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

☑ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from October 1, 2022 to December 31, 2022

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

Former Fiscal Year: September 30
(Former name, former address and former fiscal year, if changed since 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 February 1, 2023: 36,504,980 shares.

INDEX

Special Note Regarding Forward-Looking Statements

This Transition 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, 2022 ("Annual Report"), and any 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.
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.
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)	Cawley, Gillespie & Associates
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.
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.

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

	December 31, 2022 (unaudited)	September 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 2,115,652	$ 3,396,809
Natural gas, oil, and NGL sales receivables (net of $0 allowance for uncollectable accounts)	9,783,996	13,152,274
Held for sale assets	6,420,051	-
Other	1,543,956	1,372,847
Total current assets	19,863,655	17,921,930
Properties and equipment at cost, based on successful efforts accounting:		
Producing natural gas and oil properties	181,431,139	248,978,928
Non-producing natural gas and oil properties	57,781,644	51,779,336
Other	1,122,436	1,085,056
	240,335,219	301,843,320
Less accumulated depreciation, depletion and amortization	(107,085,212)	(168,759,385)
Net properties and equipment	133,250,007	133,083,935
Derivative contracts, net	141,345	-
Operating lease right-of-use assets	706,871	739,131
Other, net	695,399	757,116
Total assets	$ 154,657,277	$ 152,502,112
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 504,466	$ 647,217
Derivative contracts, net	1,534,034	7,873,979
Income taxes payable	576,427	495,858
Current portion of operating lease liability	217,656	213,355
Held for sale liabilities	889,155	-
Accrued liabilities and other	3,121,522	2,032,275
Total current liabilities	6,843,260	11,262,684
Long-term debt	33,300,000	28,300,000
Deferred income taxes, net	2,453,906	1,585,906
Asset retirement obligations	1,027,777	1,901,904
Derivative contracts, net	-	687,212
Operating lease liability, net of current portion	929,208	985,887
Total liabilities	44,554,151	44,723,593
Stockholders' equity:		
Common Stock, $0.01666 par value; 54,000,500 shares authorized and 35,938,206 issued at December 31, 2022; 54,000,500 shares authorized and 35,776,752 issued at September 30, 2022	598,731	596,041
Capital in excess of par value	43,344,916	44,177,051
Deferred directors' compensation	1,541,070	1,496,243
Retained earnings	68,925,774	67,117,791
	114,410,491	113,387,126
Less treasury stock, at cost; 300,272 shares at December 31, 2022, and 377,232 shares at September 30, 2022	(4,307,365)	(5,608,607)
Total stockholders' equity	110,103,126	107,778,519
Total liabilities and stockholders' equity	$ 154,657,277	$ 152,502,112

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

PHX MINERALS INC.
CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 2022	2021
	(unaudited)	
Revenues:		
Natural gas, oil and NGL sales	$ 14,888,674	$ 13,687,164
Lease bonuses and rental income	34,482	78,915
Gains (losses) on derivative contracts	3,347,002	2,836,168
	$ 18,270,158	$ 16,602,247
Costs and expenses:		
Lease operating expenses	1,015,981	1,256,011
Transportation, gathering and marketing	1,455,260	1,213,604
Production taxes	617,948	678,947
Depreciation, depletion and amortization	1,802,114	1,583,760
Provision for impairment	6,100,696	5,585
Interest expense	637,698	176,719
General and administrative	3,137,401	2,095,557
Losses (gains) on asset sales and other	(824,073)	2,147,815
Total costs and expenses	13,943,025	9,157,998
Income (loss) before provision (benefit) for income taxes	4,327,133	7,444,249
Provision (benefit) for income taxes	981,000	762,000
Net income (loss)	$ 3,346,133	$ 6,682,249
Basic and diluted earnings (loss) per common share (Note 4)	$ 0.09	$ 0.20
Weighted average shares outstanding:		
Basic	35,679,740	33,127,722
Diluted	36,489,353	33,127,722
Dividends per share of common stock paid in period	$ 0.02	$ 0.01
Dividends declared per share of common stock and to be paid in quarters ended March 31, 2023 and 2022	$ 0.0225	$ 0.015

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

PHX MINERALS INC.
STATEMENTS OF STOCKHOLDERS' EQUITY

Three Months Ended December 31, 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, 2022	35,776,752	$ 596,041	$ 44,177,051	$ 1,496,243	$ 67,117,791	(377,232)	$ (5,608,607)	$ 107,778,519
Net income (loss)	-	-	-	-	3,346,133	-	-	3,346,133
Purchase of treasury stock	-	-	-	-	-	(14,442)	(52,460)	(52,460)
Restricted stock award expense	-	-	524,257	-	-	-	-	524,257
Dividends ($0.0425 per share)	-	-	-	-	(1,538,150)			(1,538,150)
Distribution of restricted stock to officers and directors	161,454	2,690	(1,356,392)	-	-	91,402	1,353,702	-
Increase in deferred directors' compensation charged to expense	-	-	-	44,827	-	-	-	44,827
Balances at December 31, 2022 (unaudited)	35,938,206	$ 598,731	$ 43,344,916	$ 1,541,070	$ 68,925,774	(300,272)	$ (4,307,365)	$ 110,103,126

Three Months Ended December 31, 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, 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 award expense	-	-	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

