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**PANHANDLE OIL AND GAS INC. REPORTS
SECOND QUARTER AND SIX MONTHS 2009 RESULTS**

Second Quarter Production Increases 38%

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE-PHX) today reported financial and operating results for the fiscal second quarter and six months ended March 31, 2009.

2009 HIGHLIGHTS FOR THE PERIODS ENDED MARCH 31, 2009

- Reported record six month production of 4,875,423 Mcfe, a 37% increase compared to the corresponding 2008 period
- Produced 2,380,124 Mcfe during the second quarter of 2009, a 38% increase from the corresponding 2008 period
- Maintained a strong balance sheet with low debt levels
- Cash provided by operating activities increased 52% in the 2009 six months
- Continued to leverage Panhandle's mineral rights ownership interests into producing well interests

Three Month Results 2009

For the quarter ending March 31, 2009, the Company recorded a net loss of \$945,256 or \$0.11 per share as compared to net income of \$2,831,281, or \$0.33 per share, for the 2008 second quarter. Capital expenditures for drilling and equipping wells totaled \$11,829,136, an increase of 39% over the corresponding 2008 period. The 2009 capital expenditure amount includes significant payments for wells which the Company committed to drill in fiscal 2008. Production for the 2009 second quarter increased 38% to 2,380,124 Mcfe as compared to 1,727,757 Mcfe for the 2008 quarter. Total revenues for the 2009 quarter amounted to \$8,874,015, as compared to \$12,747,222 for the 2008 comparable quarter. For the 2009 quarter the average sales price per Mcfe declined to \$3.55.

During the second quarter, the Company executed natural gas fixed swap contracts covering the remainder of calendar 2009 and all of 2010. Based on current monthly natural gas production levels, approximately 28% of 2009 natural gas production and 21% of 2010 natural gas production is hedged at weighted average prices of \$3.77 per Mcf for 2009 and \$5.03 per Mcf for 2010. In the first and second quarters of fiscal 2009, the Company received total payments of \$1,122,000 on its derivative contracts; these contracts continue to reduce the Company's exposure to short-term fluctuations in the price of natural gas.

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Six Month Results 2009

For the fiscal six months ended March 31, 2009 the Company recorded a net loss of \$1,819,885 or \$0.22 per share as compared to net income for the 2008 six months of \$6,311,588 or \$.74 per share. Net cash provided by operating activities for the 2009 period increased 52% to \$24,911,686 as compared to \$16,357,801 for the 2008 six months. Total revenues for the 2009 six months were \$20,193,717 as compared to \$26,451,025 for the 2008 six months. Capital expenditures for drilling and equipping wells totaled \$30,271,588 in the 2009 period, an increase of 88% over the 2008 amount. For the 2009 six months, the average sales price per Mcfe declined to \$3.91.

OPERATIONS UPDATE

Mid-year proved reserves at March 31, 2009 calculated by Pinnacle Energy Services, LLC, the Company's petroleum engineering consulting firm, totaled 53.1 Bcfe. This was a decrease of 2% compared to the 54.1 Bcfe of proved reserves at September 30, 2008. SEC prices used for the March 31, 2009 report were \$2.47 per Mcf for natural gas and \$46.93 per barrel for oil, as compared to \$4.51 per Mcf and \$97.74 per barrel for the September 30, 2008 report. The price reductions for oil and natural gas from the September 30, 2008 reserve report to the March 31, 2009 reserve report resulted in downward revisions of proved reserves of approximately 7.9 Bcfe. By way of comparison based on Panhandle's in-house normalized prices of \$6.00 per Mcf and \$45.00 per barrel, calculated proved reserves at March 31, 2009 were 62.4 Mcfe and 54.8 Mcfe at September 30, 2008, an increase of 14%.

Management Comment

Michael C. Coffman, President and CEO said, "Panhandle's cash flow from operations remains strong. Two driving factors in our recorded losses were significantly increased non-cash charges to DD&A and impairment expense, which do not restrict cash flow. DD&A charges were increased by the lower reserve volumes calculated based on the low SEC pricing of oil and natural gas at March 31, 2009. Although revenues are down, we are pleased to report they have not declined in correlation to the decline in oil and natural gas prices. The significant increase in production has buffered the effect of price declines on revenues."

