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**PANHANDLE OIL AND GAS INC. ANNOUNCES
SEPT. 30, 2016, RESERVES AND OPERATIONS UPDATE**

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX), “the Company,” a non-operating independent oil and natural gas company with reserves and production primarily in the Mid-Continent region and the Eagle Ford Shale, today announced estimated total proved reserve volumes for the Company’s fiscal year ended Sept. 30, 2016, and provided an operations update. Additional information on the Company can be found at www.panhandleoilandgas.com.

Proved Reserves

Panhandle’s estimated total proved reserves at Sept. 30, 2016, decreased 31% to 124.0 Bcfe from 180.0 Bcfe reported for Sept. 30, 2015, based on SEC mandated pricing. Those SEC prices at the wellhead at Sept. 30, 2016, were \$1.97 per Mcf of natural gas, \$36.77 per barrel of oil and \$12.22 per barrel of NGL as compared to Sept. 30, 2015, SEC wellhead prices of \$2.84 per Mcf of natural gas, \$55.27 per barrel of oil and \$19.10 per barrel of NGL. Panhandle’s total estimated proved reserves are approximately 66% natural gas, 26% oil and 8% NGL. Sept. 30, 2016 and 2015, proved reserves were calculated by the independent petroleum engineering consulting firm DeGolyer and MacNaughton.

At Sept. 30, 2016, approximately 66% of total proved reserves, or 81.4 Bcfe, are categorized as proved developed as compared to 60%, or 108.1 Bcfe, at Sept. 30, 2015. PUD reserves comprised 34% of total proved reserves, or 42.6 Bcfe, at Sept. 30, 2016, as compared to 40%, or 71.9 Bcfe, at Sept. 30, 2015.

Operational Highlights

- Drilling is underway on the eight-well horizontal drilling program operated by BP America in the southeastern Oklahoma Woodford gas play. Panhandle has an average 20% working interest and 27.4% net revenue interest in these wells. These wells should begin producing in early 2017.
- Element Petroleum has begun a drilling program to test the potential of the San Andres on Panhandle’s ~34.5 square mile (4,053 net mineral acres) block in Cochran County, Texas. We have the right to participate with a 10% working interest and 12.1% net revenue interest in wells drilled on our block, or we can elect not to participate and receive a non-cost bearing 4.6% royalty interest.
- The operator on the Company’s Andrews and Winkler Counties, Texas, mineral acreage block is planning to drill a second horizontal Woodford well in early 2017. Panhandle owns 2,439 net mineral acres in the 43.6 square mile block. We have the right to participate with an average 7% working interest and 7.5% net revenue interest in wells drilled on the block, or we can elect not to participate and receive an average non-cost bearing royalty interest of 2.24%.
- New hydraulic fracturing technology was utilized by the operator in the completion of Panhandle’s last Eagle Ford DUC (drilled uncompleted) well in July 2016. The well was drilled in 2014, but left uncompleted until this July. Thus far, the well’s performance has been materially better than other wells on our Eagle Ford acreage. The well produced an average of 1,010 Boe per day (90% oil) for the first 30 days of production, 849 Boe per day for the first 60 days and 769 Boe per day for the first 90 days. A pumping unit was recently installed and the well is currently producing 867 Boe per day on pump. Cumulative production to date is ~70,000 Boe.

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Management Comments

Paul F. Blanchard, Panhandle's Sr. Vice-President and COO, said: "The Company's total proved reserves were reduced from 180.0 Bcfe at fiscal year-end 2015 to 124.0 Bcfe at fiscal year-end 2016. This reduction is attributed to a 64.4 Bcfe negative pricing revision, an unaudited 11.5 Bcfe of 2016 production, somewhat offset by extensions and discoveries of 19.1 Bcfe and a positive performance revision of 0.8 Bcfe.

"Proved developed reserves decreased from 108.1 Bcfe at year-end 2015 to 81.4 Bcfe at year-end 2016. The negative revision to proved developed reserves due to lower SEC mandated prices at Sept. 30, 2016 was 17.5 Bcfe. Proved developed reserves were also impacted by 2016 unaudited production of 11.5 Bcfe and a negative performance revision of 1.9 Bcfe. The extensions and discoveries of 2.4 Bcfe somewhat offset this overall reduction.

"Negative proved undeveloped pricing revisions of 46.9 Bcfe primarily had two causes. First, was a decrease in proved undeveloped reserves, as, at lower commodity prices, wells are projected to reach their economic limits much earlier than projected in the 2015 report. Second, a significant number of PUD locations and reserves were moved to the probable undeveloped category in plays with low current drilling activity. This was done to reflect a conservative view of anticipated PUD drilling within the SEC five-year timeframe. It is our intent to move these reserves back to PUD when appropriate.

"Panhandle's total 3P (proved, probable and possible) reserves increased from 656.1 Mcfe in 2015 to 670.1 Mcfe in 2016. This was the result of increased undeveloped reserves in the Eagle Ford Shale and the southeastern Oklahoma Woodford Shale, based on improved well performance in those fields. These additions were largely offset by the significant negative pricing revisions.