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

PHX MINERALS INC.
CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31, 2022	2021
	(unaudited)	
Operating Activities		
Net income (loss)	$ 3,346,133	$ 6,682,249
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,802,114	1,583,760
Impairment of producing properties	6,100,696	5,585
Provision for deferred income taxes	868,000	366,000
Gain from leasing fee mineral acreage	(34,371)	(78,922)
Proceeds from leasing fee mineral acreage	67,651	95,039
Net (gain) loss on sales of assets	(934,207)	2,163,359
Directors' deferred compensation expense	44,827	67,570
Total (gain) loss on derivative contracts	(3,347,002)	(2,836,168)
Cash receipts (payments) on settled derivative contracts	(810,839)	-
Restricted stock award expense	524,257	255,844
Other	30,157	37,138
Cash provided (used) by changes in assets and liabilities:		
Natural gas, oil and NGL sales receivables	3,368,278	(1,591,085)
Other current assets	(309,051)	(325,780)
Accounts payable	(129,304)	(95,649)
Income taxes receivable	-	2,413,942
Other non-current assets	63,723	10,253
Income taxes payable	80,569	165,889
Accrued liabilities	(589,817)	(281,034)
Total adjustments	6,795,681	1,955,741
Net cash provided by operating activities	10,141,814	8,637,990
Investing Activities		
Capital expenditures	(87,104)	(192,677)
Acquisition of minerals and overriding royalty interests	(14,499,014)	(11,643,827)
Net proceeds from sales of assets	1,137,730	4,586,492
Deposits received on held for sale assets	815,000	-
Net cash provided (used) by investing activities	(12,633,388)	(7,250,012)
Financing Activities		
Borrowings under Credit Facility	10,000,000	4,000,000
Payments of loan principal	(5,000,000)	(1,500,000)
Net proceeds from equity issuance	-	(32,507)
Cash receipts from (payments on) off-market derivative contracts	(3,010,661)	(4,402,422)
Purchases of treasury stock	(52,460)	-
Payments of dividends	(726,462)	(332,210)
Net cash provided (used) by financing activities	1,210,417	(2,267,139)
Increase (decrease) in cash and cash equivalents	(1,281,157)	(879,161)
Cash and cash equivalents at beginning of period	3,396,809	2,438,511
Cash and cash equivalents at end of period	$ 2,115,652	$ 1,559,350
Supplemental Schedule of Noncash Investing and Financing Activities:		
Dividends declared and unpaid	$ 811,688	$ 517,479
Gross additions to properties and equipment	$ 14,710,613	$ 15,183,829
Equity offering used for acquisitions	-	(3,510,001)
Net (increase) decrease in accounts payable for properties and equipment additions	(124,495)	162,676
Capital expenditures and acquisitions	$ 14,586,118	$ 11,836,504

(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 a full fiscal year.

As previously disclosed, in December 2022, the Board approved a change in the Company's fiscal year end from September 30 to December 31 to be in-line with our peer group. As a result of the change in fiscal year end, this document reflects the Company's Transition Report on Form 10-Q for the period from October 1, 2022 through December 31, 2022. The Company's next fiscal year will run from January 1, 2023 through December 31, 2023, and therefore references in this Form 10-Q to 2023 refer to the annual period from January 1, 2023 through December 31, 2023.

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, 2022. Unless indicated otherwise or the context requires, the terms "we," "our," "us," "PHX" or the "Company" refer to PHX Minerals Inc.

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 months ended December 31, 2022 and 2021:

	Three Months Ended December 31, 2022		
	Royalty Interest	Working Interest	Total
Natural gas revenue	$ 7,209,757	$ 2,243,736	$ 9,453,493
Oil revenue	2,760,844	1,563,619	4,324,463
NGL revenue	601,103	509,615	1,110,718
Natural gas, oil and NGL sales	$ 10,571,704	$ 4,316,970	$ 14,888,674

	Three Months Ended December 31, 2021		
	Royalty Interest	Working Interest	Total
Natural gas revenue	$ 5,200,868	$ 3,489,167	$ 8,690,035
Oil revenue	1,894,027	1,682,077	3,576,104
NGL revenue	625,623	795,402	1,421,025
Natural gas, oil and NGL sales	$ 7,720,518	$ 5,966,646	$ 13,687,164

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 quarters ended December 31, 2022 and 2021, 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 quarters ended December 31, 2022 and 2021, the Company identified several producing properties on its minerals that had production dates prior to the quarters ended December 31, 2022 and 2021. Estimates of the natural gas and oil sales related to those properties were made and are reflected in the 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 during the quarters ended December 31, 2022 and December 31, 2021, the Company recorded a change in estimate for new wells to natural gas, oil and NGL sales totaling $224,874, of which $33,540 related to the production periods before October 1, 2021 and $191,334 related to fiscal 2022, and the Company recorded a change in estimate for new wells to natural gas, oil and NGL sales totaling $342,361 of which $83,569 related to the production periods before October 1, 2020, and $258,792 related to fiscal 2021, respectively.

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 December 31, 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 quarter ended December 31, 2022, the net impact of the change in the Company's valuation allowance against its deferred tax assets from September 30, 2022 is a decrease of $1,000 recorded in the income tax provision. The Company's effective tax rate for the quarter ended December 31, 2022 was a 23% provision as compared to a 10% provision for the quarter ended December 31, 2021. During the quarter ended December 31, 2022, the Company made income tax payments of $38,000. 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 voting 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 voting 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 December 31, 2022.

For the quarter ended December 31, 2021, 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 73,208 for the quarter ended December 31, 2021.

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

	Three Months Ended December 31, 2022	2021
Basic EPS		
Numerator:		
Basic net income (loss)	$ 3,346,133	$ 6,682,249
Denominator:		
Common Shares	35,438,388	32,895,631
Unissued, directors' deferred compensation shares	241,352	232,091
Basic weighted average shares outstanding	35,679,740	33,127,722
Basic EPS	$ 0.09	$ 0.20
Diluted EPS		
Numerator:		
Basic net income (loss)	$ 3,346,133	$ 6,682,249
Diluted net income (loss)	3,346,133	6,682,249
Denominator:		
Basic weighted average shares outstanding	35,679,740	33,127,722
Effects of dilutive securities:		
Unvested restricted stock	809,613	-
Diluted weighted average shares outstanding	36,489,353	33,127,722
Diluted EPS	$ 0.09	$ 0.20

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 December 31, 2022, and a maturity date of September 1, 2025. The Credit Facility is secured by the Company’s personal property and at least 75% of the total value of the proved, developed and producing oil and gas properties. The interest rate is based on either (a) 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 December 31, 2022, the effective interest rate was 7.82%.

