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Dec. 8, 2011

**PANHANDLE OIL AND GAS INC. REPORTS
FOURTH QUARTER AND FISCAL 2011 RESULTS**

Records Net Income of \$8,493,912 (\$1.01 per share) for Fiscal Year 2011

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 Sept. 30, 2011.

HIGHLIGHTS FOR THE THREE- AND TWELVE-MONTH PERIODS ENDED SEPT. 30, 2011

- Recorded 12-month net income of \$8,493,912, \$1.01 per share, compared to a net income of \$11,419,690, \$1.36 per share, for fiscal 2010.
- Increased fourth quarter 2011 production by 14% over the third quarter 2011 to 2.4 billion cubic feet equivalent (Bcfe).
- Ended year with zero dollars drawn on the credit facility.
- Cash generated by operating activities was \$29.3 million for the year, which fully funded capital expenditures of \$27.5 million.
- 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, by growing spending on drilling and equipping wells 97% in 2011 as compared to 2010.
- Purchased approximately \$4.8 million of mineral acreage during 2011.

Fiscal Fourth Quarter 2011 Results

The Company recorded net income of \$2,644,381, or \$.31 per share, as compared to net income of \$3,036,446, or \$.36 per share, for the 2010 fourth quarter. Capital expenditures in the 2011 quarter increased 227% to \$10,186,458, as compared to \$3,119,401 in the corresponding 2010 quarter. This increase reflects a continuing industry upswing in drilling activity in the liquids rich and oily plays and the Company purchased approximately \$4.5 million of mineral acreage during the 2011 fourth quarter. Net cash provided by operating activities for the 2011 quarter rose 14% to \$8,592,240 as compared to \$7,567,057 for the 2010 quarter. Total revenues for the 2011 quarter were \$12,409,227 as compared to \$12,298,310 for the 2010 quarter. For the 2011 quarter, the average realized sales price was \$4.78 per Mcfe as compared to \$4.80 per Mcfe for the 2010 period.

For the fourth fiscal quarter ended Sept. 30, 2011, production increased to 2,433,114 Mcfe as compared to 2,312,093 Mcfe for the 2010 fourth quarter. Fourth quarter 2011 production was 14% higher than fiscal 2011 third quarter and is reflective of the increased capital expenditures for drilling during the year.

Fiscal Year 2011 Results

The Company recorded a net income of \$8,493,912, or \$1.01 per share, as compared to net income for fiscal 2010 of \$11,419,690, or \$1.36 per share. Net cash provided by operating activities for 2011 was \$29,283,929 as compared to \$27,806,475 for 2010. Total revenues for 2011 decreased to \$44,976,651 as compared to \$51,938,416 for 2010. The decrease in revenues for 2011 was principally the result of a reduction in gains on derivative contracts of \$5.6 million. Capital expenditures for drilling and equipping wells and purchasing mineral acreage totaled \$27,545,348 in

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2011 as compared to \$11,308,506 for 2010. For fiscal 2011, the average realized sales price was \$4.87 per Mcfe as compared to \$4.94 per Mcfe for 2010.

Oil and gas production volumes and average per Mcfe sales prices were essentially flat for 2011 as compared to 2010; however, net income declined approximately \$3 million. In 2010 as compared to 2011, the Company recorded a \$5.6 million larger gain on derivative contracts, \$.8 million more in lease bonus revenues and \$1 million more in gain on asset sales. However, in 2011 as compared to 2010 the Company recorded \$4.5 million less DD&A, a \$1.7 million lower provision for income taxes, but a \$1.1 million larger provision for impairment on certain of its oil and gas properties in small fields.

In a press release dated Nov. 10, 2011, Panhandle announced that proved reserves increased 8% for fiscal 2011 to 111.7 Bcfe. Since fiscal year-end 2006 the Company's total proved reserves have grown 226% from 34.3 Bcfe to 111.7 Bcfe, a compound annual growth rate of 27%. This growth is principally the result of reserves added from development of the two Oklahoma Woodford Shale plays and the Arkansas Fayetteville Shale. Currently total proved reserves are approximately 91% natural gas, 5% oil and 4% NGL.

