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PANHANDLE OIL AND GAS INC. REPORTS
SECOND QUARTER AND SIX MONTHS 2010 RESULTS AND MID-YEAR RESERVE UPDATE

Quarterly Revenues Rise 90%, Proved Reserves Increase 8%, and Net Income Rises to $5,163,566, or $.61 per Share

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE-PHX) today reported financial and operating results for the fiscal second quarter and six months ended March 31, 2010.

HIGHLIGHTS FOR THE PERIODS ENDED MARCH 31, 2010

- Recorded a quarterly net income of $5,163,566 as compared to second quarter 2009 net loss of $945,256
- Recorded a six-month net income of $6,871,944 as compared to a 2009 six-month net loss of $1,819,885
- Strengthened balance sheet by reducing debt to $4.9 million at March 31, 2010
- Generated cash from operating activities of $11,578,412 for the six-month period, well in excess of $5,109,510 of capital expenditures
- Reported second quarter and six-month production of 2,090,154 Mcfe and 4,368,287 Mcfe, respectively
- Increased proved reserves 8% to 64.1 Bcfe at March 31, 2010 as compared to 59.6 Bcfe at September 30, 2009

FISCAL SECOND QUARTER 2010 RESULTS

For the quarter ending March 31, 2010, the Company recorded a net income of $5,163,566, $.61 per share, as compared to a net loss of $945,256, $.11 per share, for the 2009 second quarter. Total revenues for the 2010 quarter increased 90% over the 2009 quarter to $16,863,323. Cash provided by operating activities totaled $6,757,758, while capital expenditures totaled $2,451,120. Production for the 2010 quarter amounted to 2,090,154 Mcfe as compared to 2,380,124 Mcfe for the 2009 quarter. The average per Mcfe sales price increased 69% for the 2010 quarter to $5.99, as compared to $3.55 for the 2009 quarter. The Company recorded a pre-tax gain (realized and unrealized) on derivative contracts in the 2010 quarter of $4,226,309 compared to $290,545 for the 2009 quarter.

SIX MONTHS 2010 RESULTS

For the six months ended March 31, 2010, the Company recorded a net income of $6,871,944, $.82 per share, as compared to a net loss of $1,819,885, $.22 per share, for the 2009 six months. Total revenues for the 2010 six months were $29,287,826, a 45% increase over the 2009 six months. Cash provided by operating activities totaled $11,578,412, which funded capital expenditures of $5,109,510 and reduced debt $5.4 million to $4.9 million at March 31, 2010. Production for the 2010 six months totaled 4,368,287 Mcfe as compared to 4,875,423 Mcfe for the 2009 six months. The average per Mcfe sales price increased 37% for the 2010 six months to $5.34 as compared to $3.91 for the 2009 six months. The pre-tax gain (realized and unrealized) on derivative contracts in the 2010 six months was $5,629,649, compared to a $683,552 gain for the 2009 period.

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RESERVES UPDATE

Mid-year proved reserves at March 31, 2010 were 64.1 Bcfe, as calculated by the Company's petroleum engineering consulting firm, Pinnacle Energy Services, LLC. This was an increase of 8%, compared to the 59.6 Bcfe of proved reserves at September 30, 2009. SEC prices used for the March 31, 2010 report were $3.12 per Mcf for natural gas and $78.83 per barrel for oil, as compared to $2.86 per Mcf and $66.96 per barrel for the September 30, 2009 report. By way of comparison based on Panhandle's in-house normalized prices of $6.00 per Mcf and $45.00 per barrel, calculated proved reserves at March 31, 2010 were 75.9 Bcfe and 73.3 Bcfe at September 30, 2009. Panhandle management has used this normalized pricing structure for several years in order to provide a way of comparing reserve additions without pricing adjustments.

MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO said, "Panhandle's second quarter performance is indicative of the strength and quality of our asset base and our perpetual mineral rights ownership in several premier North American shale gas plays. We continue to see substantial activity on our minerals and are particularly encouraged by our position and increasing drilling in the Granite Wash. Panhandle is organized to perform strongly even in difficult market conditions, and our ability to grow reserves and generate net income continues to demonstrate that a non-operating company with substantial mineral holdings can put up solid, positive returns for investors.

"We recorded a quarterly net income of $5,163,566 or $.61 per share, compared to a net loss of $945,256 for the comparable 2009 quarter. The 2010 quarter benefited from a pre-tax gain on derivative contracts of $4,226,309 and a 69% increase in the average sales price of our oil and natural gas to $5.99 per Mcfe.

