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PLEASE CONTACT:
Michael C. Coffman
405.948.1560
Website: www.panhandleoilandgas.com

Dec. 10, 2014

**PANHANDLE OIL AND GAS INC. REPORTS**
**FOURTH QUARTER AND FISCAL 2014 FINANCIAL RESULTS**

**2014 Net Income Increases 79% to $25,001,462 ($1.49 per share)**
**2014 Production Increases 9%**

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC., the "Company," (NYSE:PHX) today reported financial and operating results for the fiscal fourth quarter and twelve months ended Sept. 30, 2014.

HIGHLIGHTS FOR THE YEAR ENDED SEPT. 30, 2014

- Recorded 12-month net income of $25,001,462, or $1.49 per share, the largest in Company history, compared to a net income of $13,960,049, or $0.84 per share, for fiscal 2013.
- Increased fiscal 2014 production by 9% over fiscal 2013 to 14.1 billion cubic feet equivalent (Bcfe), the largest in Company history.
- Increased fiscal year 2014 oil production 48% over 2013 volumes.
- Generated cash from operating activities of $52.6 million for the year, well in excess of drilling capital expenditures of $38.6 million.
- Increased oil, NGL and natural gas sales revenues 37% in fiscal 2014 as compared to fiscal 2013.
- Reduced debt $7.9 million during the fourth quarter of 2014.

Fiscal Year 2014 Results

For fiscal 2014, the Company recorded net income of $25,001,462, or $1.49 per share. This compared to net income of $13,960,049, or $0.84 per share, for fiscal 2013. Net cash provided by operating activities increased 41% to $52.6 million for fiscal 2014 versus 2013. Capital expenditures for drilling and equipping wells in fiscal 2014 totaled $38.6 million, of which $8 million was expended for drilling and equipping wells on the Eagle Ford acquisition properties with the remaining $30.6 million expended for drilling on legacy properties.

Total revenues for 2014 were $84,411,224, an increase of 34% from $62,889,120 for 2013. Oil, NGL and natural gas sales revenues increased $22,240,650 or 37% in 2014 as compared to 2013. This revenue increase was a result of increased oil and NGL production volumes of 48% and 86%, respectively, and increased oil, NGL and natural gas prices of 2%, 17% and 22%, respectively. Overall results were a 9% increase in Mcfe production volumes and a 26% increase in the average per Mcfe sales price. The average sales price per Mcfe of production during 2014 was $5.88 compared to $4.68 in 2013.

Oil production increased 48% in 2014 to 346,387 barrels from 234,084 barrels in 2013, while gas production was basically flat. Drilling expenditures over the prior 24-36 months targeting oil and NGL rich plays, principally in western Oklahoma and the Texas Panhandle, along with the producing wells acquired in the Eagle Ford, are responsible for the increased oil volumes. In addition, 207,688 barrels of NGL were produced in fiscal 2014, which was an 86% increase versus 2013.

Total costs and expenses increased $5.4 million or 13% in fiscal 2014 as compared to 2013. $2 million of the expense increase was in lease operating expenses, which continue to increase as we add additional wells to our producing list each year. The majority of these wells for the last several years have been oil and NGL rich wells, which have higher operating costs than dry gas wells. Production taxes increased $.9 million, which is a function of the higher oil, NGL and natural gas sales revenues recorded in fiscal 2014

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5400 N. Grand Blvd., Suite 300 ♦ Oklahoma City, OK 73112 ♦ Ph. (405) 948-1560 ♦ Fax (405) 948-2038

compared to 2013. DD&A per Mcfe of production for 2014 was $1.55 as compared to $1.69 in 2013, which resulted in slightly lower DD&A expense in 2014, even with increased production of 9%. In fiscal 2013, the Company recorded a $.9 million gain on asset sales and other, the majority of which was the result of a payment received settling a class action lawsuit. There was no such gain recorded in 2014.

Fiscal Fourth Quarter 2014 Results

For the 2014 fourth quarter, the Company recorded net income of $9,297,986, or $0.55 per share. This compared to net income of $5,719,096, or $0.34 per share, for the 2013 fourth quarter. Net cash provided by operating activities increased 23% to $16,184,066 for the 2014 fourth quarter versus the 2013 fourth quarter, which substantially exceeded 2014 fourth quarter costs to drill and equip wells of $11,918,937.

