UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended June 30, 2022

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to ____________

Commission File Number 001-31759

PHX MINERALS INC.
(Exact name of registrant as specified in its charter)

DELAWARE	73-1055775
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1320 South University Drive, Suite 720, Fort Worth, Texas 76107
(Address of principal executive offices)

Registrant's telephone number including area code (405) 948-1560

1601 NW Expressway, Suite 1100, Oklahoma City, Oklahoma 73118
(Former address of principal executive offices from last report)

Securities registered pursuant in Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01666 par value	PHX	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ Smaller reporting company ☑
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Outstanding shares of Common Stock at August 2, 2022: 36,433,063 shares.

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements in this Form 10-Q by words such as "anticipate," "project," "intend," "estimate," "expect," "believe," "predict," "budget," "projection," "goal," "plan," "forecast," "target" or similar expressions.

All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements may include, but are not limited to, statements relating to: our ability to execute our business strategies; the volatility of realized natural gas and oil prices; the level of production on our properties; estimates of quantities of natural gas, oil and NGL reserves and their values; general economic or industry conditions; public health crises, such as the COVID-19 pandemic, and any related actions taken by businesses and governments; legislation or regulatory requirements; conditions of the securities markets; our ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; title defects in the properties in which we invest; and other economic, competitive, governmental, regulatory or technical factors affecting our properties, operations or prices.

We caution you that the forward-looking statements contained in this Form 10-Q are subject to risks and uncertainties, many of which are beyond our control, incident to the exploration for, and development, production and sale of, natural gas, oil, and NGLs. These risks include, but are not limited to, the risks described in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021 ("Annual Report"), and all quarterly reports on Form 10-Q filed subsequently thereto, including any risks described in Item 1A of this Form 10-Q. Investors should also read the other information in this Form 10-Q and the Annual Report where risk factors are presented and further discussed.

Should one or more of the risks or uncertainties described above or elsewhere in this Form 10-Q occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. Any forward-looking statement speaks only as of the date of which such statement is made, and we undertake no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Except as required by applicable law, all forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement. This cautionary statement should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Glossary of Certain Terms

The following is a glossary of certain accounting, oil and natural gas industry and other defined terms used in this Form 10-Q:

ASC	Accounting Standards Codification.
ASU	Accounting Standards Update.
At-The-Market Program	Our Common Stock offering arrangement by which we may offer and sell, from time to time through or to Stifel, up to 3,000,000 shares of our Common Stock pursuant to an At-The-Market Equity Offering Sales Agreement, as amended, with Stifel as sales agent and/or principal.
Bbl	Barrel.
Board	Board of directors of the Company.
BTU	British Thermal Units.
Common Stock	Common Stock, par value $0.01666 per share, of the Company.
completion	The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil and/or natural gas.
DD&A	Depreciation, depletion and amortization.
EBITDA	Earnings before interest, taxes, depreciation and amortization (including impairment). This is a Non-GAAP measure.
FASB	The Financial Accounting Standards Board.
field	An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.
G&A	General and administrative costs.
GAAP	United States generally accepted accounting principles.
Independent Consulting Petroleum Engineer(s)	DeGolyer and MacNaughton for the 2021 fiscal year and Cawley, Gillespie & Associates beginning in fiscal year 2022.
LOE	Lease operating expense.
MCF	Thousand cubic feet.
MCFE	Natural gas stated on an MCF basis and crude oil and natural gas liquids converted to a thousand cubic feet of natural gas equivalent by using the ratio of one Bbl of crude oil or natural gas liquids to six MCF of natural gas.
Mmbtu	Million BTU.
minerals, mineral acres or mineral interests	Fee mineral acreage owned in perpetuity by the Company.
NGL	Natural gas liquids.
NYMEX	New York Mercantile Exchange.
play	Term applied to identified areas with potential oil and/or natural gas reserves.
proved reserves	The quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates renewal is reasonably certain.
royalty interest	Well interests in which the Company does not pay a share of the costs to drill, complete and operate a well but receives a smaller proportionate share (as compared to a working interest) of production.
SEC	The United States Securities and Exchange Commission.
SOFR	The Secured Overnight Financing Rate.
Stifel	Stifel, Nicolaus & Company, Incorporated
undeveloped acreage	Acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of crude oil and/or natural gas.
working interest	Well interests in which the Company pays a share of the costs to drill, complete and operate a well and receives a proportionate share of production.
WTI	West Texas Intermediate.

Fiscal year references

All references to years in this Form 10-Q, unless otherwise noted, refer to the Company's fiscal year ended September 30. For example, references to 2022 mean the fiscal year ending September 30, 2022.

Fiscal quarter references

All references to quarters in this Form 10-Q, unless otherwise noted, refer to the Company's fiscal quarter based on a fiscal year end of September 30. For example, references to first quarter mean the quarter of October 1 through December 31.

Unless otherwise noted, general references to a quarter refer to the quarterly period ended June 30. For example, the 2022 quarter refers to the quarterly period ended June 30, 2022 and the 2021 quarter refers to the quarterly period ended June 30, 2021.

Fiscal nine-month period references

All references to nine-month periods in this Form 10-Q, unless otherwise noted, refer to the Company’s fiscal nine-month period based on a fiscal year end of September 30. Unless otherwise noted, general references to a period in sections of this Form 10-Q discussing nine-month periods refer to the nine-month period ended June 30. For example, in sections of this Form 10-Q discussing nine-month periods, the 2022 period refers to the nine-month period ended June 30, 2022 and the 2021 period refers to the nine-month period ended June 30, 2021.

References to natural gas and oil properties

References to natural gas and oil properties in this Form 10-Q inherently include NGL associated with such properties.

PART I FINANCIAL INFORMATION

ITEM 1 CONDENSED FINANCIAL STATEMENTS

PHX MINERALS INC.
CONDENSED BALANCE SHEETS

	June 30, 2022 (unaudited)	September 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 4,489,282	$ 2,438,511
Natural gas, oil, and NGL sales receivables (net of $0 allowance for uncollectable accounts)	11,780,557	6,428,982
Refundable income taxes	860,416	2,413,942
Other	1,276,942	942,082
Total current assets	18,407,197	12,223,517
Properties and equipment at cost, based on successful efforts accounting:		
Producing natural gas and oil properties	265,800,998	319,984,874
Non-producing natural gas and oil properties	50,204,756	40,466,098
Other	972,770	794,179
	316,978,524	361,245,151
Less accumulated depreciation, depletion and amortization	(193,551,159)	(257,643,661)
Net properties and equipment	123,427,365	103,601,490
Operating lease right-of-use assets	770,952	607,414
Other, net	764,068	578,593
Total assets	$ 143,369,582	$ 117,011,014
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 486,034	$ 772,717
Derivative contracts, net	10,189,546	12,087,988
Income taxes payable	-	334,050
Current portion of operating lease liability	190,604	132,287
Accrued liabilities and other	1,489,127	1,809,337
Total current liabilities	12,355,311	15,136,379
Long-term debt	28,300,000	17,500,000
Deferred income taxes, net	550,906	343,906
Asset retirement obligations	2,116,246	2,836,172
Derivative contracts, net	1,068,544	1,696,479
Operating lease liability, net of current portion	1,015,405	789,339
Total liabilities	45,406,412	38,302,275
Stockholders' equity:		
Common Stock, $0.01666 par value; 54,000,500 shares authorized and 35,680,970 issued at June 30, 2022; 36,000,500 shares authorized and 32,770,433 issued at September 30, 2021	594,445	545,956
Capital in excess of par value	42,849,595	33,213,645
Deferred directors' compensation	1,451,690	1,768,151
Retained earnings	58,676,047	48,966,420
	103,571,777	84,494,172
Less treasury stock, at cost; 377,232 shares at June 30, 2022, and 388,545 shares at September 30, 2021	(5,608,607)	(5,785,433)
Total stockholders' equity	97,963,170	78,708,739
Total liabilities and stockholders' equity	$ 143,369,582	$ 117,011,014

(The accompanying notes are an integral part of these condensed financial statements.)

PHX MINERALS INC.
CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
	(unaudited)		(unaudited)	
Revenues:				
Natural gas, oil and NGL sales	$ 19,561,568	$ 10,899,820	$ 48,032,597	$ 25,670,624
Lease bonuses and rental income	209,329	259,152	450,152	319,139
Gains (losses) on derivative contracts	(2,387,226)	(5,487,483)	(12,534,464)	(8,089,662)
	$ 17,383,671	$ 5,671,489	35,948,285	$ 17,900,101
Costs and expenses:				
Lease operating expenses	900,807	1,064,989	3,086,272	3,100,052
Transportation, gathering and marketing	1,430,136	1,538,174	4,132,258	4,138,653
Production taxes	925,197	596,858	2,301,537	1,316,038
Depreciation, depletion and amortization	2,022,832	2,137,707	5,727,708	6,176,173
Provision for impairment	6,277	45,855	11,862	45,855
Interest expense	286,345	220,439	693,276	790,202
General and administrative	2,877,614	2,275,104	7,717,435	6,065,677
Losses (gains) on asset sales and other	(630,547)	(35,043)	(743,867)	(177,512)
Total costs and expenses	7,818,661	7,844,083	22,926,481	21,455,138
Income (loss) before provision (benefit) for income taxes	9,565,010	(2,172,594)	13,021,804	(3,555,037)
Provision (benefit) for income taxes	976,000	(816,000)	1,771,000	(1,102,000)
Net income (loss)	$ 8,589,010	$ (1,356,594)	$ 11,250,804	$ (2,453,037)
Basic and diluted earnings (loss) per common share (Note 4)	$ 0.25	$ (0.05)	$ 0.33	$ (0.10)
Weighted average shares outstanding:				
Basic	34,652,155	28,309,258	34,009,105	24,482,639
Diluted	34,851,214	28,309,258	34,009,105	24,482,639
Dividends per share of common stock paid in period	$ 0.02	$ 0.01	$ 0.045	$ 0.03

(The accompanying notes are an integral part of these condensed financial statements.)