"For the six-month period, cash provided by operating activities was $11,578,684; again well in excess of capital expenditures of $5,109,782. This allowed us to further reduce bank debt to $4,945,058 at the March 31, 2010 balance sheet date.

"In view of the current price environment for natural gas, we are very deliberate in selecting those wells in which we participate with a working interest. We will continue to drill those projects which will generate reasonable rates of return at current strip pricing, based on our technical review of each project. In addition, we will benefit from recent industry trends to focus drilling in liquids-rich areas and oil prospects. This will not be a deviation in strategy for us, as, unlike many companies, we already own perpetual mineral rights in several emerging liquids and oil plays, which means we are already positioned to diversify our project portfolio. This flexibility is one of the greatest benefits of our owning an extensive minerals position, currently in excess of 254,000 net acres. Panhandle is in an excellent position to be able to capitalize on opportunities both from increasing drilling opportunities as market conditions warrant or executing an opportunistic acquisition."

OPERATIONS UPDATE

Paul Blanchard, Senior Vice President and COO said, "As we indicated last quarter, the decreased drilling activity in the Company's principal plays has resulted in significantly lower capital expenditure levels during the second quarter. This reduced level of activity resulted in a modest decrease in production from 4,875,423 Mcfe for the 2009 six-month period to 4,368,287 Mcfe for the 2010 period. We have observed an increase in drilling proposals in our key areas recently and anticipate our capital expenditures will increase in the second half of fiscal 2010.

"During the most recent quarter, Panhandle participated with a 7.9% Net Revenue Interest (NRI) in a Southeastern Oklahoma Woodford Shale well, which was producing 12,500 Mcf per day after being on sales for 15 days. As of April 30th, 2010 we have nine working interest wells drilling or completing in our three major shale plays, and there are another 29 working interest wells, which we have approved to drill.

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"We anticipate that the first well in our Joiner City prospect in Southern Oklahoma will begin drilling this summer. Panhandle will have an average NRI of 7% in this prospect, which will test a liquids-rich area of the Woodford Shale. If successful, this test has the potential to add an additional shale resource play to the Company's portfolio.

"We have also entered into an agreement to explore for and develop high potential oil prospects utilizing 36 square miles of modern, high quality 3-D seismic in Oklahoma. The project utilizes existing 3-D seismic; therefore the Company's cost of entry into the venture was very low. Panhandle will have a 50% interest in this project, and we anticipate that our first well will spud during this fiscal year. This new area is an exploration prospect for Panhandle, but, given the seismic data we have evaluated to date, we believe this project could develop into an exciting Mid-Continent vertical oil play"

Derivative contracts in place as of March 31, 2010
(prices below reflect the Company's net price from the listed Oklahoma pipelines)

Contract period	Production volume covered per month	Indexed (1) Pipeline	Fixed price
Fixed price swaps			
January - December, 2010	100,000 mmbtu	CEGT	$5.015
January - December, 2010	50,000 mmbtu	CEGT	$5.050
January - December, 2010	100,000 mmbtu	PEPL	$5.57
January - December, 2010	50,000 mmbtu	PEPL	$5.56
Basis protection swaps			
January - December, 2011	50,000 mmbtu	CEGT	Nymex -$.27
January - December, 2011	50,000 mmbtu	PEPL	Nymex -$.26
January - December, 2012	50,000 mmbtu	CEGT	Nymex -$.29
January - December, 2012	50,000 mmbtu	PEPL	Nymex -$.29

(1) CEGT - Centerpoint Energy Gas Transmission's East pipeline in Oklahoma
PEPL - Panhandle Eastern Pipeline Company's Texas/Oklahoma mainline

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OPERATING HIGHLIGHTS

	Second Quarter Ended March 31, 2010	Second Quarter Ended March 31, 2009	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
Mcfe Sold	2,090,154	2,380,124	4,368,287	4,875,423
Average Sales Price per MCFE	$5.99	$3.55	$5.34	$3.91
Barrels Sold	21,998	34,744	49,452	65,004
Average Sales Price per Barrel	$74.87	$41.21	$72.89	$46.14
Mcf Sold	1,958,166	2,171,660	4,071,575	4,485,399
Average Sales Price per MCF	$5.55	$3.23	$4.84	$3.58

Quarterly Production Levels

Quarter ended	Barrels Sold	Mcf Sold	Mcfe Sold
3/31/10	21,998	1,958,166	2,090,154
12/31/09	27,454	2,113,409	2,278,133
9/30/09	29,011	2,181,985	2,356,051
6/30/09	34,145	2,442,604	2,647,474
3/31/09	34,744	2,171,660	2,380,124