Total revenues for the 2014 fourth quarter were $27,887,445, an increase of 52% from $18,396,254 for the 2013 quarter. Oil, NGL and gas sales revenue increased $5,811,657, or 32% in the 2014 quarter as compared to the 2013 quarter. This revenue increase was a result of increased oil and NGL volumes of 59% and 84%, respectively, and increased natural gas prices of 21%, offset somewhat by a 9% decrease in the average oil sales price to $91.83 per barrel. The above changes combined to increase the average sales price per Mcfe of production during the 2014 fourth quarter to $6.27, a 22% increase from $5.15 for the 2013 fourth quarter. Oil production increased in the 2014 quarter to 126,256 barrels, versus 79,387 barrels in the 2013 quarter, while gas production decreased 5% to 2,690,493 Mcf, and NGL production increased 84% to 55,849 barrels. Again, drilling expenditures over the prior 24-36 months targeting oil and NGL rich plays and the producing wells acquired in the Eagle Ford are responsible for the oil and NGL volume increases.

Management Comments

Michael C. Coffman, President and CEO, said, “2014 was an exceptional year for Panhandle. Net income, production and reserves were at record setting levels. We also were able to close on the largest acquisition in Company history at the end of the fiscal third quarter. Our fourth quarter, with the full effect of the Eagle Ford production for the entire quarter, resulted in the largest quarterly net income in the Company’s history.

“Obviously, product prices have dropped significantly since the end of the fiscal year, which, should they continue at the current level throughout fiscal 2015, will affect the Company’s 2015 earnings and reduce our capital expenditure level. We have oil hedging in place through 2015 representing approximately 80% of our upper-end expectation of production from our Eagle Ford properties or approximately 50% of our total oil production. We also have hedging in place for a significant portion of our 2015 natural gas production. These hedges and expected cash flows from operations should provide the Company a relatively stable cash flow base for 2015.

“At the current time, it is difficult for us, as a non-operator, to be able to make a reasonable estimation of 2015 capital expenditures. However, with our good financial position and cash flows, we will deploy capital where necessary to take advantage of those drilling opportunities, which we anticipate will generate acceptable rates of return and grow value for our shareholders. As usual, our drilling capital expenditures for 2015 are expected to be funded from cash flow provided by operations and excess cash flow will be used to further reduce our bank debt.”

Paul Blanchard, Senior Vice President and COO, said, “Panhandle’s conservative financial and operating strategies, which have been in place for years, position the Company to operate in this less than favorable oil market. The Company’s low cost structure, hedging strategy, clean balance sheet, geographic diversity, product mix and focus on generating returns on capital invested will all contribute to our ability to successfully manage through this difficult commodity price cycle. While the duration of this period of low oil prices will impact the trajectory of production and reserve growth, we are confident the Company is well positioned to deliver long-term growth of shareholder value.”

