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**PANHANDLE OIL AND GAS INC. REPORTS
THIRD QUARTER AND NINE MONTHS 2009 RESULTS**

Third Quarter Production Increases 34% to 2.6 Bcfe

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE-PHX) today reported financial and operating results for the fiscal third quarter and nine months ended June 30, 2009.

HIGHLIGHTS FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009

- Produced a quarterly record 2.6 Bcfe during the third quarter of 2009, a 34% increase from the corresponding 2008 period.
- Reported record nine month production of 7.5 Bcfe, a 36% increase compared to the corresponding 2008 period.
- Strengthened balance sheet and reduced debt by \$2.5 million to \$13.3 million from March 31, 2009.
- Cash provided by operating activities increased 20% in the 2009 nine months as compared to the 2008 period.
- Continued to convert Panhandle's mineral rights ownership interests into producing well interests particularly in the Woodford Shale in Southeast Oklahoma and the Fayetteville Shale in Arkansas.
- Participated in 151 wells with a working interest thus far in 2009 with only three dry holes.

Three Months Results 2009

For the quarter ending June 30, 2009, the Company recorded a net loss of \$928,512 or \$.11 per share as compared to net income of \$6,468,885 or \$.76 per share for the 2008 third quarter. Capital expenditures for drilling and equipping wells decreased 55% to \$5,238,302, as compared to the corresponding 2008 quarter. Net cash provided by operating activities for the 2009 quarter was \$5,705,859 as compared to \$9,117,191 for the 2008 quarter. Production for the 2009 third quarter increased 34% to 2,647,474 Mcfe as compared to 1,979,904 Mcfe for the 2008 quarter. Total revenues for the 2009 quarter were \$8,779,960 as compared to \$18,453,206 for the 2008 quarter. For the 2009 quarter, the average sales price per Mcfe declined to \$3.42 as compared to \$10.38 for the 2008 period.

The outstanding balance on the Company's bank line-of-credit at August 3, 2009 was \$11.4 million on a borrowing base of \$35 million.

Nine Month Results 2009

For the fiscal nine months ended June 30, 2009, the Company recorded a net loss of \$2,748,397 or \$.33 per share as compared to net income for the 2008 nine months of \$12,780,473 or \$1.50 per share. Net cash provided by operating activities for the 2009 period increased 20% to \$30,617,545 as compared to \$25,474,992 for the 2008 nine months. Total revenues for the 2009 nine months were \$28,973,677 as

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compared to \$44,904,231 for the 2008 nine months. Capital expenditures for drilling and equipping wells totaled \$35,509,890 in the 2009 fiscal period, as compared to \$27,757,275 for the 2008 fiscal period. For the 2009 nine months, the average sales price per Mcfe declined to \$3.74 as compared to \$8.79 for the 2008 period.

The Company has in place certain natural gas fixed swap contracts which cover the remainder of calendar 2009 and all of 2010. Based on current monthly natural gas production levels, approximately 37% of 2009 natural gas production and approximately 45% of anticipated 2010 natural gas production is hedged at weighted average prices of \$3.77 per Mcf for 2009 and \$5.30 per Mcf for 2010. These prices are net prices tied to specific Oklahoma pipelines, as opposed to NYMEX prices. In the first nine months of fiscal 2009, the Company received total payments of \$1,782,400 on its derivative contracts. These contracts continue to reduce the Company's exposure to short-term fluctuations in the price of natural gas.

Management Comment

Michael C. Coffman, President and CEO stated, "The economic downturn and the resulting downward pressure on natural gas demand, coupled with high natural gas storage levels have combined to dramatically reduce natural gas sales prices as our fiscal year has progressed. Our increase in production through the first nine months of fiscal 2009 has somewhat buffered the effect of the substantial price decline on revenues. However, cash flow from operations has remained strong and through the first nine months 20% above last year's level, which has allowed us to continue drilling principally from available cash."

Coffman continued, "We have been pleased with the results of our drilling program this year. Quarterly production increased to a record level of 2.6 Bcfe, which was 34% higher than last year's third quarter volumes and 11% over production volumes in the second quarter of this year. Panhandle has a large diversified base of mineral acreage ownership which continues to provide us substantial drilling opportunities in three world class shale plays, the Fayetteville Shale in Arkansas and the Woodford Shales in southeast Oklahoma and the Cana Woodford Shale in western Oklahoma. In addition, we continue to see new opportunities in western Oklahoma with horizontal drilling in several formations that are yielding outstanding results. We have more than 3,000 3P drilling locations, just in the plays discussed above, primarily on our perpetually owned fee mineral acreage which will provide Panhandle drilling opportunities for years to come.