PHX MINERALS INC.
STATEMENTS OF STOCKHOLDERS' EQUITY

Nine Months Ended June 30, 2022

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Deferred Directors' Compensation	Retained Earnings	Treasury Shares	Treasury Stock	Total
Balances at September 30, 2021	32,770,433	$ 545,956	$ 33,213,645	$ 1,768,151	$ 48,966,420	(388,545)	$ (5,785,433)	$ 78,708,739
Net income (loss)	-	-	-	-	6,682,249			6,682,249
Equity issued to acquire assets	1,519,481	25,315	3,460,988	-	-	-	-	3,486,303
At-the-market offering fees			(10,730)					(10,730)
Purchase of treasury stock	-	-	-	-	-	(700)	(1,855)	(1,855)
Restricted stock awards	-	-	255,844	-	-	-	-	255,844
Dividends ($0.025 per share)	-	-	-	-	(849,689)	-	-	(849,689)
Distribution of restricted stock to officers and directors	115,373	1,921	(178,481)	-	-	12,013	178,681	2,121
Increase in deferred directors' compensation charged to expense	-	-	-	67,570	-	-	-	67,570
Balances at December 31, 2021 (unaudited)	34,405,287	$ 573,192	$ 36,741,266	$ 1,835,721	$ 54,798,980	(377,232)	$ (5,608,607)	$ 88,340,552
Net income (loss)	-	-	-	-	(4,020,455)	-	-	(4,020,455)
Cost of equity issuance	-	-	(48,166)	-	-	-	-	(48,166)
At-the-market offering	2,710	45	7,972	-	-	-	-	8,017
Restricted stock awards	-	-	433,137	-	-	-	-	433,137
Distribution of deferred directors' compensation	61,452	1,024	462,735	(463,759)	-	-	-	-
Increase in deferred directors' compensation charged to expense	-	-	-	35,461	-	-	-	35,461
Balances at March 31, 2022 (unaudited)	34,469,449	$ 574,261	$ 37,596,944	$ 1,407,423	$ 50,778,525	(377,232)	$ (5,608,607)	$ 84,748,546
Net income (loss)	-	-	-	-	8,589,010	-	-	8,589,010
At-the-market offering	1,211,521	20,184	4,722,585	-	-	-	-	4,742,769
Restricted stock awards	-	-	530,066	-	-	-	-	530,066
Dividends ($0.02 per share)	-	-	-	-	(691,488)	-	-	(691,488)
Increase in deferred directors' compensation charged to expense	-	-	-	44,267	-	-	-	44,267
Balances at June 30, 2022 (unaudited)	35,680,970	$ 594,445	$ 42,849,595	$ 1,451,690	$ 58,676,047	(377,232)	$ (5,608,607)	$ 97,963,170

Nine Months Ended June 30, 2021

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Deferred Directors' Compensation	Retained Earnings	Treasury Shares	Treasury Stock	Total
Balances at September 30, 2020	22,647,306	$ 377,304	$ 10,649,611	$ 1,874,007	$ 56,244,100	(411,487)	$ (6,151,096)	$ 62,993,926
Net income (loss)	-	-	-	-	(596,720)	-	-	(596,720)
Equity issued to acquire assets	153,375	2,555	223,203	-	-	-	-	225,758
Restricted stock awards	-	-	122,978	-	-	-	-	122,978
Dividends ($0.02 per share)	-	-	-	-	(454,936)	-	-	(454,936)
Distribution of restricted stock to officers and directors	-	-	(316,886)	-	-	21,220	317,239	353
Increase in deferred directors' compensation charged to expense	-	-	-	44,527	-	-	-	44,527
Balances at December 31, 2020 (unaudited)	22,800,681	$ 379,859	$ 10,678,906	$ 1,918,534	$ 55,192,444	(390,267)	$ (5,833,857)	$ 62,335,886
Net income (loss)	-	-	-	-	(499,723)	-	-	(499,723)
Cost of equity issuance	-	-	(29,240)	-	-	-	-	(29,240)
Restricted stock awards	-	-	161,170	-	-	-	-	161,170
Dividends ($0.01 per share)	-	-	-	-	(289,997)	-	-	(289,997)
Distribution of restricted stock to officers and directors	-	-	-	-	-	(556)	(1,268)	(1,268)
Distribution of deferred directors' compensation	24,545	409	339,913	(340,322)	-	-	-	-
Increase in deferred directors' compensation charged to expense	-	-	-	55,727	-	-	-	55,727
Balances at March 31, 2021 (unaudited)	22,825,226	$ 380,268	$ 11,150,749	$ 1,633,939	$ 54,402,724	(390,823)	$ (5,835,125)	$ 61,732,555
Net income (loss)	-	-	-	-	(1,356,594)	-	-	(1,356,594)
Purchase of treasury stock	-	-	-	-	-	(1,229)	(2,741)	(2,741)
Equity offering	6,175,000	102,876	11,039,464	-	-	-	-	11,142,340
Equity issued to acquire assets	1,200,000	19,992	3,448,008	-	-	-	-	3,468,000
Restricted stock awards	-	-	258,526	-	-	-	-	258,526
Dividends	-	-	-	-	(12,754)	-	-	(12,754)
Distribution of restricted stock to officers and directors	-	-	(52,375)	-	-	3,507	52,433	58
Increase in deferred directors' compensation charged to expense	-	-	-	67,171	-	-	-	67,171
Balances at June 30, 2021 (unaudited)	30,200,226	$ 503,136	$ 25,844,372	$ 1,701,110	$ 53,033,376	(388,545)	$ (5,785,433)	$ 75,296,561

(The accompanying notes are an integral part of these condensed financial statements.)

PHX MINERALS INC.
CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
	(unaudited)	
Operating Activities		
Net income (loss)	$ 11,250,804	$ (2,453,037)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,727,708	6,176,173
Impairment of producing properties	11,862	45,855
Provision for deferred income taxes	207,000	(1,117,000)
Gain from leasing fee mineral acreage	(449,053)	(316,541)
Proceeds from leasing fee mineral acreage	545,920	334,938
Net (gain) loss on sales of assets	(865,035)	(136,596)
Directors' deferred compensation expense	147,298	167,425
Total (gain) loss on derivative contracts	12,534,464	8,089,662
Cash receipts (payments) on settled derivative contracts	(1,215,245)	(688,807)
Restricted stock awards	1,219,047	542,674
Other	55,653	72,126
Cash provided (used) by changes in assets and liabilities:		
Natural gas, oil and NGL sales receivables	(5,351,575)	(2,134,395)
Other current assets	(78,262)	(89,957)
Accounts payable	(251,059)	209,014
Income taxes receivable	1,553,526	1,425,471
Other non-current assets	(393,492)	87,065
Income taxes payable	(334,050)	-
Accrued liabilities	23,463	26,263
Total adjustments	13,088,170	12,693,370
Net cash provided by operating activities	24,338,974	10,240,333
Investing Activities		
Capital expenditures	(351,524)	(696,759)
Acquisition of minerals and overriding royalty interests	(29,872,407)	(19,337,265)
Net proceeds from sales of assets	7,852,389	533,371
Net cash provided (used) by investing activities	(22,371,542)	(19,500,653)
Financing Activities		
Borrowings under Credit Facility	14,300,000	-
Payments of loan principal	(3,500,000)	(8,850,000)
Net proceeds from equity issuance	4,670,112	11,088,858
Cash receipts from (payments on) off-market derivative contracts	(13,845,596)	-
Purchases of treasury stock	-	(2,741)
Payments of dividends	(1,541,177)	(757,692)
Net cash provided (used) by financing activities	83,339	1,478,425
Increase (decrease) in cash and cash equivalents	2,050,771	(7,781,895)
Cash and cash equivalents at beginning of period	2,438,511	10,690,395
Cash and cash equivalents at end of period	$ 4,489,282	$ 2,908,500
Supplemental Schedule of Noncash Investing and Financing Activities:		
Gross additions to properties and equipment	$ 33,431,875	$ 23,794,178
Value of shares used for acquisitions	(3,510,001)	(3,718,000)
Net (increase) decrease in accounts payable for properties and equipment additions	302,057	(42,154)
Capital expenditures and acquisitions	$ 30,223,931	$ 20,034,024

(The accompanying notes are an integral part of these condensed financial statements.)

NOTE 1: Basis of Presentation and Accounting Principles

Basis of Presentation

The accompanying unaudited condensed financial statements of PHX Minerals Inc. have been prepared in accordance with the instructions to Form 10-Q as prescribed by the SEC. Management believes that all adjustments necessary for a fair presentation of the financial position and results of operations and cash flows for the periods have been included. All such adjustments are of a normal recurring nature. The results are not necessarily indicative of those to be expected for the full fiscal year. The Company's fiscal year runs from October 1 through September 30.

Certain amounts and disclosures have been condensed or omitted from these financial statements pursuant to the rules and regulations of the SEC. Therefore, these condensed financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021. Unless indicated otherwise or the context requires, the terms "we," "our," "us," "PHX" or the "Company" refer to PHX Minerals Inc.

Recent Accounting Pronouncements

Standard	Description	Date of Adoption	Impact on Financial Statements or Other Significant Matters
Adoption of New Accounting Pronouncements			
ASU 2019-12, *Simplifying the Accounting for Income Taxes*.	This standard is intended to clarify and simplify the accounting for income taxes by removing certain exceptions and amending existing guidance.	First Fiscal Quarter 2022	The adoption of this update did not have a material impact on the Company's financial statements and related disclosures.

Other accounting standards that have been issued or proposed by the FASB, or other standards-setting bodies, that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

NOTE 2: Revenues

Lease bonus revenue

The Company generates lease bonus revenue by leasing its mineral interests to exploration and production companies. A lease agreement represents the Company's contract with a third party and generally conveys the rights to any natural gas, oil or NGL discovered, grants the Company a right to a specified royalty interest and requires that drilling and completion operations commence within a specified time period. Control is transferred to the lessee and the Company has satisfied its performance obligation when the lease agreement is executed, such that revenue is recognized when the lease bonus payment is received. The Company accounts for its lease bonuses as conveyances in accordance with the guidance set forth in ASC 932 (Extractive Activities—Oil and Gas), and upon leasing, it recognizes the lease bonus as a cost recovery with any excess above its cost basis in the mineral interests being treated as a gain. The excess of lease bonus above the mineral interests basis is shown in the lease bonuses and rental income line item on the Company's Statements of Operations.

Natural gas and oil derivative contracts

See Note 9 for discussion of the Company's accounting for derivative contracts.

Revenues from contracts with customers

Natural gas, oil and NGL sales

Sales of natural gas, oil and NGL are recognized when production is sold to a purchaser and control of the product has been transferred. Oil is priced on the delivery date based upon prevailing prices published by purchasers with certain adjustments related to oil quality and physical location. The price the Company receives for natural gas and NGL is tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality and heat content of natural gas, and prevailing supply and demand conditions, so that the price of natural gas fluctuates to remain competitive with other available natural gas supplies. These market indices are determined on a monthly basis. Each unit of commodity is considered a separate performance obligation; however, as consideration is variable, the Company utilizes the variable consideration allocation exception permitted under the standard to allocate the variable consideration to the specific units of commodity to which they relate.