"With recent increases in both oil and gas prices, our outlook for 2017 is positive. We have material gas drilling underway in the southeastern Oklahoma Woodford Shale. We also have drilling underway on our large San Andres mineral block in the Permian Basin and a second well planned for early 2017, on our Andrews and Winkler mineral block, to test the Woodford as a possible resource play. Success and development across our mineral holdings in either one of these Permian Basin projects would be material to the Company. We anticipate that profitable drilling will resume on our Eagle Ford acreage and that there will be drilling on our mineral holdings in the STACK/SCOOP and CANA plays in 2017."

Michael C. Coffman, Panhandle's President and CEO, added: "The oil and gas industry experienced another very difficult year in fiscal 2016 due to extraordinarily low product prices. Both oil and gas prices have recovered from the lows seen in our second fiscal quarter when wellhead product prices averaged \$1.64 per Mcf, \$27.19 per barrel of oil and \$9.85 per barrel of NGL. That contrasts with fourth quarter average wellhead prices of \$2.55 per Mcf, \$41.62 per barrel of oil and \$14.43 per barrel of NGL.

"With the product prices experienced in 2016, the number of drilling proposals received was down significantly, and we were not inclined to commit capital to fund working interest investments in the majority of those proposals. We did continue to participate, to a limited extent, in wells in the cores of the SCOOP and CANA/STACK plays and two wells drilled in the core of the Bakken in the Fort Berthold area. We also participated in the completion of the one DUC well on our Eagle Ford acreage. Wells drilled on our mineral acreage in which we did not commit capital to take a working interest will generate a royalty for Panhandle from any production established.

"The Company's operating strategies remained constant through these difficult times, and we are beginning to resume capital investing, particularly in natural gas drilling in the southeastern Oklahoma Woodford play. These investments should materially increase Panhandle's 2017 daily natural gas production when the wells come online."

Definition of Press Release Terms:

Mcf: thousand cubic feet of natural gas

Bcfe: billion cubic feet of natural gas equivalent

Mcfe: thousand cubic feet of natural gas equivalent (Crude oil and NGL are converted to a thousand cubic feet of natural gas equivalent by using the ratio of one barrel to six Mcf of natural gas.)

NGL: natural gas liquids

Boe: barrels of oil equivalent (Natural gas is converted to a thousand barrels of oil equivalent by using the ratio of six Mcf of natural gas to one barrel.)

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Proved Reserves – SEC Flat Pricing

	Proved Reserves SEC Pricing	
	Sept. 30, 2016	Sept. 30, 2015
<u>Proved Developed Reserves:</u>		
Barrels of NGL	1,095,256	1,466,834
Barrels of Oil	1,980,519	2,725,077
Mcf of Gas	62,929,047	82,899,159
Mcfe	81,383,697	108,050,625
<u>Proved Undeveloped Reserves:</u>		
Barrels of NGL	527,447	1,453,766
Barrels of Oil	3,445,571	4,313,353
Mcf of Gas	18,796,551	37,314,885
Mcfe	42,634,659	71,917,599
<u>Total Proved Reserves:</u>		
Barrels of NGL	1,622,703	2,920,600
Barrels of Oil	5,426,090	7,038,430
Mcf of Gas	81,725,598	120,214,044
Mcfe	124,018,356	179,968,224
10% Discounted Estimated Future		
<u>Net Cash Flows (before income taxes):</u>		
Proved Developed	\$ 55,586,606	\$ 126,295,752
Proved Undeveloped	(7,696,741)	17,948,482
Total	<u>\$ 47,889,865</u>	<u>\$ 144,244,234</u>
<u>SEC Pricing</u>		
Oil/Barrel	\$ 36.77	\$ 55.27
Gas/Mcf	\$ 1.97	\$ 2.84
NGL/Barrel	\$ 12.22	\$ 19.10

TABLE 1

Proved Reserves – NYMEX Futures Pricing (1)

10% Discounted Estimated Future	Proved Reserves
<u>Net Cash Flows (before income taxes)</u>	<u>Sept. 30, 2016</u>
Proved Developed	\$ 99,901,435
Proved Undeveloped	26,931,306
Total	<u>\$ 126,832,741</u>

(1) NYMEX Futures Pricing as of Sept. 30, 2016, basis adjusted to Company wellhead price

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TABLE 2

Probable and Possible Reserves

DeGolyer and MacNaughton prepared estimates of the Company's probable and possible undeveloped reserves utilizing NYMEX futures pricing, basis adjusted to Company wellhead price.

Estimated Net Probable and Possible Reserves NYMEX Futures Pricing (1)		Sept. 30, 2016
<u>Probable Reserves:</u>		
Barrels of NGL		3,409,288
Barrels of Oil		3,068,012
Mcf of Gas		294,285,122
Mcf (1)		333,148,922
10% Discounted Estimated Future Net Cash Flows (before income taxes)		\$ 117,856,453
 <u>Possible Reserves:</u>		
Barrels of NGL		1,150,788
Barrels of Oil		866,025
Mcf of Gas		200,870,214
Mcf (1)		212,971,092
10% Discounted Estimated Future Net Cash Flows (before income taxes)		\$ 51,581,097

(1) NYMEX Futures Pricing as of Sept. 30, 2016, basis adjusted to Company wellhead price

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, the Company 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 2015 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; 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 Panhandle’s oil and gas properties resulting in write-downs; the negative impact lower oil and gas prices could have on the Company’s ability to borrow; drilling and operating risks; and Panhandle cannot control activities on its 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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