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## FINANCIAL HIGLIGHTS

### Statements of Operations

| | Three Months Ended Sept. 30, 2014 | Three Months Ended Sept. 30, 2013 | Year Ended Sept. 30, 2014 | Year Ended Sept. 30, 2013 |
|---|---|---|---|---|
| Revenues: | | | | |
| Oil, NGL and natural gas sales | $ 23,730,600 | $ 17,918,943 | $ 82,846,528 | $ 60,605,878 |
| Lease bonuses and rentals | 69,906 | 399,367 | 423,328 | 938,846 |
| Gains (losses) on derivative contracts | 3,758,509 | (185,142) | 247,414 | 611,024 |
| Income from partnerships | 328,431 | 263,086 | 893,954 | 733,372 |
| | 27,887,445 | 18,396,254 | 84,411,224 | 62,889,120 |
| Costs and expenses: | | | | |
| Lease operating expenses | 3,982,645 | 2,820,790 | 13,912,792 | 11,861,403 |
| Production taxes | 822,580 | 657,499 | 2,694,118 | 1,834,840 |
| Exploration costs | 15,877 | (51,032) | 86,017 | 9,795 |
| Depreciation, depletion and amortization | 6,334,272 | 4,855,581 | 21,896,902 | 21,945,768 |
| Provision for impairment | 665,933 | 304,829 | 1,096,076 | 530,670 |
| Loss (gain) on asset sales and other | (22,709) | (679,572) | 8,378 | (942,959) |
| Interest expense | 421,599 | 33,092 | 462,296 | 157,558 |
| General and administrative | 2,083,262 | 1,674,971 | 7,433,183 | 6,801,996 |
| | 14,303,459 | 9,616,158 | 47,589,762 | 42,199,071 |
| Income before provision for income taxes | 13,583,986 | 8,780,096 | 36,821,462 | 20,690,049 |
| Provision for income taxes | 4,286,000 | 3,061,000 | 11,820,000 | 6,730,000 |
| Net income | $ 9,297,986 | $ 5,719,096 | $ 25,001,462 | $ 13,960,049 |
| Basic and diluted earnings per common share: | | | | |
| Net income | $ 0.55 | $ 0.34 | $ 1.49 | $ 0.84 |
| Weighted average shares outstanding: | | | | |
| Common shares | 16,474,040 | 16,440,932 | 16,472,144 | 16,481,584 |
| Unissued, vested directors' shares | 258,905 | 240,152 | 255,039 | 232,224 |
| | 16,732,945 | 16,681,084 | 16,727,183 | 16,713,808 |
| Dividends declared per share of common stock and paid in period | $ 0.04 | $ 0.035 | $ 0.16 | $ 0.14 |

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## Balance Sheets

| | Sept. 30, 2014 | Sept. 30, 2013 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 509,755 | $ 2,867,171 |
| Oil, NGL and natural gas sales receivables | 16,227,469 | 13,720,761 |
| Refundable production taxes | 625,996 | 662,051 |
| Derivative contracts | 1,650,563 | 425,198 |
| Other | 354,828 | 129,998 |
| Total current assets | 19,368,611 | 17,805,179 |
| Properties and equipment at cost, based on successful efforts accounting: | | |
| Producing oil and natural gas properties | 418,237,512 | 304,889,145 |
| Non-producing oil and natural gas properties | 10,260,717 | 8,932,905 |
| Furniture and fixtures | 1,317,725 | 737,368 |
| | 429,815,954 | 314,559,418 |
| Less accumulated depreciation, depletion and amortization | (204,731,661) | (186,641,291) |
| Net properties and equipment | 225,084,293 | 127,918,127 |
| Investments | 1,936,421 | 1,574,642 |
| Derivative contracts | 251,279 | - |
| Refundable production taxes | - | 540,482 |
| Total assets | $ 246,640,604 | $ 147,838,430 |
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities: | | |
| Accounts payable | $ 7,034,773 | $ 8,409,634 |
| Deferred income taxes | 600,100 | 127,100 |
| Income taxes payable | 523,843 | 751,992 |
| Accrued liabilities and other | 1,290,858 | 1,011,865 |
| Total current liabilities | 9,449,574 | 10,300,591 |
| Long-term debt | 78,000,000 | 8,262,256 |
| Deferred income taxes | 37,363,907 | 31,226,907 |
| Asset retirement obligations | 2,638,470 | 2,393,190 |
| Stockholders' equity: | | |
| Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at Sept. 30, 2014 and 2013 | 280,938 | 140,524 |
| Capital in excess of par value | 2,861,343 | 2,587,838 |
| Deferred directors' compensation | 3,110,351 | 2,756,526 |
| Retained earnings | 118,794,188 | 96,454,449 |
| | 125,046,820 | 101,939,337 |
| Treasury stock, at cost; 372,364 shares at Sept. 30, 2014, and 400,496 shares at Sept. 30, 2013 | (5,858,167) | (6,283,851) |
| Total stockholders' equity | 119,188,653 | 95,655,486 |
| Total liabilities and stockholders' equity | $ 246,640,604 | $ 147,838,430 |

