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PANHANDLE OIL AND GAS INC. REPORTS FISCAL 2015 FIRST QUARTER RESULTS

Records 108% Increase in Net Income to $10,233,761 ($0.61 per share) and a 7% Production Increase

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX), the "Company," today reported financial and operating results for the 2015 fiscal first quarter ending Dec. 31, 2014.

FIRST QUARTER 2015 HIGHLIGHTS

- Recorded first quarter 2015 net income of $10,233,761, $0.61 per share, compared to net income of $4,926,318, $0.29 per share, for the 2014 first quarter.
- Recorded production of 3,737,483 Mcfe, compared to 3,509,270 Mcfe for the 2014 first quarter.
- Increased quarterly oil production by 40% to 116,583 barrels, compared to 83,413 barrels for the 2014 first quarter.
- Increased quarterly NGL production by 96% to 72,804 barrels, compared to 37,140 barrels for the 2014 first quarter.
- Funded capital expenditures of $14.9 million for drilling and equipping wells for the 2015 first quarter with cash generated by operating activities of $15.2 million during the quarter.
- Recorded hedging gain of $11,250,265, prior to provision for income taxes, in the 2015 first quarter.

For the 2015 first quarter, the Company recorded net income of $10,233,761, $0.61 per share, compared to net income of $4,926,318, $0.29 per share, for the 2014 first quarter. Net cash provided by operating activities increased 28% to $15,185,489 for the 2015 first quarter, compared to the 2014 first quarter. Cash flow from operations fully funded all capital expenditures for the quarter of $14,901,631 for drilling and equipping wells.

Total revenues for the 2015 first quarter were $30,999,170, compared to $18,396,756 for the 2014 first quarter. Oil, NGL and natural gas sales increased $1,046,618 or 6% in the 2015 quarter, compared to the 2014 quarter, as a result of a 7% increase in Mcfe production. The average sales price per Mcfe of production during the 2015 first quarter was $5.22, compared to $5.26 for the 2014 first quarter. The majority of the revenue increase resulted from recording a hedging gain of $11,250,265, prior to provision for income taxes, in the first quarter of 2015 as compared to a loss of $496,901 in the 2014 first quarter. This gain is principally the result of hedging put in place by the Company shortly after closing on the Eagle Ford acquisition in June 2014. The contracts will allow the Company to effectively sell somewhat over 50% of its expected oil production for approximately $92.00 per barrel, on average, through December 2015.

Oil production increased 40% in the 2015 first quarter to 116,583 barrels, compared to 83,413 barrels in the 2014 first quarter. NGL production increased 96% in the 2015 quarter to 72,804 barrels, and natural gas production decreased 7% for the 2015 first quarter, compared to the 2014 first quarter. The increased oil production is principally attributable to production from the Eagle Ford Shale properties, and the majority of the increase in NGL production was from several of the NGL rich plays in Oklahoma.

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Lease operating expenses increased to $1.28 per Mcfe of production in the 2015 first quarter as compared to $.94 per Mcfe in the 2014 first quarter. This increase is a result of the additional oil production in the Eagle Ford Shale. Those wells are more cost intensive than the typical historic mix of Panhandle wells, of which the majority are natural gas producers, which typically have significantly lower operating costs. Non-cash impairment charges increased $1,989,006 in the 2015 first quarter as compared to the 2014 first quarter. These charges were on several smaller fields principally in western Oklahoma and the Texas Panhandle and were impacted by significantly reduced oil prices.

MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO said, "During the first quarter and continuing as we speak, the industry has seen significant declines in product prices. Panhandle was able to generate significant earnings for the quarter principally as a result of hedging gains. Ironically, in light of current oil and natural gas prices, these hedging gains allowed the Company to record the largest quarterly net income in history of $10,233,761. Should these lower prices for our products persist through the remainder of 2015, obviously earnings for subsequent quarters will be negatively affected.

"We expect our capital expenditure level to decline significantly in subsequent quarters as well proposals received by Panhandle are expected to materially decline, and our inclination to deploy capital to take a working interest in proposals will be reduced until we have a better understanding of where oil and natural gas prices will settle as the year progresses. As usual, we will continue to generate no-cost royalty interests in wells drilled on our mineral acreage. Excess cash flow will be used to further reduce our bank debt.

"As Panhandle has done in the past, we will manage our way through this difficult commodity price cycle while continuing to look for opportunities to deliver growth of shareholder value."

