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PLEASE CONTACT:
Michael C. Coffman
405.948.1560

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PANHANDLE OIL AND GAS INC. REPORTS

2008 SECOND QUARTER AND SIX MONTHS FINANCIAL RESULTS, 32% INCREASE IN PRODUCTION AND 15% INCREASE IN PROVED RESERVE VOLUMES

OKLAHOMA CITY, OK— PANHANDLE OIL AND GAS INC. (AMEX-PHX) today reported financial results for the fiscal second quarter and six months ended, March 31, 2008.

For the second quarter of 2008, the Company recorded a net income of \$2,831,281 or \$.33 per share as compared to a net loss of \$218,745 or \$.03 per share for the 2007 quarter. Total revenues for the 2008 quarter amounted to \$12,747,222 as compared to \$8,143,733 for the 2007 quarter. Net cash provided by operating activities was \$8,638,930 as compared to \$4,560,594 for the 2007 quarter while additions to properties and equipment for drilling and equipping wells and leasehold acquisitions amounted to \$9,528,821, an increase of 81% over the 2007 amount. Production for the second quarter of 2008 increased 32% to 1,727,757 mcfe as compared to 1,305,041 mcfe for the 2007 quarter. For the 2008 second quarter, the average sales price per mcfe increased 33% to \$8.64.

For the fiscal six months ended March 31, 2008 net income was \$6,311,588 or \$.74 per share as compared to net income for the 2007 six months of \$1,764,748 or \$.21 per share, an increase of 258%. Total revenues for the 2008 six months were \$26,451,025 as compared to \$17,075,628 for the 2007 six months. Net cash provided by operating activities for the 2008 period was \$16,357,801 as compared to \$11,567,339 for the 2007 six months. Additions to properties and equipment for drilling and equipping wells and purchasing leasehold totaled \$18,253,210 in the 2008 period, an increase of 67% over the 2007 amount. Production for the 2008 six months increased 35% to 3,558,963 mcfe as compared to 2,639,398 mcfe for the 2007 six months. For the six months, the average sales price per mcfe increased 26% to \$7.91.

Lonnie J. Lowry, Vice-President and CFO stated "The improved 2008 second quarter and six months financial results were affected by increased production and increased sales prices of both oil and natural gas. These increases were partially offset by an unrealized loss on natural gas collars contracts of \$2,205,527 (\$1,449,000 after tax) or \$0.17 per share. The realized gain on our natural gas collar contracts through the first six months of fiscal 2008 was \$101,000. These collars will continue to serve their intended purpose to reduce the Company's exposure to short-term fluctuations in the price of natural gas, thus helping to ensure adequate cash flow is available to fund the Company's aggressive drilling commitments. We have costless collars contracts in place for somewhat less than 50 percent of expected gas production for fiscal 2008. "

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OPERATIONS UPDATE

Proved reserves at March 31, 2008 calculated by Pinnacle Energy Services, LLC, the Company's petroleum engineering consulting firm, totaled 48.1 bcfe an increase of 15% over year end September 30, 2007 proved reserves of 41.9 bcfe.

Michael C. Coffman, President and CEO stated "the Company is adding to the positive momentum generated in fiscal 2007 by continuing to significantly increase both production and proved oil and gas reserves. Second quarter and six months production increases, which build on the increases in fiscal 2007, are the result of increased capital expenditure levels which began in fiscal 2006. Our ongoing commitment to increased drilling expenditures is expected to generate increases in production and reserves, thereby exploiting the Company's assets to maximize the Company's value."

"We continue to see significant new drilling activity and well proposals on the Company's mineral acreage in the unconventional natural gas plays. Through April 11, 2008 we have agreed to participate with a working interest in the drilling of 85 wells in the Woodford shale in southeast Oklahoma and 32 wells in the Fayetteville shale in Arkansas. At the same date, Panhandle had an interest in 42 working interest wells and 9 royalty interest wells which were producing in the Woodford shale, and 17 working interest wells and 51 royalty interest wells which were producing in the Fayetteville shale. The remainder of the working interest wells were pending, drilling or testing. Drilling in both shale plays is expected to remain active for several years. Drilling in the Dill City project in western Oklahoma continues to be active. In the project at the end of March 2008, Panhandle had an interest in 12 new Atoka producing wells, and there were 13 wells currently scheduled. Again, this project will remain very active through fiscal 2008 and beyond."

"Production from the Woodford shale properties, net to Panhandle's interest, is approximately 90 mmcf per month. Additional wells are being completed and put on production monthly. Net production from the Fayetteville shale properties is growing at a slower pace due to the smaller number of working interest wells in which Panhandle has an interest and the smaller ownership interest in those wells. Net production from the Fayetteville shale properties is approximately 10 mmcf per month. Production from the Dill City project will continue to increase as several wells have recently begun production. Net production from this area, prior to the newest wells going on line, was approximately 50 mmcf and 2,400 barrels per month."

