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PLEASE CONTACT:
Michael C. Coffman
405.948.1560
Website: www.panhandleoilandgas.com

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**PANHANDLE OIL AND GAS INC. REPORTS
THIRD QUARTER AND NINE MONTHS 2010 RESULTS**

Quarterly Net Income Rises and Sequential Quarter Production Increases 7%

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, 2010.

HIGHLIGHTS FOR THE PERIODS ENDED JUNE 30, 2010

- Recorded a quarterly net income of \$1,511,300 as compared to a third quarter 2009 net loss of \$928,512
- Recorded a nine-month net income of \$8,383,244 as compared to a 2009 nine-month net loss of \$2,748,397
- Generated cash from operating activities of \$20,235,140 for the nine-month period, substantially in excess of \$8,189,105 in capital expenditures
- Increased sequential quarterly production by 7% to 2,236,236 Mcfe as compared to 2,090,154 Mcfe for the second quarter ended March 31, 2010
- Paid off outstanding balance at June 30, 2010 under the Company's \$50 million credit facility.

FISCAL THIRD QUARTER 2010 RESULTS

For the quarter ending June 30, 2010, the Company recorded a net income of \$1,511,300, \$.18 per share, as compared to a net loss of \$928,512, \$.11 per share, for the 2009 third quarter. Total revenues for the 2010 quarter increased 21% over the 2009 quarter to \$10,461,870. Cash provided by operating activities totaled \$8,656,728, while capital expenditures totaled \$3,079,595. Production for the third quarter 2010 was 2,236,236 Mcfe as compared to 2,647,474 Mcfe for the 2009 quarter (a Company record), but was 7% higher than 2010 second quarter production of 2,090,154 Mcfe. The average per Mcfe sales price increased 26% for the 2010 third quarter to \$4.32, as compared to \$3.42 for the 2009 quarter. The Company recorded approximately \$1,100,000 in the 2010 third quarter and payment was received in July 2010 related to the favorable settlement of a lawsuit related to one well in western Oklahoma.

NINE MONTHS 2010 RESULTS

For the nine months ended June 30, 2010, the Company recorded a net income of \$8,383,244, \$1.00 per share, as compared to a net loss of \$2,748,397, \$.33 per share, for the 2009 nine months. Total revenues for the 2010 nine months were \$39,640,106, a 38% increase over the 2009 nine months. Cash provided by operating activities totaled \$20,235,140, which funded capital expenditures of \$8,189,105 and enabled the Company to pay off its line of credit balance. Production for the 2010 nine months totaled 6,604,523 Mcfe as compared to 7,522,897 Mcfe for the 2009 nine months. The average per Mcfe sales price increased 33% for the 2010 nine months to \$4.99 as compared to \$3.74 for the 2009 nine months. The Company further recognized a pre-tax gain (realized and unrealized) on derivative contracts in the 2010 nine months of \$5,410,714, compared to a \$212,578 gain for the 2009 period.

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MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO said, “We are encouraged that our third quarter 2010 production increased 7% over second quarter production levels in spite of reduced capital expenditures as compared to last year’s levels. Although our capex was 77% lower through nine months of 2010 as compared to 2009 levels, Panhandle’s nine month production is only 12% lower than last year, bearing in mind 2009 was a record production year for the Company. We think this highlights the strength and quality of Panhandle’s asset base in several of the premier resource plays in North America. Once we complete our technical evaluation of each project, we have the advantage of being able to selectively participate with a working interest only in those quality drilling projects on our acreage that will add value for our shareholders. Those projects in which we decide not to invest capital following our review of the project’s technical merit will still generate a return in the form of a royalty interest when production is established.”

Coffman continued: “Panhandle will benefit from the current industry focus on drilling liquids-rich areas and oil properties, because a substantial portion of this drilling is on our perpetually-owned fee mineral acreage located in developing areas such as the Granite Wash and Cana Woodford. Because we already own the mineral rights, we will not be forced to purchase additional leasehold positions at higher market rates in order to participate in these drilling opportunities, and we are not forced to drill to hold acreage.

“Our cash flow from operations has allowed us to completely pay off our debt, fund capex, and build a cash balance despite low natural gas prices and we expect to continue to fund drilling from available cash flow. Panhandle continues to outperform many larger companies in these difficult market conditions. We have the balance sheet strength, a strong asset base, and financial flexibility to efficiently develop our mineral acreage assets, generate our own projects, or pursue appropriate accretive acquisitions should those opportunities present themselves.”

OPERATIONS UPDATE

Paul Blanchard, Senior Vice President and COO said, “The volume of drilling proposals in our key areas continued to increase in the third quarter with activity accelerating in the Anadarko Basin Horizontal Granite Wash and the Anadarko Basin ‘Cana’ Woodford Shale, which are our more oil and natural gas liquids rich plays.

