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**PANHANDLE OIL AND GAS INC. REPORTS  
RECORD 2008 FISCAL YEAR AND FOURTH QUARTER 2008 FINANCIAL RESULTS**

***NET INCOME SURGES 240% AND PRODUCTION VOLUMES INCREASE 33%***

OKLAHOMA CITY, OK – (PR Newswire) – PANHANDLE OIL AND GAS INC. (NYSE-PHX) today reported financial results for fiscal year 2008, and the three-month period ended September 30, 2008. For the fiscal year ended September 30, 2008 net income increased 240% to \$21,555,769, or \$2.54 per share, compared to \$6,343,464, or \$0.75 per share, for fiscal 2007. Total revenues increased 77% to \$69,119,121, compared to \$39,128,911 for fiscal 2007. Net cash provided by operating activities increased to \$39,924,719, an increase of 42% compared to \$28,106,500 for fiscal 2007. Additions to properties and equipment for drilling and equipping wells and purchasing leasehold totaled \$52,812,138, an 88% increase over the 2007 amount. Production increased 33% to 7,722,450 Mcfe as compared to 5,791,407 Mcfe for fiscal 2007. The 2008 average sales price per Mcfe increased 38% to \$8.94.

Michael C. Coffman, President and CEO, said: “Quality acreage, superior drilling results and our accomplished working interest partners helped fuel record results at Panhandle Oil and Gas. In addition, our ability to carefully navigate today’s challenging economic climate, work strategically with our partners to increase production growth and maintain a strong balance sheet with low debt not only helped us succeed in 2008, but also favorably positions us in fiscal 2009. While increased production and reserve growth remains a firm goal in 2009, we are equally focused on operating principally from cash flow. We believe our conservative financial structure and our commitment to low-cost growth strengthens our opportunities in either a low-or high-priced commodity environment. As we round out 2008 and enter the new year, we look forward to 2009 with great anticipation as we continue to maximize shareholder value.”

For the fourth quarter of 2008, the Company recorded net income of \$8,775,296, or \$1.04 per share, as compared to net income of \$1,674,638, or \$0.20 per share, for the fourth quarter in 2007. Fourth quarter 2008 total revenues were \$24,214,890, as compared to \$11,064,937 for fourth quarter 2007. Net cash provided by operating activities for the fourth quarter 2008 was \$14,449,727, compared to \$10,532,776 for fourth quarter 2007. Fourth quarter 2008 additions to properties and equipment for drilling and equipping wells and leasehold acquisitions amounted to \$23,186,431, an increase of 177% over the fourth quarter 2007 amount. Fourth quarter 2008 production increased 27% to 2,183,583 Mcfe,

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- 1 -

as compared to 1,719,986 Mcfe for the 2007 fourth quarter. The average sales price per Mcfe increased 49% to \$9.31 in the fourth quarter of 2008. Lonnie J. Lowry, Vice President and CFO, said: "Net Income in the 2008 fourth quarter benefited by net realized and unrealized gains on natural gas collar contracts of \$3,450,493 ending the year at September 30, 2008 with a mark-to-market asset balance of \$646,193. By calendar year end, all collar contracts in place from January 2008 through December 2008 will have realized net losses of \$502,300. Our conclusion is that the collars served their intended purpose to reduce the Company's exposure to short-term fluctuations in the price of natural gas."

## FINANCIAL HIGHLIGHTS

### CONSOLIDATED STATEMENTS OF INCOME

	<u>Year ended September 30,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Oil and gas sales	\$ 69,026,785	\$ 37,449,174	\$ 36,008,527
Lease bonuses and rentals	167,559	208,625	410,984
(Losses) gains on gas collar contracts	(940,823)	765,316	-
Gain on sales of assets and interest	233,709	322,405	529,804
Income from partnerships	631,891	383,391	536,365
	<u>69,119,121</u>	<u>39,128,911</u>	<u>37,485,680</u>
Costs and expenses:			
Lease operating expenses and production taxes	10,055,762	6,057,456	5,262,834
Exploration costs	455,943	1,050,069	222,892
Depreciation, depletion, and amortization	19,784,660	15,291,625	10,142,367
Provision for impairment	526,380	3,761,832	3,009,953
Loss on sales of assets	204,189	254,395	119,282
General and administrative	5,006,512	3,877,492	3,335,899
Bad debt expense	591,258	-	-
Interest expense	44,346	133,578	232,234
	<u>36,669,050</u>	<u>30,426,447</u>	<u>22,325,461</u>
Income before provision for income taxes	32,450,071	8,702,464	15,160,219
Provision for income taxes	10,894,302	2,359,000	4,586,000
	<u>21,555,769</u>	<u>6,343,464</u>	<u>10,574,219</u>
Net income	<u>\$ 21,555,769</u>	<u>\$ 6,343,464</u>	<u>\$ 10,574,219</u>
Basic earnings per common share:			
Net income	\$ 2.54	\$ 0.75	\$ 1.25

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**CONSOLIDATED BALANCE SHEETS**