As Panhandle does not operate any of these wells it is somewhat difficult for the Company to obtain the most up-to-date production information on all wells in these areas and to be able to predict when or how many new wells will be drilled or begin production.

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OPERATING HIGHLIGHTS

	Second Quarter Ended March 31, 2008	Second Quarter Ended March 31, 2007	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
MCFE Sold	1,727,757	1,305,041	3,558,963	2,639,398
Average Sales Price per MCFE	\$ 8.64	\$ 6.48	\$ 7.91	\$ 6.26
Barrels Sold	32,399	21,877	69,120	44,444
Average Sales Price per Barrel	\$ 95.18	\$ 55.68	\$ 90.52	\$ 56.32
MCF Sold	1,533,363	1,173,779	3,144,243	2,372,734
Average Sales Price per MCF	\$ 7.71	\$ 6.17	\$ 6.96	\$ 5.91

PROVED RESERVES

	March 31, 2008	September 30, 2007
Proved Developed Reserves:		
Barrels of Oil	874,833	754,866
MCF of Gas	33,360,455	31,016,304
MCFE	38,609,453	35,545,500
Proved Undeveloped Reserves:		
Barrels of Oil	101,759	67,958
MCF of Gas	8,873,648	5,989,487
MCFE	9,484,202	6,397,235
Total Proved Reserves:		
Barrels of Oil	976,592	822,824
MCF of Gas	42,234,103	37,005,791
MCFE	48,093,655	41,942,735
10% Discounted Estimated Future Net Cash Flows (before federal income taxes @ SEC pricing)		
Proved Developed	\$ 159,278,900	\$ 103,316,060
Proved Undeveloped	<u>25,507,390</u>	<u>13,178,660</u>
Total	<u>\$ 184,786,290</u>	<u>\$ 116,494,720</u>
SEC Pricing At Date Shown		
Oil /Barrel	\$ 98.79	\$ 78.93
Gas/MCF	\$ 8.48	\$ 5.50

DERIVATIVE CONTRACTS IN PLACE AS OF 3/31/08

(prices below reflect the Company's net price from Oklahoma pipelines)

<u>Contract period</u>	<u>Production volume covered per month</u>	<u>Floor price range (per mmbtu)</u>	<u>Ceiling price range (per mmbtu)</u>
January - March, 2008	120,000 mmbtu	\$6.55 to \$6.60	\$8.80 to \$9.10
April - September, 2008	120,000 mmbtu	\$6.15 to \$6.40	\$8.05 to \$8.60
April - September, 2008	90,000 mmbtu	\$6.60 to \$6.85	\$7.50 to \$7.80
April - September, 2008	30,000 mmbtu	\$7.20 to \$7.45	\$8.15 to \$8.45
October - December, 2008	120,000 mmbtu	\$6.50 to \$6.90	\$8.75 to \$9.15

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FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
<u>Revenues</u>				
Oil and gas sales	\$14,909,601	\$8,455,378	\$28,135,695	\$16,536,586
Lease bonuses and rentals	67,864	54,946	78,310	170,757
(Loss) gain on natural gas collar contracts	(2,368,313)	(577,811)	(2,104,527)	27,209
Gain on asset sales, interest and other	32,361	126,151	84,755	178,380
Income of partnerships	<u>105,709</u>	<u>85,069</u>	<u>256,792</u>	<u>162,696</u>
	12,747,222	8,143,733	26,451,025	17,075,628
<u>Costs and Expenses</u>				
Lease operating expenses	1,453,518	833,591	2,798,419	1,733,559
Production taxes	926,355	541,509	1,755,959	1,042,237
Exploration costs	151,750	45,444	361,731	719,411
DD&A	4,448,543	4,166,471	8,705,153	6,859,939
Provision for impairment	225,997	1,577,266	348,006	1,629,833
Loss on asset sales	-	223,520	-	255,917
General and administration	1,229,778	995,466	2,826,823	2,142,714
Interest expense	<u>-</u>	<u>31,862</u>	<u>44,346</u>	<u>86,477</u>
	8,435,941	8,415,129	16,840,437	14,470,087
Income before provision for income taxes	4,311,281	(271,396)	9,610,588	2,605,541
Provision for income taxes	<u>1,480,000</u>	<u>(52,651)</u>	<u>3,299,000</u>	<u>840,793</u>
Net Income	<u>\$ 2,831,281</u>	<u>\$ (218,745)</u>	<u>\$ 6,311,588</u>	<u>\$ 1,764,748</u>
Average shares outstanding	<u>8,516,559</u>	<u>8,498,676</u>	<u>8,511,094</u>	<u>8,494,694</u>
Earnings per common share	<u>\$.33</u>	<u>\$ (.03)</u>	<u>\$.74</u>	<u>\$.21</u>

