FOR IMMEDIATE RELEASE
PLEASE CONTACT:
Paul F. Blanchard Jr.
405.948.1560
Website: www.panhandleoilandgas.com

May 5, 2017

PANHANDLE OIL AND GAS INC.
REPORTS FISCAL SECOND QUARTER AND SIX MONTHS 2017 RESULTS, MID-YEAR RESERVE UPDATE AND OPERATIONS UPDATE

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX) today reported financial and operating results for the Company's fiscal second quarter and six months ended March 31, 2017.

HIGHLIGHTS FOR THE PERIODS ENDED MARCH 31, 2017

- Recorded fiscal second quarter 2017 net income of $3,470,433, $0.21 per diluted share, as compared to net loss of $7,438,161, $0.44 per diluted share, for the 2016 quarter.
- Recorded six month 2017 net income of $1,232,041, $0.07 per diluted share, compared to net loss of $10,237,279, $0.61 per diluted share, for the 2016 six months.
- Generated cash from operating activities of $9,348,565 for the 2017 six-month period, well in excess of $7,721,254 of capital expenditures for drilling and equipping wells.
- Received lease bonus proceeds of $3.2 million in first six months of fiscal 2017.
- Reduced debt $0.5 million from Sept. 30, 2016, to $44 million as of March 31, 2017.
- Produced on average 26.1 Mmcfe/day for $3.78/Mcfe net realized price during the quarter.
- Proved reserves totaled 140.4 Bcfe at March 31, 2017, a 13% increase from reserves at Sept. 30, 2016.
- Generated 2017 second-quarter and six-month EBITDA of $5,775,445 and $10,072,948, respectively.

MANAGEMENT COMMENTS

Commenting on the results, Paul F. Blanchard Jr., President and CEO said, "Panhandle experienced a material shift in momentum this quarter. Net income for the quarter of $3.5 million was the highest for the Company since the first quarter of 2015. Our average sales price of oil, gas and NGL also reached the highest level since the first quarter of 2015 at $3.78 per Mcfe and we generated lease bonus revenues of $2.3 million. Compared to 2016 year-end, total mid-year 2017 proved reserves increased 16.4 Bcfe, while proved developed reserves increased 12.5 Bcfe. During the six months ended March 31, 2017, we funded $7.7 million in capital expenditures with cash flow, while reducing debt by $.5 million.

"The first phase of our 2017 capital investment program, four significant southeastern Oklahoma Woodford wells operated by BP, went on sales late in the quarter. Combined, the wells were producing approximately 4,000 Mcf per day net to Panhandle after approximately one month of sales. The first two Eagle Ford wells of our 2017 drilling program began producing in late April at initial rates above our expectations. Additional material production is scheduled to begin in the third and fourth quarters from projects underway in the Eagle Ford, southeastern Oklahoma Woodford and STACK plays.

"The Company's two high-potential Permian projects are advancing with the completion and initial production of two wells in the San Andres in Cochran County, Texas, operated by Element Petroleum, and QEP's current completion activity on the 2-mile lateral Woodford Shale well in Andrews/Winkler County, Texas. Initial results from both San Andres wells are encouraging, as they have begun producing oil in the early stages of completion fluid recovery. If successful, these two Permian projects have the potential to add material production and reserves to the Company.

*****MORE*****

"We are very excited by all the operational programs underway, and we believe they will provide substantial production and proved developed reserve growth momentum in the second half of 2017."

FISCAL SECOND QUARTER 2017 RESULTS

For the 2017 second quarter, the Company recorded net income of $3,470,433, or $0.21 per diluted share. This compared to a net loss of $7,438,161, or $0.44 per diluted share, for the 2016 second quarter. Net cash provided by operating activities increased 66% to $5,664,914 for the 2017 second quarter, versus $3,416,395 for the 2016 second quarter. Capital expenditures for the 2017 fiscal quarter totaled $5,546,731. In addition, the Company recorded a $10,788 non-cash provision for impairment in the 2017 quarter, as compared to an $8.1 million provision in the 2016 quarter.

