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PANHANDLE OIL AND GAS INC. REPORTS
75% INCREASE IN NET EARNINGS
AND 37% GROWTH IN PRODUCTION

OKLAHOMA CITY, OK– PANHANDLE OIL AND GAS INC. (AMEX-PHX) today reported financial results for the first fiscal quarter ended December 31, 2007. For the quarter, the Company recorded a net income of \$3,480,307 or \$.41 per share as compared to a net income of \$1,983,493 or \$.23 per share for the 2007 quarter. Total revenues for the 2008 quarter amounted to \$13,703,803 as compared to \$8,931,895 for the 2007 quarter. Net cash provided by operating activities was \$7,718,871 while additions to properties and equipment for drilling and equipping wells and leasehold acquisitions amounted to \$8,724,389. Production for the first quarter of 2008 increased 37% to 1,831,206 mcf as compared to 1,334,357 mcf for the 2007 quarter. The average sales price per mcf increased 19% to \$7.22.

Michael C. Coffman, Panhandle’s president stated “the Company is continuing the positive momentum generated in fiscal 2007. The 75% increase in net income resulted from a 37% increase in mcf production and a \$1.16 increase in the average sales price per mcf of our oil and gas. This quarter’s production increase, which builds on the increases in fiscal 2007, results from the increased capital expenditure levels of fiscal 2006-2007. Our continuing commitment to increased drilling expenditures will continue to generate increases in production and will allow the Company to maximize the value of its assets.”

“We continue to see significant new drilling activity and well proposals on the Company’s mineral acreage in the unconventional natural gas plays. Through January 2008, we have agreed to participate with a working interest in the drilling of 71 wells in the Woodford shale in southeast Oklahoma and 29 wells in the Fayetteville shale in Arkansas. At the end of January, 2008, Panhandle had an interest in 36 working interest wells and 9 royalty interest wells which were producing in the Woodford shale, and 10 working interest wells and 27 royalty interest wells which were producing in the Fayetteville shale. The remainder of the referenced working interest wells were pending, drilling or testing. Drilling in both shale plays is expected to remain active for several years. In addition, drilling in the Dill City project in western Oklahoma continues to be active. In the project at the end of January 2008, Panhandle had an interest in 10 new Atoka producing wells, 2 wells drilling and there were 11 wells scheduled. Again, this project will remain active through fiscal 2008 and beyond.”

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Production from the Woodford shale properties, net to Panhandle's interest, is approximately 92 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 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 46 mmcf and 2,400 barrels per month. As Panhandle does not operate any of these wells it is somewhat difficult for us 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.

OPERATING HIGHLIGHTS

	First Quarter Ended December 31, <u>2007</u>	First Quarter Ended December 31, <u>2006</u>
MCFE Sold	1,831,206	1,334,357
Average Sales Price per MCFE	\$ 7.22	\$ 6.06
Barrels Sold	36,721	22,567
Average Sales Price per Barrel	\$ 86.40	\$ 56.94
MCF Sold	1,610,880	1,198,955
Average Sales Price per MCF	\$ 6.24	\$ 5.67

OIL AND GAS SALES BY QUARTER

Quarter <u>Ended</u>	Barrels <u>Sold</u>	Average Sales <u>Price</u>	MCF <u>Sold</u>	Average Sales <u>Price</u>	MCFE <u>Sold</u>	Average MCFE <u>Price</u>
12/31/07	36,721	\$86.40	1,610,880	\$6.24	1,831,206	\$7.22
9/30/07	31,677	\$72.57	1,529,924	\$5.51	1,719,986	\$6.24
6/30/07	31,223	\$62.15	1,244,685	\$6.62	1,432,023	\$7.11
3/31/07	21,877	\$55.68	1,173,779	\$6.17	1,305,041	\$6.48
12/31/06	22,567	\$56.94	1,198,955	\$5.67	1,334,357	\$6.06
9/30/06	26,701	\$67.75	1,216,720	\$5.80	1,376,926	\$6.44
6/30/06	21,473	\$67.61	1,005,976	\$5.60	1,134,814	\$6.24
3/31/06	23,964	\$61.45	1,029,529	\$6.68	1,173,313	\$7.11

