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**PANHANDLE OIL AND GAS INC.
REPORTS FISCAL THIRD QUARTER AND NINE MONTHS 2014 RESULTS**

Company Increases Nine Month Net Income 91% and Mcfe Production 9%

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX) today reported financial and operating results for the Company's fiscal third quarter and nine months ended June 30, 2014.

HIGHLIGHTS FOR THE PERIODS ENDED JUNE 30, 2014

- Recorded nine month 2014 net income of \$15,703,476, \$1.88 per diluted share, compared to net income of \$8,240,953, \$0.99 per diluted share, for the 2013 nine months.
- Recorded fiscal third quarter 2014 net income of \$5,122,585, \$0.61 per diluted share, as compared to \$5,070,168, \$0.61 per diluted share, for the 2013 quarter.
- Generated cash from operating activities of \$36,438,536 for the 2014 nine-month period, well in excess of \$26,693,851 of capital expenditures for drilling and equipping wells.
- Reported 2014 third-quarter and nine-month production of 3,309,394 Mcfe and 10,314,886 Mcfe, respectively, which were increases of 2% and 9%, respectively, over the same periods of fiscal 2013.
- Continued to record increased oil production, 27% and 42% for the 2014 quarter and nine months, respectively, as compared to the same 2013 periods.
- Continued to record increased natural gas liquids (NGL) production, 146% and 86% for the 2014 quarter and nine months, respectively, as compared to the same 2013 periods.
- Closed largest acquisition in Company history on June 17, 2014.

FISCAL THIRD QUARTER 2014 RESULTS

For the 2014 third quarter, the Company recorded net income of \$5,122,585, or \$0.61 per diluted share. This compared to net income of \$5,070,168, or \$0.61 per diluted share, for the 2013 third quarter. Net cash provided by operating activities increased 68% to \$14,705,184 for the 2014 third quarter, versus the 2013 third quarter. Capital expenditures for drilling and completing wells for the 2014 fiscal quarter totaled \$9,086,863 and continue to be principally directed toward oil and NGL rich plays in western and south central Oklahoma, the Texas Panhandle, and, subsequent to the acquisition, in the Eagle Ford Shale. The 2014 quarter included a \$1.4 million loss on derivative contracts as compared to a \$1.7 million gain for the 2013 period. The Company principally uses derivative contracts of less than one year duration to provide protection against significant declines in cash flows from fluctuations in the price of natural gas and, to a lesser extent, oil and will typically hedge around 50% of its expected production volumes.

Total revenues for the 2014 third quarter were \$18,374,977, a 4% increase from \$17,730,445 for the 2013 quarter. Oil, NGL and natural gas sales increased \$3,707,408 or 23% in the 2014 quarter, compared to the 2013 quarter, as a result of a 2% increase in Mcfe production and a 20% increase in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2014 third quarter was \$5.90, compared to \$4.90 for the 2013 third quarter. Increases in the sales price of natural gas and higher sales volumes of high-value oil and NGL combined to improve the average sales price per Mcfe.

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- 1 -

Oil production increased 27% in the 2014 quarter to 70,479 barrels versus 55,474 barrels in the 2013 quarter, while gas production of 2,508,346 Mcf for the 2014 quarter decreased 9% compared to the 2013 quarter. In addition, 63,029 barrels of NGL were sold in the 2014 quarter as compared to 25,660 barrels in the 2013 quarter, an increase of 146%.

NINE MONTHS 2014 RESULTS

For the 2014 nine months, the Company recorded net income of \$15,703,476, or \$1.88 per diluted share. This compared to net income of \$8,240,953, or \$0.99 per diluted share, for the 2013 nine months. Net cash provided by operating activities increased 51% year over year to \$36,438,536 for the 2014 nine months versus the 2013 nine months. Again, cash flow from operations fully funded costs to drill and equip wells for the nine months. Capital expenditures for the 2014 nine months totaled \$113,509,546, which included \$26,693,851 for drilling and equipping wells and acquisitions of \$86,815,695. The 2014 nine months included a \$3.5 million loss on derivative contracts as compared to a \$0.8 million gain for the 2013 period.

Total revenues for the 2014 nine months were \$56,523,778, a 27% increase from \$44,492,866 for the 2013 nine months. Oil, NGL and natural gas sales increased \$16,428,993 or 38% in the 2014 nine months, compared to the 2013 nine months, as a result of a 9% increase in Mcfe production and a 27% increase in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2014 nine months was \$5.73, compared to \$4.50 for the 2013 nine months.

Oil production increased 42% in the 2014 nine months to 220,131 barrels from 154,697 barrels in the 2013 nine months while gas production increased 16,816 Mcf compared to the 2013 nine months. In addition, 151,839 barrels of NGL were sold in the 2014 nine months which was an 86% increase compared to 2013 NGL volumes. Drilling expenditures over the last 18 months targeting the oil and NGL rich plays are responsible for the increased oil and NGL volumes.

MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO, said: "The 2014 third quarter was again an excellent financial, as well as operational, quarter. Our continued focus on increasing production of oil and NGLs and the increase of average natural gas prices in fiscal 2014 have combined to increase Panhandle's average per Mcfe sales price 27%, to \$5.73, for the 2014 nine month period."

Coffman continued: "The Eagle Ford acquisition was closed on June 17, thus only 14 days of production from these wells is included in third-quarter production numbers. The fourth quarter of fiscal 2014 will include a full quarter of production from these assets, which will materially increase oil production and profitability for the fourth quarter. And, with over 100 locations remaining to drill on the Eagle Ford acreage, these assets will continue to provide meaningful oil production for Panhandle for many years."

OPERATIONS UPDATE

Paul Blanchard, Senior Vice President and COO, said: "Our recently acquired Eagle Ford properties produced 845 Boe per day, net, in June 2014. The production was 83% oil, 9% NGL and 8% natural gas. Development activity is ongoing as planned on the property with one well drilling, one well waiting on completion and four wells currently being completed."

Blanchard continued: "The consecutive quarter decline in natural gas production was largely attributable to wells placed on production in late 2013 and early 2014 experiencing the typical steep initial decline rates combined with a slowdown in gas wells being placed on production during the two recent quarters. Based on well proposals received and current drilling and completion activity, we anticipate new gas well production will accelerate to higher levels in coming quarters, which should result in an overall increase in natural gas production."

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FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Revenues:				
Oil, NGL and natural gas sales	\$ 19,534,545	\$ 15,827,137	\$ 59,115,928	\$ 42,686,935
Lease bonuses and rentals	137,476	24,146	353,422	539,479
Gains (losses) on derivative contracts	(1,427,165)	1,714,832	(3,511,095)	796,166
Income from partnerships	130,121	164,330	565,523	470,286
	<u>18,374,977</u>	<u>17,730,445</u>	<u>56,523,778</u>	<u>44,492,866</u>
Costs and expenses:				
Lease operating expenses	2,961,750	3,105,709	9,930,147	9,040,613
Production taxes	593,941	460,902	1,871,538	1,177,341
Exploration costs	6,956	25,648	70,140	60,827
Depreciation, depletion and amortization	5,314,777	5,192,544	15,562,630	17,090,187
Provision for impairment	-	7,400	430,143	225,841
Loss (gain) on asset sales, interest and other	44,594	29,789	71,783	(138,921)
General and administrative	1,825,374	1,585,285	5,349,921	5,127,025
	<u>10,747,392</u>	<u>10,407,277</u>	<u>33,286,302</u>	<u>32,582,913</u>
Income before provision for income taxes	<u>7,627,585</u>	<u>7,323,168</u>	<u>23,237,476</u>	<u>11,909,953</u>
Provision for income taxes	<u>2,505,000</u>	<u>2,253,000</u>	<u>7,534,000</u>	<u>3,669,000</u>
Net income	<u>\$ 5,122,585</u>	<u>\$ 5,070,168</u>	<u>\$ 15,703,476</u>	<u>\$ 8,240,953</u>
Basic and diluted earnings per common share	<u>\$ 0.61</u>	<u>\$ 0.61</u>	<u>\$ 1.88</u>	<u>\$ 0.99</u>
Basic and diluted weighted average shares outstanding:				
Common shares	8,237,020	8,163,520	8,235,186	8,247,642
Unissued, directors' deferred compensation shares	127,835	116,762	126,051	113,259
	<u>8,364,855</u>	<u>8,280,282</u>	<u>8,361,237</u>	<u>8,360,901</u>
Dividends declared per share of common stock and paid in period	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ 0.24</u>	<u>\$ 0.21</u>

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Balance Sheets

	June 30, 2014 (unaudited)	Sept. 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,511,057	\$ 2,867,171
Oil, NGL and natural gas sales receivables	15,070,653	13,720,761
Refundable income taxes	3,160,243	-
Refundable production taxes	760,947	662,051
Derivative contracts, net	-	425,198
Other	3,660,589	129,998
Total current assets	<u>24,163,489</u>	<u>17,805,179</u>
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	408,816,025	304,889,145
Non-producing oil and natural gas properties	9,544,840	8,932,905
Other	1,305,473	737,368
	<u>419,666,338</u>	<u>314,559,418</u>
Less accumulated depreciation, depletion and amortization	(198,439,791)	(186,641,291)
Net properties and equipment	<u>221,226,547</u>	<u>127,918,127</u>
Investments	1,653,406	1,574,642
Refundable production taxes	159,845	540,482
Total assets	<u>\$ 247,203,287</u>	<u>\$ 147,838,430</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 8,031,138	\$ 8,409,634
Derivative contracts, net	1,944,091	-
Deferred income taxes	9,100	127,100
Income taxes payable	-	751,992
Accrued liabilities and other	1,111,910	1,011,865
Total current liabilities	<u>11,096,239</u>	<u>10,300,591</u>
Long-term debt	85,852,794	8,262,256
Deferred income taxes	37,308,907	31,226,907
Asset retirement obligations	2,855,520	2,393,190
Derivative contracts, net	62,138	-
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at June 30, 2014, and Sept. 30, 2013	140,524	140,524
Capital in excess of par value	2,767,615	2,587,838
Deferred directors' compensation	3,026,134	2,756,526
Retained earnings	110,162,113	96,454,449
	<u>116,096,386</u>	<u>101,939,337</u>
Less treasury stock, at cost; 192,874 shares at June 30, 2014, and 200,248 shares at Sept. 30, 2013	(6,068,697)	(6,283,851)
Total stockholders' equity	<u>110,027,689</u>	<u>95,655,486</u>
Total liabilities and stockholders' equity	<u>\$ 247,203,287</u>	<u>\$ 147,838,430</u>