Total revenues for the 2017 second quarter were $13,964,288, an 84% increase from $7,592,852 for the 2016 quarter. Oil, NGL and natural gas sales increased $2,754,716 or 45% in the 2017 quarter, compared to the 2016 quarter, as a result of a 72% increase in the average per Mcfe sales price somewhat offset by a 16% decrease in Mcfe production. The average sales price per Mcfe of production during the 2017 second quarter was $3.78, compared to $2.20 for the 2016 second quarter. The 2017 quarter included a $2.7 million gain on derivative contracts, as compared to a $1.0 million gain for the 2016 quarter.

Oil production decreased 27% in the 2017 quarter to 66,547 barrels, versus 90,760 barrels in the 2016 quarter, while gas production decreased 13% to 1,748,909 Mcf for the 2017 quarter, compared to the 2016 quarter. In addition, 33,836 barrels of NGL were sold in the 2017 quarter, as compared to 37,934 barrels in the 2016 quarter.

SIX MONTHS 2017 RESULTS

For the 2017 six months, the Company recorded net income of $1,232,041, or $0.07 per diluted share. This compared to a net loss of $10,237,279, or $0.61 per diluted share, for the 2016 six months. Net cash provided by operating activities decreased 32% year over year to $9,348,565 for the 2017 six months, versus the 2016 six months, but fully funded costs to drill and equip wells. Capital expenditures for the 2017 six months totaled $7,721,254. The Company recorded a $10,788 non-cash provision for impairment in the 2017 six months, as compared to an $11.8 million provision in the 2016 period.

Total revenues for the 2017 six months were $21,000,931, a 10% increase from $19,038,708 for the 2016 six months. Oil, NGL and natural gas sales increased $2,598,646 or 17% in the 2017 six months, compared to the 2016 six months, as a result of a 43% increase in the average per Mcfe sales price somewhat offset by an 18% decrease in Mcfe production. The average sales price per Mcfe of production during the 2017 six months was $3.65, compared to $2.56 for the 2016 six months. The 2017 six months included a $38,650 gain on derivative contracts as compared to a $940,177 gain for the 2016 period.

Oil production decreased 28% in the 2017 six months to 142,183 barrels from 197,122 barrels in the 2016 six months, while gas production decreased 632,460 Mcf, or 15%, compared to the 2016 six months. In addition, 69,487 barrels of NGL were sold in the 2017 six months, which was a 19% decrease compared to 2016 NGL volumes.

RESERVES UPDATE

March 31, 2017, mid-year proved reserves were 140.4 Bcfe, as calculated by the Company's independent consulting petroleum engineering firm, DeGolyer and MacNaughton. This was an increase of 13%, compared to the 124.0 Bcfe of proved reserves at Sept. 30, 2016. SEC prices used for the March 31, 2017, report averaged $2.45 per Mcf for natural gas, $43.10 per barrel for oil and $15.84 per barrel for NGL, compared to $1.97 per Mcf for natural gas, $36.77 per barrel for oil and $12.22 per barrel for NGL at the Sept. 30, 2016, report. The above prices reflect the net prices received at the wellhead. Total proved developed reserves increased 15% to 93.9 Bcfe, as compared to Sept. 30, 2016, reserve volumes.

*****MORE*****

OPERATIONS UPDATE

Drilling and completion activities continue on five significant projects. Three are in the cores of lower risk resource plays and two are higher risk plays in the Permian Basin.

Southeastern Oklahoma Woodford Shale: Panhandle is participating in eight significant wells operated by BP. The first four wells, each with 25% working interest and 31.25% net revenue interest, began producing in late February and early March. After approximately one month of production, the four wells combined were producing 4,000 Mcf per day net to Panhandle. The remaining four wells, each with 15% working interest and 23.6% net revenue interest, are currently being completed and are expected to begin producing in May. Panhandle currently has an additional 1,411 gross undeveloped locations identified in this play with 3P net reserves of 221 Bcfe.