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 December 31, 2022 was $295,927. 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 December 31, 2022, the Company was in compliance with the covenants of the Credit Facility, had $33,300,000 in outstanding borrowings and had $16,700,000 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

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 months ended December 31, 2022 and 2021 related to the Company's market-based, time-based and performance-based restricted stock:

	Three Months Ended December 31,	
	2022	2021
Market-based, restricted stock	$ 311,548	$ 77,482
Time-based, restricted stock	206,333	178,362
Performance-based, restricted stock	6,376	-
Total compensation expense	$ 524,257	$ 255,844

A summary of the Company's unrecognized compensation cost for its unvested market-based and time-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 December 31, 2022	
	Unrecognized Compensation Cost	Weighted Average Period (in years)
Market-based, restricted stock	$ 996,582	0.86
Time-based, restricted stock	227,101	1.05
Total	$ 1,223,683	

NOTE 8: Properties and Equipment

Acquisitions

The Company made the following property acquisitions during the three-month periods ended December 31, 2022 and 2021.

Quarter Ended (4)	Net royalty acres (1)(2)	Cash	Number of shares (3)	Total Purchase Price (1)	Area of Interest
December 31, 2022					
	68	$0.9 million	-	$0.9 million	Haynesville / LA
	187	$2.6 million	-	$2.6 million	Haynesville / LA
	71	$0.9 million	-	$0.9 million	SCOOP / OK
	144	$1.7 million	-	$1.7 million	Haynesville / LA
	18	$0.2 million	-	$0.2 million	Haynesville / LA
	46	$0.5 million	-	$0.5 million	Haynesville / LA
	50	$0.6 million	-	$0.6 million	SCOOP / OK
	98	$1.1 million	-	$1.1 million	SCOOP / OK
	114	$1.2 million	-	$1.2 million	Haynesville / LA
	155	$1.6 million	-	$1.6 million	Haynesville / LA
	11	$0.2 million	-	$0.2 million	Haynesville / TX
	295	$3.1 million	-	$3.1 million	Haynesville / LA
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

(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 2022 and 2021 were for mineral and royalty acreage and were accounted for as asset acquisitions.

Divestitures

The Company made the following property divestitures during the three-month periods ended December 31, 2022 and 2021.

Quarter Ended(3)	Net mineral acres(1)/ Wellbores(2)	Sale Price	Gain/(Loss)	Location
December 31, 2022				
	68 acres	$0.3 million	$0.3 million	TX
	4,653 acres	$0.7 million	$0.5 million	OK / 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

(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.

Assets and liabilities held for sale

In the quarter ended December 31, 2022, the Company entered into two agreements to sell working interest in the Arkoma Basin and the Eagle Ford Play. The Company recorded an impairment of $6.1 million to reduce the net book value of the working interest in the Arkoma Basin to fair value less cost to sell. As of December 31, 2022, the Arkoma Basin and Eagle Ford Play working interests had a net carrying value of approximately $5.5 million and were considered held for sale, resulting in the reclassification of $6.4 million of properties, plants and equipment (PP&E) to "Held for sale assets" and $0.9 million of asset retirement obligations, to "Held for sale liabilities" on the balance sheet. The Company received $0.8 million in deposits related to the held for sale assets recorded in "Accrued liabilities and other" on the balance sheet, which is included in the Investing Activities section of the Condensed Statements of Cash Flows.

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 quarters ended December 31, 2022 and 2021, management's assessment resulted in no impairment provisions on producing properties, other than those held for sale discussed above. The Company wrote off $5,585 on wells assigned to the operator with zero consideration received during the quarter ended December 31, 2021.

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 December 31, 2022

Calendar Period	Contract total volume	Index	Contract average price
Natural gas costless collars			
2023	1,170,000 Mmbtu	NYMEX Henry Hub	$4.01 floor / $7.82 ceiling
2024	665,000 Mmbtu	NYMEX Henry Hub	$4.09 floor / $6.58 ceiling
Natural gas fixed price swaps			
2023	1,780,000 Mmbtu	NYMEX Henry Hub	$3.37
Oil costless collars			
2023	15,000 Bbls	NYMEX WTI	$75.00 floor / $96.00 ceiling
2024	10,400 Bbls	NYMEX WTI	$63.00 floor / $76.00 ceiling
Oil fixed price swaps			
2023	57,000 Bbls	NYMEX WTI	$74.02

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 $1,392,689 as of December 31, 2022, and $8,561,191 as of September 30, 2022. 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 December 31, 2022	Three Months Ended December 31, 2021
Cash received (paid) on derivative contracts:		
Natural gas costless collars	$ (455,040)	$ -
Natural gas fixed price swaps[1]	(1,896,872)	(1,352,192)
Oil costless collars	-	-
Oil fixed price swaps[1]	(566,127)	(362,139)
Cash received (paid) on derivative contracts, net	$ (2,918,039)	$ (1,714,331)
Non-cash gain (loss) on derivative contracts:		
Natural gas costless collars	$ 1,779,405	$ 79,971
Natural gas fixed price swaps	4,557,865	4,477,934
Oil costless collars	(120,032)	-
Oil fixed price swaps	47,803	(7,406)
Non-cash gain (loss) on derivative contracts, net	$ 6,265,041	$ 4,550,499
Gains (losses) on derivative contracts, net	$ 3,347,002	$ 2,836,168

(1) For the three months ended December 31, 2022 and 2021, excludes $903,461 and $2,688,091, 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 $3,010,661 and $4,402,422, respectively, for the three months ended December 31, 2022 and 2021 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 December 31, 2022 and September 30, 2022. The Company has offset all amounts subject to master netting agreements in the Company's balance sheets at December 31, 2022 and September 30, 2022.

