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Aug. 6, 2015

PANHANDLE OIL AND GAS INC.
REPORTS FISCAL THIRD-QUARTER AND NINE-MONTHS 2015 RESULTS AND OPERATIONS UPDATE

Company Records Nine-Month Net Income of $10,209,022, $0.61 per Share

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, 2015.

HIGHLIGHTS FOR THE PERIODS ENDED JUNE 30, 2015

- Recorded nine-month 2015 net income of $10,209,022, $0.61 per diluted share, compared to net income of $15,703,476, $0.94 per diluted share, for the 2014 nine months.
- Recorded fiscal third quarter 2015 net loss of $728,946, $0.04 per diluted share, as compared to net income $5,122,585, $0.31 per diluted share, for the 2014 quarter.
- Generated cash from operating activities of $37,347,802 for the 2015 nine-month period, well in excess of $23,613,349 of capital expenditures for drilling and equipping wells.
- Reported 2015 third-quarter and nine-month production of 3,315,899 Mcfe and 10,508,647 Mcfe, respectively, which were flat and a 2% increase, respectively, over the same periods of fiscal 2014.
- Reduced debt $12.5 million from Sept. 30, 2014, to $65.5 million.

FISCAL THIRD QUARTER 2015 RESULTS

For the 2015 third quarter, the Company recorded net loss of $728,946, or $0.04 per diluted share. This compared to net income of $5,122,585, or $0.31 per diluted share, for the 2014 third quarter. Net cash provided by operating activities decreased 35% to $9,693,886 for the 2015 third quarter, versus the 2014 third quarter. Capital expenditures for drilling and completing wells for the quarter totaled $3,815,353 and continue to be principally directed to drilling of wells in south central Oklahoma and the completion of wells drilled in 2014 in the Bakken. The 2015 quarter and the 2014 quarter both included losses on derivative contracts of $1.4 million. Actual cash receipts from derivative contracts in the 2015 quarter were $3.6 million with the change in the fair market value for derivatives during the 2015 quarter being $(5.0) million (pre-tax). 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. The Company has typically hedged around 50% of its expected production volumes.

Total revenues for the 2015 third quarter were $11,748,888, a 36% decrease from $18,374,977 for the 2014 quarter. Oil, NGL and natural gas sales decreased $8,090,955 or 41% in the 2015 quarter, compared to the 2014 quarter, resulting from flat production volumes and a 42% decrease in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2015 third quarter was $3.45, compared to $5.90 for the 2014 third quarter. The sales prices of natural gas and oil both declined 48% while NGL declined 57% as compared to the 2014 quarter.

The Company closed on several leases of our mineral acreage in the quarter, which generated $1.7 million of lease bonus revenue. The largest of these leases was in West Texas and generated $1.2 million of lease bonus.

Oil production increased 56% in the 2015 quarter to 109,738 barrels, versus 70,479 barrels in the 2014 quarter while gas production of 2,407,049 Mcf for the 2015 quarter decreased 4% compared to the 2014 quarter. In addition, 41,737 barrels of NGL were sold in the 2015 quarter as compared to 63,029 barrels in the 2014 quarter, a decrease of 34%.

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NINE MONTHS 2015 RESULTS

For the 2015 nine months, the Company recorded net income of $10,209,022, or $0.61 per diluted share. This compared to net income of $15,703,476, or $0.94 per diluted share, for the 2014 nine months. Net cash provided by operating activities increased 2% year over year to $37,347,802 for the 2015 nine months, versus the 2014 nine months. Once again, cash flow from operations fully funded costs to drill and equip wells for the nine months. Capital expenditures for the 2015 nine months totaled $23,921,529, which included $23,613,349 for drilling and equipping wells and acquisitions of $308,180. The 2015 nine months included an $11.7 million gain on derivative contracts as compared to a $3.5 million loss for the 2014 period.

