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**PANHANDLE OIL AND GAS INC. REPORTS  
FOURTH QUARTER AND FISCAL 2010 RESULTS**

**Net Income Rises to \$11,419,690 for Fiscal Year 2010**  
**Fiscal 2010 Revenue Rises 39% over 2009**

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC., the “Company”, (NYSE-PHX) today reported financial and operating results for the fiscal fourth quarter and twelve months ended September 30, 2010.

**HIGHLIGHTS FOR THE THREE AND TWELVE MONTH PERIODS ENDED SEPTEMBER 30, 2010**

- Recorded 12-month net income of \$11,419,690 compared to a net loss of \$2,405,021 for fiscal 2009.
- Increased fourth quarter 2010 production by 3% over the third quarter 2010 to 2.3 billion cubic feet equivalent (Bcfe).
- Ended year with zero dollars drawn on the credit facility.
- Cash generated by operating activities was \$27.8 million for the year.
- Continued to convert Panhandle’s mineral rights ownership interests into producing working interest wells in the Fayetteville Shale, Anadarko Basin (Cana) Woodford Shale and several other western Oklahoma oil and natural gas liquids-rich plays, including the Granite Wash play.
- On December 6, 2010, increased credit facility to \$80 million from \$50 million and extended maturity to November 30, 2014.

**Fiscal Fourth Quarter 2010 Results**

The Company recorded net income of \$3,036,446, or \$.36 per share, as compared to net income of \$343,376, or \$.04 per share, for the 2009 fourth quarter. Capital expenditures for drilling and equipping wells decreased 24% to \$3,119,401, as compared to the corresponding 2009 quarter, reflecting an overall industry reduction in drilling activity in dry gas plays. Net cash provided by operating activities for the 2010 quarter rose 12.8% to \$7,567,057 as compared to \$6,708,784 for the 2009 quarter. Total revenues for the 2010 quarter rose 44.5% to \$12,298,310 as compared to \$8,510,139 for the 2009 quarter. For the 2010 quarter, the average realized sales price was \$4.80 per Mcfe as compared to \$3.95 per Mcfe for the 2009 period.

For the fourth fiscal quarter ended September 30, 2010, production increased to 2,312,093 Mcfe as compared to 2,236,236 Mcfe for the 2010 third quarter and 2,090,154 Mcfe for the 2010 second quarter. Quarterly production was 2% lower compared to the 2009 fourth quarter.

**Fiscal Year 2010 Results**

The Company recorded a net income of \$11,419,690, or \$1.36 per share, as compared to net loss for fiscal 2009 of \$2,405,021, or \$.29 per share. Net cash provided by operating activities for 2010 was \$27,806,475 as compared to \$37,710,606 for 2009. Total revenues for 2010 rose 39.3% to \$51,938,416 as compared to \$37,272,614 for 2009. Capital expenditures for drilling and equipping wells totaled \$11,308,506 in 2010, as compared to \$39,915,051 for 2009. For fiscal 2010, the average realized sales price was \$4.94 per Mcfe as compared to \$3.79 per Mcfe for 2009.

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For the fiscal year ended September 30, 2010, the Company reported a production decrease of 10% to 8.9 Bcfe as compared to 9.9 Bcfe for fiscal 2009. The production decrease reflects lower drilling activity across Panhandle's acreage positions because of lower natural gas prices and the associated 72% reduction in capital expenditures in fiscal 2010 versus 2009.

In a press release dated November 8, 2010, Panhandle announced a 74% increase in proved reserves for fiscal 2010. Total proved reserves increased to 103.7 Bcfe at September 30, 2010. Since 2005 the Company's total proved reserves have grown 232% from 31.3 Bcfe to 103.7 Bcfe, at a compound annual growth rate of 27.2%. This growth is principally the result of reserves added from development of two Oklahoma Woodford Shale plays and the Arkansas Fayetteville Shale.

At September 30, 2010, Panhandle had 12 producing working interest wells and 4 producing royalty interest wells in the Cana play with an additional 9 wells in process. The Company owns 3,545 net mineral acres in the core area of this play yielding a 2.8% average net revenue interest in 1,063 gross proven, probable and possible undeveloped drilling locations based on 80 acre well spacing. The Company anticipates drilling activity will increase in this play as development of this natural gas liquids-rich play expands during 2011.