Eagle Ford: Six wells have been drilled on the leasehold during 2017. Panhandle owns an average 16.6% working interest and 12.4% net revenue interest in these wells. The first two wells began producing in late April and are currently making a combined rate of 300 Boe per day net to Panhandle after ten days on production. The remaining four wells are scheduled to be completed in June with initial production expected from those wells in July. An additional four-well pad, with 8.2% working interest and 6.1% net revenue interest, is scheduled to begin drilling this month. These wells should be on production during our fourth quarter, 2017. Panhandle has 97 additional Eagle Ford infill development locations identified on its acreage with 3P net reserves of 6.2 million Boe.

STACK/Cana Play: The Company is participating with a 17.5% working interest and a 16.25% net revenue interest in six Woodford Shale wells operated by Cimarex Energy. All six wells have been drilled, and completion activity is planned to begin mid-May, with initial production from all six wells scheduled for mid-June. Panhandle currently has an additional 1,135 gross undeveloped locations identified in STACK/SCOOP/Cana with 3P net reserves of 166 Bcfe.

Activity in these three low-risk resource plays is anticipated to result in material increases in daily oil, NGL and natural gas production in our 2017 third and fourth quarters. This activity will also result in a material increase in second half 2017 capital expenditures, when compared to the same period in 2016.

Permian Basin: QEP is currently completing a 2-mile lateral Woodford Shale well on the Company's contiguous 43.6-square-mile mineral holdings in Andrews and Winkler Counties, Texas. Panhandle has leased its 2,440 net mineral acres in the block and is entitled to a proportionately reduced 25% royalty. Panhandle also has the right to participate with up to 10% working interest in each unit as initial unit wells are proposed. With full participation, Panhandle would have a 7% working interest and a 7.5% net revenue interest in these new units within the 43.6-square-mile block.

Also in the Permian Basin, Element Petroleum is evaluating the San Andres formation on and around Panhandle's contiguous 34.5-square-mile gross acreage block in Cochran County, Texas. The Company has leased 4,050 net mineral acres to Element and has a proportionately reduced 25% royalty. Panhandle also has the right to participate with 10% working interest in each unit as initial unit wells are proposed. With full participation, Panhandle would have a 10% working interest and a 12.1% net revenue interest in these new units within the 34.5-square-mile block. Thus far, Element has drilled and cored five pilot wells, completed one salt water disposal well, drilled another salt water disposal well and completed two 1.5-mile lateral wells in the San Andres. The two completed San Andres wells are in early stages of completion fluid recovery, but have already started producing oil. Element has scheduled the drilling and completion of eight additional San Andres wells between now and October 2017.

HEDGING UPDATE

As of May 1, 2017, the Company had protected approximately 5.7 Bcf of its gas production from April 2017 through March 2018 at an average floor price of $3.15 per Mcf and an average ceiling price $3.48 per Mcf. The Company has also protected 201,000 barrels of oil production for the same period with an average floor price of $51.32 and an average ceiling price of $55.79. The oil and gas hedges consist of swaps and costless collars.

*****MORE*****

FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Revenues:				
Oil, NGL and natural gas sales	$ 8,890,902	$ 6,136,186	$ 17,790,120	$ 15,191,474
Lease bonuses and rentals	2,334,203	481,553	3,172,161	2,907,057
Gains (losses) on derivative contracts	2,739,183	975,113	38,650	940,177
	13,964,288	7,592,852	21,000,931	19,038,708
Costs and expenses:				
Lease operating expenses	3,105,496	3,187,353	6,154,911	6,753,889
Production taxes	371,553	229,140	739,398	550,981
Depreciation, depletion and amortization	4,105,655	6,045,883	8,939,918	13,003,535
Provision for impairment	10,788	8,115,791	10,788	11,849,064
Loss (gain) on asset sales and other	91,337	34,054	86,998	(204,915)
Interest expense	286,398	342,348	578,767	702,910
General and administrative	1,719,628	1,651,444	3,562,110	3,563,523
	9,690,855	19,606,013	20,072,890	36,218,987
Income (loss) before provision (benefit) for income taxes	4,273,433	(12,013,161)	928,041	(17,180,279)
Provision (benefit) for income taxes	803,000	(4,575,000)	(304,000)	(6,943,000)
Net income (loss)	$ 3,470,433	$ (7,438,161)	$ 1,232,041	$ (10,237,279)
Basic and diluted earnings (loss) per common share	$ 0.21	$ (0.44)	$ 0.07	$ (0.61)
Basic and diluted weighted average shares outstanding:				
Common shares	16,644,755	16,579,116	16,624,229	16,571,488
Unissued, directors' deferred compensation shares	277,167	259,381	277,200	258,206
	16,921,922	16,838,497	16,901,429	16,829,694
Dividends declared per share of common stock and paid in period	$ 0.04	$ 0.04	$ 0.08	$ 0.08

