new air and water environmental quality requirements of various state and federal governmental agencies. However, those potential requirements and costs are unknown at this time. Pyramid continues to absorb the costs for various state and local fees and permits under new environmental programs, the sum of which was not material during 2013. Pyramid is actively pursuing an ongoing policy of upgrading and restoring older properties to comply with current and proposed environmental regulations. Management believes the costs associated with these programs will not have a material adverse effect upon Pyramid's financial position or results of operations.

### **Results of Operations For The Fiscal Year Ended December 31, 2013 Compared To The Fiscal Year Ended December 31, 2012**

#### *Revenues*

#### *Oil and Gas Sales*

Oil and gas sales decreased by \$603,503 due primarily to lower crude oil production for 2013. Crude oil production/sales decreased by approximately 4,000 barrels for 2013. The decline in production for the twelve months of 2013 is not attributable to any one property. Many of the oil and gas leases had lower production due primarily to natural decline. Average prices of Pyramid's oil and gas sales decreased by \$4.17 cents per equivalent barrel when compared to the same period for 2012.

### *Gain on Sales of Property and Equipment*

Effective December 1, 2013, Pyramid sold an oil and gas lease and recognized a gain of \$809,476. Pyramid retained an overriding royalty interest of 2% in the property.

### *Operating Expenses*

Operating expenses increased by \$35,714 for 2013 when compared to the same period for 2012. During 2013, the cost to produce an equivalent barrel of crude oil was \$45.59 per barrel, an increase of \$4.61 per barrel when compared with production costs for the same period of 2012. The increase in lease operating expenses is caused by many factors. Costs increased the most for labor and contract operations. These were offset by lower costs for crude oil inventory change, chemicals, well abandonments and equipment fuel.

Labor costs increased by \$91,781 due to many different factors. Among them, the hiring of one additional field level employee in the fourth quarter of 2012 increased labor costs by \$35,064. Labor costs of \$22,734 were capitalized in 2012 for the drilling of a well, thus reducing labor costs charged to operations, and no wells were drilled in 2013. The payment of a bonus was made in 2013 in the amount of \$20,000, but no bonus was paid in 2012. During 2012, Pyramid billed a joint-venture partner for their share of labor costs in the amount of \$15,784, thus reducing labor costs charged to operations. Pyramid purchased the joint venture partner's interest in the joint venture in December of 2012.

Contract operations increased by \$88,678 due primarily to an increase in costs related to the joint venture interests in Texas. During the third quarter of 2013, Pyramid paid \$69,000 for its share of the costs of a gas sales pipeline obligation related to the Murray Franklin Estate No. 1 well, a Texas joint venture well. The costs of operating the Fox Creek Ranch 1-H well increased by \$29,000.

Crude oil inventory change contributed to a decrease in operating expenses of \$56,129 in 2013, as compared with the same period of 2012. The change in inventory for the year ended December 31, 2013, resulted in a decrease in operating expenses of \$20,154. The change in the inventory for the year ended December 31, 2012, resulted in an increase in operating expenses of \$35,976.

Chemical costs decreased by \$33,253 due primarily to lower quantities of chemicals purchased and used during 2013. Well abandonment costs decreased by \$29,839 due to the abandonment of three wells in 2012. No wells were abandoned in 2013. Equipment fuel costs decreased by \$23,485 due to lower volumes of diesel and gasoline purchased and used during 2013. The remaining favorable variance of \$2,040 is the result of a number of offsetting

cost factors.

#### *General and Administrative Expenses*

General and administrative expenses increased by \$238,125 for the year ended December 31, 2013 when compared with the same period for 2012. Legal fees increased by \$117,603 due primarily to legal services related to the Settlement Agreement between Pyramid and John H. Alexander, the former President and CEO of Pyramid, the preparation of a Registration Statement on Form S-3 that was filed in November of 2013 and work related to the potential Yuma merger. Consulting services increased by \$99,915 due to fees paid to an investment banking firm for services related to the potential Yuma merger. Consulting services also increased due to a consulting agreement that was entered into between Mr. Alexander and Pyramid. For additional information, see Note 14. "Settlement Agreement," of the Notes to the Historical Financial Statements of Pyramid included elsewhere in this proxy statement/prospectus.

Accounting services increased by \$59,594 due primarily to higher fees for audit and tax related matters. Administrative salaries decreased by \$47,508 due primarily to the retirement of Mr. Alexander, effective October 1, 2013. The remaining net increase in general and administrative costs of \$2,088 is attributable to many offsetting cost categories.

#### *Deferred Compensation*

On September 30, 2013, Mr. Alexander resigned as the President and Chief Executive Officer of Pyramid. In connection with Mr. Alexander's resignation, Mr. Alexander and entered into a Settlement Agreement, dated as of September 30, 2013 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, among other things, Pyramid agreed to pay an aggregate amount of \$967,329 to Mr. Alexander in satisfaction of amounts that are owed to Mr. Alexander under his employment agreement, with such amount to be paid in three equal installments of \$322,443 each, on April 5, 2014, January 5, 2015, and January 5, 2016. These amounts are included in restricted cash and deferred compensation liability. On March 18, 2014, the trust agreement, "Rabbi Trust" dated October 1, 2013, was terminated by agreement of Pyramid, Mr. Alexander and the trustee, and the funds were disbursed to Mr. Alexander.

### *Stock Based Compensation*

Stock based compensation increased by \$164,413 for the year ended December 31, 2013 when compared with the same period in 2012. On October 8, 2013, Pyramid's Board of Directors granted an option to purchase 25,000 shares of common stock for each of directors Rick D. Kasch and Gary L. Ronning and granted an option to purchase 50,000 shares of common stock to Michael D. Herman. For additional information, see Note 10. "Share Based Compensation," of the Notes to the Historical Financial Statements of Pyramid included elsewhere in this proxy statement/prospectus. The options vest immediately and must be exercised within ninety days after the director leaves office. Pyramid recorded \$164,413 in stock based compensation based on a valuation performed using a Black-Scholes option-pricing method.

### *Provision for Depletion, Depreciation and Amortization*

The provision for depletion, depreciation and amortization decreased by \$142,420 for the year ended December 31, 2013, when compared with the same period for 2012. The decrease is due primarily to a decrease in the depletion of oil and gas properties. Depletion decreased due primarily to lower average per barrel depletion rates combined with lower production volumes. The depletion rates for 2013 declined due to lower net costs to amortize.

### *Valuation Allowances*

Pyramid recorded a valuation allowance of \$151,243 at December 31, 2013 on one of its oil and gas properties. The valuation allowance resulted from an engineering reserve report that was prepared by MHA.

## **Results of Operations For The Fiscal Year Ended December 31, 2012 Compared To The Fiscal Year Ended December 31, 2011**

### *Revenues*

#### *Oil and Gas Sales*

Revenues decreased by \$693,110 due primarily to lower crude oil production for 2012. Crude oil production/sales decreased by approximately 6,900 barrels for 2012. Average prices of Pyramid's oil and gas sales increased by sixty cents per equivalent barrel when compared to the same period for 2011.

### *Operating Expenses*

Operating expenses increased by \$153,185 for 2012 when compared to the same period for 2011. During 2012, the cost to produce an equivalent barrel of crude oil was \$40.98 per barrel, an increase of \$8.02 per barrel when compared with production costs for the same period of 2011. The increase in lease operating expenses is caused by many factors. Inventory change contributed to an increase in operating expenses of \$67,771. Costs increased for equipment fuel, well abandonments, chemicals, licenses and fees and gas engine repairs. These were offset by lower costs for outside services.

Inventory change increased operating expenses by \$35,976 for the twelve months ended December 31, 2012 and decreased operating expenses by \$31,795 for the twelve months ended December 31, 2011. As a result, operating expenses increased by \$67,771 for the twelve months ended December 31, 2012, when compared with the same period of 2011. The decrease in inventory at December 31, 2012 of \$35,976 is due primarily to lower inventory volumes at December 31, 2012 offset by higher average per unit values. The increase in inventory at December 31, 2011 of \$31,795 is due primarily to higher average per barrel inventory valuations offset by lower inventory volumes.

Equipment fuel costs increased by \$44,758 due primarily to an increase in fuel consumed combined with higher average fuel costs for gasoline and diesel used by Pyramid's vehicles and production equipment. Well abandonment costs increased by \$26,331 due to the abandonment of three wells in 2012. One well was abandoned in 2011. Chemicals increased by \$14,400 due primarily to higher usage of chemicals on the Delaney-Tunnell lease. Licenses and permits increased by \$13,714 due primarily to fees related to the Santa Fe lease. Gas engine repairs increased by \$11,755 due primarily to maintenance activities on the Santa Fe and Anderson wells. Outside services decreased by \$14,724 due to lower demand for third-party repair and maintenance services.

*General and Administrative Expenses*

General and administrative expenses decreased by \$37,742 for the twelve months ended December 31, 2012 when compared with the same period for 2011. Accounting services decreased by \$62,442 due to lower audit fees and lower fees paid to a third-party who assisted with the training and implementation of a new oil and gas accounting software that was effective January 1, 2011. Legal fees declined by \$26,027 during the twelve months ended December 31, 2012 due primarily to the filing of a Form S-8 during 2011. The legal fees expended for the filing of the Form S-8 during 2011 were \$17,500. Outside services increased by \$16,852 due primarily to the hiring of temporary help for the corporate office staff. General liability insurance increased by \$10,425 due to an increase in the allocation of insurance costs to general and administrative expense from operating expenses during 2012. General expenses increased by \$8,000 due to a donation Pyramid made during the second quarter of 2012 to a local medical facility. Administrative salaries increased by \$6,077 due to a 7% wage rate increase that was effective May 1, 2012. The remaining net increase in general and administrative costs of \$9,353 is attributable to many different cost categories, none of them significant in amount.

*Stock Based Compensation*

Effective June 2, 2011, Pyramid's board of directors approved the issuance of options to purchase 5,000 shares of Pyramid's common stock to its two non-employee directors. These options vested immediately and must be exercised within ninety days after the director leaves office. Pyramid recorded \$43,743 in stock based compensation during the third quarter of 2011, based on a valuation performed using a Black-Scholes option-pricing model.

*Taxes, Other Than Income and Payroll Taxes*

Taxes, other than income and payroll taxes increased by \$22,981 due primarily to higher property taxes on Pyramid's oil and gas properties.

*Provision for Depletion, Depreciation and Amortization*

The provision for depletion, depreciation and amortization decreased by \$85,673 for the twelve months ended December 31, 2012, when compared with the same period for 2011. The amortization of Texas leaseholds decreased by approximately \$48,000 during 2012. The Texas leaseholds were fully amortized as of June 30, 2011. Depletion of oil and gas properties decreased by \$32,600 for the twelve months ended December 31, 2012. Depletion of oil and gas properties was lower due primarily to lower sales volumes for 2012.

*Valuation Allowances*

Pyramid recorded a valuation allowance of \$237,711 at December 31, 2012 on certain of its oil and gas properties. The valuation allowance resulted from an engineering reserve report that was prepared by MHA.

**Results of Operations For The Three Months Ended March 31, 2014 Compared To The Three Months Ended March 31, 2013**

*Revenues*

The increase in oil and gas sales of \$35,796 was primarily due to an increase in crude oil sales of 866 barrels. The average sales price of Pyramid's oil and gas for the first quarter of 2014 decreased by approximately \$5.44 per barrel equivalent as compared to the same period of 2013. Pyramid's daily oil production is stored in tanks near the producing wells until the crude oil volumes in inventory reach an accumulation necessary to economically transport the crude oil by truck to the point of sale. Due to the variability in truck pick-ups during the month, inventories will rise and fall at the end of a given month. As a result, between December 31, 2013 and March 31, 2014 inventories decreased 645 barrels, contributing to the higher sales volumes.

*Operating Expenses*

Operating expenses increased by \$61,852. The cost to produce an equivalent barrel of crude oil during the first quarter of 2014 was approximately \$47.96 per barrel, an increase of approximately \$2.14 per barrel when compared with production costs for the first quarter of 2013. Inventory change increased by \$62,212 for the first quarter of 2014 when compared to the same period of 2013.

Inventory change increased operating expenses by \$27,727 for the first quarter of 2014 and decreased operating expenses by \$34,485 for the first quarter of 2013. As a result, operating expenses increased by \$62,212 for the first quarter of 2014, when compared with the same period of 2013. The increase in inventory change at March 31, 2014 of \$27,727 was due primarily to a reduction in inventory of 645 barrels when compared with inventory volumes at December 31, 2013. The decrease in inventory change at March 31, 2013 of \$34,485 was due primarily to higher average per barrel inventory valuations combined with higher crude oil volumes when compared with inventory valuations and volumes at December 31, 2012.



*General and Administrative*

General and administrative expenses increased by \$355,822 for the first quarter of 2014 when compared to the same period of 2013 due primarily to higher legal and consulting fees of \$437,445 associated with the merger agreement between Pyramid and Yuma. See Note 13, "Merger Agreement" in the Unaudited Notes to the Financial Statements of Pyramid for the three months ended March 31, 2014. Officer and administrative salaries decreased by \$49,107 due to a reduction in staff and accounting fees decreased by \$36,799 due primarily to lower accruals of audit fees.

*Provision for Depletion, Depreciation and Amortization*

The provision for depletion, depreciation and amortization decreased by \$9,009 for the first quarter of 2014, when compared with the same period of 2013. Depletion of oil and gas properties decreased by \$4,026 and depreciation of fixed assets decreased by \$4,983.

*Other Costs and Expenses*

Other costs and expenses increased by \$12,866 for the first quarter of 2014 when compared to the same period of 2013 due primarily to an increase in director's fees of \$11,600.

*Income Tax Expense (Benefit)*

Income tax expense (benefit) decreased by \$110,369 due primarily to a net loss before income taxes of \$207,079 for the first quarter of 2014. Pyramid had a net income of \$174,566 before income taxes for the first quarter of 2013.

*Liquidity and Capital Resources*

Cash and cash equivalents increased by \$151,399 for the three months ended March 31, 2014. During the three months ended March 31, 2014, operating activities used cash of \$807,423. Cash was used for a decrease in deferred compensation liability of \$744,341. Cash was provided by using restricted cash of \$967,329 to reduce the deferred compensation liability. See the accompanying Unaudited Statements of Cash Flows of Pyramid for the three months ended March 31, 2014 for additional detailed information. Pyramid has available a line of credit of \$500,000 and short-term and long-term investments of \$3,281,036 at March 31, 2014 that provided additional liquidity during the first three months of 2014.

*Impact of Changing Prices*

Pyramid's revenue is affected by crude oil prices. Average crude oil prices for the first three months of 2014 decreased by approximately \$5.44 per barrel of equivalent when compared with the same period of 2013. Pyramid cannot predict

the future course of crude oil prices.

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**MANAGEMENT OF PYRAMID FOLLOWING THE MERGER**

Pursuant to the terms of the merger agreement, at and after the effective time of the merger, the Pyramid board of directors shall consist of six members. Pyramid's board of directors has nominated six persons in accordance with the terms of the merger agreement; none are current directors of Pyramid. Assuming the merger agreement is approved and adopted, immediately following the effective time of the merger, Pyramid's directors and executive officers will consist of the six directors of Yuma and Yuma's current executive officers.

The following table lists the names and ages as of August 6, 2014 and positions of the individuals who are expected to serve as directors and executive officers of the combined company upon completion of the merger.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Sam L. Banks	64	Chairman of the Board and Chief Executive Officer
Michael F. Conlon	63	President and Chief Operating Officer
Kirk F. Sprunger	61	Chief Financial Officer, Treasurer and Corporate Secretary
Mark D. Hartman	53	Vice President – Exploration
James J. Jacobs	36	Vice President – Corporate and Business Development
James W. Christmas	66	Director
Frank A. Lodzinski	64	Director
Ben T. Morris	68	Director
Richard K. Stoneburner	60	Director
Richard W. Volk	78	Director

Set forth below are descriptions of the backgrounds of the executive officers and directors of Yuma and their principal occupations for the past five years.

**Sam L. Banks** is the founder and majority owner of Yuma. He has 37 years of experience in the oil and gas industry, the majority of which he has been leading Yuma. Prior to founding Yuma, he held the position of Assistant to the President of Tomlinson Interests, a private independent oil and gas company. Mr. Banks graduated with a Bachelor of Arts from Tulane University in New Orleans, Louisiana, in 1972, and in 1976 he served as Republican Assistant Finance Chairman for the re-election of President Gerald Ford, under former Secretary of State, Robert Mosbacher.

**Michael F. Conlon** joined Yuma in 2002 as President and Chief Operating Officer. He has 41 years of experience in the oil and gas industry. From 1989 to 1992, Mr. Conlon served as Exploration Manager for BHP Petroleum in Melbourne, Australia with his team discovering the Griffin and Stag fields, as well as making the key discovery in the

Pyrenees field complex. Mr. Conlon also worked for BHP Petroleum in Denver, Colorado and Houston, Texas. He has also held positions at Cities Services Oil Company, Cabot Oil and Gas Exploration, and North Central Oil Corporation. Prior to joining Yuma, Mr. Conlon was Vice President Exploration for Pluspetrol S.A. in Buenos Aires, Argentina. Mr. Conlon graduated from the Colorado School of Mines with a B.S. in Geological Engineering in 1972.

**Kirk F. Sprunger** joined Yuma in 1996 as Treasurer, Corporate Secretary and Chief Financial Officer. He has 39 years of experience in finance. Mr. Sprunger began his career in 1974 working at Arthur Andersen & Co. in their management consulting practice. Since 1980, Mr. Sprunger has performed a range of financial controller roles at Blocker Energy Corporation, AN-SON Corporation, Terry Companies, St. Paul Oil and Gas Corporation, TGX Corporation and Horizon Directional Systems. Mr. Sprunger graduated with a Bachelor of Business Administration in Accounting from the University of Texas at El Paso in 1974 and completed a Master of Business Administration in Finance from the University of Minnesota in 1991. He holds CPA certificates from Texas and Oklahoma.

**Mark D. Hartman** joined Yuma in 2004 as a Senior Staff Geophysicist. In 2008, he was promoted to Exploration Manager and subsequently Vice President – Exploration. He has 31 years of experience in the oil and gas industry. Mr. Hartman commenced his career with Shell E&P in Houston and held a variety of roles at Shell over a 14 year period. In 1996, Mr. Hartman joined Meridian Resources as a Staff Geophysicist followed by Vice President of Exploration. In 2001, Mr. Hartman rejoined Shell E&P as a Senior Staff Geophysicist where he managed the South Texas Exploration team. Mr. Hartman graduated with a Bachelor of Science in Electrical Engineering degree from Texas Tech in 1982.