Disaggregation of natural gas, oil and NGL revenues

The following table presents the disaggregation of the Company's natural gas, oil and NGL revenues for the three and nine months ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022			Nine Months Ended June 30, 2022		
	Royalty Interest	Working Interest	Total	Royalty Interest	Working Interest	Total
Natural gas revenue	$ 8,457,521	$ 4,494,665	$ 12,952,186	$ 19,279,414	$ 10,898,801	$ 30,178,215
Oil revenue	3,340,065	1,808,814	5,148,879	7,784,554	5,652,135	13,436,689
NGL revenue	675,829	784,674	1,460,503	2,008,959	2,408,734	4,417,693
Natural gas, oil and NGL sales	$ 12,473,415	$ 7,088,153	$ 19,561,568	$ 29,072,927	$ 18,959,670	$ 48,032,597

	Three Months Ended June 30, 2021			Nine Months Ended June 30, 2021		
	Royalty Interest	Working Interest	Total	Royalty Interest	Working Interest	Total
Natural gas revenue	$ 3,023,941	$ 3,234,656	$ 6,258,597	$ 6,580,533	$ 7,509,962	$ 14,090,495
Oil revenue	1,934,966	1,603,996	3,538,962	4,748,987	4,275,962	9,024,949
NGL revenue	453,935	648,326	1,102,261	1,095,124	1,460,056	2,555,180
Natural gas, oil and NGL sales	$ 5,412,842	$ 5,486,978	$ 10,899,820	$ 12,424,644	$ 13,245,980	$ 25,670,624

Prior-period performance obligations and contract balances

The Company records revenue in the month production is delivered to the purchaser. As a non-operator, the Company has limited visibility into the timing of when new wells start producing, and production statements may not be received for 30 to 90 days or more after the date production is delivered. As a result, the Company is required to estimate the amount of production delivered to the purchaser and the price that will be received for the sale of the product. The expected sales volumes and prices for these properties are estimated and recorded within the natural gas, oil and NGL sales receivables line item on the Company’s balance sheets. The difference between the Company's estimates and the actual amounts received for natural gas, oil and NGL sales is recorded in the quarter that payment is received from the third party. For the three and nine months ended June 30, 2022, revenue recognized during the reporting period related to performance obligations satisfied in prior reporting periods for existing wells was considered a change in estimate.

As noted above, as a non-operator, there are instances when the Company is limited by the information operators provide to it. Through cash received on new wells, in the 2022 and 2021 third quarters, the Company identified several producing properties on its minerals that had production dates prior to the 2022 and 2021 third quarters. Estimates of the natural gas and oil sales related to those properties were made and are reflected in the third quarter natural gas, oil and NGL sales on the Company’s Statements of Operations and on the Company’s Balance Sheets in natural gas, oil and NGL sales receivables. In connection with obtaining more relevant information on new wells on Company acreage for the three months ended June 30, 2022, the Company recorded a change in estimate for new wells to natural gas, oil and NGL sales totaling $894,099, of which $83,352 related to the production periods before October 1, 2021 and $810,747 related to the first and second fiscal quarters of fiscal 2022.

In connection with obtaining more relevant information on new wells on Company acreage for the three months ended June 30, 2021, the Company recorded a change in estimate for new wells to natural gas, oil and NGL sales totaling $365,871 of which $72,717 related to the production periods before October 1, 2020, and $293,154 related to the first and second fiscal quarters of fiscal 2021.

NOTE 3: Income Taxes

The Company's provision for income taxes differs from the statutory rate primarily due to estimated federal and state benefits generated from excess federal and Oklahoma percentage depletion, which are permanent tax benefits, and the change in valuation allowance from prior year. Excess percentage depletion, both federal and Oklahoma, can only be taken in the amount that exceeds cost depletion, which is calculated on a unit-of-production basis. The Company completes an evaluation of the expected realization of the Company's gross deferred tax assets each quarter. Excess tax benefits and deficiencies of stock-based compensation are recognized as provision (benefit) for income taxes in the Company's Statements of Operations.

Both excess federal percentage depletion, which is limited to certain production volumes and by certain income levels, and excess Oklahoma percentage depletion, which has no limitation on production volume, reduce estimated taxable income or add to estimated taxable loss projected for any year. The federal and Oklahoma excess percentage depletion estimates will be updated throughout the year until finalized with detailed well-by-well calculations at fiscal year-end. Depending upon whether a provision for income taxes or a benefit for income taxes is expected for a year, federal and Oklahoma excess percentage depletion will either decrease or increase the effective tax rate, respectively. The benefits of federal and Oklahoma excess percentage depletion and excess tax benefits and deficiencies of stock-based compensation are not directly related to the amount of pre-tax income (loss) recorded in a period. Accordingly, in periods where a recorded pre-tax income or loss is relatively small, the proportional effect of these items on the effective tax rate may be significant.

As of June 30, 2022, the Company completed an evaluation of the expected realization of its gross deferred tax assets. As a result of its evaluation, the Company concluded a valuation allowance is required and for the nine months ended June 30, 2022, the net impact of the change in the Company's valuation allowance against its deferred tax assets from September 30, 2021 is a decrease of $717,875 recorded in the income tax provision. The Company's effective tax rate for the nine months ended June 30, 2022 was a 14% provision as compared to a 31% benefit for the nine months ended June 30, 2021. During the three and nine months ended June 30, 2022, the Company made income tax payments of $1.9 million and $2.6 million, respectively.

The federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020. The CARES Act provides relief to corporate taxpayers by permitting a five-year carryback of 2018-2020 Net Operating Losses ("NOLs"), removing the 80% limitation on the carryback of those NOLs, increasing the limitation on interest expense deductibility under Section 163(j) of the Internal Revenue Code ("IRC") from 30% to 50% of adjusted taxable income for 2019 and 2020, and accelerating refunds for minimum tax credit carryforwards, along with a few other provisions. On July 28, 2020, final regulations were issued under Section 163(j) of the IRC that modified the calculation under the previous proposed regulations of adjusted taxable income for purposes of the 50% limitation on interest expense. Under the final regulations, depreciation, amortization, and depletion capitalizable under Section 263A of the IRC is added back to tentative taxable income. This change allowed all interest expense to be deductible for 2020 and reduced the associated deferred tax asset to zero. During the quarter ended March 31, 2021, the Company received a tax refund totaling $1.4 million associated with the alternative minimum tax (AMT) credits, which was accelerated by the CARES Act. During the quarter ended December 31, 2021, the Company received $2.2 million associated with the carryback of the Company's 2020 federal net operating loss.

NOTE 4: Basic and Diluted Earnings (Loss) Per Common Share ("EPS")

Basic earnings (loss) per share of Common Stock is calculated using net income (loss) divided by the weighted average number of shares of Common Stock outstanding, including unissued, vested directors' deferred compensation shares, during the period. Diluted earnings (loss) per share of Common Stock is calculated using net income (loss) divided by the weighted average number of shares of Common Stock outstanding, including unissued, vested directors' deferred compensation shares and any other potentially dilutive shares of Common Stock, during the period. Participating securities had no effect on basic and diluted EPS at June 30, 2022.

For the three and nine months ended June 30, 2022, the Company excluded restricted stock in the diluted EPS calculation that would have been antidilutive. The average shares outstanding of restricted stock excluded from the diluted EPS was 720,254 and 445,943, respectively, for the three and nine months ended June 30, 2022, and 584,547 and 377,808, respectively, for the three and nine months ended June 30, 2021.

The following table presents a reconciliation of the components of basic and diluted EPS.

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
Basic EPS				
Numerator:				
Basic net income (loss)	$ 8,589,010	$ (1,356,594)	$ 11,250,804	$ (2,453,037)
Denominator:				
Common Shares	34,438,807	28,117,199	33,792,632	24,308,185
Unissued, directors' deferred compensation shares	213,348	192,059	216,473	174,454
Basic weighted average shares outstanding	34,652,155	28,309,258	34,009,105	24,482,639
Basic EPS	$ 0.25	$ (0.05)	$ 0.33	$ (0.10)
Diluted EPS				
Numerator:				
Basic net income (loss)	$ 8,589,010	$ (1,356,594)	$ 11,250,804	$ (2,453,037)
Diluted net income (loss)	8,589,010	(1,356,594)	11,250,804	(2,453,037)
Denominator:				
Basic weighted average shares outstanding	34,652,155	28,309,258	34,009,105	24,482,639
Effects of dilutive securities:				
Unvested restricted stock	199,059	-	-	-
Diluted weighted average shares outstanding	34,851,214	28,309,258	34,009,105	24,482,639
Diluted EPS	$ 0.25	$ (0.05)	$ 0.33	$ (0.10)

NOTE 5: Long-Term Debt

The Company has a $100,000,000 credit facility (the “Credit Facility”) with a syndicate of banks led by Independent Bank pursuant to a credit agreement entered into in September 2021 (as amended, the “Credit Agreement”). The Credit Facility has a borrowing base of $50,000,000 as of June 30, 2022, and a maturity date of September 1, 2025. The Credit Facility is secured by the Company’s personal property and at least 80% of the total value of the proved, developed and producing oil and gas properties. The interest rate is based on either (a) the Secured Overnight Financing Rate (“SOFR”) plus an applicable margin ranging from 2.750% to 3.750% per annum based on the Company’s Borrowing Base Utilization or (b) the greater of (1) the Prime Rate in effect for such day, or (2) the overnight cost of federal funds as announced by the U.S. Federal Reserve System in effect on such day plus one-half of one percent (0.50%), plus, in each case, an applicable margin ranging from 1.750% to 2.750% per annum based on the Company’s Borrowing Base Utilization. The election of Independent Bank prime or SOFR is at the Company’s discretion. The interest rate spread from Independent Bank prime or SOFR will be charged based on the ratio of the loan balance to the borrowing base. The interest rate spread from SOFR or the prime rate increases as a larger percent of the borrowing base is advanced. At June 30, 2022, the effective interest rate was 4.43%.

The Company’s debt is recorded at the carrying amount on its balance sheets. The carrying amount of the debt under the Credit Facility approximates fair value because the interest rates are reflective of market rates. Debt issuance costs associated with the Credit Facility are presented in “Other, net” on the Company’s balance sheets. Total debt issuance cost, net of amortization, as of June 30, 2022 was $353,084. The debt issuance cost is amortized over the life of the Credit Facility.

Determinations of the borrowing base under the Credit Facility are made semi-annually (usually June and December) or whenever the lending banks, in their sole discretion, believe that there has been a material change in the value of the Company’s natural gas and oil properties. The Credit Facility contains customary covenants which, among other things, require periodic financial and reserve reporting and place certain restrictions on the Company’s ability to incur debt, grant liens, make fundamental changes and engage in certain transactions with affiliates. The Credit Facility also restricts the Company’s ability to make certain restricted payments if before or after the Restricted Payment (i) the Available Commitment is less than ten percent (10%) of the Borrowing Base or (ii) the Leverage Ratio on a pro forma basis is greater than 2.50 to 1.00. In addition, the Company is required to maintain certain financial ratios, a current ratio (as described in the Credit Facility) of no less than 1.0 to 1.0 and a funded debt to EBITDAX (as defined in the Credit Facility) of no more than 3.5 to 1.0 based on the trailing twelve months. At June 30, 2022, the Company was in compliance with the covenants of the Credit Facility, had $28,300,000 in outstanding borrowings and had $21,700,000 available for borrowing under the Credit Facility. All capitalized terms in this description of the Credit Facility that are not otherwise defined in this Form 10-Q shall have the meaning assigned to them in the Credit Agreement.