	December 31, 2022 Fair Value (a) Commodity Contracts				September 30, 2022 Fair Value (a) Commodity Contracts			
	Current Assets	Current Liabilities	Non-Current Assets	Non-Current Liabilities	Current Assets	Current Liabilities	Non-Current Assets	Non-Current Liabilities
Gross amounts recognized	$ 908,001	$2,442,035	$ 627,664	$ 486,319	$ 924,258	$8,798,237	$ 124,983	$ 812,195
Offsetting adjustments	(908,001)	(908,001)	(486,319)	(486,319)	(924,258)	(924,258)	(124,983)	(124,983)
Net presentation on condensed balance sheets	$ -	$1,534,034	$ 141,345	$ -	$ -	$7,873,979	$ -	$ 687,212

(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 December 31, 2022:

	Fair Value Measurement at December 31, 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	$ -	$ (2,113,263)	$ -	$ (2,113,263)
Derivative Contracts - Collars	$ -	$ 720,574	$ -	$ 720,574

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 December 31, 2022 and September 30, 2022, 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.

The held for sale Arkoma Basin working interest was written down to fair value less cost to sell, $5.1 million. The contract price represents its fair value, which is a level 3 input.

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 the Company's 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

Divestitures

Subsequent to December 31, 2022, the Company closed on the previously announced divestitures of 257 gross non-operated working interest wellbores for approximately $10.7 million.

Debt Payment

Subsequent to December 31, 2022, the Company paid down an additional $10.3 million under the Credit Facility, bringing the total outstanding debt balance to $23.0 million as of February 3, 2023.

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.

As previously disclosed, in December 2022, our Board approved a change in our fiscal year end from September 30 to December 31 to be in-line with our peer group. As a result of the change in year end, this document reflects the Company's Transition Report on Form 10-Q for the period from October 1, 2022 through December 31, 2022. Our next fiscal year will run from January 1, 2023 through December 31, 2023, and therefore references in this Form 10-Q to 2023 refer to the annual period from January 1, 2023 through December 31, 2023.

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.

QUARTER ENDED DECEMBER 31, 2022 COMPARED TO QUARTER ENDED DECEMBER 31, 2021

Overview:

We recorded net income of $3,346,133, or $0.09 per share, for the quarter ended December 31, 2022 compared to net income of $6,682,249, or $0.20 per share, for the quarter ended December 31, 2021. The change in net income was principally the result of increased impairment expense associated with the pending sale of non-operated working interest wellbores in the Arkoma play and G&A, partially offset by increased natural gas, oil and NGL sales, increased gains on asset sales and increased gains associated with our hedge contracts. These items are further discussed below.

Revenue:

Natural Gas, Oil and NGL Sales:

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Natural gas, oil and NGL sales	$ 14,888,674	$ 13,687,164	9%

For the quarter ended December 31, 2022, the increase in natural gas, oil and NGL sales was primarily due to increases in natural gas and oil prices of 3% and 11% , respectively, and an increase in natural gas and oil volumes of 6% and 9%, respectively, partially offset by a decrease in NGL prices and volumes of 10% and 13%, respectively. The following table outlines our production and average sales prices for natural gas, oil and NGL for the quarters ended December 31, 2022 and December 31, 2021:

	MCF Sold	Average Price	Oil Bbls Sold	Average Price	NGL Bbls Sold	Average Price	MCFE Sold	Average Price
Three months ended								
12/31/2022	1,669,320	$ 5.66	52,406	$ 82.52	38,611	$ 28.77	2,215,419	$ 6.72
12/31/2021	1,574,265	$ 5.52	48,074	$ 74.39	44,256	$ 32.11	2,128,248	$ 6.43

The production increase in royalty volumes during the quarter ended December 31, 2022, as compared to the quarter ended December 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 and naturally declining production in high-interest wells in the Arkoma Stack, STACK, and Eagle Ford plays.

Total production for the last five quarters was as follows:

Quarter ended	MCF Sold	Oil Bbls Sold	NGL Bbls Sold	MCFE Sold
12/31/2022	1,669,320	52,406	38,611	2,215,419
9/30/2022	2,047,614	49,902	40,761	2,591,588
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

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

Quarter ended	MCF Sold	Oil Bbls Sold	NGL Bbls Sold	MCFE Sold
12/31/2022	1,303,825	33,691	20,353	1,628,089
9/30/2022	1,525,363	32,202	20,488	1,841,502
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

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

Quarter ended	MCF Sold	Oil Bbls Sold	NGL Bbls Sold	MCFE Sold
12/31/2022	365,495	18,715	18,258	587,330
9/30/2022	522,251	17,700	20,273	750,086
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

Lease Bonuses and Rental Income:

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Lease bonuses and rental income	$ 34,482	$ 78,915	(56%)

When we lease our mineral interests, we generally receive an upfront cash payment, or lease bonus. Lease bonuses and rental income decreased $44,433 in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021, primarily as the result of decreased leasing activity.

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 December 31,		
	2022	2021	Percent Incr. or (Decr.)
Cash received (paid) on derivative contracts:			
Cash received (paid) on derivative contracts, net(1)	$ (2,918,039)	$ (1,714,331)	(70%)
Non-cash gain (loss) on derivative contracts:			
Non-cash gain (loss) on derivative contracts, net	$ 6,265,041	$ 4,550,499	38%
Gains (losses) on derivative contracts, net	$ 3,347,002	$ 2,836,168	18%

	As of December 31,		
	2022	2021	
Fair value of derivative contracts			
Net asset (net liability)	$ (1,392,689)	$ (6,545,877)	79%

(1) Excludes $903,461 and $2,688,091, respectively, of cash paid to settle off-market derivative contracts that are not reflected on the Condensed Statements of Operations for the quarters ended December 31, 2022 and 2021.

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 December 31, 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 December 31, 2022 had expiration dates through June 2024. 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 December 31,		
	2022	2021	Percent Incr. or (Decr.)
Lease operating expenses	$ 1,015,981	$ 1,256,011	(19%)
Lease operating expenses per working interest MCFE	$ 1.73	$ 1.39	24%
Lease operating expenses per total MCFE	$ 0.46	$ 0.59	(22%)

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 $240,030, or 19%, in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021. 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 December 31,		
	2022	2021	Percent Incr. or (Decr.)
Transportation, gathering and marketing	$ 1,455,260	$ 1,213,604	20%
Transportation, gathering and marketing per MCFE	$ 0.66	$ 0.57	16%

Transportation, gathering and marketing costs increased $241,656, or 20%, in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021. This increase in costs was primarily driven by higher production in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021.