Paul Blanchard, Senior Vice President and COO said, "The Company's first quarter 2015 oil production was negatively impacted by the delay in completing six Eagle Ford Shale wells that were drilled during the quarter. The operator has elected to defer these completions until oil prices recover from the current depressed levels and/or service costs decline materially. Further, the operator has released the Eagle Ford drilling rig and plans to resume drilling when the combination of oil prices and service costs create the opportunity to earn a reasonable rate of return. In the Bakken Shale, the operator of five recently-drilled wells in which we have a working interest has also elected to defer the completions of those wells. Drilling proposals in the Company's other material oil and NGL rich plays have slowed significantly with the exception of the 'SCOOP' Woodford and Springer plays in south central Oklahoma where operators have indicated that they will continue to drill on leases that are not held by production. We further anticipate a slower pace of drilling in the Fayetteville Shale where the primary operator has reduced its 2015 drilling budget.

"Panhandle plans to participate only in those wells that will earn a reasonable rate of return in the current price environment or where participation will preserve strategic future working interest participation rights on its mineral acreage. As a result, we are anticipating a significant drop in subsequent quarter capital expenditures for the duration of this low commodity price cycle, which, if prolonged, is expected to translate into a minor production decline in 2015 as compared to 2014."

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FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended Dec. 31, 2014	Three Months Ended Dec. 31, 2013
	(unaudited)	
Revenues:		
Oil, NGL and natural gas sales	$ 19,519,700	$ 18,473,082
Lease bonuses and rentals	29,291	196,229
Gains (losses) on derivative contracts	11,250,265	(496,901)
Income from partnerships	199,914	224,346
	30,999,170	18,396,756
Costs and expenses:		
Lease operating expenses	4,785,350	3,315,397
Production taxes	622,512	571,564
Exploration costs	25,352	38,755
Depreciation, depletion and amortization	6,139,019	5,308,019
Provision for impairment	2,191,997	202,991
Loss (gain) on asset sales and other	(1,982)	(77,455)
Interest expense	402,733	-
General and administrative	1,958,428	1,873,167
	16,123,409	11,232,438
Income before provision for income taxes	14,875,761	7,164,318
Provision for income taxes	4,642,000	2,238,000
Net income	$ 10,233,761	$ 4,926,318
Basic and diluted earnings per common share	$ 0.61	$ 0.29
Basic and diluted weighted average shares outstanding:		
Common shares	16,494,805	16,463,804
Unissued, directors' deferred compensation shares	262,121	246,122
	16,756,926	16,709,926

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Balance Sheets

	Dec. 31, 2014 (unaudited)	Sept. 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 519,605	$ 509,755
Oil, NGL and natural gas sales receivables	13,555,350	16,227,469
Refundable production taxes	612,791	625,996
Derivative contracts, net	12,333,036	1,650,563
Other	255,743	354,828
Total current assets	27,276,525	19,368,611
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	430,310,159	418,237,512
Non-producing oil and natural gas properties	9,394,878	10,260,717
Other	1,372,943	1,317,725
	441,077,980	429,815,954
Less accumulated depreciation, depletion and amortization	(210,823,119)	(204,731,661)
Net properties and equipment	230,254,861	225,084,293
Investments	2,053,420	1,936,421
Derivative contracts, net	-	251,279
Total assets	$ 259,584,806	$ 246,640,604
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,167,740	$ 7,034,773
Deferred income taxes	765,100	600,100
Income taxes payable	3,415,443	523,843
Accrued liabilities and other	1,264,994	1,290,858
Total current liabilities	11,613,277	9,449,574
Long-term debt	78,715,107	78,000,000
Deferred income taxes	38,382,907	37,363,907
Asset retirement obligations	2,696,836	2,638,470
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at Dec. 31, 2014, and Sept. 30, 2014	280,938	280,938
Capital in excess of par value	2,590,151	2,861,343
Deferred directors' compensation	3,211,940	3,110,351
Retained earnings	127,694,926	118,794,188
	133,777,955	125,046,820
Less treasury stock, at cost; 355,558 shares at Dec. 31, 2014, and 372,364 shares at Sept. 30, 2014	(5,601,276)	(5,858,167)
Total stockholders' equity	128,176,679	119,188,653
Total liabilities and stockholders' equity	$ 259,584,806	$ 246,640,604

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Condensed Statements of Cash Flows