**James J. Jacobs** joined Yuma in 2013 as Vice President of Corporate and Business Development. He has 13 years of experience in the financial services and energy sector. In 2001, Mr. Jacobs worked as an Energy Analyst at Duke Capital Partners. In 2003 Mr. Jacobs worked as a Vice President of Energy Investment Banking at Sanders Morris Harris where he participated in capital markets financings, mergers and acquisitions, corporate restructurings and private equity transactions for various sized energy companies. In 2006, Mr. Jacobs joined Houston America Energy Corp as CFO, Treasurer and Secretary, where he was responsible for financial accounting and reporting for US and Colombian operations, in addition to taking responsibility for capital raising activities of the Company. Mr. Jacobs graduated with a Master's Degree in Professional Accounting and a Bachelor of Business Administration from the University of Texas in 2001.

**James W. Christmas** has served as a director of Yuma since September 2013. Mr. Christmas began serving as a director of Petrohawk Energy Corporation (“Petrohawk”) on July 12, 2006, effective upon the merger of KCS Energy, Inc. (“KCS”) into Petrohawk. He continued to serve as a director, and as Vice Chairman of the Board of Directors, for Petrohawk until BHP Billiton acquired all of Petrohawk in August 2011. He also served on the Audit Committee and the Nominating and Corporate Governance Committee. Currently, Mr. Christmas serves as a member of the Board of Directors of Petrohawk, a wholly-owned subsidiary of BHP Billiton, and as chair of the Financial Reporting Committee of such board. On January 29, 2014, Mr. Christmas was appointed to the Board of Directors of Rice Energy, Inc., and serves on its audit and compensation committees. He also serves on the Advisory Board of the Tobin School of Business of St. John’s University. He served as President and Chief Executive Officer of KCS from 1988 until April 2003 and Chairman of the Board and Chief Executive Officer of KCS until its merger into Petrohawk. Mr. Christmas was a Certified Public Accountant in New York and was with Arthur Andersen & Co. from 1970 until 1978 before leaving to join National Utilities & Industries (“NUI”), a diversified energy company, as Vice President and Controller. He remained with NUI in various executive positions until 1988, when NUI spun out its unregulated activities that ultimately became part of KCS. As an auditor and audit manager, controller and in his role as CEO of KCS, Mr. Christmas was directly or indirectly responsible for financial reporting and compliance with SEC regulations, and as such has extensive experience in reviewing and evaluating financial reports, as well as in evaluating executive and board performance and in recruiting directors. He has extensive experience in oil and gas company growth issues, with a focus on capital structure and business development strategies. Prior to his appointment as a Director, Mr. Christmas was an advisor to the Yuma board of directors from August 2012 through September 2013. Mr. Christmas received a bachelor’s degree in accounting and an honorary doctorate of commercial science degree from St. John’s University.

**Frank A. Lodzinski** has served as a director of Yuma since August 2012. He has more than 40 years of oil and gas industry experience, including the successful completion of several reverse mergers. In 1984, Mr. Lodzinski formed Energy Resource Associates which acquired interests in oil and gas limited partnerships that were later exchanged for shares of Hampton Resources, which was ultimately sold to Bellwether Exploration in 1995. In 1996, Mr. Lodzinski acquired Cliffwood Oil and Gas and then a controlling interest in Texoil where he served as President, CEO, and a Director. Texoil was sold to Ocean Energy in 2001. From 2001 to 2004, Mr. Lodzinski served as President, CEO, and Director of AROC to direct the restructuring and ultimate liquidation of the company in 2004. In 2004, Mr. Lodzinski formed Southern Bay Energy and merged that company into GeoResources, Inc. He served as President, CEO, and a Director until GeoResources was sold to Halcón Resources Corporation for \$1 billion in 2012. Since December 2012, Mr. Lodzinski has served as Chief Executive Officer and President of Oak Valley Resources, LLC. He holds a BSBA degree in Accounting and Finance from Wayne State University in Detroit, Michigan.

**Ben T. Morris** has served as a director of Yuma since July 2011. He has an extensive financial background, with over 20 years of experience in many aspects of the financial sector. He began his career as an accountant at Price Waterhouse & Co. in 1967 and in 1973 joined Mid American Oil and Gas Inc. as CFO and later became President of the company. From 1980 to 1986, Mr. Morris served as COO of Tatham Corp., a privately-held oil and gas company. He is a retired CEO of the Sanders Morris Harris Group, a financial services and wealth management company he co-founded in 1987 and was a director until September 2012. Mr. Morris has served on the boards of several public companies including Capital Title Group (1998-2006), American Equity Investment Life Holding Company (1997-2006), and Tyler Technologies, Inc. (2002-2005), where he served as Chairman of the Audit committee. Mr. Morris earned a B.B.A. degree from the University of North Texas.

**Richard K. Stoneburner** has served as a director of Yuma since September 2013. Mr. Stoneburner has over 35 years of experience in the exploration and production sector. He began his career as a geologist in 1977. Mr. Stoneburner joined Petrohawk Energy in 2003, where he led Petrohawk's exploration program from 2005 to 2007 prior to serving as the company's President and COO from 2007 to 2011. When BHP Billiton acquired Petrohawk in 2011, he was appointed President of the North America Shale Production Division where he managed operations in the Fayetteville Shale, the Haynesville Shale, the Eagle Ford Shale, and the Permian Basin divisions until December 2012. Mr. Stoneburner currently serves on the Board of Directors of Newfield Exploration and Cub Energy and serves as a Senior Advisor to the private equity firm Pine Brook Partners, LLC. Prior to his appointment as Director, Mr. Stoneburner was an advisor to the Yuma board of directors from August 2013 to September 2013. Mr. Stoneburner has a bachelor's degree in geological sciences from the University of Texas and a master's degree in geological sciences from Wichita State University.

**Richard W. Volk** has served as a director of Yuma since June 2011. Since 1992, Mr. Volk has been a consultant specializing in the formulation and implementation of long-term strategies for oil and gas companies and other clients. He has been an advisor to Yuma since 1994. Mr. Volk began his oil and gas career in 1960 with Plains Exploration Company which merged into Cardinal Petroleum Company in 1969. In 1973, he was appointed President and CEO of Clinton Oil Company, which was subsequently renamed Energy Reserves Group and in 1985 was acquired by BHP and renamed BHP Petroleum (America), of which Richard was Chairman and CEO. After presiding over the successful consolidation of BHP Petroleum and Monsanto Oil Company, Mr. Volk relocated to Australia as General Manager and CEO of BHP Petroleum's Australia/Asia Division. He returned to the United States in 1991. Mr. Volk has the degree of Petroleum Engineer from the Colorado School of Mines and a juris doctor degree from the University of Denver.

## **Yuma Executive Compensation**

### *Compensation Discussion and Analysis*

The named executive officers for Yuma's fiscal year ended December 31, 2013 (the "2013 Fiscal Year"), and who are described in this Compensation Discussion and Analysis section, are:

Sam L. Banks, Chairman of the Board and Chief Executive Officer  
Michael F. Conlon, President and Chief Operating Officer  
Mark D. Hartman, Vice President – Exploration

### *Philosophy and Objectives of Yuma's Executive Compensation Program*

The primary objectives of Yuma's executive compensation program are to (i) motivate the named executive officers to help achieve Yuma's long- and short-term goals by rewarding superior individual and company performance and (ii) retain Yuma's experienced and successful leadership team and continue to recruit outstanding talent by providing compensation that is competitive with the companies with which Yuma competes for executive services. In particular and as further discussed below, Yuma believes that its annual incentive plan motivates the named executive officers to strive for outstanding company and individual performance while the Yuma stock plan maximizes executive officer retention over the course of several years. The Yuma board of directors and Yuma's chief executive officer review Yuma's compensation programs annually to ensure that the programs continue to achieve their objectives. At the current time, Yuma does not have a compensation committee of its board of directors.

Yuma's future success and the ability to create long-term value for its stockholders depend on its ability to attract, retain and motivate highly talented individuals. Yuma's compensation program is designed to reward performance that supports its long-term strategy and achievement of its short-term goals.

The overall objectives of Yuma's compensation philosophy are to:

help to attract and retain highly talented individuals to contribute to its progress, growth and profitability by being competitive with compensation paid to persons having similar responsibilities and duties in other companies in the same industry;



- align the interests of the individual with those of its stockholders to encourage long-term value creation;  
be directly tied to the attainment of Yuma's annual performance targets and reflect individual contribution thereto;  
and
- reflect the unique qualifications, skills, experience and responsibilities of each individual.

*Key Components of Yuma's Compensation Policy*

During 2013, the compensation and benefits programs for the named executive officers consisted of the following components, which are described in greater detail below:

- Base salary;

- Annual incentive awards, based on the achievement of both quantitative and qualitative company performance goals as well as an evaluation of individual performance;

- Long-term restricted stock awards granted under the Yuma stock plan;

- Overriding royalty interests;

- Severance protections; and

- Participation in health and welfare benefits.

### *Setting Executive Compensation*

Yuma's executive compensation program is overseen by the Yuma board of directors. The Yuma board of directors discusses compensation issues during full board meetings. The Yuma board of directors makes all decisions regarding the compensation of the chief executive officer based on several factors, including individual performance and business results. Each year, Yuma's chief executive officer reviews compensation for all of the named executive officers other than himself as well as compensation expenses for the business as a whole, and makes recommendations to the Yuma board of directors with respect to the budget that will be established for compensation paid both to the named executive officers and all other Yuma employees. The Yuma board of directors then evaluates the chief executive officer's recommendations and conducts its own independent evaluation, including a review of current and developing pay practices at companies with which Yuma competes for executive talent, before setting the compensation budget for the year. Once the compensation budget has been established by the Yuma board of directors, the chief executive officer has historically made all other decisions with respect to compensation paid to the named executive officers other than himself, within the parameters of the compensation budget.

In 2013, the Yuma board of directors engaged AG Ferguson & Associates, Inc. ("AG Ferguson"), to provide a broad-based review of Yuma's executive compensation program. AG Ferguson provided services to the Yuma board of directors, including, but not limited to, (i) the provision of market-based compensation data for each of Yuma's named executive officers, and (ii) the recommendation of changes to Yuma's compensation agreements and programs to ensure compliance with best pay practices. AG Ferguson did not provide any services to Yuma or Yuma's executive team, only providing services to Yuma's board of directors and Yuma board of directors.

### *Components of Executive Compensation Program*

#### *Base Salary*

Each named executive officer's base salary is a fixed component of compensation and does not vary depending on the level of performance achieved. Base salaries are determined for each named executive based on his position and responsibility. The Yuma board of directors and Yuma's chief executive officer review the base salaries for each named executive annually (other than the chief executive officer as to his own compensation) as well as at the time of any promotion or significant change in job responsibilities, and in connection with each review they consider individual and company performance over the course of that year. The base salary for each named executive officer for the 2013 Fiscal Year is reported in the Summary Compensation Table below.

#### *Annual Incentive Plan*

Near the beginning of each fiscal year the Yuma board of directors, in consultation with Yuma's chief executive officer, and chief financial officer, establishes the performance metrics and weighting of each metric used to calculate the bonus pool for Yuma's annual performance-based incentive plan. The Yuma board of directors selects performance metrics that it believes are important to the successful growth and development of Yuma. When evaluating Yuma's qualitative performance for the year, the Yuma board of directors considers, among other things, the extent to which Yuma achieved its strategic objectives for the year and Yuma's performance as a whole. The aggregate sum of the percentages of the target bonus pool earned for each metric is the total percentage of the target bonus pool that will be paid out.

#### *Long-Term Equity-Based Incentives*

Yuma granted restricted stock awards to the named executive officers in 2013 and in prior years. Restricted stock awards entitle the holder to common stock of Yuma only upon liquidation events meeting certain requisite financial thresholds. The total number of restricted stock awards held by each named executive officer as of the end of the 2013 Fiscal Year is reported in the table below entitled "Outstanding Equity Awards at Fiscal Year-End."

#### *Employment Agreements*

Each of the named executive officers is party to an employment agreement with Yuma. These agreements outline the basic terms of employment including minimum base salary, basic benefits, and vacation days. The agreements also include restrictive covenants, including an obligation not to compete against Yuma or to solicit employees or customers for a period of two years following termination of employment, and a requirement to maintain confidentiality regarding certain information obtained during the executive's employment with Yuma.

The employment agreements with the named executive officers also contain severance provisions in the event of certain involuntary terminations of employment. Yuma believes that severance protection provisions serve as important retention tools, since post-termination payments allow employees to leave Yuma's employment with value in the event of certain terminations of employment that were beyond their control. Post-termination payments allow management to focus its attention and energy on making objective business decisions that are in the best interests of Yuma without allowing personal considerations to cloud the decision-making process. Further, Yuma believes that such protections help maximize stockholder value by encouraging the named executive officers to review objectively any proposed transaction in determining whether such proposal is in the best interest of Yuma's stockholders, whether or not the executive will continue to be employed. Executive officers at other companies in Yuma's industry and the general market in which Yuma competes for executive talent commonly have post-termination payments, and Yuma has consistently provided this benefit to the named executive officers in order to remain competitive in attracting and retaining skilled professionals in Yuma's industry.

#### *Overriding Royalty Interest Plan*

The Yuma overriding royalty interest plan (the "Yuma royalty plan") was established in 1983 with the formation of Yuma's predecessor for the issuance of a portion of certain overriding royalty interests developed and leased on Yuma prospects from time to time by Yuma to its employees and management. The purpose of the Yuma royalty plan is to provide an employee incentive plan to reward the successful generation and drilling of Yuma prospects and provide for employee retention. The Yuma royalty plan is administered and interpreted by the chief executive officer of Yuma and/or one or more independent directors of Yuma.

From time to time, Yuma reserves approximately 3.5% of its net revenue interest (based on 100% of the net revenue interest) on Yuma generated prospects as a pool to satisfy grants of overriding royalties under the Yuma royalty plan. This amount is subject to the approval of Yuma's partners in the applicable prospects via absorbing their proportionate share of the overriding royalty interests. The amount of each actual grant is typically subject to the terms of applicable employment agreements and the vesting schedules included therein, unless otherwise determined.

Notwithstanding anything to the contrary, the Yuma royalty plan provides that nothing in it prohibits Yuma from operating its business in the ordinary course. Also, Yuma has no obligation to conduct any drilling operations or take any other action upon or with respect to any property subject to the Yuma royalty plan or to continue to operate any well or to operate or maintain in force any lease. In addition, Yuma has the right at any time to surrender, abandon or otherwise terminate any such lease in whole or in part without any liability to any Yuma royalty plan participant.

#### *Working Interest Incentive Plan*

The Yuma working interest incentive plan (the “working interest plan”) is intended to foster and promote the development and execution of Yuma’s business by retaining and motivating the chief executive officer of Yuma, Sam L. Banks, imposing on Mr. Banks the same risk incurred by Yuma in its core operations, and providing for liquidity for Mr. Banks outside of Yuma. The working interest plan was originally adopted in 1983 and most recently amended by the Yuma board of directors on August 15, 2011 to limit the parameters of the plan. Mr. Banks has participated in the working interest plan since 1983. The Yuma board of directors has the right to terminate the working interest plan after December 31, 2014 by providing written notice of termination to Mr. Banks.

The working interest plan is administered and interpreted by Yuma’s board of directors. The board has the power to take any and all action the board deems necessary or advisable for the proper operation or administration of the working interest plan. Subsequent to August 15, 2011, the Yuma board of directors has approved all property acquisitions under the working interest plan.

From time to time, Yuma may acquire certain real property interests upon which it will generate one or several oil and gas prospects, or it may acquire a working interest in existing oil and gas prospects. Once Yuma has generated a drillable prospect, or upon the acquisition of a working interest in an existing prospect from an unaffiliated third party, Mr. Banks has the option to acquire from Yuma, or such unaffiliated third party directly, a working interest in such prospects in an amount up to a 2.5% of Yuma’s working interest. In lieu of acquiring a working interest in the prospects from Yuma, Mr. Banks has the right, at his election, to participate with Yuma on any production acquisitions in which Yuma undertakes in an amount up to 5% of the working interest to be acquired. The terms under which Mr. Banks acquires any interests will be on no better terms than the terms promoted to unaffiliated third parties who are drilling participants in Yuma generated prospects.

The purchase price for any interests acquired from Yuma will be determined using the same cost basis as Yuma acquired such interest. The purchase price for any interests acquired from a third party in a transaction in which Mr. Banks participates will be determined in arm’s length negotiations. The pricing and payment terms for any interests acquired will be no better than the terms promoted to unaffiliated third parties who are drilling participants in Yuma generated prospects. Mr. Banks shall pay the purchase price for any interests acquired from Yuma in cash at the closing of the acquisition, and he will be responsible for obtaining any financing required to purchase any interests. In no event will Yuma advance the purchase price for any acquisition, assist Mr. Banks in obtaining financing, or otherwise arrange such financing or any other extension of credit for Mr. Banks in connection with the working interest plan, and will not provide any guarantee or other credit support to Mr. Banks.

Nothing in the working interest plan prohibits Yuma from operating its business in the ordinary course. The working interest plan automatically terminates upon termination of Mr. Bank's employment or upon his death. Participating in the working interest plan does not give Mr. Banks any right to remain in the employ of or continue serving as a director of Yuma or any of its subsidiaries.

### *Summary Compensation Table*

The table below sets forth the annual compensation earned during the 2013 Fiscal Year by Yuma's "named executive officers," as of December 31, 2013:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Nonequity	All Other	Total (\$)
				Awards (\$) <sup>(1)</sup>	incentive plan compensation (\$) <sup>(2)</sup>	Compensation (\$) <sup>(3)</sup>	
Sam L. Banks Chief Executive Officer	2013	400,000	125,000	665,843	-	1,537,145	2,727,988
Michael F. Conlon President and Chief Operating Officer	2013	308,750	-	936,616	-	923,071	2,195,437
Mark D. Hartman Vice President – Exploration	2013	248,798	10,000	813,691	81,953	906,479	2,060,921

Computed with a fair value computation from Monte Carlo simulation value of (A) \$2,941 as of June 30, 2013, and (B) \$2,062 as of March 31, 2013. See Note B – "Summary of Significant Accounting Policies" of the Notes to the Historical Consolidated Financial Statements of Yuma for the years ended December 31, 2013, 2012 and 2011, relating to the discussion of Level 3 valuation techniques. The valuations do not consider a discount for lack of marketability since Yuma is a privately-held company and the Yuma common stock is illiquid. This amount does not reflect the actual economic value realized by the named executive officer.

(2) Annual cash incentive bonus paid in 2014 for performance in Fiscal Year 2013.

(3) The amounts reported in this column include overriding royalty interests and other perquisites and benefits, as shown in the following table:

Name	Year	Overriding Royalty Interest (\$) <sup>(i)</sup>	Accounting Support (\$) <sup>(ii)</sup>	Engineering Support (\$) <sup>(iii)</sup>	Land Support (\$) <sup>(iv)</sup>	Total (\$)
Sam L. Banks	2013	1,492,136	28,870	8,547	7,592	1,537,145
Michael F. Conlon	2013	923,071	-	-	-	923,071
Mark D. Hartman	2013	906,479	-	-	-	906,479

(i) Denotes revenues received during Fiscal Year 2013 from overriding royalty interests received by the named executive officer since the beginning of his employment with Yuma.