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## Condensed Statements of Cash Flows

| | Year ended Sept. 30, 2014 | Year ended Sept. 30, 2013 |
|---|---|---|
| **Operating Activities** | | |
| Net income (loss) | $ 25,001,462 | $ 13,960,049 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 21,896,902 | 21,945,768 |
| Impairment | 1,096,076 | 530,670 |
| Provision for deferred income taxes | 6,610,000 | 4,767,000 |
| Exploration costs | 86,017 | 9,795 |
| Gain from leasing of fee mineral acreage | (422,818) | (936,701) |
| Net (gain) loss on sales of assets | 149,062 | (208,750) |
| Income from partnerships | (893,954) | (733,372) |
| Distributions received from partnerships | 1,129,324 | 917,718 |
| Common stock contributed to ESOP | 341,125 | 308,450 |
| Common stock (unissued) to Directors' Deferred Compensation Plan | 353,825 | 377,520 |
| Restricted stock awards | 659,320 | 683,968 |
| Cash provided (used) by changes in assets and liabilities: | | |
| Oil, NGL and natural gas sales receivables | (2,506,708) | (5,370,896) |
| Fair value of derivative contracts | (1,476,644) | (597,469) |
| Refundable income taxes | - | 325,715 |
| Refundable production taxes | 576,537 | 294,881 |
| Other current assets | (224,830) | 73,508 |
| Accounts payable | 252,860 | 298,191 |
| Income taxes payable | (284,149) | 751,992 |
| Accrued liabilities | 279,195 | 4,072 |
| Total adjustments | 27,621,140 | 23,442,060 |
| Net cash provided by operating activities | 52,622,602 | 37,402,109 |
| **Investing Activities** | | |
| Capital expenditures, including dry hole costs | (38,612,788) | (26,765,785) |
| Acquisition of working interest properties | (83,253,952) | - |
| Acquisition of minerals and overrides | (56,250) | (783,750) |
| Proceeds from leasing of fee mineral acreage | 477,144 | 1,023,368 |
| Investments in partnerships | (597,149) | (724,118) |
| Proceeds from sales of assets | 92,000 | 870,610 |
| Net cash used in investing activities | (121,950,995) | (26,379,675) |
| **Financing Activities** | | |
| Borrowings under debt agreement | 99,846,333 | 11,569,652 |
| Payments of loan principal | (30,108,589) | (18,182,381) |
| Purchases of treasury stock | (122,044) | (1,214,638) |
| Payments of dividends | (2,661,723) | (2,326,995) |
| Excess tax benefit on stock-based compensation | 17,000 | 15,000 |
| Net cash provided by (used in) financing activities | 66,970,977 | (10,139,362) |
| Increase (decrease) in cash and cash equivalents | (2,357,416) | 883,072 |
| Cash and cash equivalents at beginning of year | 2,867,171 | 1,984,099 |
| Cash and cash equivalents at end of year | $ 509,755 | $ 2,867,171 |

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## Condensed Statements of Cash Flows (continued)

| | Year ended Sept. 30, 2014 | | Year ended Sept. 30, 2013 | |
|---|---|---|---|---|
| **Supplemental Disclosures of Cash Flow Information** | | | | |
| Interest paid (net of capitalized interest) | $ | 380,451 | $ | 157,558 |
| Income taxes paid, net of refunds received | $ | 5,477,147 | $ | 870,295 |
| **Supplemental schedule of noncash investing and financing activities:** | | | | |
| Additions and revisions, net, to asset retirement obligations | $ | 225,453 | $ | 161,065 |
| Gross additions to properties and equipment | $ | 120,284,639 | $ | 29,261,285 |
| Net (increase) decrease in accounts payable for properties and equipment additions | | 1,638,351 | | (1,711,750) |
| Capital expenditures, including dry hole costs | $ | 121,922,990 | $ | 27,549,535 |

## OPERATING HIGHLIGHTS

| | Fourth Quarter Ended Sept. 30, 2014 | Fourth Quarter Ended Sept. 30, 2013 | Year Ended Sept. 30, 2014 | Year Ended Sept. 30, 2013 |
|---|---|---|---|---|
| MCFE Sold | 3,783,123 | 3,478,639 | 14,098,009 | 12,962,215 |
| Average Sales Price per | $6.27 | $5.15 | $5.88 | $4.68 |
| Barrels of Oil Sold | 126,256 | 79,387 | 346,387 | 234,084 |
| Average Sales Price per | $91.83 | $100.98 | $93.68 | $91.56 |
| MCF of Natural Gas Sold | 2,690,493 | 2,820,079 | 10,773,559 | 10,886,329 |
| Average Sales Price per MCF | $3.88 | $3.20 | $4.05 | $3.31 |
| Barrels of NGL Sold | 55,849 | 30,373 | 207,688 | 111,897 |
| Average Sales Price per | $30.48 | $28.89 | $32.31 | $27.67 |