	Three months ended Dec. 31, 2014	2013
Operating Activities	(unaudited)	
Net income	$ 10,233,761	$ 4,926,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	6,139,019	5,308,019
Impairment	2,191,997	202,991
Provision for deferred income taxes	1,184,000	326,000
Exploration costs	25,352	38,755
Gain from leasing of fee mineral acreage	(29,162)	(196,133)
Income from partnerships	(199,914)	(224,346)
Distributions received from partnerships	256,017	279,363
Directors' deferred compensation expense	101,589	114,069
Restricted stock awards	165,111	127,976
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	2,672,119	(956,975)
Fair value of derivative contracts	(10,431,194)	891,970
Refundable production taxes	13,205	53,824
Other current assets	99,085	(35,813)
Accounts payable	565,409	414,267
Income taxes payable	2,891,600	1,088,350
Accrued liabilities	(692,505)	(472,288)
Total adjustments	4,951,728	6,960,029
Net cash provided by operating activities	15,185,489	11,886,347
Investing Activities		
Capital expenditures, including dry hole costs	(14,901,631)	(9,892,262)
Acquisition of working interest properties	-	(1,550,205)
Acquisition of minerals and overrides	-	(56,250)
Proceeds from leasing of fee mineral acreage	29,798	216,773
Investments in partnerships	(173,103)	(143,695)
Net cash used in investing activities	(15,044,936)	(11,425,639)
Financing Activities		
Borrowings under debt agreement	12,335,774	2,280,280
Payments of loan principal	(11,620,667)	(4,542,536)
Purchase of treasury stock	(120,611)	(122,044)
Payments of dividends	(666,199)	(664,618)
Excess tax benefit on stock-based compensation	(59,000)	16,000
Net cash provided by (used in) financing activities	(130,703)	(3,032,918)
Increase (decrease) in cash and cash equivalents	9,850	(2,572,210)
Cash and cash equivalents at beginning of period	509,755	2,867,171
Cash and cash equivalents at end of period	$ 519,605	$ 294,961
Supplemental Schedule of Noncash Investing and Financing Activities		
Dividends declared and unpaid	$ 666,824	$ 663,654
Additions to asset retirement obligations	$ 26,452	$ 53,653
Gross additions to properties and equipment	$ 13,469,206	$ 9,843,214
Net (increase) decrease in accounts payable for properties and equipment additions	1,432,425	1,655,503
Capital expenditures and acquisitions, including dry hole costs	$ 14,901,631	$ 11,498,717

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PRODUCTION

	First Quarter Ended Dec. 31, 2014	First Quarter Ended Dec. 31, 2013
Mcfe Sold	3,737,483	3,509,270
Average Sales Price per Mcfe	$ 5.22	$ 5.26
Oil Barrels Sold	116,583	83,413
Average Sales Price per Barrel	$ 70.87	$ 93.66
Mcf Sold	2,601,161	2,785,952
Average Sales Price per Mcf	$ 3.59	$ 3.41
NGL Barrels Sold	72,804	37,140
Average Sales Price per Barrel	$ 26.19	$ 31.35

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
12/31/2014	116,583	2,601,161	72,804	3,737,483
9/30/2014	126,256	2,690,493	55,849	3,783,123
6/30/2014	70,479	2,508,346	63,029	3,309,394
3/31/2014	66,239	2,788,768	51,670	3,496,222
12/31/2013	83,413	2,785,952	37,140	3,509,270

The Company's derivative contracts in place for natural gas at Dec. 31, 2014, are outlined in its Form 10-Q for the period ending Dec. 31, 2014.

Panhandle Oil and Gas Inc. (NYSE: PHX) is engaged in the exploration for and production of natural gas and oil. Additional information on the Company can be found at www.panhandleoilandgas.com.

Forward-Looking Statements and Risk Factors – This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include current expectations or forecasts of future events. They may include estimates of oil and gas reserves, expected oil and gas production and future expenses, projections of future oil and gas prices, planned capital expenditures for drilling, leasehold acquisitions and seismic data, statements concerning anticipated cash flow and liquidity and Panhandle's strategy and other plans and objectives for future operations. Although Panhandle believes the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to be correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under "Risk Factors" in Part 1, Item 1 of Panhandle's 2014 Form 10-K filed with the Securities and Exchange Commission. These "Risk Factors" include the worldwide economic recession's continuing negative effects on the natural gas business; our hedging activities may reduce the realized prices received for natural gas sales; the volatility of oil and gas prices; Panhandle's ability to compete effectively against strong independent oil and gas companies and majors; the availability of capital on an economic basis to fund reserve replacement costs; Panhandle's ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil and gas reserves and projecting future rates of production and the amount and timing of development expenditures; uncertainties in evaluating oil and gas reserves; unsuccessful exploration and development drilling; decreases in the values of our oil and gas properties resulting in write-downs; the negative impact lower oil and gas prices could have on our ability to borrow; drilling and operating risks; and we cannot control activities on our properties as the Company is a non-operator.

Do not place undue reliance on these forward-looking statements, which speak only as of the date of this release, and Panhandle undertakes no obligation to update this information. Panhandle urges you to carefully review and consider the disclosures made in this presentation and Panhandle's filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect Panhandle's business.

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