Mr. Banks was provided personal accounting support in Fiscal Year 2013. The value of personal accounting support allocated to him in Fiscal Year 2013 includes allocation of the following with respect to such support (ii) personnel: (i) cash compensation and Yuma's portion of payroll taxes; (ii) company-matching contributions to Yuma's 401(k) plan; and (iii) company-paid health, dental and life insurance premiums. Mr. Banks does not plan to continue such support after the merger.

Mr. Banks was provided personal engineering support in Fiscal Year 2013. The value of personal engineering support allocated to him in Fiscal Year 2013 includes allocation of the following with respect to such support (iii) personnel: (i) cash compensation and Yuma's portion of payroll taxes; (ii) company-matching contributions to Yuma's 401(k) plan; and (iii) company-paid health, dental and life insurance premiums. Mr. Banks does not plan to continue such support after the merger.

Mr. Banks was provided personal land support in Fiscal Year 2013. The value of personal land support allocated to him in Fiscal Year 2013 includes allocation of the following with respect to such support personnel: (i) cash (iv) compensation and Yuma's portion of payroll taxes; (ii) company-matching contributions to Yuma's 401(k) plan; and (iii) company-paid health, dental and life insurance premiums. Mr. Banks does not plan to continue such support after the merger.

***Outstanding Equity Awards at 2013 Fiscal Year-End***

The following table provides information on outstanding Yuma restricted stock awards held by the named executive officers as of December 31, 2013 and valued as of December 31, 2013. This table includes the total number of Yuma restricted shares held by each named executive officer as of the end of the 2013 Fiscal Year.

Name	Stock Awards Number of shares or units of stock that have not vested (#)			Market value of shares or units of stock that have not vested (\$) <sup>(1)</sup>
Sam L. Banks	116	(2)	\$	358,092
	223	(3)	\$	688,401
Michael F. Conlon	60	(2)	\$	185,220
	222	(4)	\$	685,314
	172	(3)	\$	530,964
Mark D. Hartman	242	(4)	\$	747,054
	107	(3)	\$	330,309

Share value of \$3,087 using Monte Carlo simulation model prepared by an independent consultant as of December 31, 2013. See Note B – “Summary of Significant Accounting Policies” of the Notes to the Historical Consolidated (1) Financial Statements of Yuma for the years ended December 31, 2013, 2012 and 2011 concerning Level 3 valuation techniques. This value represents fair value but does not include a discount for a lack of marketability since Yuma is a privately-held company and the Yuma restricted shares are illiquid.

(2) Vests upon the earlier of a Liquidity Event and June 30, 2016. The term “Liquidity Event” means either (i) the closing of an initial public offering of Yuma securities raising gross proceeds of at least \$40 million, or (ii) the closing of a merger or stock exchange between Yuma or its stockholders pursuant to which the Yuma stockholders own in excess of 50% of the common equity of the surviving company and such surviving company is subject to the reporting obligations under Section 13(a) or Section 15(d) of the Exchange Act. The closing of the merger described in this proxy statement/prospectus would be deemed a “Liquidity Event.”



(3) If a Liquidity Event occurs during the year ended December, 31, 2014, one-third of the Yuma restricted shares will vest upon the Liquidity Event, one-third will vest on December 31, 2014, and one-third will vest on December 31, 2015. If a Liquidity Event occurs during the year ended December, 31, 2015, two-thirds of the Yuma restricted shares will vest upon the Liquidity Event and one-third will vest on December 31, 2015. If a Liquidity Event does to occur prior to December, 31, 2015, the Yuma restricted shares will vest upon the earlier of a Liquidity Event and June 30, 2016.

(4) If a Liquidity Event occurs during the year ended December, 31, 2014, two-thirds of the Yuma restricted shares will vest upon the Liquidity Event and one-third will vest on December 31, 2014. If a Liquidity Event does to occur in the year ended December, 31, 2014, the Yuma restricted shares will vest upon the earlier of a Liquidity Event and June 30, 2016.

### ***Potential Payments Upon Termination or a Change in Control***

#### *Employment Agreements*

The employment agreements between each of the named executive officers and Yuma include severance provisions that apply upon certain involuntary terminations of employment. As a condition to the payment of any severance benefit described below, Yuma may require the executive to execute and not revoke a release of claims in favor of Yuma. The employment agreements also contain certain restrictive covenants, including the obligation not to compete against Yuma and a confidentiality requirement. In the event the executive violates these restrictive covenants, Yuma may cease paying all severance benefits to the executive and may recover an amount equal to any severance benefits previously paid to the executive under the agreement.

The employment agreements between the named executive officers and Yuma provide that in the event of a termination of employment by Yuma for cause or by the executive without good reason, the executive will be entitled to accrued but unpaid base salary and benefits through the date of termination but will forfeit any other compensation from Yuma.

In the event the named executive officer's employment is terminated by Yuma without cause, or by the executive for good reason, then the executive will be entitled to receive (i) any earned but unpaid bonus, (ii) the greater of (A) continued payments of base salary for a period of 12 months (or 24 months for Mr. Banks) and (B) the remainder of the term of the executive's employment agreement, assuming continued compliance with restrictive covenants and execution and non-revocation of a release of claims, and (iii) either the provision of continued participation in Yuma's health insurance plans or the payment of the executive's premiums for continued health insurance pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), in each case, for a period of the greater of (A) 12 months (or 24 months for Mr. Banks) and (B) the remainder of the term under the executive's employment agreement.



The employment agreements provide that “cause” generally means: fraud or dishonesty committed by the named executive officer against or with respect to Yuma, its affiliates or customers as shall be reasonably determined to have occurred by the board of directors of Yuma; conviction of the named executive officer of a felony by a court of competent jurisdiction; continued violation of the policies outlined in Yuma’s employee handbook; unprofessional behavior as determined by a majority of the Yuma board of directors; continued and willful failure or refusal by the named executive officer to perform his duties under the employment agreement if such failure or refusal is not cured within 30 days after written notice is provided to the named executive officer.

If the employment agreement of any named executive officer is terminated by Yuma or by the named executive officer for reasons other than for cause, and there are specific prospects or projects which are in the process of being developed, but have not been drilled at the time of termination, the named executive officer will be entitled to a percentage of the overriding royalty interest he would have earned if his employment had not been terminated. The percentage is based on the status of the prospect or project at the time of termination ranging from 10% to 100% of the overriding royalty interest.

#### *Yuma Stock Plan*

All unvested Yuma restricted share awards granted under the Yuma stock plan will become immediately vested in the event the named executive officer’s employment is terminated by the named executive officer with good reason in a change in control. If a named executive officer’s employment is terminated for any other reason, all unvested restricted stock awards will be immediately cancelled and forfeited by the executive.

#### *Yuma Director Compensation*

For the 2013 Fiscal Year, Yuma’s board of directors included Messrs. Sam L. Banks, James W. Christmas, Frank A. Lodzinski, Ben T. Morris, Richard K. Stoneburner, and Richard W. Volk. Mr. Banks is employed by Yuma, and as such, receives no additional compensation for his service on the Yuma board of directors. The table below sets forth the compensation for non-employee directors of Yuma’s board of directors for the year ended December 31, 2013.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)(2)</sup>	All other compensation (\$) <sup>(4)</sup>	Total (\$)
James W. Christmas <sup>(3)</sup>	10,000	-	31,000	41,000
Frank A. Lodzinski	41,000	22,682	-	63,682
Ben T. Morris	41,000	22,682	-	63,682

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Richard K. Stoneburner <sup>(3)</sup>	10,000	-	9,500	19,500
Richard W. Volk	41,000	486,632	-	527,632

Each of the directors in the table above currently holds Yuma restricted stock awards. Mr. Christmas holds 11 Yuma restricted stock awards, Mr. Lodzinski holds 11 Yuma restricted stock awards, Mr. Morris holds 11 Yuma restricted stock awards, Mr. Stoneburner holds 11 Yuma restricted stock awards, and Mr. Volk holds 236 Yuma restricted stock awards. Stock awards during 2013 to Mr. Lodzinski, Mr. Morris and Mr. Volk were made April 1, 2013.

Share value of \$2,062 as of December 31, 2013 using Monte Carlo simulation model prepared by an independent consultant. See Note B – “Summary of Significant Accounting Policies” of the Notes to the Historical Consolidated Financial Statements of Yuma for the years ended December 31, 2013, 2012 and 2011 concerning Level 3 valuation techniques. This value represents fair value but does not include a discount for a lack of marketability since Yuma is a privately-held company and the Yuma restricted shares are illiquid.

Messrs. Christmas and Stoneburner joined the Yuma board of directors on September 19, 2013 and received approximately one-quarter of the pro rata amount of the cash retainer paid by Yuma to the members of its board of directors.

Mr. Christmas received consulting fees in the amount of \$31,000 for consulting services he provided to Yuma in 2013. Mr. Stoneburner received consulting fees in the amount of \$9,500 for consulting services he provided to Yuma in 2013.

Attracting and retaining qualified non-employee directors is critical to the future value growth and governance of Yuma. Yuma’s board of directors developed a competitive director compensation program based upon market-based compensation data for each of Yuma’s directors.

Yuma intends that, following the closing of the merger, each non-employee director will generally be entitled to receive an annual cash retainer of approximately \$40,000 plus an annual equity grant with a fair market value of approximately \$50,000 at the time of grant. In addition, directors who are placed in leadership roles will be entitled to supplemental compensation in connection with their additional duties. Yuma expects that the audit committee chair will be entitled to receive approximately an additional \$15,000 payment annually, and chairs of any other standing committees of the board will each be entitled to receive approximately an additional \$8,000 payment annually. Directors who are also employees of Yuma will continue to receive no additional compensation for their service on the Yuma board of directors.

### *Corporate Governance of Pyramid Following the Merger*

#### *Classes of Directors*

If the merger agreement is approved and adopted by the Pyramid stockholders and the Yuma stockholders, at the consummation of the merger, three directors will be appointed to an initial one-year term and three directors will be appointed to an initial two-year term (and at each annual meeting thereafter, directors will be elected to succeed those directors whose terms then expire, and each person so elected will serve for a two-year term).

#### *Controlled Company and Board Independence*

Because Sam L. Banks will control a majority of Pyramid's outstanding common stock following the merger, Pyramid is expected to be a "controlled company" under the NYSE MKT corporate governance standards. A controlled company is not required to meet the NYSE MKT corporate governance rules that require its board of directors to have a majority of independent directors and independent compensation and nominating and corporate governance committees. Notwithstanding Pyramid's status as a controlled company, Pyramid will remain subject to the NYSE MKT corporate governance standard that requires it to have an audit committee composed entirely of independent directors. As a result, Pyramid must have at least two independent directors on its audit committee.

While these provisions will apply to Pyramid as long as Pyramid remains a "controlled company," Pyramid expects that, as of completion of the merger, its board of directors will consist of a majority of independent directors within the meaning of the NYSE MKT listing standards currently in effect. It has not yet been determined which persons will serve as members of the audit committee of the Pyramid board of directors or any other board committee.

#### *Committees of the Board of Directors of Pyramid Following the Merger*

The members of the committees of Pyramid's board of directors will not be appointed until Pyramid's board of directors is fully constituted immediately following the merger. At that time, Pyramid's board of directors will make determinations with respect to each committee member's independence in accordance with the exchange listing standards and SEC rules and regulations and each committee will adopt or revise its committee charter as applicable.

Following the merger, the combined company intends to post the committee charters on its website at [www.yumaenergyinc.com](http://www.yumaenergyinc.com).

*Code of Conduct and Ethics*

Pyramid has in place a Code of Ethics it adopted in 2012 that is applicable to all of its directors, officers and employees. A copy of the Code of Ethics is available at no charge to any person who sends a request for a copy to the Corporate Secretary, Pyramid Oil Company, P.O. Box 832, Bakersfield, California 93302. A copy of the Code of Ethics is also available on Pyramid's website at [www.pyramidoil.com](http://www.pyramidoil.com).

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF YUMA**

The following sets forth information regarding the beneficial ownership of Yuma common stock and preferred stock as of August 6, 2014 by:

each person to be known by Yuma management to be the beneficial owner of more than 5% of its outstanding shares of common stock;

each of Yuma's executive officers;

each of Yuma's directors; and

all of Yuma's current executive officers and directors as a group.

As of August 6, 2014, approximately 54,280 shares of Yuma common stock were outstanding, approximately 16,531 shares of Series A preferred stock of Yuma were outstanding, and approximately 20,192 shares of Series B preferred stock of Yuma were outstanding. Unless otherwise noted, the mailing address of each person or entity named below is 1177 West Loop South, Suite 1825, Houston, Texas 77027.

Name	Series A Preferred Stock	Percent of Class (1)	Series B Preferred Stock	Percent of Class (2)	Common Stock	Percent (3)	
Executive Officers:							
Sam L. Banks	-	-	-	-	54,083	99.6	%
Michael F. Conlon	-	-	-	-	60	*	
Kirk F. Sprunger	-	-	-	-	75	*	
Mark D. Hartman	-	-	-	-	-	-	
James J. Jacobs	-	-	-	-	16	*	
Non-Employee Directors:							
James W. Christmas	341	2.1 %	1,638	8.1 %	-	-	
Frank A. Lodzinski	-	-	162	(4) *	-	-	
Ben T. Morris	130	*	109	*	-	-	
Richard K. Stoneburner	-	-	-	-	-	-	
Richard W. Volk	-	-	-	-	-	-	
	471	2.8 %	1,909	9.4 %	54,234	99.9	%

Officers and Directors as a Group (ten persons):

\* Represents less than one percent.

- (1) The percentage is based upon 16,531 shares of Yuma Series A preferred stock issued and outstanding on August 6, 2014.
- (3) The percentage is based upon 20,192 shares of Yuma Series B preferred stock issued and outstanding on August 6, 2014.
- (3) The percentage is based upon 54,280 shares of Yuma common stock issued and outstanding on August 6, 2014. Includes 162 shares of Yuma Series B preferred stock held in the name of Azure Energy, LLC (“Azure”). Mr. Lodzinski is the manager of Azure and has the power to vote and dispose of all shares held by Azure. Mr. Lodzinski disclaims beneficial ownership of the shares held by Azure, except to the extent of his pecuniary interests therein.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF PYRAMID**

The following sets forth information regarding the beneficial ownership of Pyramid common stock as of August 6, 2014 by:

each person to be known by Pyramid management to be the beneficial owner of more than 5% of its outstanding shares of common stock;

each of Pyramid's executive officers;

each of Pyramid's directors; and

all of Pyramid's current executive officers and directors as a group.

As of August 6, 2014, approximately 4,888,085 shares of Pyramid common stock were outstanding. Unless otherwise noted, the mailing address of each person or entity named below is P. O. Box 832, Bakersfield, California 93302.

Name	Common Stock <sup>(2)(3)</sup>	Percent <sup>(1)</sup>	
Executive Officer and Directors:			
Michael D. Herman <sup>(4)</sup>	2,102,580	42.5	%
Rick D. Kasch <sup>(5)</sup>	35,548	*	
Gary L. Ronning <sup>(6)</sup>	30,125	*	
Executive Officer and Directors as a Group (3 persons):	2,168,253	43.9	%
Holder of 5% or More:			
Barry Honig <sup>(7)</sup>	324,814	6.6	%
Michael Brauser <sup>(8)</sup>	417,760	8.5	%

\* Represents less than one percent.

<sup>(1)</sup> The percentage is based upon 4,888,085 shares of common stock of Pyramid issued and outstanding on August 6, 2014.

Amounts reported by each director do not include shares held in the name of his spouse, adult children and other <sup>(2)</sup>relatives because the director does not have sole or shared voting or investment control over the shares, and each director disclaims beneficial ownership of such shares.

<sup>(3)</sup> Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investing power with respect to securities. Pyramid believes that, except as otherwise noted and subject to applicable

community property laws, each person named in the above table has sole investment and voting power with respect to the securities shown as beneficially owned by such person. Additionally, shares of Pyramid common stock subject to options that are currently exercisable, or exercisable within 60 days, are deemed to be outstanding and to be beneficially owned by the person or group holding such options for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

(4) Includes 50,000 shares of Pyramid common stock that are subject to currently exercisable options.

(5) Includes 25,000 shares that are subject to currently exercisable options.

(6) Includes 30,000 shares that are subject to currently exercisable options.

(7) Mr. Honig's address is 555 South Federal Highway, #450, Boca Raton, Florida 33432.

Includes 16,832 shares held by Grander Holdings, Inc. 401(k) Profit Sharing Plan, which shares are deemed to be (8) indirectly owned and controlled by Michael Brauser, its Trustee, and 215,865 shares held jointly by Mr. Brauser with his wife. Mr. Brauser's address is 440 Biscayne Blvd., Suite 850, Miami, Florida 33137.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT OF PYRAMID UPON CONSUMMATION OF THE MERGER**

The following sets forth information regarding the beneficial ownership of Pyramid upon consummation of the merger, by:

each person or group who is known to the management of Pyramid and Yuma to become the beneficial owner of more than 5% of its outstanding shares of common stock of Pyramid upon consummation of the merger;

each person expected to be a director or executive officer of Pyramid; and

all directors and executive officers of Pyramid as a group.

The percent of common stock of Pyramid is based on 71,224,786 shares of common stock of Pyramid expected to be outstanding after giving effect of the merger. Unless otherwise noted, the mailing address of each person or entity named below is 1177 West Loop South, Suite 1825, Houston, Texas 77027.

Name	Common Stock <sup>(1)</sup>	Percent <sup>(2)</sup>	
Executive Officers and Directors:			
Sam L. Banks	40,961,355	57.5	%
Michael F. Conlon	200,680	*	
Kirk F. Sprunger	194,886	*	
Mark D. Hartman	148,999	*	
James J. Jacobs	41,848	*	
James W. Christmas	940,887	1.3	%
Frank A. Lodzinski <sup>(3)</sup>	67,564	*	
Ben T. Morris	165,888	*	
Richard K. Stoneburner	-	-	
Richard W. Volk	118,995	*	
Executive Officers and Directors as a Group (10 persons):	42,841,102	60.1	%

\* Represents less than one percent.

Assumes that each share of Yuma common stock is exchanged for 756.34 shares of Pyramid common stock upon (1) the closing of the merger, which is subject to adjustment in the event of dissenting shares of Yuma preferred stock and/or common stock.

(2)

The percent of common stock of Pyramid is based on 71,224,786 shares of common stock of Pyramid outstanding after giving effect of the merger, and assuming no dissenting shares of Yuma common stock or Yuma preferred stock.