At September 30, 2010, Panhandle had 99 producing working interest wells and 281 producing royalty interest wells in the Fayetteville Shale with an additional 24 wells in process. The Company owns 7,308 net mineral acres in the core area of this play yielding a 2.2% average net revenue interest in 1,735 gross proven, probable and possible undeveloped drilling locations based on 80 acre well spacing. Because of the very low finding costs associated with Fayetteville Shale development, the Company expects drilling activity to continue in this play in 2011 despite the low natural gas pricing environment.

At September 30, 2010, Panhandle had 137 producing working interest wells and 48 producing royalty interest wells in the Southeast Oklahoma Woodford Shale play with an additional 26 wells in process. The Company owns 6,310 net mineral acres in the core area of this play yielding a 3.6% average net revenue interest in 1,214 gross proven, probable and possible undeveloped drilling locations based on 80 acre well spacing. The Company does not anticipate an acceleration of drilling activity in this play during 2011.

#### Management Comment

Michael C. Coffman, President and CEO said, "Fiscal 2010 was another challenging year both from an economic and operational standpoint. Despite the dual challenges of the economic downturn and continuing downward pressure on natural gas prices, Panhandle delivered the second highest annual revenue and net income in the Company's history. The strength of our assets is reflected in the 74% increase in our proved reserves, and we end this fiscal year with zero debt. These results prove that our commitment to increased drilling on our mineral acreage continues to maximize value for our shareholders."

Paul F. Blanchard, Panhandle's Senior Vice-President and COO added, "We have been pleased with the industry's continuing development of oil and natural gas liquids-rich plays in Western Oklahoma, where Panhandle owns a significant amount of its 254,000 net fee mineral acres. These plays allow us to capitalize on current market prices and superior rates of return in these plays, versus the dry gas plays such as the Southeast Oklahoma Woodford. The development of oil and natural gas liquids-rich plays again highlights the advantage Panhandle offers investors through perpetual mineral acreage ownership. We have been able to shift investment dollars rapidly to more oil and natural gas liquids-rich drilling opportunities without having to expend any capital for additional leasehold acreage."

Blanchard continued: "We expect to deploy substantially more drilling capital in fiscal 2011, particularly in several of the oil and natural gas liquids-rich plays in Western Oklahoma, including horizontal drilling in the Granite Wash, Cleveland, Tonkawa and Marmaton plays, as well as the Anadarko Basin (Cana) Woodford. Given our strong cash flows and untapped line of credit, we are financially positioned to accelerate our participation in drilling activity in these areas next year."

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OPERATING HIGHLIGHTS

	Fourth Quarter Ended <u>September 30, 2010</u>	Fourth Quarter Ended <u>September 30, 2009</u>	Fiscal Year Ended <u>September 30, 2010</u>	Fiscal Year Ended <u>September 30, 2009</u>
MCFE Sold	2,312,093	2,356,051	8,916,616	9,878,948
Average Sales Price per MCFE	\$4.80	\$3.95	\$4.94	\$3.79
Barrels of Oil Sold	26,054	29,011	102,379	128,160
Average Sales Price per Barrel	\$71.85	\$61.97	\$72.83	\$51.79
MCF of Natural Gas Sold	2,155,769	2,181,985	8,302,342	9,109,988
Average Sales Price per MCF	\$4.27	\$3.44	\$4.41	\$3.38

Quarterly Production Levels

<u>Quarter ended</u>	<u>Barrels Sold</u>	<u>MCF Sold</u>	<u>MCFE</u>
9/30/10	26,054	2,155,769	2,312,093
6/30/10	26,873	2,074,998	2,236,236
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

Derivative contracts in place as of September 30, 2010  
 (prices below reflect the Company's net price from the listed Oklahoma pipelines)