Production Taxes:

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Production taxes	$ 617,948	$ 678,947	(9%)
Production taxes as % of sales	4.2%	5.0%	(16%)

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 decreased $60,999, or 9%, in the quarter ended December 31, 2022 as compared to the quarter ended December 31, 2021. The decrease in amount was primarily the result of the divestiture of working interest in areas with higher statutory tax rates.

Depreciation, Depletion and Amortization (DD&A):

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Depreciation, depletion and amortization	$ 1,802,114	$ 1,583,760	14%
Depreciation, depletion and amortization per MCFE	$ 0.81	$ 0.74	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 increased $218,354, or 14%, in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021, of which $153,843 of the increase resulted from a $0.07 increase in the DD&A rate per MCFE and $64,511 of such increase resulted from production increasing 4%. In addition to the increase in production, there was a large transfer of non-producing minerals, which are amortized over 33 years, to producing minerals, which are amortized over 20 years, in the quarter ended December 31, 2022.

Provision for Impairment:

During the quarter ended December 31, 2022, we wrote down certain held for sale assets associated with the pending sale of non-operated working interest wellbores to their fair value, recording a $6,100,696 impairment expense. During the quarter ended December 31, 2021, impairment of $5,585 was related to working interest wells in which we assigned our interests to the operator.

Interest expense:

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Interest expense	$ 637,698	$ 176,719	261%
Weighted average debt outstanding	$ 33,952,174	$ 18,206,522	86%

The increase in interest expense is due to a higher average debt balance and average interest rate in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021.

Income Tax Expense:

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Provision (benefit) for income taxes	$ 981,000	$ 762,000	(29%)

Income taxes increased $219,000, from a $762,000 provision in the quarter ended December 31, 2021 to a $981,000 provision in the quarter ended December 31, 2022. The change in income taxes resulted primarily from an increase in deferred tax for the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021.

General and Administrative Costs (G&A):

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
General and administrative	$ 3,137,401	$ 2,095,557	50%

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 quarter ended December 31, 2022 increased $1,041,844 as compared to the quarter ended December 31, 2021. The increase for the quarter ended December 31, 2022 was primarily due to the write-off of costs associated with the At-The-Market equity offering program pursuant to the At-The-Market Agreement described in this Form 10-Q, increased administrative expenses associated with higher transaction activity, and restricted stock expense.

Losses (Gains) on Asset Sales and Other:

	For the Three Months Ended December 31,		
	2022	2021	Percent Incr. or (Decr.)
Losses (gains) on asset sales and other	$ (824,073)	$ 2,147,815	138%

The increase in gain on asset sales and other is primarily related to divestitures during the quarter ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

We had positive working capital (current assets less current liabilities excluding current derivatives) of $14,554,429 at December 31, 2022, compared to positive working capital of $14,533,225 at September 30, 2022.

Liquidity:

Cash and cash equivalents were $2,115,652 as of December 31, 2022, compared to $3,396,809 at September 30, 2022, a decrease of $1,281,157. The decrease in cash is primarily associated with our mineral and royalty acquisition program. Cash flows for the quarter ended December 31, 2022 and 2021 are summarized as follows:

Net cash provided (used) by:	For the Three Months Ended December 31,		
	2022	2021	Change
Operating activities	$ 10,141,814	$ 8,637,990	$ 1,503,824
Investing activities	(12,633,388)	(7,250,012)	(5,383,376)
Financing activities	1,210,417	(2,267,139)	3,477,556
Increase (decrease) in cash and cash equivalents	$ (1,281,157)	$ (879,161)	$ (401,996)

Operating activities:

Net cash provided by operating activities increased $1,503,824 during the quarter ended December 31, 2022, as compared to the quarter ended December 31, 2021, 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 $5,736,742; and
- decreased field operating expenses of $146,105;

partially offset by:

- decreased income tax receipts of $2,216,263;
- increased payments for G&A and other expense of $931,153;

- increased net payments on derivative contracts of $810,839;
- increased interest payments of $393,380; and
- decreased lease bonus receipts of $27,388.

Investing activities:

Net cash used by investing activities increased $5,383,376 during the quarter ended December 31, 2022, as compared to the quarter ended December 31, 2021, primarily due to higher acquisition costs of $2,855,187 and lower net proceeds from the sale of assets of $3,448,762, partially offset by increased deposits on held for sale assets of $815,000 and lower payments of $105,573 for capital expenditures on legacy working interest wells and furniture and fixtures.

Financing activities:

Net cash provided by financing activities increased $3,477,556 during the quarter ended December 31, 2022, as compared to the quarter ended December 31, 2021, primarily due to higher net borrowings on long-term debt of $5,000,000 in the quarter ended December 31, 2022 compared to net borrowings of $2,500,000 in the quarter ended December 31, 2021 and decreased cash payments on off-market derivative contracts of $1,391,761, partially offset by an increase of $394,252 in dividend payments and an increase of $52,460 in purchases of treasury stock.

Capital Resources:

We had no capital expenditures to drill and complete new wells in the quarters ended December 31, 2022 and 2021 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, 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
December 31, 2022					
	68	$0.9 million	-	$0.9 million	Haynesville / LA
	187	$2.6 million	-	$2.6 million	Haynesville / LA
	71	$0.9 million	-	$0.9 million	SCOOP / OK
	144	$1.7 million	-	$1.7 million	Haynesville / LA
	18	$0.2 million	-	$0.2 million	Haynesville / LA
	46	$0.5 million	-	$0.5 million	Haynesville / LA
	50	$0.6 million	-	$0.6 million	SCOOP / OK
	98	$1.1 million	-	$1.1 million	SCOOP / OK
	114	$1.2 million	-	$1.2 million	Haynesville / LA
	155	$1.6 million	-	$1.6 million	Haynesville / LA
	11	$0.2 million	-	$0.2 million	Haynesville / TX
	295	$3.1 million	-	$3.1 million	Haynesville / LA
September 30, 2022					
	63	$0.7 million	-	$0.7 million	Haynesville / LA
	17	$0.2 million	-	$0.2 million	SCOOP / OK
	85	$1.5 million	-	$1.5 million	Haynesville / LA
	214	$3.0 million	-	$3.0 million	Haynesville / LA
	110	$1.0 million	-	$1.0 million	Haynesville / LA
	295	$5.5 million	-	$5.5 million	Haynesville / LA
	140	$1.7 million	-	$1.7 million	SCOOP / OK
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

(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 quarter ended December 31, 2022 totaling approximately $0.1 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 December 31, 2022.