## Quarterly Production Levels

| Quarter ended | Oil Bbls Sold | MCF Sold | NGL Bbls Sold | MCFE Sold |
|---|---|---|---|---|
| 9/30/14 | 126,256 | 2,690,493 | 55,849 | 3,783,123 |
| 6/30/14 | 70,479 | 2,508,346 | 63,029 | 3,309,394 |
| 3/31/14 | 66,239 | 2,788,768 | 51,670 | 3,496,222 |
| 12/31/13 | 83,413 | 2,785,952 | 37,140 | 3,509,270 |
| 9/30/13 | 79,387 | 2,820,079 | 30,373 | 3,478,639 |
| 6/30/13 | 55,474 | 2,742,996 | 25,660 | 3,229,800 |
| 3/31/13 | 52,567 | 2,778,869 | 25,190 | 3,245,411 |
| 12/31/12 | 46,656 | 2,544,385 | 30,674 | 3,008,365 |

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Derivative contracts in place as of December 1, 2014)
(prices below reflect the Company's net price from the listed pipelines)

| Contract period | Production volume covered per month | Indexed pipeline | Fixed price |
|---|---|---|---|
| Natural gas costless collars | | | |
| July - December 2014 | 140,000 Mmbtu | NYMEX Henry Hub | $3.75 floor / $4.50 ceiling |
| November 2014 - April 2015 | 100,000 Mmbtu | NYMEX Henry Hub | $3.75 floor / $4.25 ceiling |
| January - March 2015 | 100,000 Mmbtu | NYMEX Henry Hub | $4.00 floor / $5.00 ceiling |
| January - March 2015 | 30,000 Mmbtu | NYMEX Henry Hub | $4.00 floor / $4.60 ceiling |
| January - December 2015 | 100,000 Mmbtu | NYMEX Henry Hub | $3.50 floor / $4.10 ceiling |
| January - December 2015 | 70,000 Mmbtu | NYMEX Henry Hub | $3.25 floor / $4.00 ceiling |
| April - September 2015 | 70,000 Mmbtu | NYMEX Henry Hub | $3.50 floor / $4.05 ceiling |
| April - October 2015 | 50,000 Mmbtu | NYMEX Henry Hub | $3.50 floor / $4.00 ceiling |
| May - October 2015 | 70,000 Mmbtu | NYMEX Henry Hub | $3.50 floor / $3.95 ceiling |
| Natural gas fixed price swaps | | | |
| July - December 2014 | 140,000 Mmbtu | NYMEX Henry Hub | $4.11 |
| October - December 2014 | 40,000 Mmbtu | NYMEX Henry Hub | $4.61 |
| Oil costless collars | | | |
| January - December 2014 | 4,000 Bbls | NYMEX WTI | $85.00 floor / $100.00 ceiling |
| July - December 2014 | 5,000 Bbls | NYMEX WTI | $90.00 floor / $97.00 ceiling |
| July - December 2015 | 10,000 Bbls | NYMEX WTI | $80.00 floor / $86.50 ceiling |
| Oil fixed price swaps | | | |
| January - December 2014 | 3,000 Bbls | NYMEX WTI | $94.50 |
| June - December 2014 | 4,000 Bbls | NYMEX WTI | $99.40 |
| July - December 2014 | 4,000 Bbls | NYMEX WTI | $95.25 |
| July - December 2014 | 5,000 Bbls | NYMEX WTI | $94.20 |
| January - March 2015 | 6,000 Bbls | NYMEX WTI | $92.85 |
| January - June 2015 | 7,000 Bbls | NYMEX WTI | $96.80 |
| January - June 2015 | 5,000 Bbls | NYMEX WTI | $97.40 |
| January - June 2015 | 4,000 Bbls | NYMEX WTI | $97.25 |
| April - December 2015 | 5,000 Bbls | NYMEX WTI | $94.56 |
| July - December 2015 | 7,000 Bbls | NYMEX WTI | $93.91 |

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***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; 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. 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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