Includes 62,266 shares of Pyramid common stock to be held by in the name of Azure Energy, LLC (“Azure”) resulting from the conversion of 162 shares of Yuma Series B preferred stock. Mr. Lodzinski is the manager of (3) Azure and has the power to vote and dispose of all shares held by Azure. Mr. Lodzinski disclaims beneficial ownership of the shares held by Azure, except to the extent of his pecuniary interests therein.

## **UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

On August 1, 2014, Pyramid Oil Company (“Pyramid”) and Yuma Energy, Inc. (“Yuma”), entered into an amended and restated agreement and plan of merger and reorganization (the “merger agreement”) pursuant to which, and subject to the conditions set forth therein, a newly formed subsidiary of Pyramid, Pyramid Merger Subsidiary, Inc., referred to herein as “Merger Subsidiary” will be merged with and into Yuma. Pursuant to the merger agreement, at closing, Yuma stockholders will receive an aggregate of 66,336,701 shares of Pyramid common stock. The following unaudited pro forma condensed combined financial information has been derived from and should be read together with the historical consolidated financial statements and the related notes of Pyramid and Yuma, which are contained elsewhere in this proxy statement/prospectus.

The unaudited pro forma condensed combined financial information and explanatory notes combine the historical financial statements of Pyramid and Yuma as of March 31, 2014 with respect to the balance sheet information (using currently available fair value information for Pyramid) and as of January 1, 2013 (with respect to the statements of operations information for the three months ended March 31, 2014 and for the year ended December 31, 2013). The unaudited pro forma condensed combined financial information shows the pro forma impact of the merger of Pyramid and Yuma on the historical financial position and results of operations under the purchase method of accounting with Yuma treated as the acquirer. Under this method of accounting, the assets and liabilities of Pyramid are recorded at their estimated fair values as of the date the merger is effective. As part of the merger, Yuma’s outstanding preferred stock will be converted to common stock of the combined company and Yuma’s derivative liability will be reclassified to equity of the combined company; and these adjustments have been made to reflect the conversion of Yuma’s preferred stock to common stock.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined companies had the companies actually been combined and had the impact of possible revenue enhancements and expense efficiencies, among other factors, been considered. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the allocation of the purchase price reflected in the pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the merger becomes effective.

**Yuma Energy, Inc. and Subsidiaries****Unaudited Pro Forma Condensed Combined Balance Sheet****As of March 31, 2014**

	Yuma Historical	Pyramid Historical	Merger Pro Forma Adjustments	Yuma Pro Forma Combined
Current assets:				
Cash and cash equivalents	\$6,365,305	\$6,697,532	-	\$13,062,837
Accounts receivable, net of allowance for doubtful accounts	14,778,576	985,568	-	15,764,144
Note receivable	4,000	-	-	4,000
Prepayments	256,973	201,925	-	458,898
Deferred taxes	146,964	281,700	-	428,664
Other deferred charges	181,166	74,607	-	255,773
Total current assets	\$21,732,984	\$8,241,332	-	\$29,974,316
Oil and natural gas properties (full cost method):				
Not subject to amortization	25,563,673	-	-	25,563,673
Subject to amortization	153,309,206	20,295,802	(9,128,880 ) <sup>(1)</sup>	164,476,128
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>178,872,879</b>	<b>20,295,802</b>	<b>(9,128,880 )</b>	<b>190,039,801</b>
Less: accumulated depreciation, depletion and amortization	(90,138,293 )	(18,288,721 )	18,288,721 <sup>(1)(6)</sup>	(90,138,293 )
<b>NET OIL AND GAS PROPERTIES</b>	<b>88,734,586</b>	<b>2,007,081</b>	<b>9,159,841</b>	<b>99,901,508</b>
Other operating property and equipment, at cost				
Other operating property and equipment, at cost	2,105,242	4,294,228	1,302,772 <sup>(1)</sup>	7,702,242
Less: accumulated depreciation and amortization	(1,849,555 )	(3,151,162 )	3,151,162 <sup>(1)</sup>	(1,849,555 )
Net other operating property and equipment	255,687	1,143,066	4,453,934	5,852,687
Other assets				
Receivable from affiliate	-	-	-	-
Commodity derivatives	684,295	-	-	684,295
Long-term investments	-	1,139,149	-	1,139,149
Goodwill	-	-	7,909,603 <sup>(1)</sup>	7,909,603
Other noncurrent assets	352,430	261,380	-	613,810
<b>TOTAL OTHER ASSETS</b>	<b>1,036,725</b>	<b>1,400,529</b>	<b>7,909,603</b>	<b>10,346,857</b>
Total Assets	\$111,759,982	\$12,792,008	\$21,523,378	\$146,075,368
Current liabilities:				
Accounts payable, principally trade	\$17,424,428	\$579,293	\$-	\$18,003,721

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Commodity derivatives	1,762,788	-	-	1,762,788
Asset retirement obligations	1,783,756	-	-	1,783,756
Liability for deferred compensation	-	282,314	-	282,314
Other accrued liabilities	1,394,422	207,185	1,500,000 (2)	3,101,607
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,365,394</b>	<b>1,068,792</b>	<b>1,500,000</b>	<b>24,934,186</b>
Long-Term Debt, net of current maturities				
Bank debt	30,565,000	-	-	30,565,000
Other Noncurrent Liabilities				
Preferred stock derivative liability, Series A and B	49,818,384	-	(49,818,384 ) <sup>(7)</sup>	-
Asset retirement obligations	9,042,561	1,315,279	-	10,357,840
Commodity derivatives	12,766	-	-	12,766
Deferred taxes	12,288,426	(413,500 )	4,764,821 (1)	16,639,747
Restricted stock units	158,654	-	-	158,654
Other deferred credits	61,673	-	-	61,673
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$71,382,464</b>	<b>\$901,779</b>	<b>\$(45,053,563 )</b>	<b>\$27,230,680</b>
Preferred Stock				
Subject to mandatory redemption	35,948,291	-	(35,948,291 ) <sup>(7)</sup>	-
Equity				
Preferred stock	-	-	-	-
Common stock	542	-	70,683 (7)(8)	71,225
Capital in excess of par value of common stock	2,668,923	1,847,384	146,062,089 <sup>(1)(6)(7)(8)</sup>	150,578,396
Accumulated other comprehensive income	2,383	-	-	2,383
Accumulated earnings (deficit)	(51,173,015 )	8,974,053	(45,107,540 ) <sup>(2)(7)</sup>	(87,306,502 )
<b>TOTAL EQUITY</b>	<b>(48,501,167 )</b>	<b>10,821,437</b>	<b>101,025,232</b>	<b>63,345,502</b>
<b>Total Liabilities and Equity</b>	<b>\$ 111,759,982</b>	<b>\$ 12,792,008</b>	<b>\$ 21,523,378</b>	<b>\$ 146,075,368</b>

**See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements**

**Yuma Energy, Inc. and Subsidiaries****Unaudited Pro Forma Condensed Combined Statement of Operations****For the Three Months Ended March 31, 2014**

	Yuma Historical	Pyramid Historical	Merger Pro Forma Adjustments	Yuma Pro Forma Combined
<b>Revenues</b>				
Sales of natural gas and crude oil	\$ 10,355,439	\$ 1,043,599	-	\$ 11,399,038
Other revenue	241,493	-	-	241,493
<b>TOTAL REVENUES</b>	<b>10,596,932</b>	<b>1,043,599</b>	<b>-</b>	<b>11,640,531</b>
<b>Expenses</b>				
Marketing cost of sales	\$ 321,317	-	-	\$ 321,317
Lease operating	3,658,505	529,899	-	4,188,404
Re-engineering and workovers	1,510	-	-	1,510
General and administrative - stock based compensation	47,914	-	-	47,914
General and administrative - other	3,150,071	624,053	-	3,774,124
Depreciation, depletion and amortization	5,726,083	103,970	302,798 (3)	6,132,851
Asset retirement obligation accretion expense	142,144	9,417	-	151,561
(Gain) loss on asset disposal	-	-	-	-
Valuation allowances	-	-	-	-
Bad debt expense	27,128	-	-	27,128
Recovery of bad debts	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 13,074,672</b>	<b>\$ 1,267,339</b>	<b>\$ 302,798</b>	<b>\$ 14,644,809</b>
Income (loss) from operations	(2,477,740 )	(223,740 )	(302,798 )	(3,004,278 )
<b>Other Income (Expense)</b>				
Change in fair value of preferred stock derivative liability	1,472,030	-	(1,472,030 ) <sup>(7)</sup>	-
Interest expense	(139,419 )	-	-	(139,419 )
Interest income	1,049	9,661	-	10,710
Bank mandated commodity derivatives novation cost	-	-	-	-
Other, net	102	7,000	-	7,102
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>1,333,762</b>	<b>16,661</b>	<b>(1,472,030 )</b>	<b>(121,607 )</b>
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(1,143,978 )</b>	<b>(207,079 )</b>	<b>(1,774,828 )</b>	<b>(3,125,885 )</b>
Income tax expense (benefit)	(849,000 )	(48,500 )	(105,979 ) <sup>(5)</sup>	(1,003,479 )
<b>NET INCOME (LOSS)</b>	<b>(294,978 )</b>	<b>(158,579 )</b>	<b>(1,668,849 )</b>	<b>(2,122,406 )</b>

Preferred Stock, Series A and Series B



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Accretion	281,949	-	(281,949 ) <sup>(7)</sup>	-
Dividends paid in cash	-	-	-	-
Dividends paid-in-kind	-	-	-	-
<b>NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS</b>	<b>\$(576,927 )</b>	<b>\$(158,579 )</b>	<b>\$(1,386,900 )</b>	<b>\$(2,122,406 )</b>
<b>EARNINGS (LOSS) PER COMMON SHARE</b>				
Basic	\$(10.64 )	\$(0.03 )	\$(0.02 )	\$(0.03 )
Diluted	\$(10.64 )	\$(0.03 )	\$(0.02 )	\$(0.03 )
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	54,236	4,888,085	66,336,701	71,224,786
Diluted	54,236	4,888,085	66,336,701	71,224,786

**See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements**

## Yuma Energy, Inc. and Subsidiaries

## Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2013

	Yuma Historical	Pyramid Historical	Merger Pro Forma Adjustments	Yuma Pro Forma Combined
Revenues				
Sales of natural gas and crude oil	\$28,075,603	\$4,391,824	-	\$32,467,427
Other revenue	1,066,969	-	-	1,066,969
<b>TOTAL REVENUES</b>	<b>29,142,572</b>	<b>4,391,824</b>	<b>-</b>	<b>33,534,396</b>
Expenses				
Marketing cost of sales	\$1,234,308	-	-	\$1,234,308
Lease operating	9,316,364	2,108,765	-	11,425,129
Re-engineering and workovers	2,521,707	-	-	2,521,707
General and administrative - stock based compensation	452,058	164,413	-	616,471
General and administrative - other	5,603,475	1,245,695	-	6,849,170
Deferred compensation	-	1,063,445	-	1,063,445
Depreciation, depletion and amortization	12,077,368	507,157	701,448 (3)	13,285,973
Asset retirement obligation accretion expense	668,497	37,477	-	705,974
(Gain) loss on asset disposal	(19,307 )	(809,476 )	-	(828,783 )
Valuation allowances	-	151,243	(151,243 ) (4)	-
Bad debt expense	193,601	-	-	193,601
Recovery of bad debts	(2,520 )	-	-	(2,520 )
<b>TOTAL EXPENSES</b>	<b>\$32,045,551</b>	<b>\$4,468,719</b>	<b>\$550,205</b>	<b>\$37,064,475</b>
Income (loss) from operations	(2,902,979 )	(76,895 )	(550,205 )	(3,530,079 )
Other Income (Expense)				
Change in fair value of preferred stock derivative liability	(26,258,559)	-	26,258,559 (7)	-
Interest expense	(567,676 )	-	-	(567,676 )
Interest income	7,336	40,519	-	47,855
Bank mandated commodity derivatives novation cost	(175,000 )	-	-	(175,000 )
Other, net	(72,953 )	-	-	(72,953 )
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>(27,066,852)</b>	<b>40,519</b>	<b>(26,258,559)</b>	<b>(767,774 )</b>
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(29,969,831)</b>	<b>(36,376 )</b>	<b>25,708,354</b>	<b>(4,297,853 )</b>
Income tax expense (benefit)	3,080,272	(193,645 )	(192,572 ) (5)	2,694,055
<b>NET INCOME (LOSS)</b>	<b>(33,050,103)</b>	<b>157,269</b>	<b>25,900,926</b>	<b>(6,991,908 )</b>

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Preferred Stock, Series A and Series B				
Accretion	1,101,972	-	(1,101,972 ) <sup>(7)</sup>	-
Dividends paid in cash	145,900	-	(145,900 ) <sup>(7)</sup>	-
Dividends paid-in-kind	5,412,281	-	(5,412,281 ) <sup>(7)</sup>	-
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS				
	\$(39,710,256)	\$157,269	\$32,561,079	\$(6,991,908 )
EARNINGS (LOSS) PER COMMON SHARE				
Basic	\$(732.18 )	\$0.03	\$0.49	\$(0.10 )
Diluted	\$(732.18 )	\$0.03	\$0.49	\$(0.10 )
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	54,236	4,888,085	66,336,701	71,224,786
Diluted	54,236	4,888,085	66,336,701	71,224,786

**See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements**

**Notes to the Unaudited Pro Forma Condensed Combined Financial Statements**

These adjustments reflect the elimination of the components of Pyramid's historical stockholders' equity, the estimated value of consideration to be paid by Yuma in the merger using the closing price of Pyramid common stock on May 28, 2014 and to reflect the adjustments to the historical book values of Pyramid's assets and liabilities as of March 31, 2014 to their estimated fair values, in accordance with acquisition accounting. The following table reflects the preliminary allocation of the total purchase price of Pyramid to the assets acquired and the liabilities assumed and the resulting goodwill based on the preliminary estimates of fair value:

Purchase Price(i):	
Shares of Pyramid common stock held by Pyramid stockholders	4,888,085
Total Pyramid common stock to be issued to Pyramid stockholders	4,888,085
Pyramid common stock price	\$5.60
Fair value of Pyramid common stock issued	\$27,373,276
Total purchase price	\$27,373,276
Estimated Fair Value of Liabilities Assumed:	
Current liabilities	\$1,068,792
Long-term deferred tax liability(ii)	4,764,821
Fair value of options assumed by Yuma(iv)	206,718
Other non-current liabilities	901,779
Amount attributable to liabilities assumed	\$6,942,110
Total purchase price plus liabilities assumed	\$34,315,386
Estimated Fair Value of Assets Acquired:	
Current assets	\$8,241,332
Natural gas and oil properties(iii)	11,166,922
Net other operating property and equipment	5,597,000
Other non-current assets	1,400,529
Amount attributable to assets acquired	\$26,405,783
Goodwill(i)	\$7,909,603
Eliminate Pyramid historical additional paid-in capital	\$(1,847,384 )
Fair value of Pyramid common stock to be issued net of par value	27,368,388
Pro forma adjustments to additional paid-in capital	\$25,521,004

(i) Under the terms of the merger agreement, Pyramid stockholders will own 7% of the combined entity. The total purchase price is based upon the closing price of \$5.60 per share of Pyramid common stock on May 28, 2014 and 4,888,085 shares of Pyramid common stock estimated to be outstanding at the effective time of the merger. Under the acquisition method of accounting, the actual purchase price will be determined based on the fair value of Pyramid common stock issued on the closing date of the merger.

Assuming 4,888,085 shares of common stock are issued to Pyramid stockholders to consummate the merger, a 10 percent increase (decrease) in the closing price of Pyramid's common stock would increase (decrease) goodwill by

approximately \$2.7 million.

*(ii)* Yuma will receive carryover tax basis in Pyramid's assets and liabilities because the merger will not be a taxable transaction under the United States Internal Revenue Code of 1986, as amended (the "Code"). Based upon the preliminary purchase price allocation, a step-up in financial reporting carrying value related to the property to be acquired from Pyramid is expected to result in a Yuma deferred tax liability of approximately \$16.6 million, an increase of approximately \$4.8 million to Pyramid's existing \$11.9 million deferred tax liability.

*(iii)* Weighted average commodity prices utilized in the determination of the pro forma fair value of natural gas and oil properties were \$3.89 per Mcf of natural gas and \$87.78 per barrel of oil, after adjustment for transportation fees and regional price differentials. An increase or decrease in commodity prices as of the closing date of the merger will result in a corresponding increase or decrease in the fair value of the properties and related deferred tax liabilities and a decrease or increase to goodwill.

*(iv)* To adjust for the outstanding stock options to purchase Pyramid common stock that will be assumed by Yuma after the merger, assuming that no options are exercised prior to the effective time of the merger. The \$206,718 fair value of the assumed options was calculated using Black-Scholes valuation model with assumptions for the following variables: current Pyramid common stock price, risk-free interest rates, and Pyramid's stock volatility.

2. Pro forma adjustments to certain components of stockholders' equity are as follows:

Eliminate Pyramid's historical retained earnings	\$(8,974,053 )
Accrue estimated transaction costs to be incurred by Yuma <sup>(i)</sup>	(1,500,000 )
Pro forma adjustments to accumulated earnings (deficit)	\$(10,474,053)

(i) To accrue for estimated transaction costs of \$1.5 million related to the merger with Pyramid not reflected in the financial statements. No adjustments have been made to the unaudited pro forma income statement as these costs are non-recurring in nature.

To adjust the historical depletion, depreciation and amortization (DD&A) provision to the estimated total for the combination of Yuma and Pyramid under the Full Cost method of accounting. The assets of Yuma at cost were combined with Pyramid's assets based on the fair market value of the oil and gas properties and other operating property and equipment of Pyramid as estimated at the time of the merger. The DD&A was recalculated assuming 3. the combined company's assets under the Full Cost method of accounting. For oil and gas properties, the units of production methodology was applied consistent with the Full Cost method of accounting. For other property and equipment the assets were depreciated based upon the estimated useful life of the properties. This resulted in an increase to DD&A of \$701,448 for the year ended December 31, 2013 and \$302,798 for the three months ended March 31, 2014.

To eliminate the historical oil and natural gas properties valuation allowance as valuation allowances of oil and natural gas properties are evaluated on a country by country cost center basis under Full Cost rules as compared to a 4. field by field basis under Successful Efforts rules. There would not have been an impairment as measured under Full Cost accounting, therefore an adjustment is necessary to eliminate the historical valuation allowance recorded in the year ended December 31, 2013.

To adjust the income tax provision for the estimated effects of combining Yuma's and Pyramid's operations and 5. other, pre-tax pro forma adjustments (which were adjusted for income taxes using a combined federal and state tax rate of 35%).

To adjust Pyramid's accumulated DD&A and valuation allowances in the amount of \$1,225,799 to the accumulated 6. DD&A that Pyramid would have recorded had it been reporting its oil and gas operations under the Full Cost method of accounting.