NOTE 6: Deferred Compensation Plan for Non-Employee Directors

Annually, non-employee directors may elect to be included in the Deferred Compensation Plan for Non-Employee Directors. This plan provides that each outside director may individually elect to be credited with future unissued shares of Company Common Stock rather than cash for all or a portion of their annual retainers and Board and committee meeting fees. These unissued shares are recorded to each director's deferred compensation account at the closing market price of the shares on the payment dates of the annual retainers. Only upon a director's retirement, termination or death or a change-in-control of the Company will the shares recorded for such director be issued under this plan. Directors may elect to receive shares, when issued, over annual time periods of up to ten years. The promise to issue such shares in the future is an unsecured obligation of the Company.

NOTE 7: Restricted Stock Plan

On March 2, 2022, the Company awarded shares of Common Stock in the form of time-based and market-based restricted stock to the directors, employees and officers of the Company. Non-employee directors received 138,249 time-based shares with a fair value on the award date of $387,095. These shares vest in December 2022. Officers were awarded 402,086 market-based shares with a fair value on their award date of $1,679,757. Upon vesting, the market-based shares that do not meet certain performance criteria are forfeited. Both employees and certain officers were also awarded 126,013 time-based shares with a fair value on the award date of $352,838. The shares issued to employees time-vest ratably over a three-year period ending in December 2024, and the shares awarded to the officers cliff vest at the end of a three-year period ending in December 2024. All shares awarded on March 2, 2022 have voting rights during the vesting period.

On April 1, 2022, the Company awarded shares of common stock in the form of time-based restricted stock to a new director. The non-employee director received 20,737 time-based shares with a fair value on the award date of $62,004. These shares vest in December of 2022.

Compensation expense for the restricted stock awards is recognized in G&A. Forfeitures of awards are recognized when they occur. The following table summarizes the Company's pre-tax compensation expense for the three and nine months ended June 30, 2022 and 2021 related to the Company's market-based, time-based and performance-based restricted stock:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Market-based, restricted stock	$ 313,728	$ 79,118	$ 705,082	$ 168,483
Time-based, restricted stock	216,338	179,408	513,965	374,191
Performance-based, restricted stock	-	-	-	-
Total compensation expense	$ 530,066	$ 258,526	$ 1,219,047	$ 542,674

A summary of the Company's unrecognized compensation cost for its unvested market-based, time-based and performance-based restricted stock and the weighted-average periods over which the compensation cost is expected to be recognized is shown in the following table:

	As of June 30, 2022	
	Unrecognized Compensation Cost	Weighted Average Period (in years)
Market-based, restricted stock	$ 1,621,184	1.50
Time-based, restricted stock	649,773	1.37
Performance-based, restricted stock	-	
Total	$ 2,270,957	

NOTE 8: Properties and Equipment

Properties and equipment and related accumulated DD&A as of June 30, 2022 and September 30, 2021 are as follows:

	June 30, 2022	September 30, 2021
Properties and equipment at cost, based on successful efforts accounting:		
Producing natural gas and oil properties	$ 265,800,998	$ 319,984,874
Non-producing natural gas and oil properties	50,204,756	40,466,098
Other property and equipment	972,770	794,179
	316,978,524	361,245,151
Less accumulated depreciation, depletion and amortization	(193,551,159)	(257,643,661)
Net properties and equipment	$ 123,427,365	$ 103,601,490

Acquisitions

The Company made the following property acquisitions during the nine-month periods ended June 30, 2022 and 2021.

Quarter Ended [4]	Net royalty acres [1][2]	Cash	Number of shares [3]	Total Purchase Price [1]	Area of Interest
June 30, 2022					
	60	$0.6 million	-	$0.6 million	SCOOP / OK
	46	$0.8 million	-	$0.8 million	Haynesville / LA
	56	$0.4 million	-	$0.4 million	Haynesville / LA
	88	$0.9 million	-	$0.9 million	SCOOP / OK
	503	$5.0 million	-	$5.0 million	Haynesville / LA, TX
	92	$0.6 million	-	$0.6 million	Haynesville / LA
	25	$0.3 million	-	$0.3 million	Haynesville / LA
	68	$0.5 million	-	$0.5 million	SCOOP / OK
March 31, 2022					
	58	$0.5 million	-	$0.5 million	SCOOP / OK
	500	$6.4 million	-	$6.4 million	Haynesville / LA
	68	$0.7 million	-	$0.7 million	Haynesville / TX
	166	$1.3 million	-	$1.3 million	SCOOP / OK
	33	$0.4 million	-	$0.4 million	Haynesville / TX
December 31, 2021					
	426	$5.8 million	-	$5.8 million	Haynesville / LA
	847	$0.6 million	1,519,481	$4.1 million	Haynesville / LA
	172	$1.4 million	-	$1.4 million	SCOOP / OK
	103	$0.6 million	-	$0.6 million	Haynesville / TX
	116	$1.7 million	-	$1.7 million	Haynesville / LA
	220	$1.2 million	-	$1.2 million	SCOOP / OK
June 30, 2021					
	262	$1.3 million	-	$1.3 million	Haynesville / LA
	131	$1.0 million	-	$1.0 million	Haynesville / TX
	2,514	$9.5 million	1,200,000	$13.0 million	SCOOP / OK
March 31, 2021					
	No significant acquisitions				
December 31, 2020					
	142	$1.0 million	-	$1.0 million	Haynesville / TX
	184	$0.8 million	-	$0.8 million	Haynesville / TX
	386	$3.5 million	-	$3.5 million	Haynesville / TX
	297	$2.0 million	153,375	$2.3 million	SCOOP / OK

(1) Excludes subsequent closing adjustments and insignificant acquisitions.
(2) An estimated net royalty equivalent was used for the minerals included in the net royalty acres.
(3) The Company's policy is to classify all costs associated with equity issuances as financial costs in the Statements of Cash Flows.
(4) Presented in chronological order with most recent at top.

All purchases made in 2021 and 2022 were for mineral and royalty acreage and were accounted for as asset acquisitions.

Divestitures

The Company made the following property divestitures during the nine-month periods ended June 30, 2022 and 2021.

Quarter Ended[3]	Net mineral acres[1]/ Wellbores[2]	Sale Price	Gain/(Loss)	Location
June 30, 2022				
	43 acres	$0.1 million	$0.1 million	TX
	9 wellbores	$0.3 million	$0.1 million	OK
	83 acres	$0.1 million	$0.1 million	OK
	16 wellbores	$0.1 million	$ -	OK
	2 wellbores	$0.1 million	$0.1 million	OK
	2,255 acres	$0.3 million	$0.3 million	AR / OK / TX
March 31, 2022				
	7,071 acres	$1.6 million	$1.6 million	NM / TX
	130 acres	$0.5 million	$0.5 million	TX
December 31, 2021				
	98 wellbores	$2.0 million	($3.5) million	OK
	95 wellbores	$0.5 million	$0.2 million	OK / TX
	499 wellbores	$2.1 million	$1.1 million	AR
June 30, 2021				
	2,857 acres	$0.3 million	$0.2 million	Central Basin Platform, TX
March 31, 2021				
	No significant divestitures			
December 31, 2020				
	No significant divestitures			

(1) Number of net mineral acres sold.

(2) Number of wellbores associated with working interests sold.

(3) Excludes immaterial divestitures.

Natural Gas, Oil and NGL Reserves

Management considers the estimation of the Company's natural gas, oil and NGL reserves to be the most significant of its judgments and estimates. Changes in natural gas, oil and NGL reserve estimates affect the Company's calculation of DD&A, provision for retirement of assets and assessment of the need for asset impairments. On an annual basis, with a semi-annual update, the Company's independent consulting petroleum engineer, with assistance from Company staff, prepares estimates of natural gas, oil and NGL reserves based on available geologic and seismic data, reservoir pressure data, core analysis reports, well logs, analogous reservoir performance history, production data and other available sources of engineering, geologic and geophysical information. Between periods in which reserves would normally be calculated, the Company updates the reserve calculations utilizing appropriate prices for the current period. The estimated natural gas, oil and NGL reserves were computed using the 12-month average price calculated as the unweighted arithmetic average of the first-day-of-the-month natural gas, oil and NGL price for each month within the 12-month period prior to the balance sheet date, held flat over the life of the properties. However, projected future natural gas, oil and NGL pricing assumptions are used by management to prepare estimates of natural gas, oil and NGL reserves and future net cash flows used in asset impairment assessments and in formulating management's overall operating decisions. Natural gas, oil and NGL prices are volatile, affected by worldwide production and consumption, and are outside the control of management.

Impairment

Company management monitors all long-lived assets, principally natural gas and oil properties, for potential impairment when circumstances indicate that the carrying value of the asset may be greater than its estimated future net cash flows. The evaluations involve significant judgment since the results are based on estimated future events, such as inflation rates; future drilling and completion costs; future sales prices for natural gas, oil and NGL; future production costs; estimates of future natural gas, oil and NGL reserves to be recovered and the timing thereof; the economic and regulatory climates; and other factors. The need to test a property for impairment may result from significant declines in sales prices or unfavorable adjustments to natural gas, oil and NGL reserves. Between periods in which reserves would normally be calculated, the Company updates the reserve calculations to reflect any material changes since the prior report was issued and then utilizes updated projected future price decks current with the period. For the three and nine months ended June 30, 2022, management's assessment resulted in no impairment provisions on producing properties. The Company wrote off $11,862 on wells assigned to the operator with zero consideration received during the nine months ended June 30, 2022.

For the three and nine months ended June 30, 2021, management's assessment resulted in an impairment provision of $37,879 on producing properties and $7,976 on wells that the Company wrote off.