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

	Three Months Ended December 31, 2022
Cash provided by operating activities	$ 10,141,814
Cash provided (used) by:	
Capital expenditures - acquisitions	(14,499,014)
Capital expenditures - legacy working interest wells and furniture and fixtures	(87,104)
Quarterly dividends	(726,462)
Treasury stock purchases	(52,460)
Net borrowings (payments) on credit facility	5,000,000
Net proceeds from sale of assets	1,137,730
Cash receipts from (payments on) off-market derivative contracts	(3,010,661)
Deposits received on held for sale assets	815,000
Net cash used	(11,422,971)
Net increase (decrease) in cash	$ (1,281,157)

Outstanding borrowings under our Credit Facility at December 31, 2022 were $33,300,000.

Looking forward, we expect to fund overhead costs, mineral and royalty acquisitions and dividend payments from cash provided by operating activities, cash on hand, and borrowings under our Credit Facility. At December 31, 2022, we had availability of $16.7 million 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 December 31, 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 2023, combined with availability under our Credit Facility and potential future sales of Common Stock under our currently effective shelf registration statement, we expect to have sufficient liquidity to fund our ongoing operations.

On December 12, 2022, we voluntarily terminated our At-The-Market Equity Offering Sales Agreement, dated August 25, 2021, as amended (the "ATM Agreement"), that we entered into with Stifel, Nicolaus & Company, Incorporated ("Stifel"). Pursuant to the ATM Agreement, we were authorized to offer and sell, from time to time, through or to Stifel, up to 3,000,000 shares of Common Stock. During the term of the ATM Agreement, we issued 1,531,013 shares of Common Stock pursuant to the ATM Agreement for proceeds of approximately $5.9 million, net of commissions paid. The ATM Agreement was terminable at will by us at any time without penalty.

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, 2022.

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, 2022.

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 2023 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 2023 derivative contracts, the price sensitivity for each $0.10 per MCF change in wellhead natural gas price is approximately $742,771 for operating revenue based on our prior year natural gas volumes. The price sensitivity in 2023 for each $1.00 per barrel change in wellhead oil is approximately $198,535 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 December 31, 2022, we had $33,300,000 outstanding under the Credit Facility and the effective interest rate was 7.82%. 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 $333,000 for the quarter ended December 31, 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

Evaluation of Disclosure 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 transition 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.

Changes in Internal Control over Financial Reporting.

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 quarter ended December 31, 2022 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, 2022. 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, 2022. 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 our Common Stock as treasury shares. Effective in May 2018, the Board approved an amendment to the Repurchase Program, which continues to allow us to repurchase up to $1.5 million of our Common Stock at management’s discretion. Our Board added language to clarify that the Repurchase Program 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. The Repurchase Program, as amended, does not otherwise place a cap on the aggregate number of shares of Common Stock that may be repurchased pursuant to the program. We repurchased 14,442 shares of our Common Stock during the quarter ended December 31, 2022.

The table below sets forth the information with respect to repurchase of our Common Stock during the quarter ended December 31, 2022.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Repurchase Program
October 1 – October 31	–	N/A	–	$ 1,500,000
November 1 – November 30	–	N/A	–	$ 1,500,000
December 1 – December 31	14,442(1)	$3.63	–	$ 1,500,000
Total	**14,442**	**$3.63**	**–**	**$ 1,500,000**

(1) These shares represent vested restricted shares of Common Stock previously issued to employees of the Company pursuant to restricted stock awards, which the Company repurchased from such employees in connection with the satisfaction of tax withholding obligations upon the vesting of the restricted stock awards.

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
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	Amended and Restated Bylaws of PHX Minerals Inc. (incorporated by reference to Exhibit 3.2 to Form 10-K filed December 13, 2022).
10.1	Third Amendment to Credit Agreement dated as of December 7, 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 10.8 to Form 10-K filed December 13, 2022).
*10.2	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K filed January 5, 2023).
*10.3	Form of Restricted Stock Award Agreement
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
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)

* Indicates management contract or compensatory plan or arrangement.

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.

February 8, 2023	/s/ Chad L. Stephens
Date	Chad L. Stephens, President, Chief Executive Officer
February 8, 2023	/s/ Ralph D’Amico
Date	Ralph D’Amico, Senior Vice President, Chief Financial Officer

Exhibit 10.3

RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT (this "**Agreement**") is made and entered into on the ___ day of ______, 202__, between PHX Minerals Inc., a Delaware corporation ("**Company**"), and ______ ("**Grantee**"). The Company and Grantee are referred to herein each individually as a "**Party**" and collectively as the "**Parties**."

W I T N E S S E T H:

WHEREAS, the Company has adopted the PHX Minerals Inc. 2021 Long-Term Incentive Plan (the "**Plan**"); and

WHEREAS, the Company desires to grant to Grantee ____ restricted shares of Common Stock, $0.01666 par value (the "**Common Stock**"), of the Company in order to carry out the purpose of the Plan.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Grant of Restricted Stock; Plan.