7. To record the conversion of Yuma's Series A and Series B preferred stock to Yuma Common stock and to record the transfer and elimination of the associated derivative liability. As part of the reorganization of Yuma and the merger, Yuma's preferred stock will be converted into Yuma common stock, and as a result there will be no future accretion expense or dividends related to the Yuma preferred stock. The adjustments to the pro forma balance sheet relating to the derivative conversion takes place in two steps. The first step is to mark the derivative liability to market (estimated at \$34,633,487 at closing) increasing the overall derivative liability to \$84,451,871. The increase in the

derivative liability results in an increase to accumulated deficit by \$34,663,487. The second step is to record the conversion of Yuma's Series A and Series B preferred stock to Yuma common stock \$35,948,291 and to eliminate the derivative liability of \$84,451,871 which results in a credit to capital in excess of par of \$120,378,311. In the adjustments to the pro forma income statement, the change in fair value of the preferred stock derivative liability was eliminated along with the accretion and dividend expenses related to Yuma's preferred stock.

To record the issuance of 66.3 million shares of Pyramid common stock to the holders of Yuma common stock 8.(including the conversion of Yuma preferred stock to Yuma common stock) and the attribution of a par value to the 4,888,085 outstanding shares of Pyramid common stock. This resulted in an increase of par value to \$70,683.

**PRICE RANGE OF COMMON STOCK AND DIVIDENDS****Pyramid**

Pyramid common stock is listed on the NYSE MKT and traded under the symbol “PDO.” The following table sets forth, for the calendar quarters indicated, the high and low reported sales prices per share of Pyramid common stock on the NYSE MKT.

Quarter Ended	High	Low
2012		
March 31	\$ 6.23	\$ 3.82
June 30	5.20	4.05
September 30	4.85	4.07
December 31	4.56	3.75
2013		
March 31	\$ 4.48	\$ 4.04
June 30	4.33	3.90
September 30	4.74	4.15
December 31	5.77	4.61
2014		
March 31	\$ 7.15	\$ 4.86
June 30	\$ 6.30	\$ 5.03
September 30 (through August 6, 2014)	\$ 5.92	\$ 5.30

As of August 6, 2014, there were 190 record holders of Pyramid common stock.

**Yuma**

Historical market price information regarding Yuma common stock is not provided because there is no public market for Yuma common stock.



As of August 6, 2014, there were 19 holders of Yuma common stock and approximately 132 holders of Yuma preferred stock.

Yuma has not paid any cash dividends on its common stock to date and does not intend to pay cash dividends prior to the completion of the merger.

### **Pyramid Future Dividend Policy**

The holders of Pyramid common stock receive dividends if and when declared by the board of directors out of legally available funds. Pyramid (to be renamed Yuma Energy, Inc.) has neither declared nor paid any cash dividends on its common stock during the past three years. Pyramid does not expect to declare or pay any cash or other dividends in the foreseeable future on its common stock.

## **DESCRIPTION OF PYRAMID CAPITAL STOCK**

Set forth below is a description of the material terms of Pyramid's capital stock. However, this description is not complete and is qualified by reference to Pyramid's articles of incorporation and bylaws. Copies of Pyramid's articles of incorporation and bylaws have been filed with the SEC and are incorporated by reference into this proxy statement/prospectus. Please read "Where You Can Find More Information." You should also be aware that the summary below does not give full effect to the provisions of statutory or common law that may affect your rights as a Pyramid stockholder.

### **Common Stock**

Pyramid is authorized to issue 50,000,000 shares of common stock, no par value per share. As of August 6, 2014, Pyramid had approximately 4,888,085 shares of common stock outstanding, no shares of preferred stock outstanding and there were outstanding options to purchase 105,000 shares of Pyramid's common stock.

Upon filing of the restated articles of incorporation of Pyramid at the time of completion of the merger, Pyramid's authorized common stock will consist of 300,000,000 shares of common stock, no par value per share.

The following summary describes certain provisions of Pyramid's common stock, but does not purport to be complete and is subject to and qualified in its entirety by the applicable provisions of the California General Corporation Law and Pyramid's articles of incorporation and bylaws.

Pyramid has one class of common stock. Holders of its common stock are entitled to one vote per share on all matters to be voted upon by stockholders, provided that stockholders have cumulative voting rights in the election of directors. Holders of shares of common stock are entitled to receive on a pro rata basis such dividends, if any, as may be declared from time to time by the Pyramid board of directors in its discretion from funds legally available for that use. They are also entitled to share on a pro rata basis in any distribution to stockholders upon Pyramid's liquidation, dissolution or winding up. Common stockholders do not have preemptive rights to subscribe to any additional stock issuances by Pyramid, and neither the common stockholders nor Pyramid have the right to require the redemption of their shares or the conversion of their shares into any other class of Pyramid stock.

### **Preferred Stock**

Pyramid is authorized to issue 10,000,000 shares of preferred stock. As of August 6, 2014, no shares of Pyramid preferred stock were outstanding and no options to purchase shares of preferred stock were outstanding.

Pyramid's board of directors has the authority to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of each series, which may include dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences, sinking fund terms and the number of shares that constitute any series. The board of directors may exercise this authority without any further action by Pyramid's stockholders.

### **Transfer Agent and Registrar**

The transfer agent and registrar for Pyramid common stock is Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021. Its telephone number is (800) 962-4284.

### **Listing**

Yuma has reserved with the NYSE MKT the symbol "YUMA" in the event the merger agreement is approved and adopted, and the merger is consummated. Upon the closing of the merger and the approval of Pyramid's listing application, Pyramid will announce the final symbol approved by the NYSE MKT.

## **FUTURE STOCKHOLDER PROPOSALS**

### **2014 Pyramid Annual Stockholder Meeting and Stockholder Proposals**

If the merger agreement is approved and adopted by Pyramid's stockholders and if the merger is completed in 2014, Pyramid will not hold an annual meeting of stockholders in 2014. If Pyramid determines that the merger will not be completed in 2014, Pyramid currently intends to hold an annual meeting of stockholders in 2014 on a date yet to be determined subsequently. In that event, Pyramid will provide notice in a Current Report on Form 8-K or a Quarterly Report on Form 10-Q of the date fixed for the annual meeting, as well as the deadline for the submission of stockholder proposals to be included in its proxy statement for the annual meeting.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Effective January 1, 1990, John H. Alexander, a former officer and director of Pyramid, participated with a group of investors that acquired the mineral and fee interest on one of Pyramid's oil and gas leases ("Santa Fe Energy lease") in the Carneros Creek field after Pyramid declined to participate. The thirty-three percent interest owned by Mr. Alexander represents a minority interest in the investor group. Royalties on oil and gas production from this property paid to the investor group approximated \$131,000 in 2013, \$222,500 in 2012 and \$226,200 in 2011.

While he was a director, Mr. Alexander abstained from voting on any of the above matters that were brought before the Pyramid board of directors involving the Santa Fe Energy lease.

As described in Note 14. "Settlement Agreement" of the Notes to the Historical Financial Statements of Pyramid that are included in this proxy statement/prospectus, on September 30, 2013, Pyramid and Mr. Alexander entered into several agreements in connection with the resignation of Mr. Alexander as Pyramid's President and Chief Executive Officer and as director. See Note 14. "Settlement Agreement," of the Notes to the Historical Financial Statements of Pyramid.

### *Yuma Overriding Royalty Interest Plan*

The Yuma overriding royalty interest plan (the "Yuma royalty plan") was established in 1983 with the formation of Yuma's predecessor for the issuance of a portion of certain overriding royalty interests developed and leased on Yuma prospects from time to time by Yuma to its employees and management. The purpose of the Yuma royalty plan is to

provide an employee incentive plan to reward the successful generation and drilling of Yuma prospects and provide for employee retention. The Yuma royalty plan is administered and interpreted by the chief executive officer of Yuma and/or one or more independent directors of Yuma.

From time to time, Yuma reserves approximately 3.5% of its net revenue interest (based on 100% of the net revenue interest) on Yuma generated prospects as a pool to satisfy grants of overriding royalties under the Yuma royalty plan. This amount is subject to the approval of Yuma’s partners in the applicable prospects via absorbing their proportionate share of the overriding royalty interests. The amount of each actual grant is typically subject to the terms of applicable employment agreements and the vesting schedules included therein, unless otherwise determined.

Notwithstanding anything to the contrary, the Yuma royalty plan provides that nothing in it prohibits Yuma from operating its business in the ordinary course. Also, Yuma has no obligation to conduct any drilling operations or take any other action upon or with respect to any property subject to the Yuma royalty plan or to continue to operate any well or to operate or maintain in force any lease. In addition, Yuma has the right at any time to surrender, abandon or otherwise terminate any such lease in whole or in part without any liability to any Yuma royalty plan participant.

Since 1983 Yuma has entered into assignments of overriding royalty interests (the “ORRI Assignments”) with certain of its employees, including the Yuma named executive officers, pursuant to the Yuma royalty plan. An ORRI Assignment grants a direct or indirect interest in an overriding royalty interest generally equal to 0.10 to 1.0 percent in any interests that Yuma acquires within select counties in Texas and Louisiana. The table below discloses the revenues received by each of the Yuma named executive officers during the three years ended December 31, 2013 resulting from ORRI Assignments received by each of the Yuma named executive officers since the beginning of their employment with Yuma.

	Year Ended December 31,		
	2013	2012	2011
Sam L. Banks	\$1,492,136	\$920,885	\$475,659
Michael F. Conlon	\$923,071	\$303,131	\$102,352
Mark D. Hartman	\$906,479	\$285,988	\$61,234

*Yuma Working Interest Incentive Plan*

The Yuma working interest incentive plan (the “working interest plan”) is intended to foster and promote the development and execution of Yuma’s business by retaining and motivating the chief executive officer of Yuma, Sam L. Banks, imposing on Mr. Banks the same risk incurred by Yuma in its core operations, and providing for liquidity for Mr. Banks outside of Yuma. The working interest plan was originally adopted in 1983 and most recently amended by the Yuma board of directors on August 15, 2011 to limit the parameters of the plan. Mr. Banks has participated in the working interest plan since 1983. The Yuma board of directors has the right to terminate the working interest plan after December 31, 2014 by providing written notice of termination to Mr. Banks.

The working interest plan is administered and interpreted by Yuma’s board of directors. The board has the power to take any and all action the board deems necessary or advisable for the proper operation or administration of the working interest plan. Subsequent to August 15, 2011, the Yuma board of directors has approved all property acquisitions under the working interest plan.

From time to time, Yuma may acquire certain real property interests upon which it will generate one or several oil and gas prospects, or it may acquire a working interest in existing oil and gas prospects. Once Yuma has generated a drillable prospect, or upon the acquisition of a working interest in an existing prospect from an unaffiliated third party, Mr. Banks has the option to acquire from Yuma, or such unaffiliated third party directly, a working interest in such prospects in an amount up to a 2.5% of Yuma’s working interest. In lieu of acquiring a working interest in the prospects from Yuma, Mr. Banks has the right, at his election, to participate with Yuma on any production acquisitions in which Yuma undertakes in an amount up to 5% of the working interest to be acquired. The terms under which Mr. Banks acquires any interests will be on no better terms than the terms promoted to unaffiliated third parties who are drilling participants in Yuma generated prospects.

The purchase price for any interests acquired from Yuma will be determined using the same cost basis as Yuma acquired such interest. The purchase price for any interests acquired from a third party in a transaction in which Mr. Banks participates will be determined in arm’s length negotiations. The pricing and payment terms for any interests acquired will be no better than the terms promoted to unaffiliated third parties who are drilling participants in Yuma generated prospects. Mr. Banks shall pay the purchase price for any interests acquired from Yuma in cash at the closing of the acquisition, and he will be responsible for obtaining any financing required to purchase any interests. In no event will Yuma advance the purchase price for any acquisition, assist Mr. Banks in obtaining financing, or otherwise arrange such financing or any other extension of credit for Mr. Banks in connection with the working interest plan, and will not provide any guarantee or other credit support to Mr. Banks.

Nothing in the working interest plan prohibits Yuma from operating its business in the ordinary course. The working interest plan automatically terminates upon termination of Mr. Bank’s employment or upon his death. Participating in the working interest plan does not give Mr. Banks any right to remain in the employ of or continue serving as a

director of Yuma or any of its subsidiaries.

The following table sets forth, with respect to Mr. Banks's working interests acquired under the working interest plan (since the adoption of the plan in 1983), the oil, natural gas and natural gas liquids revenues he received, lease operating expenses he paid, the resulting net cash flow before capital expenditures, capital expenditures he paid and net cash flow after capital expenditures during each of the three years in the period ended December 31, 2013 and the three months ended March 31, 2014.

	Three Months	Year Ended December 31,		
	Ended March 31, 2014	2013	2012	2011
Natural gas and oil revenues	\$ 277,704	\$892,685	\$1,302,791	\$739,408
Lease operating expenditures	\$ (111,669 )	\$(477,362)	\$(588,136 )	\$(625,370)
Net cash flow	\$ 166,035	\$415,323	\$714,655	\$114,038
Capital expenditures	\$ (224,891 )	\$(221,857)	\$(452,405 )	\$(28,935 )
Net after capital expenditures and before income taxes	\$ (58,856 )	\$193,466	\$262,250	\$85,103

The foregoing information has been derived solely from Yuma's company records. Accordingly, it may not include all revenues and expenses for the Yuma working interest plan interests that are not operated by Yuma. Mr. Banks's working interests are his personal assets and Yuma does not restrict sales, dispositions or financing transactions involving Yuma working interests previously assigned to him by Yuma. Mr. Banks pays Yuma for lease operating expenses and capital expenditures related to his working interests acquired under the working interest plan promptly upon receipt of each invoice. As of the years ended December 31, 2013, 2012, and 2011, Mr. Banks had outstanding payables to Yuma for such Yuma working interests in the amounts of \$135,080, \$42,617, and \$196,491, respectively, and each such payable was promptly paid upon receipt of the invoices.

## RESTATED ARTICLES OF INCORPORATION OF PYRAMID OIL COMPANY PROPOSALS

Yuma and Pyramid agreed in the merger agreement that the restated articles of incorporation of Pyramid would be in the form attached as Annex F to this proxy statement/prospectus. Under the terms of the merger agreement, the restated articles of incorporation would be adopted by Pyramid and its stockholders and become effective immediately prior to the completion of the merger. The provisions of the restated articles of incorporation of Pyramid were negotiated by the parties to the merger agreement and are considered by the parties to be an integral part of the larger negotiated transaction.

Under the merger agreement, approval of the restated articles of incorporation of Pyramid proposals by the Pyramid stockholders is a condition to the obligation of each of the parties to complete the merger. Accordingly, if Pyramid stockholders do not approve each proposal related to the restated articles of incorporation of Pyramid, Yuma or Pyramid may determine not to complete the merger and instead may terminate the merger agreement.

**BECAUSE THE PARTIES WILL NOT BE OBLIGATED TO COMPLETE THE MERGER UNLESS EACH PROPOSAL RELATED TO THE RESTATED ARTICLES OF INCORPORATION OF PYRAMID IS APPROVED, A VOTE AGAINST ANY PROPOSAL RELATED TO THE RESTATED ARTICLES OF INCORPORATION OF PYRAMID MAY HAVE THE SAME EFFECT AS A VOTE AGAINST THE MERGER.**

The following are the provisions set forth in the restated articles of incorporation of Pyramid that are being submitted to Pyramid stockholders for approval:

Increase Authorized Number of Shares of Common Stock Proposal. The restated articles of incorporation of Pyramid increases the authorized shares of common stock from 50 million to 300 million shares of common stock, no par value per share, of Pyramid (the “increase authorized shares of common stock proposal,” item 2A);

Classification of Board Proposal. A provision in the restated articles of incorporation of Pyramid that creates a classified board of directors with two classes and staggered terms (the “board classification proposal,” item 2B);

No Cumulative Voting Proposal. A provision in the restated articles of incorporation of Pyramid eliminates cumulative voting in the election of directors (the “elimination of cumulative voting proposal,” item 2C); and

Name Change Proposal. A provision in the restated articles of incorporation of Pyramid that changes the name of Pyramid after the merger to “Yuma Energy, Inc.” (the “name change proposal,” item 2D).



By approving each of the proposals related to the restated articles of incorporation of Pyramid, Pyramid stockholders will also be approving the proposed restated articles of incorporation of Pyramid in its entirety.

The Pyramid board of directors unanimously has approved and recommends that you vote FOR the approval of each of the restated articles of incorporation of Pyramid proposals.

You should also carefully read the full text of the restated articles of incorporation of Pyramid, which is attached as Annex F to this proxy statement/prospectus. The following summary description of the restated articles of incorporation of Pyramid is qualified by reference to the attached full text of the form of restated articles of incorporation of Pyramid of Pyramid attached to this proxy statement/prospectus.

**Proposal 2A: The Increase Authorized Number of Shares of Common Stock Proposal**

*(Item 2A on the proxy card)*

Approval of the increase in the number of shares of common stock of Pyramid from 50 million shares to 300 million shares of common stock, no par value per share, of Pyramid.

*Required Vote*

The affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock is required to approve the restated articles of incorporation of Pyramid proposals. If you vote to abstain or fail to vote, it will have the same effect as voting “AGAINST” these proposals. If you fail to vote, it will make it more difficult to have a quorum. Accordingly, it is important that you provide Pyramid with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The Pyramid board recommends a vote “**FOR**” the increase in the authorized shares of common stock proposal (Item 2A).

## **Proposal 2B: The Board Classification Proposal**

*(Item 2B on the proxy card)*

Approval of the classification of the Pyramid board of directors with staggered terms. The Pyramid board of directors will be divided into two classes with staggered two-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other class continuing for the remainder of its two-year term. The restated articles of incorporation of Pyramid provides that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholders as would otherwise be the case, and until his or her successor is elected and qualifies.

### *Required Vote*

The affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock is required to approve the restated articles of incorporation of Pyramid proposals. If you vote to abstain or fail to vote, it will have the same effect as voting “AGAINST” these proposals. If you fail to vote, it will make it more difficult to have a quorum. Accordingly, it is important that you provide Pyramid with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The Pyramid board recommends a vote “**FOR**” the board classification proposal (Item 2B).

## **Proposal 2C: The Elimination of Cumulative Voting Proposal**

*(Item 2C on the proxy card)*

Approval of the elimination of cumulative voting in the election of directors is specifically denied in the restated articles of incorporation of Pyramid. This allows stockholders one vote per share per candidate and does not allow stockholders to cumulate their votes and cast them all for one or more candidates.

### *Required Vote*

The affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock is required to approve the restated articles of incorporation of Pyramid proposals. If you vote to abstain or fail to vote, it will have the same effect as voting “AGAINST” these proposals. If you fail to vote, it will make it more difficult to have a quorum. Accordingly, it is important that you provide Pyramid with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The Pyramid board recommends a vote **“FOR”** the elimination of cumulative voting proposal (Item 2C).

**Proposal 2D: The Name Change Proposal**

*(Item 2D on the proxy card)*

Approval of the change in Pyramid’s name from “Pyramid Oil Company” to “Yuma Energy, Inc.”

