

# Fiscal 2010 THIRD QUARTER



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## CONDENSED CONSOLIDATED BALANCE SHEET

(Information at June 30, 2010 is unaudited)

### ASSETS

	June 30, 2010	September 30, 2009
Current Assets:		
Cash and cash equivalents	\$ 2,169,634	\$ 639,908
Oil and natural gas sales receivables, net of allowance for uncollectible accounts	8,205,594	7,747,557
Derivative contracts	1,548,598	-
Deferred income taxes	-	1,934,900
Refundable production taxes	881,349	616,668
Other	<u>1,221,884</u>	<u>68,817</u>
Total current assets	14,027,059	11,007,850
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	204,638,307	198,076,244
Non-producing oil and natural gas properties	10,184,554	10,332,537
Furniture and fixtures	<u>600,363</u>	<u>578,460</u>
	215,423,224	208,987,241
Less accumulated DD & A	<u>129,344,929</u>	<u>112,900,027</u>
Net properties and equipment	86,078,295	96,087,214
Investments	581,126	682,391
Derivative contracts	239,781	-
Refundable production taxes	<u>494,620</u>	<u>772,177</u>
Total Assets	<u>\$ 101,420,881</u>	<u>\$ 108,549,632</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2010	September 30, 2009
Current Liabilities:		
Accounts payable	\$ 4,305,954	\$ 4,810,687
Derivative contracts	-	1,726,901
Accrued liabilities	<u>1,706,808</u>	<u>1,033,570</u>
Total current liabilities	6,012,762	7,571,158
Long-term debt	-	10,384,722
Deferred income taxes	22,689,650	24,064,650
Asset retirement obligations	1,639,175	1,620,225
Derivative contracts	-	786,534
Stockholders' Equity:		
Class A voting common stock	140,524	140,524
Capital in excess of par value	1,922,053	1,922,053
Deferred director's compensation	2,181,650	1,862,499
Retained earnings	<u>71,145,347</u>	<u>64,507,547</u>
	75,389,574	68,432,623
Less treasury stock, at cost; 119,866 shares	<u>(4,310,280)</u>	<u>(4,310,280)</u>
Total stockholders' equity	71,079,294	64,122,343
Total liabilities and stockholders' equity	<u>\$ 101,420,881</u>	<u>\$ 108,549,632</u>

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Oil and natural gas sales	\$ 9,659,803	\$ 9,058,169	\$ 32,981,230	\$ 28,114,989
Lease bonuses and rentals	934,532	28,777	1,057,468	182,019
Gains (losses) on derivative contracts	(218,935)	(470,974)	5,410,714	212,578
Income of partnerships	<u>86,470</u>	<u>49,244</u>	<u>190,694</u>	<u>252,889</u>
	10,461,870	8,665,216	39,640,106	28,762,475
Costs and expenses:				
Lease operating expenses	1,681,982	2,095,933	6,166,102	5,772,401
Production taxes	236,793	369,802	1,041,738	1,117,040
Exploration costs	538,262	112,537	1,415,025	314,845
Depreciation, depletion, and amortization	5,221,723	6,844,813	15,998,498	20,882,405
Provision for impairment	-	115,892	12,370	2,124,133
Loss (gain) on asset sales, interest and other	(989,152)	(46,564)	(987,333)	(143,022)
General and administrative	<u>1,507,962</u>	<u>1,174,315</u>	<u>4,353,462</u>	<u>3,721,070</u>
	<u>8,197,570</u>	<u>10,666,728</u>	<u>27,999,862</u>	<u>33,788,872</u>
Income (loss) before provision (benefit) for income taxes	2,264,300	(2,001,512)	11,640,244	(5,026,397)
Provision (benefit) for income taxes	<u>753,000</u>	<u>(1,073,000)</u>	<u>3,257,000</u>	<u>(2,278,000)</u>
Net income (loss)	<u>\$ 1,511,300</u>	<u>\$ (928,512)</u>	<u>\$ 8,383,244</u>	<u>\$ (2,748,397)</u>
Basic and diluted earnings (loss) per common share	<u>\$ 0.18</u>	<u>\$ (0.11)</u>	<u>\$ 1.00</u>	<u>\$ (0.33)</u>
Basic and diluted weighted average shares outstanding:				
Common shares	8,311,636	8,300,128	8,311,636	8,300,128
Unissued, vested director's shares	<u>112,160</u>	<u>97,867</u>	<u>110,640</u>	<u>96,325</u>
	<u>8,423,796</u>	<u>8,397,995</u>	<u>8,422,276</u>	<u>8,396,453</u>
Dividends declared per share of common stock and paid in period	<u>\$ 0.07</u>	<u>\$ 0.07</u>	<u>\$ 0.21</u>	<u>\$ 0.21</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended June 30,	
	2010	2009
Operating Activities:		
Net income (loss)	\$ 8,383,244	\$ (2,748,397)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized (gains) losses on natural gas derivative contracts	(4,301,814)	1,569,822
Depreciation, depletion, amortization and impairment	16,010,868	23,006,628
Provision for deferred income taxes	613,000	(3,125,000)
Exploration costs	1,039,905	314,845
Net (gain) loss on sale of assets and other	(1,139,072)	(181,760)
Income from partnerships	(190,694)	(252,889)
Distributions received from partnerships	270,817	308,182
Directors' deferred compensation expense	319,151	230,237
Other	64,555	-
Cash provided by changes in assets and liabilities	<u>(834,820)</u>	<u>11,495,877</u>
Total adjustments	<u>11,851,896</u>	<u>33,365,942</u>
Net cash provided by operating activities	20,235,140	30,617,545
Investing Activities:		
Capital expenditures, including dry hole costs	(8,189,105)	(35,509,890)
Proceeds from leasing of fee mineral acreage	1,256,102	202,007
Investments in partnerships	(43,413)	-
Proceeds from sales of assets	<u>401,168</u>	<u>2,514,343</u>
Net cash used in investing activities	(6,575,248)	(32,793,540)
Financing Activities:		
Borrowings under debt agreement	10,799,814	43,705,195
Payments of loan principal	(21,184,536)	(40,076,791)
Payments of dividends	<u>(1,745,444)</u>	<u>(1,743,027)</u>
Net cash provided by (used in) financing activities	<u>(12,130,166)</u>	<u>1,885,377</u>
Increase (decrease) in cash and cash equivalents	1,529,726	(290,618)
Cash and cash equivalents at beginning of period	<u>639,908</u>	<u>895,708</u>
Cash and cash equivalents at end of period	<u>\$ 2,169,634</u>	<u>\$ 605,090</u>
Supplemental Schedule of Non-cash Investing and Financing Activities:		
Additions to asset retirement obligations	<u>\$ 18,950</u>	<u>\$ 168,567</u>
Gross additions to properties and equipment	<u>\$ 7,541,102</u>	<u>\$ 24,069,809</u>
Net (increase) decrease in accounts payable for properties and equipment additions	<u>648,003</u>	<u>11,440,081</u>
Capital expenditures, including dry hole costs	<u>\$ 8,189,105</u>	<u>\$ 35,509,890</u>