(a) **Grant of Restricted Stock.** Pursuant to Section 11(a) of the Plan, the Company hereby issues to Grantee a restricted stock award consisting of, in the aggregate, ____ shares of Common Stock, of which (i) ___ shares of Common Stock will be designated as "**Performance Shares**" and (ii) ____ shares of Common Stock shall be designed as "**Restricted Shares**," on the terms and conditions and subject to the restrictions set forth in this Agreement and the Plan. The Performance Shares and the Restricted Shares, and any shares of Common Stock hereafter acquired by Grantee with respect to such shares whether by way of stock split, stock dividend, combination, reclassification, reorganization or any other means, are referred to herein as the "**Shares**." The grant of the Shares is made in consideration of the services to be rendered by the Grantee to the Company. Capitalized terms that are used but not defined herein have the meaning ascribed to them in the Plan.

(b) **Plan.** The terms of this Agreement and the rights and responsibilities of the Company and Grantee shall be governed by the Plan. In the event of any inconsistency between the terms of this Agreement and the Plan, the terms of the Plan shall control.

2. Restrictions; Rights as a Stockholder.

(a) Except as otherwise provided in this Agreement or the Plan, Grantee may not sell, assign, transfer, pledge, hypothecate, mortgage or otherwise dispose of, by gift or otherwise, or in any way encumber, any unvested Shares, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order. Any attempt to sell, assign, transfer, pledge, hypothecate, mortgage or otherwise dispose of, by gift or otherwise, or in any way encumber, any of the Shares or the rights relating thereto prior to the Shares becoming vested shall be null and void and without force or effect. Any dividends declared on any unvested Shares prior to the date such Shares vest shall be retained by the Company and paid to the Grantee, without interest, as soon as practicable following the date such Shares vest (but in no event later than March 15th of the calendar year following the year in which the Shares vest).

(b) Subject to the provisions and limitations hereof, Grantee may, during the term of this Agreement, exercise all rights and privileges of a stockholder of the Company with respect to the Shares, including the right to vote and to receive dividends.

3. Vesting and Forfeiture.

(a) **Vesting.** Except as otherwise provided herein,

(i) the Restricted Shares will vest in their entirety on ____________; and

(ii) the Performance Shares will vest in accordance with Exhibit B hereto, provided that any conditions and performance goals set forth in this Agreement and in Exhibit B have been satisfied.

(b) **Forfeiture of Unvested Shares upon Cessation of Employment.** Subject to subsections (c), (d) and (e) below, in the event that Grantee ceases to be employed by the Company, for any reason or no reason, with or without Cause (as defined in the Plan), at any time before all of the Shares have vested, Grantee's unvested Shares shall be automatically forfeited to the Company upon such cessation of employment without any payment or consideration by the Company, and the Company shall have no further obligations to Grantee under this Agreement.

(c) **Death, Disability and Change in Control of the Company.** If, at any time before all of the Shares have vested:

(i) Grantee dies or becomes totally disabled; or

(ii) a Change in Control of the Company (as defined in the Plan) occurs and Grantee's employment with the Company is terminated by the Company without Cause (as defined in the Plan), and Grantee's date of termination occurs;

then Grantee shall acquire a vested interest in 100% of the Shares on either (i) Grantee's date of death or disability or (ii) the date of termination without Cause (as defined in Plan) following a Change in Control of the Company.

(d) **Retirement.** If Grantee retires after reaching age 65 years or after completing 20 years of continuous employment with the Company (whichever occurs first), then:

(i) with respect to the Performance Shares, (A) if Grantee has served as an officer of the Company (or such other position as determined by the Board of Directors) for less than 18 months of the term covered by this Agreement, a pro rata portion of the Performance Shares shall continue to be eligible for vesting following such retirement, subject to meeting the performance standards and vesting requirements set forth in Exhibit B hereto as determined by the Compensation Committee in its sole discretion, based on the number of months Grantee is employed by the Company while this Agreement is in effect, divided by 36 months, or (B) if

Grantee has served as an officer of the Company (or such other position as determined by the Board of Directors) for 18 months or longer of the three-year term covered by this Agreement, all of the Performance Shares shall continue to be eligible for vesting following such retirement, subject to meeting the performance standards and vesting requirements set forth in Exhibit B hereto as determined by the Compensation Committee in its sole discretion;

(ii) with respect to the Restricted Shares, the Restricted Shares shall vest pro rata based on the number of months Grantee is employed by the Company, divided by 36 months; and

(iii) Grantee must (X) provide at least 12 months' prior written notice to the Company of date of retirement, (Y) sign a non-solicitation, non-competition and non-disparagement agreement in a form agreeable to the Company, and (Z) not be under a performance improvement plan issued by the Board of Directors of the Company to Grantee.

If the date of Grantee's retirement is after the 14th day of the month, then Grantee is deemed to be employed for the entire month for purposes of vesting under this Section 3(d). If the date of Grantee's retirement is before the 14th day of the month, such month is not included in the number of months employed for purposes of vesting under this Section 3(d).

(e) **Stock Price Performance.** The number of the Performance Shares to vest hereunder is subject to certain performance standards as outlined in Exhibit B hereto. Any Performance Shares that do not vest shall be forfeited to the Company.

4. Issuance of Shares; Forfeiture of Unvested Shares.

(a) The Shares will be issued in book entry form only and will be designated as restricted shares on the stock records of the Company held by its stock transfer agent, Computershare Limited, Providence, Rhode Island (the "**Stock Transfer Agent**"). Once the Shares have vested, the Company shall promptly notify the Stock Transfer Agent to remove all written restrictions on transfer of such Shares. The Company and Grantee agree to provide all documentation and instructions requested by the Stock Transfer Agent to accomplish the foregoing.

(b) In the event any unvested Shares do not vest and are forfeited to the Company, such Shares shall be automatically cancelled, and the Company shall provide notice to the Stock Transfer Agent of the cancellation of the forfeited Shares, along with any other documentation and information requested by the Stock Transfer Agent. From and after the time any Shares have been forfeited, Grantee shall cease to have, and may not exercise, any of the privileges or rights of a stockholder with respect to such forfeited Shares, including the right to receive any dividends.

5. Securities Law Compliance. Grantee understands and acknowledges that the issuance and transfer of the Shares shall be subject to compliance by the Company and Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. Grantee understands that the Company is under no obligation to register the Shares with the United States

Securities and Exchange Commission (the "**SEC**"), any state securities commission or any stock exchange to effect such compliance.