*Required Vote*

The affirmative vote of a majority of the issued and outstanding shares of Pyramid common stock is required to approve the restated articles of incorporation of Pyramid proposals. If you vote to abstain or fail to vote, it will have the same effect as voting “AGAINST” these proposals. If you fail to vote, it will make it more difficult to have a quorum. Accordingly, it is important that you provide Pyramid with your proxy or attend the special meeting in person so that your shares are counted towards the quorum and this requirement.

The Pyramid board recommends a vote **“FOR”** the name change proposal (Item 2D).

## **PYRAMID 2014 LONG-TERM INCENTIVE PLAN PROPOSAL**

At the Pyramid special meeting, Pyramid stockholders will be asked to approve the Pyramid Oil Company 2014 Long-Term Incentive Plan, which we refer to as the 2014 Plan.

### **Summary of Principal Terms of the 2014 Plan**

The following is a summary description of the material features of the 2014 Plan. The statements made in this proxy statement/prospectus regarding the 2014 Plan should be read in conjunction with and are qualified in their entirety by reference to the 2014 Plan, a copy of which is attached as Annex G to this proxy statement/prospectus.

The 2014 Plan if approved will be effective until the tenth anniversary of the date the 2014 Plan is adopted by the Pyramid stockholders. The purposes of the 2014 Plan are to create incentives which are designed to motivate participants to put forth maximum effort toward Pyramid's success and growth and to enable it to attract and retain experienced individuals who, by their position, ability and diligence are able to make important contributions to Pyramid's success.

Under the 2014 Plan, Pyramid may grant stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance units, performance bonuses, stock awards and other incentive awards to Pyramid's employees or those of Pyramid's subsidiaries or affiliates. Pyramid may also grant nonqualified stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance units, stock awards and other incentive awards to any persons rendering consulting or advisory services and non-employee directors, subject to the conditions set forth in the 2014 Plan. Generally, all classes of Pyramid's employees are eligible to participate in the 2014 Plan.

The 2014 Plan currently provides that a maximum of 8,900,000 shares of Pyramid's common stock may be issued in conjunction with awards granted under the 2014 Plan. At December 31, 2013, approximately 84,643 shares of Pyramid's common stock remain available for awards to be granted under the Pyramid stock plan. If the 2014 Plan is approved and adopted as proposed herein, approximately 8,900,000 shares of Pyramid's common stock would be available for new awards to be granted under the 2014 Plan. Awards that are forfeited under the 2014 Plan will again be eligible for issuance as though the forfeited awards had never been issued. Similarly, awards settled in cash will not be counted against the shares authorized for issuance upon exercise of awards under the 2014 Plan.

The 2014 Plan as proposed provides that a maximum of 1,000,000 shares of Pyramid's common stock could be issued in conjunction with incentive stock options granted under the 2014 Plan. The 2014 Plan also limits the aggregate number of shares of Pyramid's common stock that may be issued in conjunction with stock options and/or stock appreciation rights to any eligible employee in any calendar year to 1,500,000 shares. The 2014 Plan also limits the aggregate number of shares of Pyramid's common stock that may be issued in conjunction with the grant of restricted stock awards, restricted stock unit awards, performance unit awards, stock awards and other incentive awards to any eligible employee in any calendar year to 700,000 shares.

*Administration*

Pyramid's board of directors or the compensation committee will administer the 2014 Plan. The members of the compensation committee will serve at the pleasure of Pyramid's board of directors. With respect to awards to be made to any of Pyramid's directors, the compensation committee will make recommendations to Pyramid's board of directors as to:

- which of such persons should be granted awards;
- the terms of proposed grants or awards to those selected by Pyramid's board of directors to participate;
- the exercise price for options and stock appreciation rights; and
- any limitations, restrictions and conditions upon any awards.

Awards to any of Pyramid's directors under the 2014 Plan must be approved by Pyramid's board of directors.

In connection with the administration of the 2014 Plan, the board of directors or the compensation committee, with respect to awards to be made to any officer, employee or consultant who is not one of Pyramid's directors, will:

- determine which employees and other persons will be granted awards under the 2014 Plan;
- grant the awards to those selected to participate;
- determine the exercise price for options and stock appreciation rights; and



prescribe any limitations, restrictions and conditions upon any awards.

In addition, the board of directors or the compensation committee will:

interpret the 2014 Plan; and

make all other determinations and take all other actions that may be necessary or advisable to implement and administer the 2014 Plan.

#### *Types of Awards*

The 2014 Plan permits the board of directors or the compensation committee to make several types of awards and grants, including awards of shares of restricted stock, awards of restricted stock units, the grant of options to purchase shares of Pyramid's common stock, awards of stock appreciation rights, or SARs, awards of performance units, awards of performance bonuses, stock awards and other incentive awards.

**Restricted Stock.** Restricted shares of Pyramid's common stock may be granted under the 2014 Plan subject to such terms and conditions, including forfeiture and vesting provisions, and restrictions against sale, transfer or other disposition as Pyramid's board of directors or compensation committee may determine to be appropriate at the time of making the award. In addition to any time vesting conditions determined by Pyramid's board of directors or compensation committee, vesting and/or the grant of restricted stock awards may be subject to Pyramid's achievement of specified performance criteria based upon Pyramid's achievement of certain operational, financial or stock performance criteria. In addition, Pyramid's board of directors or compensation committee may direct that share certificates representing restricted stock be inscribed with a legend as to the restrictions on sale, transfer or other disposition, and may direct that the certificates, along with a stock power signed in blank by the employee, be delivered to and held by Pyramid until such restrictions lapse. Shares of restricted stock will immediately vest upon the occurrence of a change of control. Pyramid's board of directors or compensation committee, in its discretion, may provide for a modification or acceleration of vesting of restricted stock in the event of death or permanent disability of the employee, or for such other reasons as Pyramid's board of directors or compensation committee may deem appropriate in the event of the termination of employment of the covered employee.

**Restricted Stock Units.** A restricted stock unit entitles the recipient to receive a payment from Pyramid, following the lapse of restrictions on the award, equal to the fair market value of a share of Pyramid's common stock. The 2014 Plan provides for payment in the form of shares of Pyramid's common stock or cash. Restricted stock units may be granted under the 2014 Plan subject to such terms and conditions, including forfeiture and vesting provisions, as Pyramid's board of directors or compensation committee may determine to be appropriate at the time of making the award. In addition to any time vesting conditions determined by Pyramid's board of directors or compensation

committee, vesting and/or the grant of restricted stock units may be subject to Pyramid's achievement of specified performance criteria based upon Pyramid's achievement of certain operational, financial or stock performance criteria. Restricted stock units would immediately vest upon the occurrence of a change of control. Pyramid's board of directors or compensation committee, in its discretion, may provide for a modification or acceleration of vesting of restricted stock units in the event of death or permanent disability of the employee, or for such other reasons as Pyramid's board of directors or compensation committee may deem appropriate in the event of the termination of employment of the covered employee.

The 2014 Plan also permits Pyramid's board of directors or compensation committee to grant tandem cash dividend rights or dividend unit rights with respect to restricted stock units. A cash dividend right is a contingent right to receive an amount in cash equal to the cash distributions made by Pyramid with respect to a share of Pyramid's common stock during the period the tandem restricted stock unit is outstanding. A grant of cash dividend rights may provide that such cash payments shall be paid directly to the participant at the time of payment of the related dividend, be credited to a bookkeeping account subject to the same vesting and payment provisions as the tandem restricted stock unit award (with or without interest in the discretion of Pyramid's board of directors or compensation committee), or be subject to such other provisions or restrictions as determined in the discretion of Pyramid's board of directors or Compensation Committee. A dividend unit right is a contingent right to have an additional number of restricted stock units credited to a participant in respect of a restricted stock unit award equal to the number of shares of Pyramid's common stock that could be purchased at fair market value with the amount of each cash distribution made by Pyramid with respect to a share of Pyramid's common stock during the period the tandem restricted stock unit is outstanding. A grant of dividend unit rights may provide that such dividend unit rights shall be subject to the same vesting and payment provisions as the tandem restricted stock unit award or be subject to such other provisions and restrictions as determined in the discretion of Pyramid's board of directors or compensation committee.



**Stock Options.** Stock options are contractual rights entitling an optionee who has been granted a stock option to purchase a stated number of shares of Pyramid's common stock at an exercise price per share determined at the date of the grant. Options are evidenced by stock option agreements with the respective optionees. The exercise price for each stock option granted under the 2014 Plan will be determined by Pyramid's board of directors or compensation committee at the time of the grant. Either Pyramid's board of directors or compensation committee will also determine the duration of each option; however, no option may be exercisable more than ten years after the date the option is granted. Within the foregoing limitations, either Pyramid's board of directors or compensation committee may, in its discretion, impose limitations on the exercise of all or some options granted under the 2014 Plan, such as specifying minimum periods of time after grant during which options may not be exercised. The 2014 Plan provides for acceleration of the right of an individual employee to exercise his or her stock option in the event Pyramid experiences a change of control. No cash consideration is payable to Pyramid in exchange for the grant of options.

The 2014 Plan provides that the stock options may either be incentive stock options within the meaning of Section 422 of the Code, or nonqualified options, which are stock options other than incentive stock options within the meaning of Sections 82 and 421 of the Code.

**Incentive Stock Options.** Incentive stock options may be granted only to Pyramid's employees or employees of Pyramid's subsidiaries, and must be granted at a per share exercise price not less than the fair market value of Pyramid's common stock on the date the incentive stock option is granted. In the case of an incentive stock option granted to a stockholder who owns shares of Pyramid's outstanding stock of all classes representing more than 10% of the total combined voting power of all of Pyramid's outstanding stock of all classes entitled to vote in the election of directors, the per share exercise price may not be less than 110% of the fair market value of Pyramid's common stock on the date the incentive stock option is granted and the term of such option may not exceed five years. As required by the Code, the aggregate fair market value, determined at the time an incentive stock option is granted, of Pyramid's common stock with respect to which incentive stock options may be exercised by an optionee for the first time during any calendar year under all of Pyramid's incentive stock option plans may not exceed \$100,000.

**Nonqualified Options.** Nonqualified options are stock options which do not qualify as incentive stock options under the Code. Nonqualified options may be granted to Pyramid's directors and consultants, as well as to Pyramid's employees, or those directors, consultants, and employees of subsidiaries in which Pyramid has a controlling interest. The exercise price for nonqualified options will be determined by the board of directors or compensation committee at the time the nonqualified options are granted, but may not be less than the fair market value of Pyramid's common stock on the date the nonqualified option is granted. Nonqualified options are not subject to any of the restrictions described above with respect to incentive stock options. Incentive stock options and nonqualified options are treated differently for federal income tax purposes as described below under "—Tax Treatment."

The exercise price of stock options may be paid in cash, in whole shares of Pyramid's common stock, or in a combination of cash and Pyramid's common stock, equal in value to the exercise price. The 2014 Plan provides that the exercise price of stock options may be paid (1) in cash, (2) subject to the prior approval by Pyramid's board of directors or compensation committee, in whole shares of Pyramid's common stock, (3) subject to the prior approval by

Pyramid's board of directors or compensation committee, by withholding shares of Pyramid common stock which otherwise would be acquired on exercise, or (4) subject to the prior approval by Pyramid's board of directors or compensation committee, by a combination of the foregoing, equal in value to the exercise price. Pyramid's board of directors or compensation committee may also permit a stock option to be exercised by a broker-dealer acting on behalf of a participant through procedures approved by Pyramid's board of directors or compensation committee, as applicable.

**Stock Appreciation Rights.** Awards of stock appreciation rights, which Pyramid refers to as SARs, entitle the recipient to receive a payment from Pyramid equal to the amount of any increase in the fair market value of the shares of Pyramid's common stock subject to the SAR award between the date of the grant of the SAR award and the exercise date. The 2014 Plan provides for payment in the form of shares of Pyramid's common stock or cash. The 2014 Plan provides for acceleration of the right of an individual employee to exercise his or her SAR in the event Pyramid experiences a change of control.

**Performance Unit Awards.** Performance units entitle the recipient to receive a certain target, maximum or minimum value in cash or Pyramid common stock per unit upon the achievement of performance goals established by Pyramid's board of directors or compensation committee.

**Performance Bonuses.** A performance bonus entitles the recipient to receive a cash bonus upon the attainment of a performance target established by Pyramid's board of directors or compensation committee. Payments of performance bonuses are made within 60 days of the certification by Pyramid's board of directors or compensation committee that the performance target(s) have been achieved. The maximum amount that may be made subject to the grant of performance bonuses to any eligible employee in any calendar year may not exceed \$1,500,000. The 2014 Plan permits payment of performance bonuses in the form of cash or Pyramid's common stock.

**Stock Awards.** A stock award entitles the recipient to shares of Pyramid's common stock not subject to vesting or forfeiture restrictions. Stock awards are awarded with respect to such number of shares of Pyramid's common stock and at such times as Pyramid's board of directors or compensation committee may determine, and Pyramid's board of directors or compensation committee may require a participant to pay a stipulated purchase price for each share of Pyramid's common stock covered by a stock award.

**Other Incentive Awards.** The 2014 Plan permits the grant of other incentive awards based upon, payable in or otherwise related to, in whole or in part, shares of Pyramid's common stock if Pyramid's board of directors or compensation committee determines that such other incentive awards are consistent with the purposes of the 2014 Plan. Such other incentive awards may include, but are not limited to, Pyramid's common stock awarded as a bonus, dividend equivalents, convertible or exchangeable debt securities, other rights convertible or exchangeable into Pyramid's common stock, purchase rights for Pyramid's common stock, awards with value and payment contingent upon Pyramid's performance or any other factors designated by Pyramid's board of directors or compensation committee, and awards valued by reference to the book value of Pyramid's common stock or the value of securities or the performance of specified subsidiaries. Long-term cash awards are also permitted under the 2014 Plan. Cash awards are also permitted as an element of or a supplement to any awards permitted under the 2014 Plan. Awards are permitted in lieu of obligations to pay cash or deliver other property under the 2014 Plan or under other plans or compensation arrangements, subject to any applicable provision under Section 16 of the Exchange Act.

### *Performance Criteria*

The performance criteria to be used for purposes of awards under the 2014 Plan are set in the sole discretion of Pyramid's board of directors or compensation committee and may be described in terms of objectives that are related to the individual participant or objectives that are company-wide or related to a subsidiary, division, department, region, function or business unit of Pyramid in which the participant is employed or with respect to which the participant performs services, and may consist of one or more or any combination of the following criteria: operational criteria, including reserve additions/replacements, finding and development costs, production volume and production costs; financial criteria, including earnings (net income, earnings before interest, taxes, depreciation and amortization ("EBITDA"), earnings per share), free cash flow, cash flow, operating income, general and administrative expenses, ratios of debt to equity, debt to cash flow, debt to EBITDA, EBITDA to interest, return on assets, return on equity, return on invested capital, and profit returns/margins; and stock performance criteria, including stock price appreciation, total stockholder return and relative stock price performance.

The 2014 Plan provides Pyramid's board of directors or compensation committee discretion to determine whether all or any portion of a restricted stock award, restricted stock unit award, performance unit award, performance bonus, stock award or other incentive award is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code (the "162(m) Requirements"). The performance criteria for any such award that is intended to satisfy the 162(m) Requirements would be established in writing by a committee composed of two or more "outside directors" within the meaning of Section 162(m) of the Code based on one or more performance criteria listed above not later than 90 days after commencement of the performance period with respect to such award or any such other date as may be required or permitted for "performance-based compensation" under the 162(m) Requirements, provided that the outcome of the performance in respect of the goals remains substantially uncertain as of such time. At the time of the grant of an award and to the extent permitted under the 162(m) Requirements, the committee may provide for the manner in which the performance goals would be measured in light of specified corporate transactions, extraordinary events, accounting changes or other similar occurrences. All determinations made by the committee as to the establishment or the achievement of performance goals, or the final settlement of an award intended to satisfy the 162(m) Requirements would be required to be made in writing. The committee would have discretion to reduce, but not to increase, the amount payable and/or the number of shares of Pyramid's common stock to be granted, issued,

retained or vested pursuant to any such award.

### *Transferability*

Nonqualified options are transferable on a limited basis. Other types of awards authorized under the 2014 Plan are not transferable other than by will or by the laws of descent and distribution. In no event may a stock option be exercised after the expiration of its stated term.

### *Termination*

Rights to restricted stock, restricted stock units, SARs, performance units, performance bonuses and other incentive awards which have not vested will generally terminate immediately upon the holder's termination of employment with Pyramid or any of its subsidiaries or affiliates for any reason other than disability or death. Unless Pyramid's board of directors or compensation committee specifies otherwise in an award agreement, if an employee's employment with Pyramid or any of its subsidiaries or affiliates terminates as a result of death, disability or retirement, the employee (or personal representative in the case of death) may exercise any vested incentive stock options for a period of up to three months after such termination (one year in the case of death or disability in lieu of the three-month period) and any vested nonqualified option during the remaining term of the option. Unless Pyramid's board of directors or compensation committee specifies otherwise in an award agreement, if an employee's employment with Pyramid or any of its subsidiaries or affiliates terminates for any other reason, the employee may exercise any vested option for a period of up to three months after such termination. Unless Pyramid's board of directors or compensation committee specifies otherwise in an award agreement, if a consultant ceases to provide services to Pyramid or any of its subsidiaries or affiliates or a director terminates service as Pyramid's director, the unvested portion of any award will be forfeited unless otherwise accelerated by Pyramid's board of directors or compensation committee. Unless Pyramid's board of directors or compensation committee specifies otherwise in an award agreement, a consultant or director may have three years following the date he or she ceases to provide consulting services or ceases to be a director, as applicable, to exercise any nonqualified options which are otherwise exercisable on the date of termination of service. No stock option or SAR may be exercised following the expiration date of the stock option or SAR.

*Dilution; Substitution*

The 2014 Plan provides protection against substantial dilution or enlargement of the rights granted to holders of awards in the event of stock splits, recapitalizations, mergers, consolidations, reorganizations or similar transactions. The 2014 Plan provides that, upon the occurrence of a change of control event, Pyramid's board of directors or compensation committee would have discretion, without the consent of any participant or holder of an award, to the extent permitted by applicable law, to cancel awards and make payments in respect thereof in cash; replace awards with other rights or property selected by Pyramid's board of directors or compensation committee; provide that awards will be assumed by a successor or survivor entity (or a parent or subsidiary thereof) or be exchanged for similar rights or awards based on the equity of the successor or survivor (or a parent or subsidiary thereof); adjust outstanding awards as appropriate to reflect the change of control event; accelerate any vesting schedule to which an award is subject; provide that awards are payable; and/or provide that awards terminate upon such event.