Total revenues for the 2015 nine months were $57,427,092, a 2% increase from $56,523,778 for the 2014 nine months. However, oil, NGL and natural gas sales decreased $15,715,089 to $43,400,839, or 27% in the 2015 nine months, compared to the 2014 nine months, as the net result of a 2% increase in Mcfe production and a 28% decrease in the average per Mcfe sales price. The average sales price per Mcfe of production during the 2015 nine months was $4.13, compared to $5.73 for the 2014 nine months.

Oil production increased 55% in the 2015 nine months to 340,888 barrels from 220,131 barrels in the 2014 nine months while gas production decreased 599,079 Mcf compared to the 2014 nine months. In addition, 163,222 barrels of NGL were sold in the 2015 nine months, which was a 7% increase compared to 2014 NGL volumes. The Eagle Ford acquisition made in June 2014 continues to be the basis for 2015 increased oil production; while normal decline in production and significantly decreased dry natural gas drilling are responsible for the gas production decline.

MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO, said: “Difficult times due to low product prices continue to depress our industry. Panhandle has been through several of these cycles during its almost 90-year history and will undoubtedly see more in the future. We have always strived to maintain a conservative management philosophy and a simple financial structure which has served Panhandle well, especially during the lean times.”

Coffman continued: “We will continue to focus on the longer-term outlook and are in the enviable position of being able to deploy drilling capital only when and where we can expect to earn a reasonable rate of return, as we have no need to drill to hold acreage. The Company continues to maintain the flexibility to be opportunistic in acquiring assets that would be accretive to shareholder value. Further, our geographic and play diversity and product mix position the Company to manage its way through this difficult price cycle. We will continue to reduce our debt with available excess cash flow.”

OPERATIONS UPDATE

Paul Blanchard, Senior Vice President and COO, said: “The Company entered into a land lease agreement in the Permian Basin in Andrews and Winkler Counties, Texas, during the third quarter. We leased out approximately 2,400 net mineral acres in 40+ sections (square miles) that have multiple well stacked pay potential in the Wolfcamp, Strawn, Atoka, Barnett and Woodford. The lease generated $1.2 million in cash bonus for Panhandle during the quarter, and the Company will receive a 25% royalty from the leased property. Additionally, Panhandle has the right to buy back the lease and participate with its original interest, up to a maximum 10% working interest, in each unit when the initial well in a unit is proposed. This deal structure secures the significant lease bonus and an attractive royalty for Panhandle while maintaining the option to participate with a material working interest should the project meet our investment standards.

“Panhandle continues to maintain its long-term investment philosophy during this commodity price downturn. We are receiving a reduced volume of well proposals, and many of those proposals do not meet our criteria to participate. Therefore our drilling and completion capital expenditures are relatively low. If this low commodity price environment persists through 2016, the Company projects that a reduced level of capital expenditures will result in a small decrease in next year’s production relative to 2015.

“Recent investments included the completion of five high-rate Bakken oil wells on Panhandle’s mineral acreage in the Fort Berthold area of North Dakota. These wells were drilled in 2014 but completion was deferred until May of 2015. Panhandle owns a 6.25% working and net revenue interest in all five wells which began producing in late May. Additional notable investments during the quarter included drilling and completion activity on our mineral holdings in the SCOOP Woodford play in the Anadarko and Marietta Basins in south central Oklahoma and the Springer play in the Anadarko Basin in south central

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Oklahoma. This drilling activity in the core of SCOOP is projected to generate favorable rates of return at recent NYMEX futures pricing.

"Five of our six Eagle Ford wells drilled in 2014 are scheduled to be completed beginning in August 2015, with production anticipated to begin in early October 2015. Panhandle owns a 16% working interest and approximately 12% net revenue interest in these wells. The operator of our Eagle Ford properties has completed installation of water disposal lines which connect the wells in the field to a nearby commercial disposal well, thereby significantly reducing water disposal and road repair costs associated with previous water-trucking. An electrical substation has also been constructed proximal to the field, and the operator is in the process of connecting the wells in the field to this system. This will eliminate the use of diesel generators in the field and result in a material reduction in lease operating expense associated with generator rental, diesel fuel, trucking cost and road repairs. The recently installed disposal system and electrical substation work complements the oil and natural gas pipelines infrastructure already in place in the field and allows the operator to optimize field level operating expenses. This augments the value of the properties' oil and natural gas production."

FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Nine Months Ended June 30, 2015	Nine Months Ended June 30, 2014
Revenues:	(unaudited)		(unaudited)	
Oil, NGL and natural gas sales	$ 11,443,590	$ 19,534,545	$ 43,400,839	$ 59,115,928
Lease bonuses and rentals	1,663,402	137,476	1,945,743	353,422
Gains (losses) on derivative contracts	(1,443,472)	(1,427,165)	11,706,955	(3,511,095)
Income from partnerships	85,368	130,121	373,555	565,523
	11,748,888	18,374,977	57,427,092	56,523,778
Costs and expenses:				
Lease operating expenses	4,071,634	2,961,750	13,233,980	9,930,147
Production taxes	362,548	593,941	1,384,217	1,871,538
Exploration costs	19,911	6,956	48,368	70,140
Depreciation, depletion and amortization	5,729,460	5,314,777	17,680,069	15,562,630
Provision for impairment	132,118	-	3,532,760	430,143
Loss (gain) on asset sales and other	(18,459)	3,897	(27,586)	31,086
Interest expense	383,047	40,697	1,195,056	40,697
General and administrative	1,565,575	1,825,374	5,374,206	5,349,921
	12,245,834	10,747,392	42,421,070	33,286,302
Income (loss) before provision (benefit) for income taxes	(496,946)	7,627,585	15,006,022	23,237,476
Provision (benefit) for income taxes	232,000	2,505,000	4,797,000	7,534,000
Net income (loss)	$ (728,946)	$ 5,122,585	$ 10,209,022	$ 15,703,476
Basic and diluted earnings (loss) per common share	$ (0.04)	$ 0.31	$ 0.61	$ 0.94
Basic and diluted weighted average shares outstanding:				
Common shares	16,514,435	16,474,040	16,504,512	16,470,372
Unissued, directors' deferred compensation shares	246,893	255,670	256,084	252,102
	16,761,328	16,729,710	16,760,596	16,722,474
Dividends declared per share of common stock and paid in period	$ 0.04	$ 0.04	$ 0.12	$ 0.12

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Balance Sheets

	June 30, 2015 (unaudited)	Sept. 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 925,219	$ 509,755
Oil, NGL and natural gas sales receivables	9,455,779	16,227,469
Refundable production taxes	585,961	625,996
Derivative contracts, net	5,402,106	1,650,563
Other	196,397	354,828
Total current assets	16,565,462	19,368,611
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	438,750,515	418,237,512
Non-producing oil and natural gas properties	8,703,427	10,260,717
Other	1,390,339	1,317,725
	448,844,281	429,815,954
Less accumulated depreciation, depletion and amortization	(222,231,830)	(204,731,661)
Net properties and equipment	226,612,451	225,084,293
Investments	2,087,629	1,936,421
Derivative contracts, net	-	251,279
Total assets	$ 245,265,542	$ 246,640,604
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,948,158	$ 7,034,773
Deferred income taxes	745,100	600,100
Income taxes payable	1,041,846	523,843
Accrued liabilities and other	1,017,544	1,290,858
Total current liabilities	8,752,648	9,449,574
Long-term debt	65,500,000	78,000,000
Deferred income taxes	40,072,907	37,363,907
Asset retirement obligations	2,786,229	2,638,470
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at June 30, 2015, and Sept. 30, 2014	280,938	280,938
Capital in excess of par value	2,879,000	2,861,343
Deferred directors' compensation	3,014,024	3,110,351
Retained earnings	127,002,060	118,794,188
	133,176,022	125,046,820
Less treasury stock, at cost; 316,628 shares at June 30, 2015, and 372,364 shares at Sept. 30, 2014	(5,022,264)	(5,858,167)
Total stockholders' equity	128,153,758	119,188,653
Total liabilities and stockholders' equity	$ 245,265,542	$ 246,640,604