<u>Contract period</u>	<u>Production volume covered per month</u>	<u>Indexed (1) Pipeline</u>	<u>Fixed price</u>
<b>Fixed price swaps</b>			
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	\$5.570
January - December, 2010	50,000 Mmbtu	PEPL	\$5.560
<b>Basis protection swaps</b>			
January - December, 2011	50,000 Mmbtu	CEGT	NYMEX -\$.27
January - December, 2011	50,000 Mmbtu	CEGT	NYMEX -\$.27
January - December, 2011	50,000 Mmbtu	PEPL	NYMEX -\$.26
January - December, 2011	50,000 Mmbtu	PEPL	NYMEX -\$.27
January - December, 2012	50,000 Mmbtu	CEGT	NYMEX -\$.29
January - December, 2012	40,000 Mmbtu	CEGT	NYMEX -\$.30
January - December, 2012	50,000 Mmbtu	PEPL	NYMEX -\$.29
January - December, 2012	50,000 Mmbtu	PEPL	NYMEX -\$.30

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

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## FINANCIAL HIGHLIGHTS

### Consolidated Statements of Operations

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Oil and natural gas sales	\$ 11,087,717	\$ 9,306,699	\$ 44,068,947	\$ 37,421,688
Lease bonuses and rentals	63,206	6,887	1,120,674	188,906
Gains (losses) on derivative contracts	932,947	(874,406)	6,343,661	(661,828)
Income of partnerships	214,440	70,959	405,134	323,848
	12,298,310	8,510,139	51,938,416	37,272,614
Costs and expenses:				
Lease operating expenses and production taxes	2,432,024	2,007,794	9,639,864	8,897,235
Exploration costs	168,748	396,737	1,583,773	711,582
Depreciation, depletion and amortization	3,223,625	7,286,528	19,222,123	28,168,933
Provision for impairment	593,245	340,387	605,615	2,464,520
Loss (gain) on sale of assets, interest and other	(40,815)	(2,534,385)	(1,028,148)	(2,677,407)
General and administrative	1,241,037	1,144,974	5,594,499	4,866,044
Bad debt expense (recovery)	-	(185,272)	-	(185,272)
	7,617,864	8,456,763	35,617,726	42,245,635
Income (loss) before provision (benefit) for income taxes	4,680,446	53,376	16,320,690	(4,973,021)
Provision (benefit) for income taxes	1,644,000	(290,000)	4,901,000	(2,568,000)
Net income (loss)	\$ 3,036,446	\$ 343,376	\$ 11,419,690	\$ (2,405,021)
Earnings (loss) per common share	\$ 0.36	\$ 0.04	\$ 1.36	\$ (0.29)
Weighted average shares outstanding:				
Common shares	8,308,701	8,300,253	8,310,896	8,300,160
Unissued, vested directors' shares	113,962	99,242	111,491	97,177
	8,422,663	8,399,495	8,422,387	8,397,337
Dividends declared per share of common stock and paid in period	\$ 0.07	\$ 0.07	\$ 0.28	\$ 0.28

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Consolidated Balance Sheets

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,597,258	\$ 639,908
Oil and natural gas sales receivables (net)	9,063,002	7,747,557
Deferred income taxes	-	1,934,900
Refundable production taxes	804,120	616,668
Derivative contracts	1,481,527	-
Other	412,778	68,817
Total current assets	<u>17,358,685</u>	<u>11,007,850</u>
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	207,928,578	198,076,244
Non-producing oil and natural gas properties	9,616,330	10,332,537
Furniture and fixtures	656,889	578,460
	<u>218,201,797</u>	<u>208,987,241</u>
Less accumulated depreciation, depletion and amortization	131,983,249	112,900,027
Net properties and equipment	<u>86,218,548</u>	<u>96,087,214</u>
Investments	754,208	682,391
Derivative contracts	138,799	-
Refundable production taxes	654,599	772,177
Total assets	<u>\$ 105,124,839</u>	<u>\$ 108,549,632</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 5,062,806	\$ 4,810,687
Derivative contracts	-	1,726,901
Deferred income taxes	354,100	53,100
Accrued income taxes and other liabilities	1,842,918	980,470
Total current liabilities	<u>7,259,824</u>	<u>7,571,158</u>
Long-term debt	-	10,384,722
Deferred income taxes	22,552,650	24,064,650
Asset retirement obligations	1,730,369	1,620,225
Derivative contracts	-	786,534
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at September 30, 2010 and 2009	140,524	140,524
Capital in excess of par value	1,816,365	1,922,053
Deferred directors' compensation	2,222,127	1,862,499
Retained earnings	73,599,733	64,507,547
	<u>77,778,749</u>	<u>68,432,623</u>
Less treasury stock, at cost; 120,560 shares at September 30, 2010 and 119,866 shares at September 30, 2009	(4,196,753)	(4,310,280)
Total stockholders' equity	<u>73,581,996</u>	<u>64,122,343</u>
Total liabilities and stockholders' equity	<u>\$ 105,124,839</u>	<u>\$ 108,549,632</u>