*Amendment*

Pyramid's board of directors may amend the 2014 Plan at any time. However, without stockholder approval, the 2014 Plan may not be amended in a manner that would increase the number of shares that may be issued under the 2014 Plan, materially modify the requirements as to eligibility for participation in the 2014 Plan, or materially increase the benefits to participants provided by the 2014 Plan.

*Tax Treatment*

The following is a brief description of the federal income tax consequences, under existing law, with respect to awards that may be granted under the 2014 Plan. This summary is not intended to provide or supplement tax advice to eligible employees. This summary is not intended to be exhaustive and does not describe state, local or foreign consequences, employment tax consequences, or the effect, if any, of gift, estate and inheritance taxes.

**Restricted Stock.** A recipient of restricted stock generally will not recognize taxable income until the shares of restricted stock become freely transferable or are no longer subject to a substantial risk of forfeiture. At that time, the excess of the fair market value of the restricted stock over the amount, if any, paid for the restricted stock is taxable to the recipient as ordinary income. If a recipient of restricted stock subsequently sells the shares, he or she generally will realize capital gain or loss (long-term or short-term depending on the holding period) in the year of such sale in an amount equal to the difference between the amount realized from the sale and his or her basis in the stock, equal to the price paid for the stock, if any, plus the amount previously included in income as ordinary income with respect to such restricted shares.

A recipient has the opportunity, within certain limits, to fix the amount and timing of the taxable income attributable to a grant of restricted stock. Section 83(b) of the Code permits a recipient of restricted stock, which is not yet required to be included in taxable income, to elect, within 30 days of the award of restricted stock, to include in ordinary income immediately the difference between the fair market value of the shares of restricted stock at the date of the award and the amount paid for the restricted stock, if any. The election permits the recipient of restricted stock to fix the amount of income that must be recognized by virtue of the restricted stock grant. Subject to Section 162(m) of the Code, Pyramid generally will be entitled to a deduction in the year the recipient is required (or elects) to recognize income by virtue of receipt of restricted stock, equal to the amount of taxable income recognized by the recipient.

**Restricted Stock Units.** A recipient of restricted stock units generally will not recognize taxable income until the recipient receives cash and/or the transfer of shares in satisfaction of the restricted stock unit award. At that time, an amount equal to the aggregate of any cash and the fair market value of any shares received is taxable to the recipient as ordinary income. If a recipient of restricted stock units subsequently sells any shares so transferred, he or she generally will realize capital gain or loss (long-term or short-term depending on the holding period) in the year of such sale in an amount equal to the difference between the amount realized from the sale and his or her basis, equal to the amount previously included in income as ordinary income with respect to such shares received in satisfaction of a restricted stock unit award. Subject to Section 162(m) of the Code, Pyramid generally will be entitled to a deduction in the year the recipient is required to recognize income by virtue of receipt of cash or shares, equal to the amount of taxable income recognized by the recipient.

**Incentive Stock Options.** An optionee will not realize taxable income upon the grant of an incentive stock option. As long as the optionee has been an employee of Pyramid or of one of its permissible corporate subsidiaries from the date of grant through the date the incentive stock option is exercised and if the incentive stock option is exercised during his or her period of employment and within three months after termination, the optionee will not recognize taxable income upon exercise. Upon exercise, however, the amount by which the fair market value of the shares with respect to which the incentive stock option is exercised (determined on the date of exercise) exceeds the exercise price paid will be an item of tax preference to which the alternative minimum tax may apply, depending on each optionee's individual circumstances. If the optionee does not dispose of the shares of Pyramid's common stock acquired by exercising an incentive stock option within two years from the date of the grant of the incentive stock option or within one year after the shares are transferred to the optionee, when the optionee later sells or otherwise disposes of the stock, any amount realized by the optionee in excess of the exercise price will be taxed as a long-term capital gain and any loss will be recognized as a long-term capital loss. Pyramid generally will not be entitled to an income tax deduction with respect to the grant or exercise of an incentive stock option.

If any shares of Pyramid's common stock acquired upon exercise of an incentive stock option are resold or disposed of before the expiration of the prescribed holding periods, the optionee will realize ordinary income instead of capital gain. The amount of the ordinary income realized will be equal to the lesser of (i) the excess of the fair market value of the stock on the exercise date over the exercise price; or (ii) in the case of a taxable sale or exchange, the amount of the gain realized. Any additional gain would be either long-term or short-term capital gain, depending on whether the applicable capital gain holding period has been satisfied. In the event of a premature disposition of shares of stock acquired by exercising an incentive stock option, subject to Section 162(m) of the Code, Pyramid generally would be entitled to a deduction equal to the amount of ordinary income realized by the optionee.

If an optionee uses already owned shares of common stock to pay the exercise price under an incentive stock option, the resulting tax consequences will depend upon whether the already owned shares of common stock are "statutory option stock," and, if so, whether the statutory option stock has been held by the optionee for the applicable holding period referred to in Section 424(c)(3)(A) of the Code. In general, "statutory option stock" is any stock acquired through the exercise of an incentive stock option or an option granted pursuant to an employee stock purchase plan, but not stock acquired through the exercise of a nonqualified stock option. If the stock is statutory option stock with respect to which the applicable holding period has been satisfied, or if the stock is not statutory option stock, no income will be recognized by the optionee upon the transfer of the stock in payment of the exercise price of an incentive stock option. If the stock used to pay the exercise price is statutory option stock with respect to which the applicable holding period has not been satisfied, the transfer of the stock will be a premature disposition, as described above, which will result in the recognition of ordinary income by the optionee in an amount equal to the excess of the fair market value of the statutory option stock at the time the incentive stock option covering the stock was exercised over the amount paid for the stock.

If an optionee effects a net exercise of an incentive stock option by surrendering a portion of the shares of stock with respect to which the option is exercisable to pay the exercise price, the surrender of the stock will be a premature disposition, as described above, which will result in the recognition of ordinary income by the optionee in an amount equal to the fair market value of the surrendered stock.

**Nonqualified Options.** An optionee will not realize taxable income upon the grant of a nonqualified option. At the time the optionee exercises the nonqualified option, the amount by which the fair market value, at the time of exercise, of the shares with respect to which the nonqualified option is exercised exceeds the exercise price paid upon exercise will constitute ordinary income to the optionee in the year of such exercise. Subject to Section 162(m) of the Code, Pyramid generally will be entitled to a corresponding income tax deduction in the year of exercise equal to the ordinary income recognized by the optionee. If the optionee thereafter sells such shares, the difference between any amount realized on the sale and the fair market value of the shares at the time of exercise will be taxed to the optionee as a capital gain or loss, short-term or long-term depending on the length of time the stock was held by the optionee before sale.

If an optionee uses already owned shares of Pyramid common stock to pay the exercise price under a nonqualified option, the number of shares received pursuant to the nonqualified option which is equal to the number of shares delivered in payment of the exercise price will be considered received in a nontaxable exchange, and the fair market value of the remaining shares received by the optionee upon the exercise will be taxable to the optionee as ordinary income. If the already owned shares of Pyramid common stock are not “statutory option stock” or are statutory option stock with respect to which the applicable holding period referred to in Section 424(c)(3)(A) of the Code has been satisfied, the shares received pursuant to the exercise of the nonqualified option will not be statutory option stock. However, if the already owned shares of Pyramid common stock are statutory option stock with respect to which the applicable holding period has not been satisfied, it is not presently clear whether the exercise will be considered a premature disposition of the statutory option stock, whether the shares received upon exercise will be statutory option stock, or how the optionee’s basis will be allocated among the shares received.

**Stock Appreciation Rights.** A recipient of SARs will not realize taxable income upon the grant of a SAR. At the time the recipient exercises the SAR, an amount equal to the aggregate of any cash and the fair market value of any shares received is taxable to the recipient as ordinary income in the year of such exercise. Subject to Section 162(m) of the Code, Pyramid generally will be entitled to a corresponding income tax deduction in the year of exercise equal to the ordinary income recognized by the recipient. If the recipient thereafter sells any shares received upon exercise, the difference between any amount realized on the sale and the fair market value of the shares at the time of exercise will be taxed to the recipient as a capital gain or loss, short-term or long-term depending on the length of time the stock was held by the recipient before sale.



**Performance Units and Performance Bonuses.** A recipient of performance units or a performance bonus generally will not realize taxable income upon the grant of such award. The recipient will recognize ordinary income upon the receipt of cash and/or the transfer of shares in satisfaction of the award of performance units or performance bonus in an amount equal to the aggregate of any cash and the fair market value of any shares received. If an award is “performance-based compensation” under Section 162(m) of the Code, Pyramid generally will be entitled to a corresponding income tax deduction in the year of exercise equal to the ordinary income recognized by the recipient. Otherwise, Pyramid’s deduction may be limited by Section 162(m) of the Code as described below. If the recipient thereafter sells any shares received in satisfaction of the award, the difference between any amount realized on the sale and the fair market value of the shares at the time of their receipt will be taxed to the recipient as a capital gain or loss, short-term or long-term depending on the length of time the stock was held by the recipient before sale.

**Stock Awards.** A recipient of a stock award will recognize ordinary income upon the receipt of shares in an amount equal to the fair market value of any shares received over the amount, if any, paid for the shares. Subject to Section 162(m) of the Code, Pyramid generally will be entitled to a corresponding income tax deduction equal to the ordinary income recognized by the recipient. If a recipient subsequently sells the shares, he or she generally will realize capital gain or loss (long-term or short-term depending on the holding period) in the year of such sale in an amount equal to the difference between the net proceeds from the sale and the price paid for the stock, if any.

**Other Incentive Awards.** The specific tax consequences applicable with respect to other incentive awards granted under the 2014 Plan will depend on the terms and conditions applicable to the award.

**Code Section 162(m).** Section 162(m) of the Code places a \$1 million cap on the deductible compensation that may be paid to certain executives of publicly-traded corporations. Amounts that qualify as “performance-based compensation” under Section 162(m) of the Code are exempt from the cap and do not count toward the \$1 million limit. In order to be “performance-based compensation” exempt from the \$1 million deductibility limitation, the grant or vesting of the award relating to the compensation must (among other things) be based on the satisfaction of one or more performance goals specified by compensation committee. Generally, stock options and stock appreciation rights will qualify as performance-based compensation. Other awards may or may not so qualify, depending on their terms. In any event, Pyramid reserves the right to award compensation that is not “performance-based compensation” and that is not deductible under Section 162(m) of the Code.

To ensure compliance with Treasury Department Circular 230, participants are hereby notified that (i) any discussion of U.S. federal tax issues in this proxy statement/prospectus is not intended to be written or used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Code, and (ii) participants should seek advice based on their particular circumstances from an independent tax advisor.

### ***Current Plan and Outstanding Options***

The following table provides information as December 31, 2013, regarding compensation plans (including individual compensation arrangements) under which equity securities of Pyramid are authorized for issuance. As of December 31, 2013, Pyramid had not adopted, without the approval of its stockholders, any equity compensation plan under which its securities are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	105,000	\$ 5.17	184,643
Equity compensation plans not approved by security holders	0	-	—
Total	105,000	\$ 5.17	184,643

### Votes Required

Approval of the proposal to approve the 2014 Plan requires the affirmative vote of a majority of the shares of Pyramid common stock represented in person or by proxy at the special meeting and voting on such proposal, provided that such shares voting affirmatively must also constitute a majority of the required quorum for the meeting.

The Pyramid board of directors believes that approval and adoption of the proposed 2014 Plan will promote Pyramid's interests and the interests of Pyramid stockholders and continue to enable Pyramid to attract, retain and reward persons important to Pyramid's success and to provide incentives based on the attainment of corporate objectives and increases in stockholder value. Members of Pyramid's board of directors are eligible to participate in the 2014 Plan, and thus, have a personal interest in the approval and adoption of the 2014 Plan.

The Pyramid board of directors unanimously proposes and recommends that Pyramid stockholders vote **"FOR"** the Pyramid Oil Company 2014 Long-Term Incentive Plan.

**Significant Differences Between the Corporation Laws of California and Delaware**

The following is a comparison of the provisions in the charters and bylaws of Yuma and Pyramid, as well as certain provisions of California law and Delaware law. The comparison summarizes the important differences, but is not intended to list all differences, and is qualified in its entirety by reference to such documents and to the respective corporation laws of the States of California and Delaware. Stockholders of Yuma are encouraged to read the restated articles of incorporation of Pyramid, including the proposed amendments, in substantially the form attached hereto as Exhibit F and sometimes referred to as the “California Articles,” and the amended and restated bylaws of Pyramid in the form attached hereto as Annex H and sometimes referred to as the “California Bylaws.” The certificate of incorporation of Yuma is sometimes referred to as the “Delaware Certificate” and the bylaws of Yuma are sometimes referred to as the “Delaware Bylaws.”

<b>Provision</b>	<b>Pyramid</b>	<b>Yuma</b>
<b>Authorized Shares</b>	The proposed authorized capital stock of Pyramid will consist of 300,000,000 shares of common stock, no par value, and 10,000,000 shares of preferred stock, no par value.	The authorized capital stock of Yuma consists of 200,000 shares of common stock, \$0.01 par value per share, and 125,000 shares of preferred stock, \$0.01 par value per share.
<b>Restrictions on Transactions with Interested Stockholders</b>	California law provides that, except in certain circumstances, when a tender offer or a proposal for a reorganization or sale of assets is made by an interested party (generally, a person who controls the corporation), the interested party must provide the other shareholders with an affirmative written opinion as to the fairness of the consideration to be paid to the shareholders. This fairness opinion requirement does not apply to corporations that have fewer than 100 shareholders of record or to a transaction that has been qualified under California state securities laws. Furthermore, if a tender of shares or a vote is sought pursuant to an interested party’s proposal and a later tender offer or proposal for a reorganization or sale of asset is made by another party, the shareholders must be informed of the later offer and be afforded a reasonable opportunity to withdraw their vote, consent or proxy, and to withdraw any tendered shares.	No restrictions.
	The so-called California 50/90 rule described below may also limit a corporation’s ability to engage in certain business combinations.	

**Vote Required  
to Approve  
Merger or Sale  
of Company**

California law requires the affirmative vote of not less than a majority of the outstanding shares to approve a merger of the company or a sale of substantially all the assets of the company.

Delaware law requires the affirmative vote of not less than a majority of the outstanding shares to approve a merger of the company or a sale of substantially all the assets of the company.

<b>Provision</b>	<b>Pyramid</b>	<b>Yuma</b>
<b>50/90 Rule Restriction on Cash Mergers</b>	<p>Under California law, a merger may not be consummated for cash if the purchaser owns more than 50% but less than 90% of the then-outstanding shares of the target corporation unless either (i) all the stockholders of the target corporation consent, which is not practical for a public corporation, or (ii) the California Commissioner of Corporations approves the merger.</p> <p>The 50/90 rule may make it more difficult for an acquiror to make an all cash acquisition of the company which is opposed by the board of Pyramid California. Specifically, the 50/90 rule encourages such an acquiror making an unsolicited tender offer to either tender for less than 50% of the outstanding shares or more than 90% of the outstanding shares. A purchase by such acquiror of less than 50% of the outstanding shares does not allow the acquiror to gain ownership of the majority of the outstanding shares needed to approve a second step merger (which merger would be used to enable the acquiror to acquire 100% of the company's equity) and, therefore, creates risk for such an acquiror that such a favorable vote will not be obtained. Yet, a tender offer conditioned upon receipt of tenders from at least 90% of the outstanding shares also creates risk for such an acquiror since it may be very difficult to receive tenders from holders of at least 90% of the outstanding shares. Consequently, it is possible that these risks would discourage some potential acquirors from pursuing an all cash acquisition of the company opposed by the board of Directors of Pyramid California.</p>	<p>Delaware law does not have a provision similar to the 50/90 rule in California.</p>
<b>Bylaw Amendments</b>	<p>The California Bylaws may be amended by stockholders owning a majority of the outstanding shares, or by the board; provided, however, that a change in the authorized number of directors requires approval by both the board and the stockholders.</p>	<p>The Delaware Bylaws may be amended by the Yuma board of directors.</p>
<b>Stockholder Action by Written Consent</b>	<p>The California Bylaws provide that any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, is signed by holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.</p>	<p>The Delaware Certificate and the Delaware Bylaws provide that any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the actions so taken, is signed by holders of</p>

Under California law, directors may not be elected by written consent except by unanimous written consent of all outstanding shares entitled to vote for the election of directors.

outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

<b>Provision</b>	<b>Pyramid</b>	<b>Yuma</b>
<b>Stockholder Ability to Call Special Stockholder Meetings</b>	<p>Under California law, a special meeting of stockholders may be called by the board of directors, the chairman of the board, the president, the holders of shares entitled to cast not less than 10% of the votes at the meeting or any additional persons as may be authorized by the company's articles of incorporation or bylaws.</p>	<p>Stockholders owning capital stock representing a majority of the votes of all capital stock entitled to vote thereat may call a special meeting.</p>
<b>Number of Directors</b>	<p>The California Articles provide that the authorized number of directors of Pyramid shall be not less than four nor more than seven, with the exact number of directors within those limits to be determined from time to time by the board of directors.</p> <p>It is anticipated that the Pyramid board of directors will have six directors after closing of the merger.</p>	<p>The Delaware Bylaws provide that the Yuma board of directors shall consist of one or more members, with the exact number to be determined from time to time by the board of directors.</p>
<b>Classified board</b>	<p>The Pyramid board of directors is not classified but the proposed California Articles provide that the Pyramid board be classified into two classes: Class I and Class II, each class having a two-year term of office.</p>	<p>The Delaware Certificate provides that the Yuma board of directors is not classified.</p>
<b>Filling Vacancies on the board</b>	<p>Under the California Bylaws, vacancies on the Pyramid board of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, at any regular or special meeting of the Pyramid board of directors, except that a vacancy created by the removal of a director by a vote or written consent of the stockholders may be filled only by a vote or written consent of the stockholders.</p>	<p>Under the Delaware Bylaws, vacancies on the Yuma board of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, at any regular or special meeting of the Yuma board of directors.</p>

Provision	Pyramid	Yuma
<b>Cumulative Voting</b>	Cumulative voting in the election of directors is permitted under California law. The proposed California Articles will not permit cumulative voting.	No cumulative voting is permitted under the Delaware Certificate.
<b>Vote Required to Elect Directors</b>	California laws provide that directors are elected by the holders of a plurality of the votes cast by the holders of shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.	The Delaware Bylaws provide that directors are elected by the holders of a plurality of the votes cast by the holders of shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.
<b>Indemnification</b>	<p>California law requires indemnification when the indemnitee has defended the action successfully on the merits. Expenses incurred by an officer or director in defending an action may be paid in advance, if the director or officer undertakes to repay such amounts if it is ultimately determined that he or she is not entitled to indemnification. California law authorizes a corporation to purchase indemnity insurance for the benefit of its officers, directors, employees and agents whether or not the corporation would have the power to indemnify against the liability covered by the policy.</p> <p>California law permits a corporation to provide rights to indemnification beyond those provided therein to the extent such additional indemnification is authorized in the corporation's articles of incorporation. Thus, if so authorized, rights to indemnification may be provided pursuant to agreements or bylaw</p>	<p>Delaware law generally permits indemnification of expenses, including attorneys' fees, actually and reasonably incurred in the defense or settlement of a derivative or third party action, provided there is a determination by a majority vote of a disinterested quorum of the directors, by independent legal counsel or by the stockholders that the person seeking indemnification acted in good faith and in a manner reasonably believed to be in the best interests of the corporation. Without court approval, however, no indemnification may be made in respect of any derivative action in which such person is adjudged liable for negligence or misconduct in the performance of his or her duty to the corporation. Expenses incurred by an officer or director in defending an action may be paid in advance, if the director or officer undertakes to repay such amounts if it is ultimately determined that he or she is not entitled to indemnification. Delaware law authorizes a corporation to purchase indemnity insurance for the benefit of its directors, officers, employees and agents whether or not the corporation would have the power to indemnify against the liability covered by the policy.</p> <p>Delaware law permits a Delaware corporation to provide indemnification in excess of that provided by statute.</p>



provisions which make mandatory the permissive indemnification provided by California law.