"With that being said, in view of current market prices for natural gas, we have slowed our drilling activity as the fiscal year has progressed, which is reflected in third quarter capital expenditures of \$5.2 million as compared to \$30.3 million in the first six months of fiscal 2009. For the next several months, we will principally commit to drilling projects necessary to protect our unit rights. The result of this reduced drilling program will eventually be lower production rates as we defer drilling until market conditions improve. As we have stated many times, we are well positioned to weather this current industry and economic downturn and are prepared to prosper as the industry, product prices, and economy in general recover. Our ability to drill on our mineral acres gives us a continuing advantage in capital efficiency which we will continue to exploit."

"We reduced our debt level from \$15.8 million at March 31, 2009 to \$13.3 million at June 30. We used the \$2.5 million proceeds from the sale of a partial interest in the SE Leedey Field in Western Oklahoma to make the debt reduction. This interest, consisting of approximately 350 Mmcf of proved producing reserves (less than 1% of Panhandle's total proved producing reserves) and 910 acres of leasehold, was sold for what we consider to be full value. Production from the SE Leedey Field was approximately 1% of our daily production. The gain from this sale will be recorded in the fourth fiscal quarter, as the transfer of the properties was effective July 1, 2009."

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OPERATING HIGHLIGHTS

	Third Quarter Ended June 30, 2009	Third Quarter Ended June 30, 2008	Nine Months Ended June 30, 2009	Nine Months Ended June 30, 2008
MCFE Sold	2,647,474	1,979,904	7,522,897	5,538,866
Average Sales Price per MCFE	\$3.42	\$10.38	\$3.74	\$8.79
Barrels Sold	34,145	31,907	99,149	101,027
Average Sales Price per Barrel	\$53.89	\$120.92	\$48.81	\$100.12
MCF Sold	2,442,604	1,788,462	6,928,003	4,932,704
Average Sales Price per MCF	\$2.96	\$9.33	\$3.36	\$7.82

Quarterly Production Levels

<u>Quarter ended</u>	<u>Barrels Sold</u>	<u>MCF Sold</u>	<u>MCFE</u>
6/30/09	34,145	2,442,604	2,647,474
3/31/09	34,744	2,171,660	2,380,124
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

Derivative contracts in place as of June 30, 2009
 (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>
March - December, 2009	60,000 mmbtu	CEGT	\$4.01
April - December, 2009	100,000 mmbtu	CEGT	\$3.71
May - December, 2009	70,000 mmbtu	CEGT	\$3.615
July - December, 2009	70,000 mmbtu	PEPL	\$3.745
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

(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
(unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Oil and natural gas sales	\$ 9,058,169	\$ 20,551,865	\$ 28,114,989	\$ 48,687,560
Lease bonuses and rentals	28,777	32,154	182,019	110,464
Gains (losses) on derivative contracts	(470,974)	(2,286,789)	212,578	(4,391,316)
Gain on asset sales, interest and other	114,744	105,963	211,202	190,718
Income of partnerships	49,244	50,013	252,889	306,805
	<u>8,779,960</u>	<u>18,453,206</u>	<u>28,973,677</u>	<u>44,904,231</u>
Costs and expenses:				
Lease operating expenses	2,095,933	2,178,732	5,772,401	4,977,151
Production taxes	369,802	675,206	1,117,040	2,431,165
Exploration costs	112,537	35,394	314,845	397,125
Depreciation, depletion and amortization	6,844,813	4,671,193	20,882,405	13,376,346
Provision for impairment	115,892	37,666	2,124,133	385,672
Loss on sale of assets	-	203,387	-	203,387
General and administrative	1,174,315	1,164,743	3,721,070	3,991,566
Interest expense	68,180	-	68,180	44,346
	<u>10,781,472</u>	<u>8,966,321</u>	<u>34,000,074</u>	<u>25,806,758</u>
Income (loss) before provision (benefit) for income taxes	<u>(2,001,512)</u>	<u>9,486,885</u>	<u>(5,026,397)</u>	<u>19,097,473</u>
Provision (benefit) for income taxes	<u>(1,073,000)</u>	<u>3,018,000</u>	<u>(2,278,000)</u>	<u>6,317,000</u>
Net income (loss)	<u>\$ (928,512)</u>	<u>\$ 6,468,885</u>	<u>\$ (2,748,397)</u>	<u>\$ 12,780,473</u>
Earnings (loss) per common share (Note 4)	<u>\$ (0.11)</u>	<u>\$ 0.76</u>	<u>\$ (0.33)</u>	<u>\$ 1.50</u>
Weighted average shares outstanding:				
Common shares	8,300,128	8,423,067	8,300,128	8,428,701
Unissued, vested directors' shares	97,867	85,909	96,325	84,911
	<u>8,397,995</u>	<u>8,508,976</u>	<u>8,396,453</u>	<u>8,513,612</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>

