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**PANHANDLE OIL AND GAS INC. REPORTS  
FIRST QUARTER 2009 RESULTS**

**Company Posts Record Production Results**

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE-PHX) today reported financial results for the fiscal first quarter ended December 31, 2008. Production for the first quarter of 2009 increased 36% to 2,495,299 Mcfe, as compared to 1,831,206 Mcfe for the 2008 quarter. Sequential quarterly production growth was 14%. For the 2009 first quarter, the average sales price per Mcfe decreased 41% to \$4.25, consistent with recent decreases in North American natural gas prices. Net cash provided by operating activities increased to \$15,055,493, as compared to \$7,718,871 for the 2008 quarter.

For the quarter, the Company recorded a net loss of \$874,629 or \$.10 per share as compared to a net income of \$3,480,307, or \$.41 per share, for the 2008 first quarter. Total revenues for the 2009 quarter amounted to \$11,319,702, as compared to \$13,703,803 for the 2008 quarter. Capital expenditures for drilling and equipping wells and leasehold acquisitions amounted to \$18,442,452, an increase of 143% over the 2008 amount. This amount includes payment of \$6,056,461 for well costs that were included in accounts payable at year-end September 30, 2008.

**FIRST QUARTER 2009 HIGHLIGHTS**

- Reported record first quarter production: 2,495,299 Mcfe compared to 1,831,206 Mcfe
- Posted a 14% increase in sequential production growth
- Maintained a strong balance sheet with low debt levels
- Increased working interests in key operating areas
- Continued to leverage Panhandle's mineral rights ownership interest

Michael C. Coffman, President and CEO said, "Our growth in production, largely due to new wells in the Woodford shale in Southern Oklahoma and our Dill City project in Western Oklahoma, demonstrates that Panhandle continued to build momentum in fiscal 2009 during challenging market conditions. We had 20 new Woodford shale wells, in which the Company had working interests ranging from 4.2% to 42.8%, go on production from August through December 31, 2008. The average net revenue interest in those 20 wells was approximately 12%. Recently we have had three new wells in our Dill City project come on line with current average production rates per well of 3,300 Mcf and 140 Bbl per day. The average net revenue interest in those wells is 15%. In the Arkansas Fayetteville shale, we are continuing to add new wells, but project modest growth in production compared to our other properties because of lower average working interests in the Fayetteville. We project increasing production of natural gas in the second quarter of fiscal 2009 based on the results of our recent wells."

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- 1 -

First quarter 2009 results were impacted by 40% and 37% decreases in the average sales prices for both oil and natural gas, respectively. Significant downward pressure on commodity prices forced Panhandle to recognize non-cash impairment charges on the Company's oil and gas properties of \$1,875,920 in the 2009 quarter. One ultra deep well drilled in 2006 accounted for \$1,070,129 of the impairment, and one field in Western Oklahoma accounted for \$658,905 of the impairment. No impairment was incurred on the three major projects the Company is currently involved in, the Woodford and Fayetteville shale plays or the Dill City play in Western Oklahoma."

Lonnie J. Lowry, Vice President and CFO, said: "Despite the pullback in commodity prices and the impact of the world financial crisis, we generated a 36% increase in production volumes, which had a positive impact on cash flow even in this challenging natural gas pricing environment. We increased sequential quarterly production growth by 14%."

Panhandle Oil & Gas expects the current low natural gas and oil price environment to reduce the Company's drilling activity for the remainder of fiscal 2009. The Company plans to reduce its capital expenditures budget to approximately \$30 million. Panhandle will continue to complete payments for drilling and completion costs on recently drilled and completed wells and thus will draw additional funds against its credit facility. The borrowing base on the credit facility has been expanded to \$25 million.

Coffman concluded, "While recent events in the world financial markets have created headwinds in the commodity sector, we at Panhandle Oil and Gas remain confident. Our key assets in the highly regarded Woodford and Fayetteville shale and in the Dill City play in Western Oklahoma favorably position us in today's difficult operating environment. Our experience in previous down cycles, combined with the strength of our operating partners, enables us to successfully and efficiently manage our properties. And our strong balance sheet, modest debt levels and available capital from the credit facility will enable us to continue to add value for the Company and our shareholders in 2009."

We closely monitor and evaluate our capital expenditure level and will continue to participate in wells we assess as adding value for the Company and our shareholders in 2009."

#### OPERATING HIGHLIGHTS

	First Quarter Ended December 31, 2008	First Quarter Ended December 31, 2007
MCFE Sold	2,495,299	1,831,206
Average Sales Price per MCFE	\$4.25	\$7.22
Barrels Sold	30,260	36,721
Average Sales Price per Barrel	\$51.80	\$86.40
MCF Sold	2,313,739	1,610,880
Average Sales Price per MCF	\$3.91	\$6.24

#### Quarterly Production Levels

Quarter ended	Barrels Sold	MCF Sold	MCFE
12/31/08	30,260	2,313,739	2,495,299
9/30/08	31,375	1,995,333	2,183,583
6/30/08	31,907	1,788,462	1,979,904
3/31/08	32,399	1,533,363	1,727,757
12/31/07	36,721	1,610,880	1,831,206