The Delaware Certificate authorizes indemnification to the fullest extent permissible under Delaware law.

The California Articles authorize indemnification to the fullest extent permissible under California law, and such indemnification for the company's directors and officers is provided for in the California Bylaws.

**Yuma**

**Provision**

**Pyramid**

**Elimination of Director Personal Liability for Monetary Damages**

California law permits a corporation to eliminate the personal liability of a director for monetary damages in an action brought by or in the right of the corporation for breach of the director's duties to the corporation and its stockholders, except where such liability is based on:

- Intentional misconduct or knowing and culpable violation of law;
- Acts or omissions that a director believes to be contrary to the best interests of the corporation or its stockholders or that involve the absence of good faith on the part of the director;
- Receipt of an improper personal benefit;
- Acts or omissions that show reckless disregard for the director's duty to the corporation or its stockholders, where the director in the ordinary course of performing a director's duties should be aware of a risk of serious injury to the corporation or its stockholders;
- Acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation and its stockholders;
- Transactions between the corporation and a director who has a material financial interest in such transaction; or
- Liability for improper distributions loans or guarantees.

The California Articles eliminate the liability of directors for monetary damages to the fullest extent permissible under California law.

The DGCL permits a corporation to eliminate the personal liability of directors for monetary damages, except where such liability is based on:

- Breaches of the director's duty of loyalty to the corporation or its stockholders;
- Acts or omissions not in good faith or involving intentional misconduct or knowing violations of law;
- The payment of unlawful dividends or unlawful stock repurchases or redemption; or
- Transactions in which the director received an improper personal benefit.

Such a limitation of liability provision also may not limit a director's liability for violation of, or otherwise relieve the company or directors from the necessity of complying with, federal or state securities laws, or affect the availability of non-monetary remedies such as injunctive relief or rescission.

The Delaware Certificate eliminates the liability of directors to the company for monetary damages to the fullest extent permissible under the DGCL.

**Dividends**

Under the California Bylaws, the Pyramid board of directors may declare dividends upon shares of its capital stock, subject to the satisfaction by Pyramid of financial requirements under California law.

Under the Delaware Bylaws, the Yuma board of directors may declare dividends upon shares of its capital stock.

## **LEGAL MATTERS**

The validity of the Pyramid common stock to be issued in connection with the merger and being offered by this proxy statement/prospectus will be passed upon for Pyramid by TroyGould PC, Los Angeles, California. Certain United States federal income tax consequences of the merger will be passed upon by TroyGould PC, Los Angeles, California.

## **EXPERTS**

The financial statements for Pyramid Oil Company as of December 31, 2013 and 2012, and for each of the three fiscal years in the period ended December 31, 2013, included in this proxy statement/prospectus have been audited by SingerLewak LLP, an independent registered public accounting firm, as set forth in their report appearing elsewhere in this proxy statement/prospectus and have been so included in reliance on such report of SingerLewak LLP given upon their authority as experts in accounting and auditing.

Information about the estimated net proved reserves and the future net cash flows attributable to the oil and natural gas reserves of Pyramid Oil Company as of December 31, 2013 and for the year ended December 31, 2013 and included in this proxy statement/prospectus was prepared by MHA Petroleum Consultants, an independent reserve engineering firm, and is included herein in reliance upon their authority as experts in reserves and present values.

The consolidated financial statements for Yuma Energy, Inc. as of December 31, 2013 and 2012, and for each of the three fiscal years in the period ended December 31, 2013, included in this proxy statement/prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

Information about the estimated net proved reserves and the future net cash flows attributable to the oil and natural gas reserves of Yuma Energy, Inc. as of December 31, 2013 and for the year ended December 31, 2013 and included in this proxy statement/prospectus was prepared by Netherland, Sewell & Associates, Inc., an independent reserve engineering firm, and is included herein in reliance upon their authority as experts in reserves and present values.

## **WHERE YOU CAN FIND MORE INFORMATION**

Pyramid has filed with the SEC under the Securities Act a registration statement on Form S-4 with respect to the meeting of Pyramid stockholders described in this proxy statement/prospectus and the Pyramid common stock offered by this proxy statement/prospectus. This proxy statement/prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits which are part of the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC.

Statements made in this proxy statement/prospectus regarding the contents of any contract or other document are summaries of the material terms of the contract or document. With respect to each contract or other document that is filed as an exhibit to the registration statement on Form S-4, reference is made to the corresponding exhibit.

Copies of the registration statement on Form S-4 and the exhibits to the registration statement may be inspected without charge at the public reference room of the SEC located at 100 F Street, N.E., Washington, D.C. 20549, as may the other reports and documents that Pyramid has filed, or will file, with the SEC. Copies of all or any portion of the registration statement or any exhibit to the registration statement may be obtained from the SEC at prescribed rates. Information about the operation of the SEC's public reference room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy and information statements and other documents that are filed with the SEC through the SEC's EDGAR System. The website can be accessed at <http://www.sec.gov>. No report, proxy or information statement or other document that Pyramid has filed, or will file, with the SEC is incorporated by reference into this proxy statement/prospectus or into the registration statement of which this proxy statement/prospectus is a part.

Pyramid is subject to the requirements of the Exchange Act and files with the SEC annual, quarterly and current reports, proxy statements and other documents. You may review and obtain copies of each such document filed by Pyramid with the SEC at the SEC's address or website described in the preceding paragraph. However, the annual, quarterly and current reports, proxy statements and other documents filed by Pyramid with the SEC are not incorporated by reference into this proxy statement/prospectus or into the registration statement of which this proxy statement/prospectus is a part.

Yuma is not subject to the requirements of the Exchange Act and, therefore, does not file with the SEC annual, quarterly or current reports, proxy statements or other documents.

## GLOSSARY OF OIL AND GAS TERMS

The following are abbreviations and definitions of certain terms commonly used in the oil and gas industry and this proxy statement/prospectus:

*Bcf.* One billion cubic feet of natural gas.

*BBbl.* One billion barrels of crude oil or other liquid hydrocarbons.

*Bbl.* One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

*Boe.* Barrels of oil equivalent in which six Mcf of natural gas equals one Bbl of oil. This ratio does not assume price equivalency and, given price differentials, the price for a barrel of oil equivalent for natural gas may differ significantly from the price for a barrel of oil.

*Development well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

*Gas.* Natural gas.

*Mbbl.* One thousand barrels of oil or other liquid hydrocarbons.

*Mcf.* One thousand cubic feet of gas.

*Mcfe.* One thousand cubic feet of gas equivalent.

*Mmbbl.* One million barrels of crude oil or other liquid hydrocarbons.

*MMBoe.* One million barrels of oil equivalent.

*Mmbtu.* One million British Thermal units. One British thermal unit is the amount of heat required to raise the temperature of one pound of water to one degree Fahrenheit.

*Mmcf.* One million cubic feet of gas.

*Mmcfe.* One million cubic feet of gas equivalent.

*NGLs, natural gas liquids or liquids.* Components of natural gas that are separated from the gas state in the form of liquids. These include propane, butane, and ethane, among others.

*Net revenue interest.* An owner's share of petroleum after satisfaction of all royalty and other non-cost bearing interests.

*Oil.* Crude oil, condensate and natural gas liquids.

*Operator.* The individual or company responsible for the exploration and/or exploitation and/or production of an oil or gas well or lease.

*Proved developed reserves.* Proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well, or through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

*Proved reserves.* Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (“LKH”), as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil (“HKO”), elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

*Royalty.* An interest in an oil and gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner’s royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

*Spot market price.* The price for a one-time open market transaction for immediate delivery of a specific quantity of product at a specific location where the commodity is purchased “on the spot” at current market rates.

*Tcfe.* One trillion cubic feet of gas equivalent.

*3-D Seismic.* Advanced technology method of detecting accumulations of hydrocarbons identified through a three-dimensional picture of the subsurface created by the collection and measurement of the intensity and timing of



sound waves transmitted into the earth as they reflect back to the surface.

*2-D Seismic.* Geophysical data that depicts the subsurface strata in two dimensions.

*Working interest.* An interest in an oil and gas lease that gives the owner of the interest the right to drill for and produce oil and gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors

Yuma Energy, Inc.

We have audited the accompanying consolidated balance sheets of Yuma Energy, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. 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 the 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yuma Energy, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Houston, Texas

April 24, 2014



**Yuma Energy, Inc.**

## CONSOLIDATED BALANCE SHEETS

	December 31, 2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$4,194,511	\$5,285,022
Accounts receivable, net of allowance for doubtful accounts:		
Trade	10,833,211	5,792,210
CEO and employees	155,080	63,517
Other	417,850	151,538
Note receivable	4,000	4,216
Derivative instruments	-	454,882
Prepayments	433,991	1,303,541
Deferred taxes	146,964	-
Other deferred charges	162,416	146,447
Total current assets	16,348,023	13,201,373
<b>OIL AND GAS PROPERTIES, at cost (full cost method):</b>		
Not subject to amortization	24,051,278	21,306,325
Subject to amortization	152,863,988	124,391,475
	176,915,266	145,697,800
Less: accumulated depreciation, depletion and amortization	(84,438,840 )	(72,510,968 )
Net oil and gas properties	92,476,426	73,186,832
<b>OTHER OPERATING PROPERTY AND EQUIPMENT, at cost</b>		
Less: accumulated depreciation and amortization	2,066,760 (1,822,925 )	2,045,484 (1,732,467 )
Net other operating property and equipment	243,835	313,017
<b>OTHER ASSETS:</b>		
Receivables from affiliate	95,634	93,141
Derivative instruments	818,637	1,360
Other noncurrent assets	1,649,413	219,297
Total other assets	2,563,684	313,798
Total assets	\$ 111,631,968	\$87,015,020

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

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**Yuma Energy, Inc.**

## CONSOLIDATED BALANCE SHEETS - CONTINUED

	December 31, 2013	2012
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of debt	\$ 178,027	\$ 183,601
Accounts payable, principally trade	15,116,560	7,905,349
Derivative instruments	677,132	-
Asset retirement obligations	1,755,650	632,975
Other accrued liabilities	1,127,283	978,449
Total current liabilities	18,854,652	9,700,374
<b>LONG-TERM DEBT, net of current maturities:</b>		
Bank debt	31,215,000	17,875,000
<b>OTHER NONCURRENT LIABILITIES:</b>		
Preferred stock derivative liability, Series A and B	51,290,414	25,031,855
Asset retirement obligations	8,942,029	3,600,807
Derivative instruments	218,649	-
Deferred taxes	13,160,205	10,077,292
Restricted stock units	102,532	-
Other deferred credits	69,998	11,761
Total other noncurrent liabilities	73,783,827	38,721,715
PREFERRED STOCK, Series A and B, subject to mandatory redemption	35,666,342	29,152,089
<b>EQUITY:</b>		
Common stock	542	540
Capital in excess of par value of common stock	2,668,923	2,182,293
Accumulated other comprehensive income	38,770	268,841
Accumulated earnings (deficit)	(50,596,088 )	(10,885,832)
Total equity	(47,887,853 )	(8,434,158 )
Total liabilities and equity	\$ 111,631,968	\$ 87,015,020

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

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**Yuma Energy, Inc.**

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2013	2012	2011
<b>REVENUES:</b>			
Sales of natural gas and crude oil	\$28,075,603	\$21,282,115	\$18,954,437
Other revenue	1,066,969	601,794	477,102
Total revenues	29,142,572	21,883,909	19,431,539
<b>EXPENSES:</b>			
Marketing cost of sales	1,234,308	891,118	4,152,979
Lease operating	9,316,364	5,098,868	4,792,117
Re-engineering and workovers	2,521,707	433,599	1,340,127
General and administrative - stock based compensation	452,058	-	-
General and administrative - other	5,603,475	4,339,362	3,485,172
Depreciation, depletion and amortization	12,077,368	5,074,070	2,865,878
Asset retirement obligation accretion expense	668,497	265,323	239,612
(Gain) loss on asset disposal	(19,307 )	9,674	138,174
Bad debt expense	193,601	210,187	237,821
Recovery of bad debts	(2,520 )	(68,621 )	-
Total expenses	32,045,551	16,253,580	17,251,880
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(2,902,979 )</b>	<b>5,630,329</b>	<b>2,179,659</b>
<b>OTHER INCOME (EXPENSE):</b>			
Change in fair value of preferred stock derivative liability - Series A in all years, Series B in 2013 and 2012	(26,258,559)	(17,098,504)	(5,604,231 )
Interest expense	(567,676 )	(210,083 )	(597,223 )
Interest income	7,336	8,138	14,178
Bank mandated derivative instruments novation cost	(175,000 )	-	-
Other, net	(72,953 )	(1,039 )	166,296
Total other income (expense)	(27,066,852)	(17,301,488)	(6,020,980 )
<b>NET LOSS FROM CONTINUING OPERATIONS BEFORE TAXES</b>	<b>(29,969,831)</b>	<b>(11,671,159)</b>	<b>(3,841,321 )</b>
Income tax expense	3,080,272	3,098,309	853,496
<b>NET LOSS FROM CONTINUING OPERATIONS</b>	<b>(33,050,103)</b>	<b>(14,769,468)</b>	<b>(4,694,817 )</b>

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DISCONTINUED OPERATIONS - PIPELINE SEGMENT	-	-	(18,038 )
NET LOSS	(33,050,103)	(14,769,468)	(4,712,855 )
LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	2,525
NET LOSS ATTRIBUTABLE TO YUMA ENERGY, INC.	(33,050,103)	(14,769,468)	(4,715,380 )
Preferred Stock, Series A and Series B			
Accretion	1,101,972	963,900	-
Dividends paid in cash	145,900	1,362,437	438,150
Dividends paid in kind	5,412,281	-	-
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	\$(39,710,256)	\$(17,095,805)	\$(5,153,530 )
EARNINGS (LOSS) PER COMMON SHARE			
Basic	\$(732 )	\$(317 )	\$(95 )
Diluted	\$(732 )	\$(317 )	\$(95 )
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	54,236	54,000	54,000
Diluted	54,236	54,000	54,000

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

**Yuma Energy, Inc.**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,		
	2013	2012	2011
NET LOSS	\$(33,050,103)	\$(14,769,468)	\$(4,712,855)
OTHER COMPREHENSIVE INCOME (LOSS)			
Change in fair value of derivative instruments	-	1,075,885	(776,933 )
Less income taxes	-	414,217	(299,119 )
Change in fair value of derivative instruments, net of income taxes	-	661,668	(477,814 )
Reclassification of gain on settled commodity derivatives	(301,499 )	(398,604 )	(198,885 )
Less income taxes	(116,077 )	(153,463 )	(76,571 )
Reclassification of gain on settled commodity derivatives, net of income taxes	(185,422 )	(245,141 )	(122,314 )
Reclassification of gain from amortization of derivative instruments sold	(72,600 )	(128,513 )	-
Less income taxes	(27,951 )	(49,478 )	-
Reclassification of gain from amortization of derivative instruments sold, net of income taxes	(44,649 )	(79,035 )	-
OTHER COMPREHENSIVE INCOME (LOSS)	(230,071 )	337,492	(600,128 )
COMPREHENSIVE LOSS	(33,280,174)	(14,431,976)	(5,312,983)
LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	2,525
COMPREHENSIVE LOSS ATTRIBUTABLE TO YUMA ENERGY, INC.	\$(33,280,174)	\$(14,431,976)	\$(5,315,508)

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

**Yuma Energy, Inc.**

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Years ended December 31,	
	2013	2012
<b>COMMON STOCK:</b>		
Balance at beginning of period - 54,000 shares, \$.01 par	\$ 540	\$ 540
Employee restricted stock awards (236 shares)	2	-
Balance at end of period - 54,236 shares, \$.01 par	542	540
<b>CAPITAL IN EXCESS OF PAR VALUE OF COMMON STOCK:</b>		
Balance at beginning of period	2,182,293	2,182,293
Employee restricted stock awards (236 shares)	486,630	-
Balance at end of period	2,668,923	2,182,293
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>		
Balance at beginning of period	268,841	(68,651 )
Comprehensive income (loss) from derivative instruments, net of income taxes	(230,071 )	337,492
Balance at end of period	38,770	268,841
<b>ACCUMULATED EARNINGS (DEFICIT):</b>		
Balance at beginning of period	(10,885,832)	6,209,973
Net income (loss) attributable to Yuma Energy, Inc.	(33,050,103)	(14,769,468)
Preferred stock accretion (Series A and B)	(1,101,972 )	(963,900 )
Preferred stock cash dividends (Series A and B)	(145,900 )	(1,362,437 )
Preferred stock dividends paid in kind (Series A and B)	(5,412,281 )	-
Balance at end of period	(50,596,088)	(10,885,832)
<b>TOTAL STOCKHOLDERS' EQUITY IN YUMA ENERGY, INC.</b>	<b>(47,887,853)</b>	<b>(8,434,158 )</b>
<b>NONCONTROLLING PARTNERSHIP INTEREST:</b>		
Balance at beginning of period	-	241,938
Buy out partnership interests	-	(241,938 )
Balance at end of period	-	-
<b>TOTAL EQUITY</b>	<b>\$(47,887,853)</b>	<b>\$(8,434,158 )</b>

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

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**Yuma Energy, Inc.**

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2013	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	\$(33,050,103)	\$(14,769,468)	\$(4,712,855)
Loss from operations of discontinued pipeline segment	-	-	18,038
Increase in fair value of preferred stock liability	26,258,559	17,098,504	5,604,231
Depreciation, depletion and amortization of property and equipment	12,077,368	5,074,070	2,865,878
Accretion of asset retirement obligation	668,497	265,323	239,612
Stock-based compensation net of capitalized cost	452,058	-	-
Amortization of other assets and liabilities	166,608	86,421	838,303
Deferred tax expense			