	<b><u>September 30,</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 895,708	\$ 989,360
Oil and gas sales receivables, net of allowance for uncollectible accounts	17,183,128	8,103,250
Fair value of derivative contracts	646,193	106,916
Refundable income taxes and other	2,379,996	112,882
Total current assets	21,105,025	9,312,408
Properties and equipment at cost, based on successful efforts accounting:		
Producing oil and gas properties	175,727,196	125,634,251
Non-producing oil and gas properties	11,216,103	10,697,854
Furniture and fixtures	491,321	625,455
	187,434,620	136,957,560
Less accumulated depreciation, depletion, and amortization	87,661,433	68,424,645
Net properties and equipment	99,773,187	68,532,915
Investments	736,314	690,011
Other	392,657	4,463
Total assets	\$ 122,007,183	\$ 78,539,797
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 15,897,565	\$ 1,773,255
Accrued liabilities	608,456	348,042
Total current liabilities	16,506,021	2,121,297
Long-term debt	9,704,100	4,661,471
Deferred income taxes	25,943,750	16,827,750
Asset retirement obligations	1,504,411	1,247,908
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at September 30, 2008 and at September 30, 2007	140,524	140,524
Capital in excess of par value	2,090,070	2,146,071
Deferred directors' compensation	1,605,811	1,358,778
Retained earnings	69,236,604	50,035,998
	73,073,009	53,681,371
Treasury stock, at cost; 131,374 shares at September 30, 2008 and no shares at September 30, 2007	(4,724,108)	-
Total stockholders' equity	68,348,901	53,681,371
Total liabilities and stockholders' equity	\$ 122,007,183	\$ 78,539,797

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended September 30,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>			
Net income	\$ 21,555,769	\$ 6,343,464	\$ 10,574,219
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, amortization, and impairment	20,311,040	19,053,457	13,152,320
Deferred income taxes	9,116,000	1,329,000	2,177,000
Lease bonus income	-	(45,954)	(95,892)
Exploration costs	455,943	1,050,069	222,892
Net loss (gain) on sales of assets	20,632	22,856	(415,951)
Income from partnerships	(631,891)	(383,391)	(536,362)
Distributions received from partnerships	585,588	465,535	618,509
Common stock issued to ESOP	218,733	221,633	209,574
Common stock (unissued) to Directors' Deferred Compensation Plan	247,033	156,209	149,161
Bad debt expense	591,258	-	-
Cash provided (used) by changes in assets and liabilities:			
Oil and gas sales receivables	(9,671,136)	(1,631,627)	169,824
Fair value of derivative contracts	(539,277)	(106,916)	-
Refundable income taxes and other	(2,267,114)	1,635,853	(1,889,363)
Other non-current assets	(388,194)	-	-
Accounts payable	59,921	(118,012)	(21,361)
Accrued directors' deferred compensation	-	-	(281,897)
Accrued liabilities	260,414	114,324	(562,524)
Total adjustments	<u>18,368,950</u>	<u>21,763,036</u>	<u>12,895,926</u>
Net cash provided by operating activities	39,924,719	28,106,500	23,470,145
<b>Investing Activities</b>			
Capital expenditures, including dry hole costs	(38,747,749)	(27,785,431)	(21,738,745)
Proceeds from leasing of fee mineral acreage	200,356	188,417	493,652
Sale (purchase) of investments	-	11,280	(282,000)
Proceeds from sales of assets	840,398	645,055	408,487
Net cash used in investing activities	<u>(37,706,995)</u>	<u>(26,940,679)</u>	<u>(21,118,606)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	<u>Year ended September 30,</u>		
	2008	2007	2006
<b>Financing Activities</b>			
Borrowings under debt agreement	\$ 54,993,249	\$ 18,046,213	\$ -
Payments of loan principal	(49,950,620)	(16,551,395)	(2,000,004)
Purchases of treasury stock	(4,998,842)	-	-
Payments of dividends	(2,355,163)	(2,105,632)	(1,556,015)
Net cash used in financing activities	<u>(2,311,376)</u>	<u>(610,814)</u>	<u>(3,556,019)</u>
(Decrease) increase in cash and cash equivalents	(93,652)	555,007	(1,204,480)
Cash and cash equivalents at beginning of year	989,360	434,353	1,638,833
Cash and cash equivalents at end of year	<u>\$ 895,708</u>	<u>\$ 989,360</u>	<u>\$ 434,353</u>
<b>Supplemental Disclosures of Cash Flow Information</b>			
Interest paid	\$ 167,732	\$ 140,350	\$ 219,898
Income taxes paid, net of refunds received	\$ 4,145,122	\$ (952,221)	\$ 4,781,462
<b>Supplemental schedule of noncash investing and financing activities:</b>			
Reclassification of deferred compensation liability as equity	\$ -	\$ -	\$ 1,053,408
Additions and revisions, net, to asset retirement obligations	\$ 151,998	\$ (213,759)	\$ 141,158
Properties and equipment change included in accounts payable	\$ 14,064,389	\$ 327,091	\$ 885,295

OPERATING HIGHLIGHTS

	Year Ended September 30, 2008	Year Ended September 30, 2007	Fourth Quarter Ended September 30, 2008	Fourth Quarter Ended September 30, 2007
MCFESold	7,722,450	5,791,407	2,183,583	1,719,986
Average Sales Price per MCFE	\$8.94	\$6.47	\$9.31	\$6.24
Barrels Sold	132,402	107,344	31,375	31,677
Average Sales Price per Barrel	\$103.91	\$62.81	\$116.12	\$72.57
MCF Sold	6,928,038	5,147,343	1,995,333	1,529,924
Average Sales Price per MCF	\$7.98	\$5.97	\$8.37	\$5.51

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DERIVATIVE CONTRACTS IN PLACE AS OF 9/30/08

(prices below reflect the Company's net price from Oklahoma pipelines)

<u>Contract period</u>	<u>Production volume covered per month</u>	<u>Floor price range (per mmbtu)</u>	<u>Ceiling price range (per mmbtu)</u>
October - December, 2008	120,000 mmbtu	\$6.50 to \$6.90	\$8.75 to \$9.15

**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](http://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 2008 Form 10-K soon to be filed with the Securities and Exchange Commission. These “Risk Factors” include worldwide economic conditions; 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; declines 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; and drilling and operating risks.

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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