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Proved Reserves

	SEC Pricing		In-House Normalized Pricing*	
	March 31, 2010	September 30, 2009	March 31, 2010	September 30, 2009
Proved Developed Reserves:				
Barrels of Oil	868,964	882,987	813,879	852,766
MCF of Gas	49,132,823	45,036,460	53,722,585	50,484,900
MCFE	54,346,607	50,334,382	58,605,859	55,601,496
Proved Undeveloped Reserves:				
Barrels of Oil	51,500	37,886	63,549	56,147
MCF of Gas	9,443,229	8,991,350	16,918,631	17,389,127
MCFE	9,752,229	9,218,666	17,299,925	17,726,009
Total Proved Reserves:				
Barrels of Oil	920,464	920,873	877,428	908,913
MCF of Gas	58,576,052	54,027,810	70,641,216	67,874,027
MCFE	64,098,836	59,553,048	75,905,784	73,327,505
10% Discounted Estimated Future Net Cash Flows (before federal income taxes)				
Proved Developed	$86,990,180	$74,756,140	$147,363,870	$141,840,030
Proved Undeveloped	7,381,840	6,800,080	27,462,230	29,060,100
Total	$94,372,020	$81,556,220	$174,826,100	$170,900,130
Pricing At Date Shown				
Oil/Barrel (constant)	$78.83	$66.96	$45.00	$45.00
Gas/MCF (constant)	$3.12	$2.86	$6.00	$6.00

*Pricing used by Company to provide a way of comparing reserve additions without pricing adjustments

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FINANCIAL HIGLIGHTS

Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Revenues:				
Oil and natural gas sales	$ 12,510,995	$ 8,440,156	$ 23,321,427	$ 19,056,820
Lease bonuses and rentals	92,108	39,862	122,936	153,242
Gains on derivative contracts	4,226,309	290,545	5,629,649	683,552
Gain on asset sales, interest and other	6,439	38,398	109,590	96,458
Income of partnerships	27,472	65,054	104,224	203,645
	16,863,323	8,874,015	29,287,826	20,193,717
Costs and expenses:				
Lease operating expenses	2,177,576	1,927,325	4,484,120	3,676,468
Production taxes	449,903	340,490	804,945	747,238
Exploration costs	300,502	30,043	876,763	202,308
Depreciation, depletion and amortization	5,484,080	7,087,500	10,776,775	14,037,592
Provision for impairment	12,370	132,321	12,370	2,008,241
General and administrative	1,428,702	1,327,592	2,845,500	2,546,755
Interest expense	45,624	-	111,409	-
	9,898,757	10,845,271	19,911,882	23,218,602
Income (loss) before provision (benefit) for income taxes	6,964,566	(1,971,256)	9,375,944	(3,024,885)
Provision (benefit) for income taxes	1,801,000	(1,026,000)	2,504,000	(1,205,000)
Net income (loss)	$ 5,163,566	$ (945,256)	$ 6,871,944	$ (1,819,885)
Basic and diluted earnings (loss) per common share	$ 0.61	$ (0.11)	$ 0.82	$ (0.22)
Weighted average shares outstanding:				
Common shares	8,311,636	8,300,128	8,311,636	8,300,128
Unissued, vested directors' shares	110,041	96,602	102,268	95,950
	8,421,677	8,396,730	8,413,904	8,396,078
Dividends declared per share of common stock and paid in period	$ 0.07	$ 0.07	$ 0.14	$ 0.14

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Consolidated Balance Sheets

	March 31, 2010 (unaudited)	September 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 775,963	$ 639,908
Oil and natural gas sales receivables, net of allowance for uncollectible accounts	10,276,818	7,747,557
Derivative contracts	3,316,380	-
Deferred income taxes	74,900	1,934,900
Refundable production taxes	900,154	616,668
Other	138,265	68,817
Total current assets	15,482,480	11,007,850
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	202,150,672	198,076,244
Non-producing oil and natural gas properties	10,594,556	10,332,537
Furniture and fixtures	592,877	578,460
	213,338,105	208,987,241
Less accumulated depreciation, depletion and amortization	124,460,454	112,900,027
Net properties and equipment	88,877,651	96,087,214
Investments	631,272	682,391
Refundable production taxes	305,304	772,177
Total assets	$ 105,296,707	$ 108,549,632
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,003,713	$ 4,810,687
Derivative contracts	-	1,726,901
Accrued liabilities	2,152,835	1,033,570
Total current liabilities	6,156,548	7,571,158
Long-term debt	4,945,058	10,384,722
Deferred income taxes	22,444,650	24,064,650
Asset retirement obligations	1,635,495	1,620,225
Derivative contracts	11,566	786,534
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at March 31, 2010 and at September 30, 2009	140,524	140,524
Capital in excess of par value	1,922,053	1,922,053
Deferred directors' compensation	2,135,232	1,862,499
Retained earnings	70,215,861	64,507,547
	74,413,670	68,432,623
Less treasury stock, at cost; 119,866 shares at March 31, 2010 and at September 30, 2009	(4,310,280)	(4,310,280)
Total stockholders' equity	70,103,390	64,122,343
Total liabilities and stockholders' equity	$ 105,296,707	$ 108,549,632