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Condensed Consolidated Statements of Cash Flows

	Year ended September 30,		
	2010	2009	2008
<b>Operating Activities</b>			
Net income (loss)	\$ 11,419,690	\$ (2,405,021)	\$ 21,555,769
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion, amortization, and impairment	19,827,738	30,633,453	20,311,040
Provision for deferred income taxes	777,000	(3,814,000)	9,116,000
Exploration costs	1,208,653	711,582	455,943
Net (gain) loss on sales of assets	(1,189,605)	(2,654,759)	20,632
Income from partnerships	(405,134)	(323,848)	(631,891)
Distributions received from partnerships	523,317	432,805	724,765
Other	64,555	4,708	-
Common stock contributed to ESOP	287,194	245,811	218,733
Common stock (unissued) to Directors' Deferred Compensation Plan	359,628	256,688	247,033
Restricted stock awards	12,028	-	-
Bad debt expense (recovery)	-	(185,272)	591,258
Cash provided (used) by changes in assets and liabilities:			
Oil and natural gas sales receivables	(1,315,445)	9,620,843	(9,671,136)
Fair value of derivative contracts	(4,133,761)	3,159,628	(539,277)
Refundable income taxes	-	2,162,305	(2,162,305)
Refundable production taxes	(69,874)	(921,769)	(467,076)
Other current assets	(343,961)	74,455	(25,927)
Accounts payable	(24,896)	287,883	59,921
Income taxes payable	583,625	338,511	(211,155)
Accrued liabilities	225,723	86,603	471,569
Total adjustments	16,386,785	40,115,627	18,508,127
Net cash provided by operating activities	27,806,475	37,710,606	40,063,896
<b>Investing Activities</b>			
Capital expenditures, including dry hole costs	(11,308,506)	(39,915,051)	(38,747,749)
Proceeds from leasing of fee mineral acreage	1,316,377	209,930	200,356
Investments in partnerships	(254,555)	(59,742)	(139,177)
Proceeds from sales of assets	401,168	3,441,871	840,398
Net cash used in investing activities	(9,845,516)	(36,322,992)	(37,846,172)

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Condensed Consolidated Statements of Cash Flows (continued)

	Year ended September 30,		
	2010	2009	2008
<b>Financing Activities</b>			
Borrowings under debt agreement	\$ 10,799,814	\$ 49,027,225	\$ 47,281,411
Payments of loan principal	(21,184,536)	(48,346,603)	(42,238,782)
Purchases of treasury stock	(291,383)	-	(4,998,842)
Payments of dividends	(2,327,504)	(2,324,036)	(2,355,163)
Net cash used in financing activities	<u>(13,003,609)</u>	<u>(1,643,414)</u>	<u>(2,311,376)</u>
Increase (decrease) in cash and cash equivalents	4,957,350	(255,800)	(93,652)
Cash and cash equivalents at beginning of year	639,908	895,708	989,360
Cash and cash equivalents at end of year	<u>\$ 5,597,258</u>	<u>\$ 639,908</u>	<u>\$ 895,708</u>

**Supplemental Disclosures of Cash Flow Information**

Interest paid (net of capitalized interest)	\$ 60,912	\$ -	\$ 23,212
Income taxes paid, net of refunds received	\$ 3,530,718	\$ (1,261,808)	\$ 4,145,122

**Supplemental schedule of noncash investing and financing activities:**

Additions and revisions, net, to asset retirement obligations	\$ 110,144	\$ 95,076	\$ 151,998
Gross additions to properties and equipment	\$ 11,585,521	\$ 28,540,290	\$ 52,812,138
Net (increase) decrease in accounts payable for properties and equipment additions	<u>(277,015)</u>	<u>11,374,761</u>	<u>(14,064,389)</u>
Capital expenditures, including dry hole costs	<u>\$ 11,308,506</u>	<u>\$ 39,915,051</u>	<u>\$ 38,747,749</u>

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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](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 2010 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; 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; 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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