6. Adjustments for Stock Splits, Stock Dividends, Etc. If any change is made to the outstanding Common Stock or the capital structure of the Company prior to the vesting of the Shares, if required, the Shares shall be adjusted or terminated in any manner as contemplated by Section 14 of the Plan.

7. Section 83(b) Election. Grantee understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "**Code**"), taxes as ordinary income the difference between any consideration paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the Shares becoming vested pursuant to the terms and conditions of this Agreement. Further, with respect to officers, directors and 10% stockholders, "restriction" also means the six-month period after the purchase of the Shares during which sales of certain securities by Grantee would give rise to liability under Section 16(b) of the Securities Exchange Act of 1934 (the "**Section 16(b) Period**").

Grantee understands that Grantee may elect to be taxed at the time the Shares are granted rather than when Shares vest or the Section 16(b) Period expires, by filing an election under Section 83(b) of the Code with the Internal Revenue Service, in substantially the form attached hereto as Exhibit A, within thirty (30) days after the date of this Agreement. If the Grantee elects to make a Section 83(b) Election, the Grantee shall provide the Company with a copy of an executed version and satisfactory evidence of the filing of the executed Section 83(b) Election with the US Internal Revenue Service. Grantee further understands that failure to make this filing in a timely manner will result in the recognition of ordinary income by Grantee when the Shares vest, or after the expiration of the Section 16(b) Period (if applicable), on any difference between the purchase price and the fair market value of the Shares at the time such restrictions lapse. GRANTEE ACKNOWLEDGES AND AGREES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO TIMELY FILE THE ELECTION UNDER SECTION 83(b) OF THE CODE.

8. Withholding of Taxes. At the time any of the Shares become vested, Grantee agrees to make adequate provision with the Company for the minimum federal and state obligations for withholding of taxes, if any, which arise in connection with such vesting (the "**Withholding Obligation**"). To satisfy the Withholding Obligation, Grantee shall be required to either (a) deliver sufficient Shares of Common Stock to the Company to cover such Withholding Obligation, if any, at the time any Shares become vested or (b) pay the amount of the Withholding Obligation by providing cash or a check made payable to the Company. Any Shares of Common Stock so delivered by Grantee to pay the Withholding Obligation shall be valued at the closing price of the Shares on the New York Stock Exchange or such other stock exchange that the Shares may be listed on the day of vesting.

9. General Provisions.

(a) **Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(b) **Waiver; Amendment.** No provision of this Agreement shall be waived, amended, modified or supplemented, either generally or in any particular instance, except in a writing signed by the Company and Grantee.

(c) **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Company and Grantee and their respective heirs, executors, administrators, legal representatives, successors and assigns. No transfer of any of the Shares shall be effective unless the transferee first agrees in writing to all of the terms hereof.

(d) **Notice.** All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery, delivery by a recognized overnight delivery service or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, return receipt requested, addressed to the other Party hereto at the address shown on the signature page to this Agreement, or at such other address or addresses as either Party shall designate to the other in accordance with this Section 9(d).

(e) Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous agreements and understandings with respect to such subject matter.

(f) Governing Law. This Agreement and any claims arising hereunder shall be construed, interpreted and enforced in accordance with the laws of the State of Delaware without regard to conflicts of laws principles.

(g) Legends. In accordance with the Plan and this Agreement, a legend may be placed on any certificate(s) or other document(s) delivered to Grantee or reflected in the records of the Stock Transfer Agent, indicating restrictions on transferability of the Shares pursuant to this Agreement, the Plan or any other restrictions that the Compensation Committee may deem advisable under the rules, regulations and other requirements of the SEC, any applicable federal or state securities laws or any stock exchange on which the Shares are then listed or quoted.

(h) Headings. The section headings contained in this Agreement are included for convenience of reference only and are not intended by the Parties to be a part of or to affect the meaning or interpretation of this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

(j) Acceptance; Imposition of Other Requirements. Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement. Grantee has read and understands the terms and provisions thereof and hereof, and accepts the Shares subject to all of the terms and conditions of the Plan and this Agreement. The Company reserves the right to impose other requirements on participation in the Plan, on this award and on any Shares received under the Plan, to the extent the Company determines it is necessary or advisable in order to facilitate the administration of the Plan, and to require Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

THE VESTING OF SHARES PURSUANT TO THIS AGREEMENT IS EARNED BY GRANTEE'S CONTINUED EMPLOYMENT WITH THE COMPANY, AND, EXCEPT AS OTHERWISE PROVIDED HEREIN, THE FORFEITURE OF ANY UNVESTED SHARES UPON TERMINATION OF EMPLOYMENT IS ABSOLUTE, WHETHER THE TERMINATION IS VOLUNTARY OR INVOLUNTARY, OR WITH OR WITHOUT CAUSE.

NOTHING CONTAINED IN THIS AGREEMENT SHALL BE CONSTRUED AS GIVING THE GRANTEE ANY RIGHT TO BE RETAINED, IN ANY POSITION, AS AN EMPLOYEE OF THE COMPANY DURING THE VESTING PERIOD HEREUNDER OR ANY OTHER PERIOD.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

COMPANY: PHX MINERALS INC.

By: ______________________

GRANTEE: _________________________

EXHIBIT 31.1

CERTIFICATION

I, Chad L. Stephens, certify that:

1. I have reviewed this transition report on Form 10-Q of PHX Minerals Inc.;

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 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 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: February 8, 2023

EXHIBIT 31.2

CERTIFICATION

I, Ralph D'Amico, certify that:

1. I have reviewed this transition report on Form 10-Q of PHX Minerals Inc.;

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 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 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: February 8, 2023

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350

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 Transition Report on Form 10-Q for the three months ended December 31, 2022, as filed with the Securities and Exchange Commission (the "Report"), that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the 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

February 8, 2023

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350

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 Transition Report on Form 10-Q for the three months ended December 31, 2022, as filed with the Securities and Exchange Commission (the "Report"), that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

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

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

February 8, 2023