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CONSOLIDATED BALANCE SHEETS

(unaudited)

	<u>March 31,</u> <u>2008</u>	<u>September 30,</u> <u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 634,049	\$ 989,360
Oil and gas sales receivables	12,811,175	8,103,250
Fair value of natural gas collar contracts	-	106,916
Other	<u>97,907</u>	<u>112,882</u>
Total current assets	13,543,131	9,312,408
Property and equipment at cost, based on successful efforts accounting:		
Producing oil and gas properties	142,747,559	125,634,251
Non-producing oil and gas properties	11,026,117	10,697,854
Furniture and fixtures	<u>478,406</u>	<u>625,455</u>
	154,252,082	136,957,560
Less accumulated DD&A	<u>76,901,166</u>	<u>68,424,645</u>
Net properties and equipment	77,350,916	68,532,915
Investments	648,939	690,011
Other	<u>4,463</u>	<u>4,463</u>
Total assets	<u>\$ 91,547,449</u>	<u>\$ 78,539,797</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,130,710	\$ 1,773,255
Fair value of natural gas collar contracts	2,098,611	-
Accrued liabilities	<u>1,028,587</u>	<u>348,042</u>
Total current liabilities	7,257,908	2,121,297
Long-term debt	5,119,382	4,661,471
Deferred income taxes	18,913,750	16,827,750
Asset retirement obligation	1,247,908	1,247,908
Stockholders' equity:		
Class A voting Common stock	140,524	140,524
Capital in excess of par value	2,146,071	2,146,071
Deferred directors' compensation	1,554,730	1,358,778
Retained earnings	<u>55,167,176</u>	<u>50,035,998</u>
Total stockholders' equity	<u>59,008,501</u>	<u>53,681,371</u>
Total liabilities and stockholders' equity	<u>\$ 91,547,449</u>	<u>\$ 78,539,797</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	<u>Six months ended March 31,</u> <u>2008</u>	<u>2007</u>
Operating Activities		
Net income	\$ 6,311,588	\$ 1,764,748
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization	8,705,153	6,859,939
Provision for impairment	348,006	1,629,833
Deferred income taxes	2,086,000	712,500
Lease bonus income	-	(32,757)
Exploration costs	361,731	719,411
(Gain) or loss on sales of assets	(84,729)	66,711
Income of partnerships	(256,792)	(162,696)
Distributions received from partnerships	297,864	203,768
Directors' deferred compensation expense	195,952	114,660
Cash provided by changes in assets and liabilities:		
Oil and gas sales receivables	(4,707,925)	(431,237)
Refundable income taxes and other	14,975	(24,424)
Accounts payable	199,456	17,613
Fair value of derivative contracts	2,205,527	21,991
Accrued liabilities	363,250	107,279
Income taxes payable	<u>317,295</u>	<u>-</u>
Total adjustments	<u>10,046,213</u>	<u>9,802,591</u>
Net cash provided by operating activities	16,357,801	11,567,339
Investing Activities		
Capital expenditures, including dry hole costs	(16,095,211)	(10,909,240)
Proceeds from leasing of fee mineral acreage	98,178	153,908
Investments in partnerships	-	11,280
Proceeds from sales of assets	<u>6,420</u>	<u>332,225</u>
Net cash used in investing activities	(15,990,613)	(10,411,827)
Financing Activities		
Borrowings under credit facility	17,162,975	5,365,337
Payments on credit facility	(16,705,064)	(5,163,489)
Payments of dividends	<u>(1,180,410)</u>	<u>(926,478)</u>
Net cash used in financing activities	<u>(722,499)</u>	<u>(724,630)</u>
Increase (decrease) in cash and cash equivalents	(355,311)	430,882
Cash and cash equivalents at beginning of period	<u>989,360</u>	<u>434,353</u>
Cash and cash equivalents at end of period	<u>\$ 634,049</u>	<u>\$ 865,235</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Receivable from sale of assets	<u>\$ -</u>	<u>\$ 176,381</u>
Additions and revisions, net, to asset retirement obligations	<u>\$ -</u>	<u>\$ 197,697</u>
Properties and equipment change included in accounts payable	<u>\$ 2,157,999</u>	<u>\$ (698)</u>

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Panhandle Oil and Gas Inc. (AMEX-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 2007 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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