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Consolidated Balance Sheets
 (unaudited)

	June 30, 2009	September 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 605,090	\$ 895,708
Oil and natural gas sales receivables (net)	7,548,471	17,183,128
Short-term derivative contracts	-	646,193
Refundable income taxes	-	2,162,305
Assets held for sale	893,325	-
Other	708,143	217,691
Total current assets	9,755,029	21,105,025
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	195,946,566	175,727,196
Non-producing oil and natural gas properties	10,254,992	11,216,103
Other	546,676	491,321
	206,748,234	187,434,620
Less accumulated depreciation, depletion and amortization	106,949,000	87,661,433
Net properties and equipment	99,799,234	99,773,187
Investments	681,021	736,314
Other	515,247	392,657
Total assets	\$ 110,750,531	\$ 122,007,183
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,586,336	\$ 15,897,565
Short-term derivative contracts	29,389	-
Prepayment of sales price on assets to be sold	2,514,343	-
Accrued liabilities	814,277	608,456
Total current liabilities	7,944,345	16,506,021
Long-term debt	13,332,504	9,704,100
Deferred income taxes	22,818,750	25,943,750
Asset retirement obligations	1,672,978	1,504,411
Long-term derivative contracts	894,240	-
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at June 30, 2009 and at September 30, 2008	140,524	140,524
Capital in excess of par value	2,090,070	2,090,070
Deferred directors' compensation	1,836,048	1,605,811
Retained earnings	64,745,180	69,236,604
	68,811,822	73,073,009
Less treasury stock, at cost; 131,374 shares at June 30, 2009 and at September 30, 2008	(4,724,108)	(4,724,108)
Total stockholders' equity	64,087,714	68,348,901
Total liabilities and stockholders' equity	\$ 110,750,531	\$ 122,007,183

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Condensed Consolidated Statements of Cash Flows
 (unaudited)

	Nine months ended June 30,	
	2009	2008
Operating Activities		
Net income (loss)	\$ (2,748,397)	\$ 12,780,473
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
(Gain) loss, net, on sale of assets	(181,760)	83,986
Income of partnerships	(252,889)	(306,805)
Exploration costs	314,845	397,125
Depreciation, depletion and amortization	20,882,405	13,376,346
Provision for impairment	2,124,223	385,672
Deferred income taxes	(3,125,000)	4,275,000
Distributions received from partnerships	308,182	368,413
Directors' deferred compensation expense	230,237	225,965
Cash provided by changes in assets and liabilities:		
Oil and natural gas sales receivables	9,634,657	(9,359,047)
Derivative contracts	1,569,822	3,613,416
Refundable income taxes	2,162,305	-
Other current assets	(490,452)	(819,020)
Other non-current assets	(122,590)	-
Accounts payable	106,136	130,477
Accrued liabilities	39,902	322,991
Income taxes payable	165,919	-
Total adjustments	33,365,942	12,694,519
Net cash provided by operating activities	30,617,545	25,474,992
Investing Activities		
Capital expenditures, including dry hole costs	(35,509,890)	(27,757,275)
Proceeds from leasing of fee mineral acreage	202,007	131,449
Proceeds from asset sales	2,514,343	181,120
Net cash used in investing activities	(32,793,540)	(27,444,706)
Financing Activities		
Borrowings under credit facility	43,705,195	40,058,723
Payments on credit facility	(40,076,791)	(34,701,332)
Purchase of treasury stock	-	(1,955,761)
Payments of dividends	(1,743,027)	(1,770,615)
Net cash provided by financing activities	1,885,377	1,631,015
Decrease in cash and cash equivalents	(290,618)	(338,699)
Cash and cash equivalents at beginning of period	895,708	989,360
Cash and cash equivalents at end of period	\$ 605,090	\$ 650,661
Supplemental Schedule of Noncash Investing and Financing Activities		
Receivable from asset sales	\$ -	\$ 658,668
Additions to asset retirement obligations	\$ 168,567	\$ -
Gross additions to properties and equipment	\$ 24,069,809	\$ 29,625,707
Net (increase) decrease in accounts payable for properties and equipment additions	11,440,081	(1,868,432)
Capital expenditures, including dry hole costs	\$ 35,509,890	\$ 27,757,275

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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 2008 Form 10-K filed with the Securities and Exchange Commission. These “Risk Factors” include 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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