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FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	First Quarter Ended December 31, <u>2007</u>	First Quarter Ended December 31, <u>2006</u>
Revenues		
Oil & Gas Sales	\$ 13,226,094	\$ 8,081,208
Realized Gains on Gas Collars	61,400	0
Unrealized Gains on Gas Collars	202,386	605,020
Other	<u>213,923</u>	<u>245,667</u>
	13,703,803	8,931,895
Costs and Expenses		
Lease Operating and Production Taxes	2,174,505	1,400,696
Exploration Costs	209,981	673,967
DD&A	4,256,610	2,693,468
Impairment	122,009	52,567
Loss on Sale of Assets	-	32,397
General and Administrative	1,597,045	1,147,248
Interest	<u>44,346</u>	<u>54,615</u>
	<u>8,404,496</u>	<u>6,054,958</u>
Income Before Provision		
For Income Taxes	5,299,307	2,876,937
Provision for Income Taxes	<u>1,819,000</u>	<u>893,444</u>
Net Income	<u>\$ 3,480,307</u>	<u>\$ 1,983,493</u>
Average Shares Outstanding	<u>8,510,250</u>	<u>8,493,637</u>
Earnings per share	<u>\$ 0.41</u>	<u>\$.23</u>

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CONSOLIDATED BALANCE SHEETS (unaudited)

	December 31,	September 30,
	2007	2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 751,337	\$ 989,360
Oil and gas sales receivables	10,264,639	8,103,250
Fair value of derivative contracts	309,302	106,916
Refundable income tax and other	90,729	112,882
Total current assets	11,416,007	9,312,408
Property and equipment at cost, based on successful efforts accounting:		
Producing oil and gas properties	133,327,055	125,634,251
Non-producing oil and gas properties	11,369,135	10,697,854
Furniture and fixtures	627,194	625,455
	145,323,384	136,957,560
Less accumulated DD&A	72,659,145	68,424,645
Net properties and equipment	72,664,239	68,532,915
Investments	669,475	690,011
Other	4,463	4,463
Total assets	<u>\$ 84,754,184</u>	<u>\$ 78,539,797</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 3,068,956	\$ 1,773,255
Accrued liabilities	1,313,570	348,042
Total current liabilities	4,382,526	2,121,297
Long-term debt	4,852,720	4,661,471
Deferred income taxes	18,258,750	16,827,750
Asset retirement obligation and other noncurrent liabilities	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	1,389,790	1,358,778
Retained earnings	52,335,895	50,035,998
Total stockholders' equity	56,012,280	53,681,371
Total liabilities and stockholders' equity	<u>\$ 84,754,184</u>	<u>\$ 78,539,797</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended December 31,	
	2007	2006
Operating Activities		
Net income	\$ 3,480,307	\$ 1,983,493
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization	4,256,610	2,693,468
Provision for impairment	122,009	52,567
Deferred income taxes	1,431,000	1,027,500
Lease bonus income	-	(18,697)
Exploration costs	209,981	673,967
Gain on sales of assets	(16,942)	(80,651)
Equity in earnings of partnerships	(151,083)	(77,627)
Distributions received from partnerships	171,619	98,163
Directors' deferred compensation expense	31,012	30,085
Cash provided by changes in assets and liabilities:		
Oil and gas sales receivables	(2,161,389)	221,971
Fair value of derivative contracts	(202,386)	(605,020)
Refundable income taxes and other	22,153	(261,396)
Accounts payable	150,657	1,214,221
Accrued liabilities	375,323	54,701
Total adjustments	<u>4,238,564</u>	<u>5,023,252</u>
Net cash provided by operating activities	<u>7,718,871</u>	<u>7,006,745</u>
Investing Activities		
Capital expenditures, including dry hole costs	(7,579,345)	(5,484,915)
Proceeds from leasing of fee mineral acreage	15,137	107,265
Proceeds from sales of assets	6,270	190,814
Net cash used in investing activities	<u>(7,557,938)</u>	<u>(5,186,836)</u>
Financing Activities		
Borrowings under credit facility	7,776,160	3,011,625
Payments on credit facility	(7,584,911)	(3,928,278)
Payments of dividends	(590,205)	(336,901)
Net cash used in financing activities	<u>(398,956)</u>	<u>(1,253,554)</u>
Increase (decrease) in cash and cash equivalents	(238,023)	566,355
Cash and cash equivalents at beginning of period	989,360	434,353
Cash and cash equivalents at end of period	<u>\$ 751,337</u>	<u>\$ 1,000,708</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Dividends declared and unpaid	<u>\$ 590,205</u>	<u>\$ 589,577</u>
Additions and revisions, net, to asset retirement obligations	<u>\$ -</u>	<u>\$ 197,697</u>
Properties and equipment change included in accounts payable	<u>\$ 1,145,044</u>	<u>\$ 156,884</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, and statements concerning anticipated cash flow and liquidity, 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” include, among others, 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; Panhandle being a non-operator does not have control over the properties in which it owns an interest; 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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