NOTE 9: Derivatives

The Company has entered into commodity price derivative agreements, including fixed swap contracts and costless collar contracts. These instruments are intended to reduce the Company's exposure to short-term fluctuations in the price of natural gas and oil. Fixed swap contracts set a fixed price and provide payments to the Company if the index price is below the fixed price, or require payments by the Company if the index price is above the fixed price. Collar contracts set a fixed floor price and a fixed ceiling price and provide payments to the Company if the index price falls below the floor or require payments by the Company if the index price rises above the ceiling. These contracts cover only a portion of the Company's natural gas and oil production and provide only partial price protection against declines in natural gas and oil prices. The Company's derivative contracts are currently with BP Energy Company ("BP"). The derivative contracts with BP are secured under the Credit Facility with Independent Bank (see Note 5: Long-Term Debt). The derivative instruments have settled or will settle based on the prices below:

Derivative contracts in place as of June 30, 2022

Fiscal Period	Contract total volume	Index	Contract average price
Natural gas costless collars			
Remaining 2022	370,000 Mmbtu	NYMEX Henry Hub	$4.21 floor / $6.65 ceiling
2023	890,000 Mmbtu	NYMEX Henry Hub	$4.49 floor / $8.10 ceiling
2024	60,000 Mmbtu	NYMEX Henry Hub	$3.00 floor / $4.70 ceiling
Natural gas fixed price swaps			
Remaining 2022	810,000 Mmbtu	NYMEX Henry Hub	$3.00
2023	2,100,000 Mmbtu	NYMEX Henry Hub	$3.24
2024	380,000 Mmbtu	NYMEX Henry Hub	$3.41
Oil costless collars			
2023	15,000 Bbls	NYMEX WTI	$75.00 floor / $96.00 ceiling
Oil fixed price swaps			
Remaining 2022	41,000 Bbls	NYMEX WTI	$45.48
2023	66,750 Bbls	NYMEX WTI	$62.11
2024	11,250 Bbls	NYMEX WTI	$73.35

The Company has elected not to complete all of the documentation requirements necessary to permit these derivative contracts to be accounted for as cash flow hedges. The Company's fair value of derivative contracts was a net liability of $11,258,090 as of June 30, 2022, and a net liability of $13,784,467 as of September 30, 2021. Cash receipts or payments in the following table reflect the gain or loss on derivative contracts which settled during the respective periods, and the non-cash gain or loss reflect the change in fair value of derivative contracts as of the end of the respective periods:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Cash received (paid) on derivative contracts:				
Natural gas costless collars	$ (653,495)	$ (11,975)	$ (805,685)	$ (21,064)
Natural gas fixed price swaps[1]	(3,562,961)	(20,185)	(5,390,089)	(18,943)
Oil costless collars	-	(346,786)	-	(370,432)
Oil fixed price swaps[1]	(1,453,691)	(625,744)	(2,399,472)	(278,368)
Cash received (paid) on derivative contracts, net	$ (5,670,147)	$ (1,004,690)	$ (8,595,246)	$ (688,807)
Non-cash gain (loss) on derivative contracts:				
Natural gas costless collars	$ 926,778	$ (1,732,932)	$ (458,854)	$ (1,135,852)
Natural gas fixed price swaps	1,853,506	(953,201)	(1,355,455)	(670,605)
Oil costless collars	(38,910)	(680,443)	(38,910)	(1,787,689)
Oil fixed price swaps	541,547	(1,116,217)	(2,085,999)	(3,806,709)
Non-cash gain (loss) on derivative contracts, net	$ 3,282,921	$ (4,482,793)	$ (3,939,218)	$ (7,400,855)
Gains (losses) on derivative contracts, net	$ (2,387,226)	$ (5,487,483)	$ (12,534,464)	$ (8,089,662)

(1) For the three and nine months ended June 30, 2022, excludes $1,284,024 and $6,465,597, respectively, of cash paid to settle off-market derivative contracts that are not reflected on the Condensed Statements of Operations. Total cash paid related to off-market derivatives was $13,845,596 for the nine months ended June 30, 2022 and is reflected in the Financing Activities section of the Condensed Statements of Cash Flows.

The fair value amounts recognized for the Company's derivative contracts executed with the same counterparty under a master netting arrangement may be offset. The Company has the choice of whether or not to offset, but that choice must be applied consistently. A master netting arrangement exists if the reporting entity has multiple contracts with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract. Offsetting the fair values recognized for the derivative contracts outstanding with a single counterparty results in the net fair value of the transactions being reported as an asset or a liability in the Company's balance sheets.

The following table summarizes and reconciles the Company's derivative contracts' fair values at a gross level back to net fair value presentation on the Company's balance sheets at June 30, 2022 and September 30, 2021. The Company has offset all amounts subject to master netting agreements in the Company's balance sheets at June 30, 2022 and September 30, 2021.

	June 30, 2022 Fair Value (a) Commodity Contracts				September 30, 2021 Fair Value (a) Commodity Contracts		
	Current Assets	Current Liabilities	Non-Current Assets	Non-Current Liabilities	Current Assets	Current Liabilities	Non-Current Liabilities
Gross amounts recognized	$ 763,554	$10,953,100	$ 21,155	$1,089,699	$ 17,395	$12,105,383	$1,696,479
Offsetting adjustments	(763,554)	(763,554)	(21,155)	(21,155)	(17,395)	(17,395)	-
Net presentation on condensed balance sheets	$ -	$10,189,546	$ -	$1,068,544	$ -	$12,087,988	$1,696,479

(a) See Note 10: Fair Value Measurements for further disclosures regarding fair value of financial instruments.

The fair value of derivative assets and derivative liabilities is adjusted for credit risk. The impact of credit risk was immaterial for all periods presented.

NOTE 10: Fair Value Measurements

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-level hierarchy is used. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or a liability, into three levels. Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable inputs for the financial asset or liability.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

	Fair Value Measurement at June 30, 2022			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial Assets (Liabilities):				
Derivative Contracts - Swaps	$ -	$ (10,760,325)	$ -	$ (10,760,325)
Derivative Contracts - Collars	$ -	$ (497,765)	$ -	$ (497,765)

Level 2 – Market Approach - The fair values of the Company’s swaps and collars are based on a third-party pricing model, which utilizes inputs that are either readily available in the public market, such as natural gas curves and volatility curves, or can be corroborated from active markets. These values are based upon future prices, time to maturity and other factors. These values are then compared to the values given by our counterparties for reasonableness.

At June 30, 2022 and September 30, 2021, the carrying values of cash and cash equivalents, receivables, and payables are considered to be representative of their respective fair values due to the short-term maturities of those instruments. Financial instruments include long-term debt, the valuation of which is classified as Level 2 as the carrying amount of the Company’s debt under the Credit Facility approximates fair value because the interest rates are reflective of market rates. The estimated current market interest rates are based primarily on interest rates currently being offered on borrowings of similar amounts and terms. In addition, no valuation input adjustments were considered necessary relating to nonperformance risk for the debt agreements.

NOTE 11: Commitments and Contingencies

Litigation

The Company may be the subject of threatened or pending legal actions and contingencies in the normal course of conducting our business. The Company provides for costs related to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount or timing of the resolution of such matters. For certain types of claims, the Company maintains insurance coverage for personal injury and property damage, product liability and other liability coverages in amounts and with deductibles that it believes are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against the Company.

NOTE 12: Subsequent Events

Derivatives

Subsequent to June 30, 2022, the Company entered into new derivative contracts as summarized in the table below:

Contract period	Contract total volume	Index	Contract price
Oil fixed price swaps			
April 2023 - December 2023	9,000 Bbls	NYMEX WTI	$ 80.74

Acquisitions

Subsequent to June 30, 2022, the Company closed additional acquisitions of 544 net royalty acres located in the SCOOP play of Oklahoma and the Haynesville play of Louisiana for approximately $8.2 million.

Divestitures

Subsequent to June 30, 2022, the Company entered into a purchase and sale agreement to divest the remainder of its non-operated working interest position in the Fayetteville Shale of Arkansas for approximately $6 million subject to customary closing adjustments.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

PHX is an owner and manager of perpetual natural gas and oil mineral interests in resource plays in the United States. Our principal business is maximizing the value of our existing mineral and royalty assets through active management and opportunistic divestitures and expanding our asset base through acquisitions of additional mineral and royalty interests.

We also currently own interests in leasehold acreage and non-operated working interests in natural gas and oil properties. Exploration and development of our natural gas and oil properties is conducted by third-party natural gas and oil exploration and production companies (primarily larger independent operating companies). We do not operate any of our natural gas and oil properties. While we previously were an active working interest participant in wells drilled on our mineral and leasehold acreage, our current focus is on growth through mineral acquisitions in our core areas of focus in the SCOOP and Haynesville and development of our significant mineral acreage inventory. We have ceased taking working interest positions on our mineral and leasehold acreage and do not plan to take any working interest positions going forward.

We opened our new corporate headquarters in Fort Worth, Texas in the third quarter 2022. All geology, engineering and accounting employees remain in the Oklahoma City, Oklahoma office.

RESULTS OF OPERATIONS

Our results of operations depend primarily upon our existing reserve quantities; costs associated with acquiring new reserves; production quantities and related production costs; and natural gas, oil and NGL prices. Although a significant amount of our revenue continues to be derived from the production and sale of natural gas, oil and NGL on our working interests, the majority of our revenue is derived from royalties received from the production and sale of natural gas, oil and NGL.

THREE MONTHS ENDED JUNE 30, 2022 COMPARED TO THREE MONTHS ENDED JUNE 30, 2021

Overview:

We recorded third quarter 2022 net income of $8,589,010, or $0.25 per share, as compared to a net loss of $1,356,594, or $0.05 per share, in the fiscal 2021 third quarter. The change in net income was principally the result of increased natural gas, oil and NGL sales, decreased losses associated with our hedge contracts and increased gains on asset sales, partially offset by an increase in G&A and income tax expense. These items are further discussed below.

Revenue:

Natural Gas, Oil and NGL Sales:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Natural gas, oil and NGL sales	$ 19,561,568	$ 10,899,820	79%

For the three months ended June 30, 2022, the increase in natural gas, oil and NGL sales was primarily due to increases in natural gas, oil and NGL prices of 105%, 65% and 56%, respectively, and an increase in natural gas volumes of 1%, partially offset by a decrease in oil and NGL volumes of 12% and 15%, respectively. The following table outlines our production and average sales prices for natural gas, oil and NGL for the three-month periods of fiscal 2022 and 2021:

	MCF Sold	Average Price	Oil Bbls Sold	Average Price	NGL Bbls Sold	Average Price	MCFE Sold	Average Price
Three months ended								
6/30/2022	1,897,799	$ 6.82	48,928	$ 105.23	39,732	$ 36.76	2,429,760	$ 8.05
6/30/2021	1,879,343	$ 3.33	55,492	$ 63.77	46,753	$ 23.58	2,492,813	$ 4.37

The production increase in royalty volumes during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021, resulted from new wells associated with 2021 and 2022 acquisitions in the Haynesville Shale and SCOOP plays coming online. The decrease in working interest volumes resulted from the divestiture of low-value legacy working interests in

Oklahoma and the Fayetteville Shale in Arkansas, naturally declining production in high-interest wells in the Arkoma Stack and STACK plays, and legacy wells shut in in the Eagle Ford play while the operator completes new offset wells.