Over the last 12 – 18 months, drilling activity has continued to become more focused on oily and NGL rich plays. The Company has in excess of 40,000 net legacy acres of minerals in Western Oklahoma which contain several of the plays. New production and reserves from these plays will expand the Company's oil and NGL reserves and production over the coming year. Panhandle's oil and gas sales revenues are currently 74% from natural gas sales, 21% from oil sales and 5% from NGL sales.

Management Comments

Michael C. Coffman, President and CEO, said, "Fiscal 2011 results were encouraging, as the Company was able to deliver strong financial and operational results despite the continuing economic downturn and continuing downward pressure on natural gas prices. This again points out the capital efficiency of drilling on perpetually owned mineral acreage.

During 2011 we were able to focus approximately 80% of our drilling dollars on horizontal drilling projects such as the Cana Woodford Shale, Granite/Atoka Wash, Hogshooter Wash, Marmaton and Tonkawa. These plays in Western Oklahoma are principally NGL rich or oily plays which will yield enhanced rates of return on our drilling expenditures. As long as liquids and oil prices remain at or near current levels, drilling in these plays will continue at a rapid pace."

Paul F. Blanchard, Panhandle's Senior Vice-President and COO, added, "During the year, as natural gas prices continued to decline, we felt an opportunity was developing in certain dry gas plays, principally the Fayetteville Shale, to be able to purchase assets at attractive valuations. We were able to purchase approximately \$4.8 million of fee minerals during the fiscal year. Then in October 2011, we purchased interests in 193 non-operated natural gas wells and 1,531 net acres of leasehold in the Fayetteville at a cost of \$17.5 million. Production from these acquired properties will boost daily Mcfe production of the Company approximately 12% and will first be reflected in the first fiscal quarter of 2012. Additional acquisitions in the Fayetteville are possible as we consider it to be one of the premier dry gas plays. With low finding costs and improving well performance, this play will continue to prove its economic viability."

OPERATING HIGHLIGHTS

	Fourth Quarter Ended Sept. 30, 2011	Fourth Quarter Ended Sept. 30, 2010	Fiscal Year Ended Sept. 30, 2011	Fiscal Year Ended Sept. 30, 2010
MCFE Sold	2,433,114	2,312,093	8,922,503	8,916,616
Average Sales Price per MCFE	\$4.78	\$4.80	\$4.87	\$4.94
Barrels of Oil Sold	27,418	26,054	104,141	102,379
Average Sales Price per Barrel	\$87.71	\$71.85	\$88.00	\$72.83
MCF of Natural Gas Sold	2,268,606	2,155,769	8,297,657	8,302,342
Average Sales Price per MCF	\$4.07	\$4.27	\$4.13	\$4.41

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Quarterly Production Levels

<u>Quarter ended</u>	<u>Barrels Sold</u>	<u>MCF Sold</u>	<u>MCFE</u>
9/30/11	27,418	2,268,606	2,433,114
6/30/11	25,382	1,976,868	2,129,160
3/31/11	26,376	1,993,755	2,152,011
12/31/10	24,965	2,058,428	2,208,218
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