*****MORE*****

Balance Sheets

	March 31, 2017 (unaudited)	Sept. 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 551,671	$ 471,213
Oil, NGL and natural gas sales receivables (net of allowance for uncollectable accounts)	5,150,560	5,287,229
Refundable income taxes	876,362	83,874
Other	337,712	419,037
Total current assets	6,916,305	6,261,353
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	435,198,500	434,469,093
Non-producing oil and natural gas properties	7,497,046	7,574,649
Other	1,071,876	1,069,658
	443,767,422	443,113,400
Less accumulated depreciation, depletion and amortization	(251,168,113)	(251,707,749)
Net properties and equipment	192,599,309	191,405,651
Investments	169,473	157,322
Total assets	$ 199,685,087	$ 197,824,326
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,294,624	$ 2,351,623
Derivative contracts, net	43,705	403,612
Accrued liabilities and other	1,521,993	1,718,558
Total current liabilities	6,860,322	4,473,793
Long-term debt	44,000,000	44,500,000
Deferred income taxes	30,600,007	30,676,007
Asset retirement obligations	3,054,646	2,958,048
Derivative contracts, net	-	24,659
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at March 31, 2017, and Sept. 30, 2016	280,938	280,938
Capital in excess of par value	2,431,161	3,191,056
Deferred directors' compensation	3,277,619	3,403,213
Retained earnings	112,373,669	112,482,284
	118,363,387	119,357,491
Less treasury stock, at cost; 194,213 shares at March 31, 2017, and 262,708 shares at Sept. 30, 2016	(3,193,275)	(4,165,672)
Total stockholders' equity	115,170,112	115,191,819
Total liabilities and stockholders' equity	$ 199,685,087	$ 197,824,326

*****MORE*****

Condensed Statements of Cash Flows

	Six months ended March 31, 2017	Six months ended March 31, 2016
Operating Activities		
Net income (loss)	$ 1,232,041	$ (10,237,279)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	8,939,918	13,003,535
Impairment	10,788	11,849,064
Provision for deferred income taxes	(76,000)	(7,405,000)
Gain from leasing of fee mineral acreage	(3,171,490)	(2,906,480)
Proceeds from leasing of fee mineral acreage	3,191,075	3,193,775
Net (gain) loss on sale of assets	87,161	(271,080)
Directors' deferred compensation expense	176,368	168,402
Restricted stock awards	317,633	508,095
Other	(835)	70,289
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	136,669	3,644,841
Fair value of derivative contracts	(384,566)	3,880,013
Refundable production taxes	-	21,983
Other current assets	81,325	(79,829)
Accounts payable	(203,053)	(510,114)
Income taxes receivable	(792,488)	(775,806)
Accrued liabilities	(195,981)	(393,984)
Total adjustments	8,116,524	23,997,704
Net cash provided by operating activities	9,348,565	13,760,425
Investing Activities		
Capital expenditures, including dry hole costs	(7,721,254)	(2,554,543)
Investments in partnerships	(17,220)	48,462
Proceeds from sales of assets	718,700	627,547
Net cash provided (used) by investing activities	(7,019,774)	(1,878,534)
Financing Activities		
Borrowings under debt agreement	7,038,699	6,078,919
Payments of loan principal	(7,538,699)	(16,578,919)
Purchase of treasury stock	(407,677)	(117,165)
Payments of dividends	(1,340,656)	(1,338,011)
Excess tax benefit on stock-based compensation	-	(44,000)
Net cash provided (used) by financing activities	(2,248,333)	(11,999,176)
Increase (decrease) in cash and cash equivalents	80,458	(117,285)
Cash and cash equivalents at beginning of period	471,213	603,915
Cash and cash equivalents at end of period	$ 551,671	$ 486,630
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	$ 32,236	$ 7,160
Gross additions to properties and equipment	$ 10,867,308	$ 2,483,225
Net (increase) decrease in accounts payable for properties and equipment additions	(3,146,054)	71,318
Capital expenditures and acquisitions, including dry hole costs	$ 7,721,254	$ 2,554,543