Total production for the last five quarters was as follows:

Quarter ended	MCF Sold	Oil Bbls Sold	NGL Bbls Sold	MCFE Sold
6/30/2022	1,897,799	48,928	39,732	2,429,760
3/31/2022	1,908,030	51,631	40,371	2,460,042
12/31/2021	1,574,265	48,074	44,256	2,128,248
9/30/2021	1,609,101	54,043	46,369	2,211,570
6/30/2021	1,879,343	55,492	46,753	2,492,813

Royalty interest production for the last five quarters was as follows:

Quarter ended	MCF Sold	Oil Bbls Sold	NGL Bbls Sold	MCFE Sold
6/30/2022	1,283,737	32,562	19,369	1,595,323
3/31/2022	1,261,949	28,758	18,852	1,547,609
12/31/2021	949,523	25,996	19,953	1,225,220
9/30/2021	705,397	29,442	19,364	998,230
6/30/2021	908,471	31,095	18,255	1,204,571

Working interest production for the last five quarters was as follows:

Quarter ended	MCF Sold	Oil Bbls Sold	NGL Bbls Sold	MCFE Sold
6/30/2022	614,062	16,366	20,363	834,437
3/31/2022	646,081	22,873	21,519	912,433
12/31/2021	624,742	22,078	24,303	903,028
9/30/2021	903,704	24,601	27,005	1,213,340
6/30/2021	970,872	24,397	28,498	1,288,242

Lease Bonuses and Rental Income:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Lease bonuses and rental income	$ 209,329	$ 259,152	(19%)

When we lease our mineral interests, we generally receive an upfront cash payment, or lease bonus. Lease bonuses and rental income decreased $49,823 in the 2022 quarter compared to the 2021 quarter primarily as the result of decreased leasing activity in the 2022 quarter.

Gains (Losses) on Derivative Contracts:

We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in commodity prices. This amount represents the (i) gain (loss) related to fair value adjustments on our open derivative contracts and (ii) gains (losses) on settlements of derivative contracts for positions that have settled within the period. The net gain (loss) on derivative instruments for the periods indicated includes the following:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Cash received (paid) on derivative contracts:			
Cash received (paid) on derivative contracts, net[1]	$ (5,670,147)	$ (1,004,690)	(464%)
Non-cash gain (loss) on derivative contracts:			
Non-cash gain (loss) on derivative contracts, net	$ 3,282,921	$ (4,482,793)	173%
Gains (losses) on derivative contracts, net	$ (2,387,226)	$ (5,487,483)	56%

	As of June 30,		
	2022	2021	
Fair value of derivative contracts			
Net asset (net liability)	$ (11,258,090)	$ (8,108,502)	(39%)

(1) Excludes $1,284,024 of cash paid to settle off-market derivative contracts that are not reflected on the Condensed Statements of Operations for the quarter ended June 30, 2022.

The change in net (loss) gain on derivative contracts was due to the settlements of natural gas and oil collars and fixed price swaps and the change in valuation caused by the difference in June 30, 2022, pricing relative to the strike price on open derivative contracts.

Our natural gas and oil costless collar contracts and fixed price swaps in place at June 30, 2022 had expiration dates through December 2023. We utilize derivative contracts for the purpose of protecting our cash flow and return on investments.

Costs and Expenses:

Lease Operating Expenses (LOE):

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Lease operating expenses	$ 900,807	$ 1,064,989	(15%)
Lease operating expenses per working interest MCFE	$ 1.08	$ 0.83	30%
Lease operating expenses per total MCFE	$ 0.37	$ 0.43	(14%)

We are responsible for a portion of LOE relating to a well as a working interest owner. LOE includes normal recurring and nonrecurring expenses associated with our working interests necessary to produce hydrocarbons from our natural gas and oil wells, including maintenance, repairs, salt water disposal, insurance and workover expenses. Total LOE related to field operating costs decreased $164,182, or 15%, in the 2022 quarter compared to the 2021 quarter. The decrease in LOE was principally the result of the divestiture of higher LOE working interest properties, partially offset by cost inflation associated with field operating activities.

Transportation, Gathering and Marketing:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Transportation, gathering and marketing	$ 1,430,136	$ 1,538,174	(7%)
Transportation, gathering and marketing per MCFE	$ 0.59	$ 0.62	(5%)

Transportation, gathering and marketing costs decreased $108,038, or 7%, in the 2022 quarter compared to the 2021 quarter. This decrease in costs was primarily driven by lower production in the 2022 quarter compared to the 2021 quarter. The decrease in rate per MCFE was primarily due to the divestiture of assets with higher associated deduct rates and the increase in natural gas sales in fields with lower associated deduct rates. Natural gas sales bear the large majority of our transportation, gathering and marketing fees.

Production Taxes:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Production taxes	$ 925,197	$ 596,858	55%
Production taxes as % of sales	4.7%	5.5%	(15%)

Production taxes are paid on produced natural gas and oil based on a percentage of revenues from products sold at both fixed and variable rates established by federal, state or local taxing authorities. Production taxes increased $328,339, or 55%, in the 2022 quarter as compared to the 2021 quarter. The increase in amount was primarily the result of increased natural gas, oil and NGL sales of $8,661,748 in the 2022 quarter compared to the 2021 quarter.

Depreciation, Depletion and Amortization (DD&A):

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Depreciation, depletion and amortization	$ 2,022,832	$ 2,137,707	(5%)
Depreciation, depletion and amortization per MCFE	$ 0.83	$ 0.86	(3%)

DD&A is the amount of cost basis of natural gas and oil properties attributable to the volume of hydrocarbons extracted during such period, calculated on a units-of-production basis for working interest, and on a straight-line basis for producing and non-producing minerals. Estimates of proved developed producing reserves are a major component of the calculation of depletion. DD&A decreased $114,875, or 5%, in the 2022 quarter compared to the 2021 quarter, of which $60,649 of the decrease resulted from a $0.03 decrease in the DD&A rate per MCFE and $54,226 of such decrease resulted from production decreasing 3% in the 2022 quarter. The DD&A rate per MCFE decrease was mainly due to an increase in reserves during the 2022 quarter compared to the 2021 quarter.

Provision for Impairment:

We had a $6,277 provision for impairment in the 2022 quarter as compared to a $45,855 provision in the 2021 quarter. During the 2022 quarter, impairment was related to working interest wells in which we assigned our interests to the operator. During the 2021 quarter, impairment of $37,879 was related to one field. These assets were written down to their fair market value as required by GAAP. The remaining 2021 impairment was related to working interest wells in which we assigned our interests to the operator.

Interest expense:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Interest expense	$ 286,345	$ 220,439	30%
Weighted average debt outstanding	$ 26,976,923	$ 21,801,648	24%

The increase in interest expense is due to a higher average debt balance and average interest rate in the 2022 quarter as compared to the 2021 quarter.

Income Tax Expense:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Provision (benefit) for income taxes	$ 976,000	$ (816,000)	220%

Income taxes changed $1,792,000, from a $816,000 benefit in the 2021 quarter to a $976,000 provision in the 2022 quarter. The change in income taxes resulted primarily from an increase in net income for fiscal year 2022 compared to fiscal year 2021.

General and Administrative Costs (G&A):

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
General and administrative	$ 2,877,614	$ 2,275,104	26%

G&A are costs not directly associated with the production of natural gas and oil and include the cost of employee salaries and related benefits, office expenses and fees for professional services. G&A for the 2022 quarter increased $602,510 as compared to the 2021 quarter. The increase was primarily due to legal expenses associated with reincorporating in the state of Delaware, increased transaction activity and restricted stock expense during the 2022 quarter.

Losses (Gains) on Asset Sales and Other:

	For the Three Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Losses (gains) on asset sales and other	$ (630,547)	$ (35,043)	(1,699%)

The increase in gain on asset sales and other is primarily related to divestitures during the 2022 quarter.

NINE MONTHS ENDED JUNE 30, 2022 COMPARED TO NINE MONTHS ENDED JUNE 30, 2021

Overview:

We recorded nine-month net income of $11,250,804, or $0.33 per share, for the 2022 period, as compared to a net loss of $2,453,037, or $0.10 per share, in the 2021 period. The change in net income (loss) was principally the result of increased natural gas, oil and NGL sales, gains on asset sales and lease bonuses and rental income, and decreased DD&A, partially offset by an increase in losses on derivative contracts, production taxes, G&A and income tax expense. These items are further discussed below.

Revenue:

Natural Gas, Oil and NGL Sales:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Natural gas, oil and NGL sales	$ 48,032,597	$ 25,670,624	87%

The increase in natural gas, oil and NGL sales was primarily due to increases in natural gas, oil and NGL prices of 103%, 71% and 74%, respectively, and an increase in natural gas volumes of 6%, partially offset by a decrease in oil and NGL volumes of 13% and 1%, respectively. The following table outlines our production and average sales prices for natural gas, oil and NGL for the nine-month periods of fiscal 2022 and 2021:

	MCF Sold	Average Price	Oil Bbls Sold	Average Price	NGL Bbls Sold	Average Price	MCFE Sold	Average Price
Nine months ended								
6/30/2022	5,380,093	$ 5.61	148,632	$ 90.40	124,358	$ 35.52	7,018,036	$ 6.84
6/30/2021	5,090,619	$ 2.77	170,437	$ 52.95	125,118	$ 20.42	6,863,952	$ 3.74

Natural gas volumes increased during the nine months ended June 30, 2022, as compared to the nine months ended June 30, 2021, primarily as a result of new wells associated with recent acquisitions in the Haynesville Shale and SCOOP plays coming online. These gas volumes were partially offset by naturally declining production in high-interest wells in the Arkoma Stack and divestitures in the Fayetteville. NGL production decreased slightly as a result of naturally declining production from liquids-rich gas wells in the STACK. The decrease in oil production was a result of naturally declining production in working interest wells and our strategy of no longer participating with working interests in new drilling in the Eagle Ford play and reduced drilling activity of royalty wells in the Bakken play, as well as naturally declining production in high-interest wells brought online in the STACK during fiscal year 2021. Oil production decreases were partially offset by new wells in the SCOOP.

Lease Bonuses and Rental Income:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Lease bonuses and rental income	$ 450,152	$ 319,139	41%

When we lease our mineral interests, we generally receive an upfront cash payment, or lease bonus. Lease bonuses and rental income increased $131,013 in the 2022 period compared to the 2021 period primarily as the result of increased leasing activity in the 2022 period.

Gains (Losses) on Derivative Contracts:

We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in commodity prices. Our gain (loss) on derivative contracts amount represents the (i) gain (loss) related to fair value adjustments on our open derivative contracts and (ii) gains (losses) on settlements of derivative contracts for positions that have settled within the period. The net gain (loss) on derivative instruments for the periods indicated includes the following:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Cash received (paid) on derivative contracts:			
Cash received (paid) on derivative contracts, net[1]	$ (8,595,246)	$ (688,807)	(1,148%)
Non-cash gain (loss) on derivative contracts:			
Non-cash gain (loss) on derivative contracts, net	$ (3,939,218)	$ (7,400,855)	47%
Gains (losses) on derivative contracts, net	$ (12,534,464)	$ (8,089,662)	(55%)

	As of June 30,		
	2022	2021	
Fair value of derivative contracts			
Net asset (net liability)	$ (11,258,090)	$ (8,108,502)	(39%)

(1) Excludes $6,465,597 of cash paid to settle off-market derivative contracts that are not reflected on the Condensed Statements of Operations for the nine months ended June 30, 2022.

The change in net loss on derivative contracts was due to the Company's settlements of natural gas and oil collars and fixed price swaps and the change in valuation caused by the difference in June 30, 2022, pricing relative to the strike price on open derivative contracts.