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Condensed Statements of Cash Flows

	Nine months ended June 30,	
	2014	2013
	(unaudited)	
Operating Activities		
Net income	\$ 15,703,476	\$ 8,240,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	15,562,630	17,090,187
Impairment	430,143	225,841
Provision for deferred income taxes	5,964,000	2,651,000
Exploration costs	70,140	60,827
Gain from leasing of fee mineral acreage	(352,930)	(538,133)
Net (gain) loss on sale of assets	152,766	(208,750)
Income from partnerships	(565,523)	(470,286)
Distributions received from partnerships	734,825	603,249
Directors' deferred compensation expense	269,608	288,759
Restricted stock awards	499,791	541,937
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	(1,349,892)	(3,885,005)
Fair value of derivative contracts	2,431,427	(987,249)
Refundable production taxes	281,741	253,048
Other current assets	(25,098)	78,889
Accounts payable	443,438	(48,038)
Income taxes receivable	(3,160,243)	325,715
Income taxes payable	(751,992)	50,854
Accrued liabilities	100,229	(80,584)
Total adjustments	<u>20,735,060</u>	<u>15,952,261</u>
Net cash provided by operating activities	<u>36,438,536</u>	<u>24,193,214</u>
Investing Activities		
Capital expenditures, including dry hole costs	(26,693,851)	(20,576,359)
Acquisition of working interest properties	(86,759,445)	-
Acquisition of minerals and overrides	(56,250)	(783,750)
Proceeds from leasing of fee mineral acreage	381,280	557,196
Investments in partnerships	(248,066)	(607,702)
Proceeds from sales of assets	92,000	870,610
Net cash used in investing activities	<u>(113,284,332)</u>	<u>(20,540,005)</u>
Financing Activities		
Borrowings under debt agreement	95,112,044	9,353,651
Payments of loan principal	(17,521,506)	(10,663,399)
Purchase of treasury stock	(122,044)	(1,214,638)
Payments of dividends	(1,995,812)	(1,746,217)
Excess tax benefit on stock-based compensation	17,000	15,000
Net cash provided by (used in) financing activities	<u>75,489,682</u>	<u>(4,255,603)</u>
Increase (decrease) in cash and cash equivalents	(1,356,114)	(602,394)
Cash and cash equivalents at beginning of period	2,867,171	1,984,099
Cash and cash equivalents at end of period	<u>\$ 1,511,057</u>	<u>\$ 1,381,705</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	<u>\$ 370,536</u>	<u>\$ 119,166</u>
Gross additions to properties and equipment	\$ 109,182,119	\$ 21,660,852
Net (increase) decrease in accounts payable for properties and equipment additions	4,327,427	(300,743)
Capital expenditures and acquisitions, including dry hole costs	<u>\$ 113,509,546</u>	<u>\$ 21,360,109</u>

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OPERATING HIGHLIGHTS

	Third Quarter June 30, 2014	Third Quarter June 30, 2013	Nine Months June 30, 2014	Nine Months June 30, 2013
Mcfe Sold	3,309,394	3,229,800	10,314,886	9,483,576
Average Sales Price per Mcfe	\$ 5.90	\$ 4.90	\$ 5.73	\$ 4.50
Oil Barrels Sold	70,479	55,474	220,131	154,697
Average Sales Price per Barrel	\$ 97.90	\$ 88.02	\$ 94.74	\$ 86.73
Mcf Sold	2,508,346	2,742,996	8,083,066	8,066,250
Average Sales Price per Mcf	\$ 4.20	\$ 3.75	\$ 4.11	\$ 3.35
NGL Barrels Sold	63,029	25,660	151,839	81,524
Average Sales Price per Barrel	\$ 33.51	\$ 25.79	\$ 32.99	\$ 27.22

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
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
9/30/2013	79,387	2,820,079	30,373	3,478,639
6/30/2013	55,474	2,742,996	25,660	3,229,800

The Company's derivative contracts in place for natural gas at June 30, 2014, are outlined in its Form 10-Q for the period ending June 30, 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 2013 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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