*****MORE*****

Proved Reserves

	SEC Pricing			
	March 31, 2017		Sept. 30, 2016	
Proved Developed Reserves:	(unaudited)			
Barrels of NGL		1,138,567		1,095,256
Barrels of Oil		1,972,247		1,980,519
Mcf of Gas		75,234,358		62,929,047
Mcfe (1)		93,899,242		81,383,697
Proved Undeveloped Reserves:				
Barrels of NGL		1,085,425		527,447
Barrels of Oil		3,565,651		3,445,571
Mcf of Gas		18,573,817		18,796,551
Mcfe (1)		46,480,273		42,634,659
Total Proved Reserves:				
Barrels of NGL		2,223,992		1,622,703
Barrels of Oil		5,537,898		5,426,090
Mcf of Gas		93,808,175		81,725,598
Mcfe (1)		140,379,515		124,018,356
10% Discounted Estimated Future Net Cash Flows (before income taxes):				
Proved Developed	$	81,049,074	$	55,586,606
Proved Undeveloped		10,970,478		(7,696,741)
Total	$	92,019,552	$	47,889,865
SEC Pricing				
Oil/Barrel	$	43.10	$	36.77
Gas/Mcf	$	2.45	$	1.97
NGL/Barrel	$	15.84	$	12.22

Proved Reserves - NYMEX Futures Pricing (2)

10% Discounted Estimated Future Net Cash Flows (before income taxes):	Proved Reserves			
	March 31, 2017		Sept. 30, 2016	
Proved Developed	$	93,527,500	$	99,901,435
Proved Undeveloped		23,987,020		26,931,306
Total	$	117,514,520	$	126,832,741

(1) Crude oil and NGL converted to natural gas on a one barrel of crude oil or NGL equals six Mcf of natural gas basis
(2) NYMEX Futures Pricing as of March 31, 2017, and Sept. 30, 2016, basis adjusted to Company wellhead price

OPERATING HIGHLIGHTS

	Second Quarter Ended March 31, 2017	Second Quarter Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Mcfe Sold	2,351,207	2,786,303	4,868,621	5,929,703
Average Sales Price per Mcfe	$ 3.78	$ 2.20	$ 3.65	$ 2.56
Oil Barrels Sold	66,547	90,760	142,183	197,122
Average Sales Price per Barrel	$ 47.93	$ 27.19	$ 46.96	$ 33.75
Mcf Sold	1,748,909	2,014,139	3,598,601	4,231,061
Average Sales Price per Mcf	$ 2.89	$ 1.64	$ 2.72	$ 1.78
NGL Barrels Sold	33,836	37,934	69,487	85,985
Average Sales Price per Barrel	$ 19.17	$ 9.85	$ 18.90	$ 11.49

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
3/31/2017	66,547	1,748,909	33,836	2,351,207
12/31/2016	75,636	1,849,692	35,651	2,517,414
9/30/2016	78,398	1,940,749	44,598	2,678,725
6/30/2016	88,732	2,112,567	40,477	2,887,821
3/31/2016	90,760	2,014,139	37,934	2,786,303

The Company’s derivative contracts in place for natural gas at March 31, 2017, are outlined in its Form 10-Q for the period ending March 31, 2017.

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 2016 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; Panhandle’s hedging activities may reduce the realized prices received for natural gas sales; the volatility of oil and gas prices; the Company’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, as 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.

*****END*****