Our natural gas and oil costless collar contracts and fixed price swaps in place at June 30, 2022 had expiration dates through December 2023. We utilize derivative contracts for the purpose of protecting our cash flow and return on investments.

Costs and Expenses:

Lease Operating Expenses (LOE):

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Lease operating expenses	$ 3,086,272	$ 3,100,052	(—%)
Lease operating expenses per working interest MCFE	$ 1.16	$ 0.84	38%
Lease operating expenses per MCFE	$ 0.44	$ 0.45	(2%)

We are responsible for a portion of LOE relating to a well as a working interest owner. LOE includes normal recurring and nonrecurring expenses associated with our working interests necessary to produce hydrocarbons from our natural gas and oil wells, including maintenance, repairs, salt water disposal, insurance and workover expenses. Total LOE related to field operating costs decreased $13,780 in the 2022 period compared to the 2021 period. The decrease in LOE was principally the result of the divestiture of higher LOE working interest properties, partially offset by cost inflation associated with field operating activities.

Transportation, Gathering and Marketing:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Transportation, gathering and marketing	$ 4,132,258	$ 4,138,653	(—%)
Transportation, gathering and marketing per MCFE	$ 0.59	$ 0.60	(2%)

Transportation, gathering and marketing decreased $6,395 in the 2022 period compared to the 2021 period. The decrease in rate per MCFE was primarily due to the divestiture of assets with higher associated deduct rates and the increase in natural gas sales in fields with lower associated deduct rates. Natural gas sales bear the large majority of our transportation, gathering and marketing fees.

Production Taxes:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Production taxes	$ 2,301,537	$ 1,316,038	75%
Production taxes as % of sales	4.8%	5.1%	(6%)

Production taxes are paid on produced natural gas and oil based on a percentage of revenues from products sold at both fixed and variable rates established by federal, state or local taxing authorities. Production taxes increased $985,499, or 75%, in the 2022 period compared to the 2021 period. The increase was primarily the result of increased prices and production volumes in the 2022 period as compared to the 2021 period.

Depreciation, Depletion and Amortization (DD&A):

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Depreciation, depletion and amortization	$ 5,727,708	$ 6,176,173	(7%)
Depreciation, depletion and amortization per MCFE	$ 0.82	$ 0.90	(9%)

DD&A is the amount of cost basis of natural gas and oil properties attributable to the volume of hydrocarbons extracted during such period, calculated on a units-of-production basis for working interest, and on a straight-line basis for producing and non-producing minerals. Estimates of proved developed producing reserves are a major component of the calculation of depletion. DD&A decreased $448,465, or 7%, in the 2022 period compared to the 2021 period, of which $587,155 of the decrease resulted from a $0.08 decrease in the DD&A rate per MCFE, partially offset by an increase of $138,690 resulting from production increasing 2% in the 2022 period compared to the 2021 period. The DD&A rate per MCFE decrease was mainly due to an increase in reserves during the 2022 period compared to the 2021 period.

Provision for Impairment:

We had an $11,862 provision for impairment in the 2022 period as compared to a $45,855 provision for impairment in the 2021 period. During the 2022 period, impairment was related to working interest wells in which we assigned our interests to the operator. During the 2021 period, impairment of $37,879 was related to one field. These assets were written down to their fair market value as required by GAAP. The remaining 2021 impairment was related to working interest wells in which we assigned our interests to the operator.

Interest expense:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Interest expense	$ 693,276	$ 790,202	(12%)
Weighted average debt outstanding	$ 22,534,432	$ 25,108,791	(10%)

The decrease in interest expense is due to a lower average debt balance in the 2022 period as compared to the 2021 period.

Income Tax Expense:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Provision (benefit) for income taxes	$ 1,771,000	$ (1,102,000)	261%

Income taxes changed $2,873,000, from a $1,102,000 benefit in the 2021 period to a $1,771,000 provision in the 2022 period. The change in income taxes resulted primarily from an increase in net income for fiscal year 2022 compared to fiscal year 2021.

General and Administrative Costs (G&A):

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
General and administrative	$ 7,717,435	$ 6,065,677	27%

G&A are costs not directly associated with the production of natural gas and oil and include the cost of employee salaries and related benefits, office expenses and fees for professional services. G&A for the 2022 period increased $1,651,758 as compared to the 2021 period. The increase was primarily due to legal expenses associated with reincorporating in the state of Delaware, increased transaction activity and restricted stock expense during the 2022 period.

Losses (Gains) on Asset Sales and Other:

	For the Nine Months Ended June 30,		
	2022	2021	Percent Incr. or (Decr.)
Losses (gains) on asset sales and other	$ (743,867)	$ (177,512)	(319%)

The increase in gain on asset sales and other is primarily related to divestitures during the 2022 period.

LIQUIDITY AND CAPITAL RESOURCES

We had positive working capital (current assets less current liabilities excluding current derivatives) of $16,241,432 at June 30, 2022, compared to positive working capital of $9,175,126 at September 30, 2021.

Liquidity:

Cash and cash equivalents were $4,489,282 as of June 30, 2022, compared to $2,438,511 at September 30, 2021, an increase of $2,050,771. The increase in cash is primarily associated with cash from operating activities and proceeds from the sale of shares under the At-The-Market Program. Cash flows for the nine months ended June 30, 2022 and 2021 are summarized as follows:

Net cash provided (used) by:	For the Nine Months Ended June 30,		
	2022	2021	Change
Operating activities	$ 24,338,974	$ 10,240,333	$ 14,098,641
Investing activities	(22,371,542)	(19,500,653)	(2,870,889)
Financing activities	83,339	1,478,425	(1,395,086)
Increase (decrease) in cash and cash equivalents	$ 2,050,771	$ (7,781,895)	$ 9,832,666

Operating activities:

Net cash provided by operating activities increased $14,098,641 during the 2022 period, as compared to the 2021 period, primarily as the result of the following:

- receipts on natural gas, oil and NGL sales (net of production taxes and gathering, transportation and marketing costs) and other increasing by $17,780,522;
- decreased interest payments of $224,790;
- decreased field operating expenses of $228,216; and
- increased lease bonus receipts of $210,982;

partially offset by:

- increased payments for G&A and other expense of $2,064,496;

- decreased income tax receipts of $1,754,934; and
- increased net payments on derivative contracts of $526,439.

Investing activities:

Net cash used by investing activities increased $2,870,889 during the 2022 period, as compared to the 2021 period, primarily due to higher acquisition costs of $10,535,142, partially offset by higher net proceeds from the sale of assets of $7,319,018 and lower payments of $345,235 for capital expenditures on legacy working interest wells and furniture and fixtures during the 2022 period.

Financing activities:

Net cash provided by financing activities decreased $1,395,086 during the 2022 period, as compared to the 2021 period, primarily due to increased cash payments on off-market derivative contracts of $13,845,596, a decrease in net proceeds from equity issuances of $6,418,746 and an increase of $783,485 in dividend payments during the 2022 period, partially offset by higher net borrowings on long-term debt of $10,800,000 in the 2022 period compared to net payments of $8,850,000 in the 2021 period.

Capital Resources:

We had no capital expenditures to drill and complete new wells in the 2022 and 2021 periods as a result of our strategy to cease participating in new wells with a working interest after fiscal year 2019. We currently have no remaining commitments that would require significant capital to drill and complete wells.

Since we decided to cease any further participation with a working interest on our mineral and leasehold acreage, we anticipate that capital expenditures for working interest properties will be minimal going forward, as the expenditures will be limited to capital workovers to enhance existing wells.

Over the past five quarters, we made the following property acquisitions:

Quarter Ended [4]	Net royalty acres [1][2]	Cash	Number of shares [3]	Purchase Price [1]	Area of Interest
June 30, 2022					
	60	$0.6 million	-	$0.6 million	SCOOP / OK
	46	$0.8 million	-	$0.8 million	Haynesville / LA
	56	$0.4 million	-	$0.4 million	Haynesville / LA
	88	$0.9 million	-	$0.9 million	SCOOP / OK
	503	$5.0 million	-	$5.0 million	Haynesville / LA, TX
	92	$0.6 million	-	$0.6 million	Haynesville / LA
	25	$0.3 million	-	$0.3 million	Haynesville / LA
	68	$0.5 million	-	$0.5 million	SCOOP / OK
March 31, 2022					
	58	$0.5 million	-	$0.5 million	SCOOP / OK
	500	$6.4 million	-	$6.4 million	Haynesville / LA
	68	$0.7 million	-	$0.7 million	Haynesville / TX
	166	$1.3 million	-	$1.3 million	SCOOP / OK
	33	$0.4 million	-	$0.4 million	Haynesville / TX
December 31, 2021					
	426	$5.8 million	-	$5.8 million	Haynesville / LA
	847	$0.6 million	1,519,481	$4.1 million	Haynesville / LA
	172	$1.4 million	-	$1.4 million	SCOOP / OK
	103	$0.6 million	-	$0.6 million	Haynesville / TX
	116	$1.7 million	-	$1.7 million	Haynesville / LA
	220	$1.2 million	-	$1.2 million	SCOOP / OK
September 30, 2021					
	817	$0.7 million	2,349,207	$7.3 million	Haynesville / LA, TX
June 30, 2021					
	262	$1.3 million	-	$1.3 million	Haynesville / LA
	131	$1.0 million	-	$1.0 million	Haynesville / TX
	2,514	$9.5 million	1,200,000	$13.0 million	SCOOP / OK

(1) Excludes subsequent closing adjustments and insignificant acquisitions.

(2) An estimated net royalty equivalent was used for the minerals included in the net royalty acres.

(3) The Company's policy is to classify all costs associated with equity issuances as financial costs in the Statements of Cash Flows.

(4) Presented in chronological order with most recent at top.

We received lease bonus payments during the nine months ended June 30, 2022 totaling approximately $0.5 million. Management plans to continue to actively pursue leasing opportunities.

With continued natural gas and oil price volatility, management continues to evaluate opportunities for product price protection through additional hedging of our future natural gas and oil production. See Note 9: Derivatives in the notes to our condensed financial statements included in this Form 10-Q for a complete list of our outstanding derivative contracts at June 30, 2022.

The use of our cash provided by operating activities and resultant change to cash is summarized in the table below:

		Nine Months Ended June 30, 2022
Cash provided by operating activities	$	24,338,974
Cash provided (used) by:		
Capital expenditures - acquisitions		(29,872,407)
Capital expenditures - legacy working interest wells and furniture and fixtures		(351,524)
Quarterly dividends		(1,541,177)
Net borrowings (payments) on credit facility		10,800,000
Net proceeds from sale of assets		7,852,389
Cash receipts from (payments on) off-market derivative contracts		(13,845,596)
Net proceeds from equity issuance		4,670,112
Net cash used		(22,288,203)
Net increase (decrease) in cash	$	2,050,771

Outstanding borrowings under our Credit Facility at June 30, 2022 were $28,300,000.