Derivative contracts in place as of Sept. 30, 2011
(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>
Natural gas fixed price swaps			
April - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.65
April - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.65
April - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.70
April - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.75
May - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.50
May - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.60
June - October 2011	50,000 Mmbtu	NYMEX Henry Hub	\$4.63
Natural gas basis protection swaps			
January - December 2011	50,000 Mmbtu	CEGT	NYMEX -\$0.27
January - December 2011	50,000 Mmbtu	CEGT	NYMEX -\$0.27
January - December 2011	50,000 Mmbtu	PEPL	NYMEX -\$0.26
January - December 2011	50,000 Mmbtu	PEPL	NYMEX -\$0.27
January - December 2011	70,000 Mmbtu	PEPL	NYMEX -\$0.36
January - December 2012	50,000 Mmbtu	CEGT	NYMEX -\$0.29
January - December 2012	40,000 Mmbtu	CEGT	NYMEX -\$0.30
January - December 2012	50,000 Mmbtu	PEPL	NYMEX -\$0.29
January - December 2012	50,000 Mmbtu	PEPL	NYMEX -\$0.30
Oil costless collars			
April - December 2011	5,000 Bbls	NYMEX WTI	\$100 floor/\$112 ceiling

- (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

Statements of Operations

	Three Months Ended Sept. 30,		Twelve Months Ended Sept. 30,	
	2011	2010	2011	2010
Revenues:				
Oil and natural gas (and associated natural gas liquids) sales	\$ 11,639,139	\$ 11,087,717	\$ 43,469,130	\$ 44,068,947
Lease bonuses and rentals	127,417	63,206	352,757	1,120,674
Gains (losses) on derivative contracts	402,116	932,947	734,299	6,343,661
Income from partnerships	240,555	214,440	420,465	405,134
	12,409,227	12,298,310	44,976,651	51,938,416
Costs and expenses:				
Lease operating expenses and production taxes	2,371,382	2,432,024	9,898,509	9,639,864
Exploration costs	30,030	168,748	1,025,542	1,583,773
Depreciation, depletion and amortization	3,929,532	3,223,625	14,712,188	19,222,123
Provision for impairment	897,216	593,245	1,728,162	605,615
Loss (gain) on asset sales, interest and other	(4,820)	(40,815)	(68,325)	(1,028,148)
General and administrative	1,465,506	1,241,037	5,994,663	5,594,499
	8,688,846	7,617,864	33,290,739	35,617,726
Income before provision for income taxes	3,720,381	4,680,446	11,685,912	16,320,690
Provision for income taxes	1,076,000	1,644,000	3,192,000	4,901,000
Net income	\$ 2,644,381	\$ 3,036,446	\$ 8,493,912	\$ 11,419,690
Basic and diluted earnings per common share:				
Net income	\$ 0.31	\$ 0.36	\$ 1.01	\$ 1.36
Weighted average shares outstanding:				
Common shares	8,245,577	8,308,701	8,271,162	8,310,896
Unissued, vested directors' shares	126,896	113,962	122,728	111,491
	8,372,473	8,422,663	8,393,890	8,422,387
Dividends declared per share of common stock and paid in period				
	\$ 0.07	\$ 0.07	\$ 0.28	\$ 0.28

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Balance Sheets

	Sept. 30, 2011	Sept. 30, 2010
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,506,999	\$ 5,597,258
Oil and natural gas sales receivables, net of allowance for uncollectible accounts	8,811,404	9,063,002
Refundable income taxes	354,246	-
Refundable production taxes	223,672	804,120
Derivative contracts	269,329	1,481,527
Other	95,408	412,778
Total current assets	<u>13,261,058</u>	<u>17,358,685</u>
Properties and equipment at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	230,554,198	207,928,578
Non-producing oil and natural gas properties	11,100,350	9,616,330
Furniture and fixtures	628,929	656,889
	<u>242,283,477</u>	<u>218,201,797</u>
Less accumulated depreciation, depletion and amortization	146,147,514	131,983,249
Net properties and equipment	<u>96,135,963</u>	<u>86,218,548</u>
Investments	667,504	754,208
Derivative contracts	-	138,799
Refundable production taxes	1,359,668	654,599
Total assets	<u>\$ 111,424,193</u>	<u>\$ 105,124,839</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 4,899,593	\$ 5,062,806
Deferred income taxes	7,100	354,100
Accrued liabilities and other	1,040,269	1,842,918
Total current liabilities	<u>5,946,962</u>	<u>7,259,824</u>
Deferred income taxes	24,777,650	22,552,650
Asset retirement obligations	1,843,875	1,730,369
Derivative contracts	53,389	-
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at Sept. 30, 2011 and 2010	140,524	140,524
Capital in excess of par value	1,924,507	1,816,365
Deferred directors' compensation	2,665,583	2,222,127
Retained earnings	79,771,563	73,599,733
	<u>84,502,177</u>	<u>77,778,749</u>
Treasury stock, at cost; 175,331 shares at Sept. 30, 2011, and 120,560 shares at Sept. 30, 2010	(5,699,860)	(4,196,753)
Total stockholders' equity	<u>78,802,317</u>	<u>73,581,996</u>
Total liabilities and stockholders' equity	<u>\$ 111,424,193</u>	<u>\$ 105,124,839</u>