“During the quarter, the Company participated with a 5.8% Net Revenue Interest (NRI) in two wells in the Southeastern Oklahoma Woodford Shale, which produced at the combined rate of 6,600 Mcf per day during their first month of sales. In the Fayetteville Shale, Panhandle participated with a 6.0% NRI in a well which produced 5,500 Mcf per day during its first month of sales. The Company also participated with a 3.1% NRI in a well in the Anadarko ‘Cana’ Woodford Shale which produced an initial rate of 5,400 Mcfd and we participated with a 1.3% NRI in an Anadarko Basin Horizontal Granite Wash well which yielded initial sales of 11,600 Mcf per day and 600 Bo per day. On July 20, 2010, we had nine working interest wells drilling or completing in our three major shale plays, and there were another 34 working interest wells in which we have approved to participate with a working interest which are not yet drilling.”

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OPERATING HIGHLIGHTS

	Third Quarter Ended <u>June 30, 2010</u>	Third Quarter Ended <u>June 30, 2009</u>	Nine Months Ended <u>June 30, 2010</u>	Nine Months Ended <u>June 30, 2009</u>
Mcf Sold	2,236,236	2,647,474	6,604,523	7,522,897
Average Sales Price per MCFE	\$4.32	\$3.42	\$4.99	\$3.74
Barrels Sold	26,873	34,145	76,325	99,149
Average Sales Price per Barrel	\$73.65	\$53.89	\$73.16	\$48.81
Mcf Sold	2,074,998	2,442,604	6,146,573	6,928,003
Average Sales Price per MCF	\$3.70	\$2.96	\$4.46	\$3.36

Quarterly Production Levels

<u>Quarter ended</u>	<u>Barrels Sold</u>	<u>Mcf Sold</u>	<u>Mcf Sold</u>
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
6/30/09	34,145	2,442,604	2,647,474

Derivative contracts in place as of June 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>
Fixed price swaps			
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
Basis protection swaps			
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
(unaudited)

	Three Months Ended June 30, 2010	2009	Nine Months Ended June 30, 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	86,470	49,244	190,694	252,889
	<u>10,461,870</u>	<u>8,665,216</u>	<u>39,640,106</u>	<u>28,762,475</u>
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	1,507,962	1,174,315	4,353,462	3,721,070
	<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	<u>2,264,300</u>	<u>(2,001,512)</u>	<u>11,640,244</u>	<u>(5,026,397)</u>
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 (Note 3)	<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 directors' shares	112,160	97,867	110,640	96,325
	<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>

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Consolidated Balance Sheets
 (Information at June 30, 2010 is unaudited)

	June 30, 2010	September 30, 2009
Assets		
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	1,221,884	68,817
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	600,363	578,460
	215,423,224	208,987,241
Less accumulated depreciation, depletion and amortization	129,344,929	112,900,027
Net properties and equipment	86,078,295	96,087,214
Investments	581,126	682,391
Derivative contracts	239,781	-
Refundable production taxes	494,620	772,177
Total assets	\$ 101,420,881	\$ 108,549,632
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,305,954	\$ 4,810,687
Derivative contracts	-	1,726,901
Accrued liabilities	1,706,808	1,033,570
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, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at June 30, 2010 and at September 30, 2009	140,524	140,524
Capital in excess of par value	1,922,053	1,922,053
Deferred directors' compensation	2,181,650	1,862,499
Retained earnings	71,145,347	64,507,547
	75,389,574	68,432,623
Less treasury stock, at cost; 119,866 shares at June 30, 2010 and at September 30, 2009	(4,310,280)	(4,310,280)
Total stockholders' equity	71,079,294	64,122,343
Total liabilities and stockholders' equity	\$ 101,420,881	\$ 108,549,632

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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:		
Oil and natural gas sales receivables	(458,037)	9,634,657
Refundable income taxes	-	2,162,305
Refundable production taxes	12,876	(474,810)
Other current assets	(1,153,067)	(138,232)
Accounts payable	143,270	106,136
Income taxes payable	360,966	165,919
Accrued liabilities	259,172	39,902
Total adjustments	11,851,896	33,365,942
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	401,168	2,514,343
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	(1,745,444)	(1,743,027)
Net cash provided by (used in) financing activities	(12,130,166)	1,885,377
Increase (decrease) in cash and cash equivalents	1,529,726	(290,618)
Cash and cash equivalents at beginning of period	639,908	895,708
Cash and cash equivalents at end of period	\$ 2,169,634	\$ 605,090
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	\$ 18,950	\$ 168,567
Gross additions to properties and equipment	\$ 7,541,102	\$ 24,069,809
Net (increase) decrease in accounts payable for properties and equipment additions	648,003	11,440,081
Capital expenditures, including dry hole costs	\$ 8,189,105	\$ 35,509,890

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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 2009 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; decreases 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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