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Condensed Statements of Cash Flows

	Nine months ended June 30, 2015	2014
	(unaudited)	
Operating Activities		
Net income (loss)	$ 10,209,022	$ 15,703,476
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	17,680,069	15,562,630
Impairment	3,532,760	430,143
Provision for deferred income taxes	2,854,000	5,964,000
Exploration costs	48,368	70,140
Gain from leasing of fee mineral acreage	(1,973,773)	(352,930)
Net (gain) loss on sale of assets	-	152,766
Income from partnerships	(373,555)	(565,523)
Distributions received from partnerships	535,400	734,825
Directors' deferred compensation expense	232,088	269,608
Restricted stock awards	740,043	499,791
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	6,771,690	(1,349,892)
Fair value of derivative contracts	(3,500,264)	2,431,427
Refundable production taxes	40,035	281,741
Other current assets	158,431	(25,098)
Accounts payable	148,384	443,438
Income taxes receivable	-	(3,160,243)
Income taxes payable	518,003	(751,992)
Accrued liabilities	(272,899)	100,229
Total adjustments	27,138,780	20,735,060
Net cash provided by operating activities	37,347,802	36,438,536
Investing Activities		
Capital expenditures, including dry hole costs	(23,613,349)	(26,693,851)
Acquisition of working interest properties	(308,180)	(86,759,445)
Acquisition of minerals and overrides	-	(56,250)
Proceeds from leasing of fee mineral acreage	2,018,707	381,280
Investments in partnerships	(313,053)	(248,066)
Proceeds from sales of assets	-	92,000
Net cash used in investing activities	(22,215,875)	(113,284,332)
Financing Activities		
Borrowings under debt agreement	23,013,234	95,112,044
Payments of loan principal	(35,513,234)	(17,521,506)
Purchase of treasury stock	(242,313)	(122,044)
Payments of dividends	(2,001,150)	(1,995,812)
Excess tax benefit on stock-based compensation	27,000	17,000
Net cash provided by (used in) financing activities	(14,716,463)	75,489,682
Increase (decrease) in cash and cash equivalents	415,464	(1,356,114)
Cash and cash equivalents at beginning of period	509,755	2,867,171
Cash and cash equivalents at end of period	$ 925,219	$ 1,511,057
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	$ 52,017	$ 370,536
Gross additions to properties and equipment	$ 22,686,530	$ 109,182,119
Net (increase) decrease in accounts payable for properties and equipment additions	1,234,999	4,327,427
Capital expenditures and acquisitions, including dry hole costs	$ 23,921,529	$ 113,509,546

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OPERATING HIGHLIGHTS

	Third Quarter Ended June 30, 2015	Third Quarter Ended June 30, 2014	Nine Months Ended June 30, 2015	Nine Months Ended June 30, 2014
Mcfe Sold	3,315,899	3,309,394	10,508,647	10,314,886
Average Sales Price per Mcfe	$ 3.45	$ 5.90	$ 4.13	$ 5.73
Oil Barrels Sold	109,738	70,479	340,888	220,131
Average Sales Price per Barrel	$ 51.20	$ 97.90	$ 56.07	$ 94.74
Mcf Sold	2,407,049	2,508,346	7,483,987	8,083,066
Average Sales Price per Mcf	$ 2.17	$ 4.20	$ 2.82	$ 4.11
NGL Barrels Sold	41,737	63,029	163,222	151,839
Average Sales Price per Barrel	$ 14.30	$ 33.51	$ 19.46	$ 32.99

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
6/30/2015	109,738	2,407,049	41,737	3,315,899
3/31/2015	114,567	2,475,777	48,681	3,455,265
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

The Company’s derivative contracts in place for natural gas at June 30, 2015, are outlined in its Form 10-Q for the period ending June 30, 2015.

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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