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Condensed Statements of Cash Flows

	Year ended Sept. 30,	
	2011	2010
Operating Activities		
Net income (loss)	\$ 8,493,912	\$ 11,419,690
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	16,440,350	19,827,738
Provision for deferred income taxes	1,878,000	777,000
Exploration costs	1,025,542	1,208,653
Net (gain) loss on sales of assets	(350,530)	(1,189,605)
Income from partnerships	(420,465)	(405,134)
Distributions received from partnerships	553,382	523,317
Other	-	64,555
Common stock contributed to ESOP	303,843	287,194
Common stock (unissued) to Directors' Deferred Compensation Plan	443,456	359,628
Restricted stock awards	152,482	12,028
Bad debt expense (recovery)	-	-
Cash provided (used) by changes in assets and liabilities:		
Oil and natural gas sales receivables	251,598	(1,315,445)
Fair value of derivative contracts	1,404,386	(4,133,761)
Refundable income taxes	(354,246)	-
Refundable production taxes	(124,621)	(69,874)
Other current assets	317,370	(343,961)
Accounts payable	72,119	(24,896)
Income taxes payable	(922,136)	583,625
Accrued liabilities	119,487	225,723
Total adjustments	20,790,017	16,386,785
Net cash provided by operating activities	29,283,929	27,806,475
Investing Activities		
Capital expenditures, including dry hole costs	(27,545,348)	(11,308,506)
Proceeds from leasing of fee mineral acreage	389,807	1,316,377
Investments in partnerships	(46,213)	(254,555)
Proceeds from sales of assets	938	401,168
Net cash used in investing activities	(27,200,816)	(9,845,516)
Financing Activities		
Borrowings under debt agreement	-	10,799,814
Payments of loan principal	-	(21,184,536)
Purchases of treasury stock	(1,851,290)	(291,383)
Payments of dividends	(2,322,082)	(2,327,504)
Net cash used in financing activities	(4,173,372)	(13,003,609)
Increase (decrease) in cash and cash equivalents	(2,090,259)	4,957,350
Cash and cash equivalents at beginning of year	5,597,258	639,908
Cash and cash equivalents at end of year	\$ 3,506,999	\$ 5,597,258

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Condensed Statements of Cash Flows (continued)

	Year ended Sept. 30,	
	2011	2010
Supplemental Disclosures of Cash Flow Information		
Interest paid (net of capitalized interest)	\$ -	\$ 60,912
Income taxes paid, net of refunds received	\$ 2,584,172	\$ 3,530,718
Supplemental schedule of noncash investing and financing activities:		
Additions and revisions, net, to asset retirement obligations	\$ 113,506	\$ 110,144
Gross additions to properties and equipment	\$ 27,310,016	\$ 11,585,521
Net (increase) decrease in accounts payable for properties and equipment additions	235,332	(277,015)
Capital expenditures, including dry hole costs	<u>\$ 27,545,348</u>	<u>\$ 11,308,506</u>

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 2011 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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