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Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six months ended March 31, 2010	Six months ended March 31, 2009
Operating Activities		
Net income (loss)	$ 6,871,944	$ (1,819,885)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized (gains) losses on natural gas derivative contracts	(5,818,249)	438,448
Depreciation, depletion, amortization and impairment	10,789,145	16,045,833
Provision for deferred income taxes	240,000	(1,412,000)
Exploration costs	876,763	202,308
Net (gain) loss on sale of assets	(227,568)	(155,238)
Income from partnerships	(104,224)	(203,645)
Distributions received from partnerships	155,343	238,147
Directors' deferred compensation expense	272,733	203,362
Cash provided by changes in assets and liabilities:		
Oil and natural gas sales receivables	(2,529,261)	8,967,404
Refundable income taxes	-	2,162,305
Refundable production taxes	183,387	(339,439)
Other current assets	(69,448)	(362,580)
Accounts payable	(181,418)	466,782
Income taxes payable	1,147,436	283,877
Accrued liabilities	(28,171)	196,007
Total adjustments	4,706,468	26,731,571
Net cash provided by operating activities	11,578,412	24,911,686
Investing Activities		
Capital expenditures, including dry hole costs	(5,109,510)	(30,271,588)
Proceeds from leasing of fee mineral acreage	165,589	172,429
Proceeds from sales of assets	104,858	2,000
Net cash used in investing activities	(4,839,063)	(30,097,159)
Financing Activities		
Borrowings under debt agreement	9,567,559	36,488,666
Payments of loan principal	(15,007,223)	(30,382,519)
Payments of dividends	(1,163,630)	(1,162,018)
Net cash provided by (used in) financing activities	(6,603,294)	4,944,129
Increase (decrease) in cash and cash equivalents	136,055	(241,344)
Cash and cash equivalents at beginning of period	639,908	895,708
Cash and cash equivalents at end of period	$ 775,963	$ 654,364
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	$ 15,270	$ 156,101
Gross additions to properties and equipment	$ 4,483,954	18,281,761
Net (increase) decrease in accounts payable for properties and equipment additions	625,556	11,989,827
Capital expenditures, including dry hole costs	$ 5,109,510	$ 30,271,588

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Panhandle Oil and Gas Inc. (NYSE-PHX) is engaged in the exploration for and production of natural gas and oil. Additional information on the Company can be found at www.panhandleoilandgas.com.

Forward-Looking Statements and Risk Factors – This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include current expectations or forecasts of future events. They may include estimates of oil and gas reserves, expected oil and gas production and future expenses, projections of future oil and gas prices, planned capital expenditures for drilling, leasehold acquisitions and seismic data, statements concerning anticipated cash flow and liquidity and Panhandle's strategy and other plans and objectives for future operations. Although Panhandle believes the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to be correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under "Risk Factors" in Part 1, Item 1 of Panhandle's 2009 Form 10-K filed with the Securities and Exchange Commission. These "Risk Factors" include the worldwide economic recession's continuing negative effects on the natural gas business; our hedging activities may reduce the realized prices received for natural gas sales; the volatility of oil and gas prices; Panhandle's ability to compete effectively against strong independent oil and gas companies and majors; the availability of capital on an economic basis to fund reserve replacement costs; Panhandle's ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil and gas reserves and projecting future rates of production and the amount and timing of development expenditures; uncertainties in evaluating oil and gas reserves; unsuccessful exploration and development drilling; decreases in the values of our oil and gas properties resulting in write-downs; the negative impact lower oil and gas prices could have on our ability to borrow; drilling and operating risks; and we cannot control activities on our properties as the Company is a non-operator.

Do not place undue reliance on these forward-looking statements, which speak only as of the date of this release, and Panhandle undertakes no obligation to update this information. Panhandle urges you to carefully review and consider the disclosures made in this presentation and Panhandle's filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect Panhandle's business.

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