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FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended December 31,	
	2008	2007
Revenues:		
Oil and natural gas sales	\$ 10,616,664	\$ 13,226,094
Lease bonuses and rentals	113,380	10,446
Gains on natural gas collar contracts	393,007	263,786
Gain on asset sales, interest and other	58,060	52,394
Income of partnerships	138,591	151,083
	<u>11,319,702</u>	<u>13,703,803</u>
Costs and expenses:		
Lease operating expenses	1,749,143	1,344,901
Production taxes	406,748	829,604
Exploration costs	172,265	209,981
Depreciation, depletion and amortization	6,950,092	4,256,610
Provision for impairment	1,875,920	122,009
General and administrative	1,219,163	1,597,045
Interest expense	-	44,346
	<u>12,373,331</u>	<u>8,404,496</u>
(Loss) income before (benefit) provision for income taxes	<u>(1,053,629)</u>	<u>5,299,307</u>
(Benefit) provision for income taxes	<u>(179,000)</u>	<u>1,819,000</u>
Net (loss) income	<u>\$ (874,629)</u>	<u>\$ 3,480,307</u>
(Loss) earnings per common share	<u>\$ (0.10)</u>	<u>\$ 0.41</u>
Weighted average shares outstanding		
Common shares	8,300,128	8,431,502
Unissued, vested directors' shares	87,915	78,748
	<u>8,388,043</u>	<u>8,510,250</u>
Dividends declared per share of common stock and paid in period	<u>\$ 0.07</u>	<u>\$ 0.07</u>
Dividends declared per share of common stock for and to be paid in the quarter ended March 31	<u>\$ 0.07</u>	<u>\$ 0.07</u>

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**CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**

	December 31, 2008	September 30, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 340,934	\$ 895,708
Oil and natural gas sales receivables (net)	10,655,050	17,183,128
Fair value of natural gas collar contracts	-	646,193
Refundable income taxes	2,548,817	2,162,305
Other	582,096	217,691
Total current assets	14,126,897	21,105,025
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	185,500,036	175,727,196
Non-producing oil and natural gas properties	11,840,466	11,216,103
Other	504,111	491,321
	197,844,613	187,434,620
Less accumulated depreciation, depletion and amortization	94,599,231	87,661,433
Net properties and equipment	103,245,382	99,773,187
Investments	724,741	736,314
Other	194,549	392,657
Total assets	\$ 118,291,569	\$ 122,007,183
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 10,342,331	\$ 15,897,565
Accrued liabilities	858,796	608,456
Total current liabilities	11,201,127	16,506,021
Long-term debt	12,996,339	9,704,100
Deferred income taxes	26,148,750	25,943,750
Asset retirement obligations	1,594,470	1,504,411
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at December 31, 2008 and at September 30, 2008	140,524	140,524
Capital in excess of par value	2,090,070	2,090,070
Deferred directors' compensation	1,644,440	1,605,811
Retained earnings	67,199,957	69,236,604
	71,074,991	73,073,009
Less treasury stock, at cost; 131,374 shares at December 31, 2008 and at September 30, 2008	(4,724,108)	(4,724,108)
Total stockholders' equity	66,350,883	68,348,901
Total liabilities and stockholders' equity	\$ 118,291,569	\$ 122,007,183

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

	Three months ended December 31,	
	2008	2007
<b>Operating Activities</b>		
Net (loss) income	\$ (874,629)	\$ 3,480,307
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain, net, on asset sales	(115,377)	(16,942)
Income of partnerships	(138,591)	(151,083)
Exploration costs	172,265	209,981
Depreciation, depletion and amortization	6,950,092	4,256,610
Provision for impairment	1,875,920	122,009
Deferred income taxes	205,000	1,431,000
Distributions received from partnerships	150,164	171,619
Directors' deferred compensation expense	38,629	31,012
Cash provided by changes in assets and liabilities:		
Oil and natural gas sales receivables	6,528,078	(2,161,389)
Fair value of natural gas collar contracts	646,193	(202,386)
Refundable income taxes	(386,512)	-
Other current assets	(364,405)	22,153
Other non-current assets	198,108	-
Accounts payable	501,227	150,657
Accrued liabilities	(330,669)	375,323
Total adjustments	<u>15,930,122</u>	<u>4,238,564</u>
Net cash provided by operating activities	<u>15,055,493</u>	<u>7,718,871</u>
<b>Investing Activities</b>		
Capital expenditures, including dry hole costs	(18,442,452)	(7,579,345)
Proceeds from leasing of fee mineral acreage	118,955	15,137
Proceeds from asset sales	2,000	6,270
Net cash used in investing activities	<u>(18,321,497)</u>	<u>(7,557,938)</u>
<b>Financing Activities</b>		
Borrowings under credit facility	18,316,045	7,776,160
Payments on credit facility	(15,023,806)	(7,584,911)
Payments of dividends	(581,009)	(590,205)
Net cash provided by (used in) financing activities	<u>2,711,230</u>	<u>(398,956)</u>
Decrease in cash and cash equivalents	(554,774)	(238,023)
Cash and cash equivalents at beginning of period	895,708	989,360
Cash and cash equivalents at end of period	<u>\$ 340,934</u>	<u>\$ 751,337</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Dividends declared and unpaid	<u>\$ 581,009</u>	<u>\$ 590,205</u>
Additions to asset retirement obligations	<u>\$ 90,059</u>	<u>\$ -</u>
Net decrease (increase) in accounts payable for properties and equipment additions	<u>\$ 6,056,461</u>	<u>\$ (1,145,044)</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 2008 Form 10-K filed with the Securities and Exchange Commission. These “Risk Factors” includes 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; 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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