Looking forward, we expect to fund overhead costs, mineral and royalty acquisitions and dividend payments from cash provided by operating activities, cash on hand, sales of stock under our At-The-Market Program and borrowings under our Credit Facility. We had availability of $21.7 million at June 30, 2022 under our Credit Facility and were in compliance with all debt covenants (current ratio, debt to trailing 12-month EBITDAX, as defined in the Credit Agreement, and restricted payments limited by leverage ratio). The debt covenants in our Credit Agreement limit the maximum ratio of our debt to EBITDAX to no more than 3.5:1.

Our $100,000,000 Credit Facility is with a group of banks led by Independent Bank pursuant to the Credit Agreement entered into in September 2021. The Credit Facility has a borrowing base of $50,000,000 as of June 30, 2022, and a maturity date of September 1, 2025. Interest on the Credit Facility will be calculated based on either (a) SOFR plus an applicable margin ranging from 2.750% to 3.750% per annum based on our Borrowing Base Utilization or (b) the greater of (1) the Prime Rate in effect for such day or (2) the overnight cost of federal funds as announced by the US Federal Reserve System in effect on such day plus one-half of one percent (0.50%), plus, in each case, an applicable margin ranging from 1.750% to 2.750% per annum based on our Borrowing Base Utilization. Under the terms of the Credit Facility, a 5% interest penalty may apply to any outstanding amount not paid when due or that remains outstanding while an event of default exists. The Credit Facility contains financial and various other covenants that are common in such agreements, including a (a) maximum ratio of consolidated Funded Indebtedness to consolidated pro forma EBITDAX of 3.50 to 1.00, calculated on a rolling four-quarter basis, and (b) minimum ratio of consolidated Current Assets to consolidated Current Liabilities (excluding the Loan Balance) of 1.00 to 1.00. Other negative covenants include restrictions on our ability to incur debt, grant liens, make fundamental changes and engage in certain transactions with affiliates. The Credit Facility also restricts our ability to make certain restricted payments if both before and after the Restricted Payment (i) the Available Commitment is less than or equal to ten percent (10%) of the Borrowing Base or (ii) the Leverage Ratio on a pro forma basis is greater than 2.50 to 1.00. All capitalized terms in this description of the Credit Facility that are not otherwise defined in this Form 10-Q shall have the meaning assigned to them in the Credit Agreement.

Based on our expected capital expenditure levels, anticipated cash provided by operating activities for 2022, combined with availability under our Credit Facility and potential future sales of Common Stock under our currently effective shelf registration statement, including pursuant to the ATM Agreement described below, we expect to have sufficient liquidity to fund our ongoing operations.

On August 25, 2021, we entered into an At-The-Market Equity Offering Sales Agreement (as amended, the "ATM Agreement") with Stifel, Nicolaus & Company, Incorporated, as sales agent and/or principal ("Stifel"), pursuant to which we may offer and sell, from time to time through or to Stifel, up to 3,000,000 shares of our Common Stock. During the quarter ended June 30, 2022, we sold 1,211,521 shares of Common Stock pursuant to the ATM Agreement for net proceeds of approximately $4.7 million, and as of June 30, 2022, we have sold a total of 1,435,231 shares of Common Stock pursuant to the ATM Agreement for aggregate net proceeds of approximately $5.5 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those we believe are most important in portraying our financial condition and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

CONTRACTUAL OBLIGATIONS

There have been no material changes in our contractual obligations and other commitments as disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

Natural gas, oil and NGL prices historically have been volatile, and this volatility is expected to continue. Uncertainty continues to exist as to the direction of natural gas, oil and NGL price trends, and there remains a wide divergence in the opinions held in the industry. We can be significantly impacted by changes in natural gas and oil prices. The market price of natural gas, oil and NGL in 2022 will impact the amount of cash generated from operating activities, which will in turn impact the level of our capital expenditures for acquisitions and production. Excluding the impact of our 2022 derivative contracts, the price sensitivity for each $0.10 per MCF change in wellhead natural gas price is approximately $669,972 for operating revenue based on our prior year natural gas volumes. The price sensitivity in 2022 for each $1.00 per barrel change in wellhead oil is approximately $224,479 for operating revenue based on our prior year oil volumes.

Financial Market Risk

Operating income could also be impacted, to a lesser extent, by changes in the market interest rates related to our Credit Facility. Interest under our Credit Facility is calculated based on either (a) SOFR plus an applicable margin ranging from 2.750% to 3.750% per annum based on our Borrowing Base Utilization or (b) the greater of (1) the Prime Rate in effect for such day or (2) the overnight cost of federal funds as announced by the U.S. Federal Reserve System in effect on such day plus one-half of one percent (0.50%), plus, in each case, an applicable margin ranging from 1.750% to 2.750% per annum based on our Borrowing Base Utilization. Under the terms of the Credit Facility, a 5% interest penalty may apply to any outstanding amount not paid when due or that remains outstanding while an event of default exists. At June 30, 2022, we had $28,300,000 outstanding under the Credit Facility and the effective interest rate was 4.43%. The impact of a 1% increase in the interest rate on this amount of debt would have resulted in an increase in interest expense, and a corresponding decrease in our results of operations, of $283,000 for the nine months ended June 30, 2022, assuming that our indebtedness remained constant throughout the period. At this point, we do not believe that our liquidity has been materially affected by the debt market uncertainties that have existed in recent years, and we do not believe that our liquidity will be significantly impacted in the near future. All capitalized terms in this description of the interest rate under the Credit Facility that are not otherwise defined in this Form 10-Q shall have the meaning assigned to them in the Credit Agreement.

ITEM 4 CONTROLS AND PROCEDURES

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is collected and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that no matter how well conceived and operated, disclosure controls and procedures can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet, and management believes they do meet, reasonable assurance standards. Based on their evaluation as of the end of the fiscal period covered by this Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures were effective to ensure material information relating to us is made known to management. There were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting made during the fiscal quarter or subsequent to the date the assessment was completed.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

We may be the subject of threatened or pending legal actions and contingencies in the normal course of conducting our business. We provide for costs related to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount or timing of the resolution of such matters. For certain types of claims, we maintain insurance coverage for personal injury and property damage, product liability and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us. We are not a party to any pending legal proceedings that we believe would, individually or in the aggregate, have a material adverse effect on our financial condition, operating results or cash flow.

ITEM 1A RISK FACTORS

We are subject to certain risks and hazards due to the nature of our business activities. For a discussion of these risks, please refer to Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. There have been no material changes to the risk factors contained in the Annual Report on Form 10-K for the fiscal year ended September 30, 2021. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In May 2014, the Board adopted stock repurchase resolutions (the “Repurchase Program”) to allow management, at its discretion, to purchase the Company’s Common Stock as treasury shares. Effective in May 2018, the Board approved an amendment to the Repurchase Program. As amended, the Repurchase Program continues to allow the Company to repurchase up to $1.5 million of the Company’s Common Stock at management’s discretion. Our Board added language to clarify that this is intended to be an evergreen program as the repurchase of an additional $1.5 million of our Common Stock is authorized and approved whenever the previous $1.5 million is utilized. In addition, the number of shares allowed to be purchased under the Repurchase Program, as amended, is no longer capped at an amount equal to the aggregate number of shares of Common Stock (i) awarded pursuant to our 2010 Restricted Stock Plan, as amended, and (ii) credited to the accounts of directors pursuant to our Deferred Compensation Plan for Non-Employee Directors. We did not make any repurchases of shares of our Common Stock during the fiscal quarter ended June 30, 2022.

Restrictions upon the payment of dividends

The Credit Facility contains customary covenants which, among other things, require periodic financial and reserve reporting and place certain limits on payment of dividends.

ITEM 6 EXHIBITS

(a) Exhibit No.	Description
1.1	Amendment No. 1 to At-The-Market Equity Offering Sales Agreement, dated May 10, 2022, by and between PHX Minerals Inc. and Stifel, Nicolaus & Company, Incorporated (incorporated by reference to Exhibit 1.1 to Form 8-K filed May 10, 2022).
2.1	Agreement and Plan of Merger, dated as of March 31, 2022, by and between PHX Minerals Inc., an Oklahoma corporation, and PHX Minerals (DE) Inc., a Delaware corporation (incorporated by reference to Exhibit 2.1 to Form 8-K12B filed April 5, 2022).
3.1	Certificate of Incorporation of PHX Minerals Inc., as amended (incorporated by reference to Exhibit 3.1 to Form 8-K12B filed April 5, 2022).
3.2	Bylaws of PHX Minerals Inc. (incorporated by reference to Exhibit 3.2 to Form 8-K12B filed April 5, 2022).
10.1	Second Amendment to Credit Agreement dated as of May 18, 2022, by and among PHX Minerals Inc., each lender party thereto, and Independent Bank, as Administrative Agent and L/C Issuer (incorporated by reference to Exhibit 10.1 to Form 8-K filed May 19, 2022).
31.1	Certification under Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
31.2	Certification under Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
32.1	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
32.2	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
99.1	Description of Capital Stock of PHX Minerals Inc. (incorporated by reference to Exhibit 99.1 to Form 8-K12B filed April 5, 2022).
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHX MINERALS INC.

PHX MINERALS INC.

August 8, 2022	/s/ Chad L. Stephens
Date	Chad L. Stephens, President, Chief Executive Officer
August 8, 2022	/s/ Ralph D’Amico
Date	Ralph D’Amico, Vice President, Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Chad L. Stephens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PHX Minerals Inc. (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f), for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Chad L. Stephens
Chad L. Stephens
Chief Executive Officer
Date: August 8, 2022

EXHIBIT 31.2

CERTIFICATION

I, Ralph D’Amico, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PHX Minerals Inc. (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f), for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Ralph D’Amico
Ralph D’Amico
Chief Financial Officer
Date: August 8, 2022

EXHIBIT 32.1

PHX Minerals Inc.
1320 South University Drive Suite #720
Fort Worth, TX 76107

CERTIFICATION OF CHIEF EXECUTIVE OFFICER REGARDING PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Chad L. Stephens, Chief Executive Officer of PHX Minerals Inc., (the “Issuer”), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify in connection with the Issuer’s Quarterly Report on Form 10-Q for the period that ended June 30, 2022, as filed with the Securities and Exchange Commission (the “Report”) that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ Chad L. Stephens
Chad L. Stephens
President,
Chief Executive Officer

August 8, 2022

EXHIBIT 32.2

PHX Minerals Inc.
1320 South University Drive Suite #720
Fort Worth, TX 76107

CERTIFICATION OF CHIEF FINANCIAL OFFICER
REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS

I, Ralph D'Amico, Chief Financial Officer of PHX Minerals Inc., (the "Issuer"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify in connection with the Issuer's Quarterly Report on Form 10-Q for the period that ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ Ralph D'Amico
Ralph D'Amico
Vice President,
Chief Financial Officer

August 8, 2022