Coffman continued: "When comparing fiscal year-end 2008 proved reserves to mid-year 2009 proved reserves at a price deck of \$6.00 per Mcf for gas and \$45.00 per barrel for oil, our proved reserves increased 14%. However, the natural gas price used for the SEC reserve report was \$2.47 per Mcf, which reduced our reserve levels as the economic limit was reached earlier, thus reducing estimated ultimate reserves and several PUD wells and their associated reserves are considered uneconomic at \$2.47 per Mcf thus no reserves are calculated. Panhandle is not immune to the reduction in oil and natural gas prices nor the negative impact that they have on reserve calculations and valuations. That said, we are pleased with our results as production continued at increased levels during challenging market conditions. We have been able to reduce our accounts payable from \$15.9 million at September 30, 2008 to \$4.4 million at March 31, 2009 and concurrently reduce our bank debt level to \$12.3 million at May 7, which reflects a particular strength of Panhandle in that we have very manageable debt level consistent with our long-standing fiscal conservatism. Prudence and market conditions dictate that we reduce our capital expenditures for the remainder of fiscal 2009. The Company is well positioned, both financially and operationally to take advantage of opportunities as the industry and the economy in general recover. We have been through down cycles before and remain confident in the Company's ability to deliver positive results for our shareholders."

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OPERATING HIGHLIGHTS

	Second Quarter Ended March 31, 2009	Second Quarter Ended March 31, 2008	Six Months Ended March 31, 2009	Six Months Ended March 31, 2008
MCFE Sold	2,380,124	1,727,757	4,875,423	3,558,963
Average Sales Price per MCFE	\$3.55	\$8.64	\$3.91	\$7.91
Barrels Sold	34,744	32,399	65,004	69,120
Average Sales Price per Barrel	\$41.21	\$95.18	\$46.14	\$90.52
MCF Sold	2,171,660	1,533,363	4,485,399	3,144,243
Average Sales Price per MCF	\$3.23	\$7.71	\$3.58	\$6.96

Quarterly Production Levels

<u>Quarter ended</u>	<u>Barrels Sold</u>	<u>MCF Sold</u>	<u>MCFE</u>
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
3/31/08	32,399	1,533,363	1,727,757

Proved Reserves

	<u>SEC Pricing</u>		<u>In-House Normalized Pricing*</u>	
	<u>March 31, 2009</u>	<u>September 30, 2008</u>	<u>March 31, 2009</u>	<u>September 30, 2008</u>
Proved Developed Reserves:				
Barrels of Oil	903,275	895,426	938,954	800,124
MCF of Gas	41,704,057	35,970,442	48,482,407	37,036,924
MCFE	47,123,707	41,342,998	54,116,131	41,837,668
Proved Undeveloped Reserves:				
Barrels of Oil	49,461	94,532	60,003	93,806
MCF of Gas	5,661,926	12,180,226	7,883,646	12,373,039
MCFE	5,958,692	12,747,418	8,243,664	12,935,875
Total Proved Reserves:				
Barrels of Oil	952,736	989,958	998,957	893,930
MCF of Gas	47,365,983	48,150,668	56,366,053	49,409,963
MCFE	53,082,399	54,090,416	62,359,795	54,773,543
10% Discounted Estimated Future Net Cash Flows (before federal income taxes)				
Proved Developed	\$60,711,450	\$104,840,854	\$141,997,280	\$111,248,070
Proved Undeveloped	1,247,170	15,068,040	14,261,200	22,244,110
Total	<u>\$61,958,620</u>	<u>\$119,908,894</u>	<u>\$156,258,480</u>	<u>\$133,492,180</u>
Pricing At Date Shown				
Oil/Barrel (constant)	\$46.93	\$97.74	\$45.00	\$45.00
Gas/MCF (constant)	\$2.47	\$4.51	\$6.00	\$6.00

*Pricing used on Company pre-drill well economic evaluations

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Derivative contracts in place as of March 31, 2009
 (prices below reflect the Company's net price from Oklahoma pipeline)

<u>Contract period</u>	<u>Production volume covered per month</u>	<u>Fixed price</u>
March - December, 2009	60,000 mmbtu	\$4.010
April - December, 2009	100,000 mmbtu	\$3.710
May - December, 2009	70,000 mmbtu	\$3.615
January - December, 2010	50,000 mmbtu	\$5.050
January - December, 2010	100,000 mmbtu	\$5.015

FINANCIAL HIGHLIGHTS

Consolidated Statements of Operations

	<u>(unaudited)</u>			
	Three Months Ended March 31,	2008	Six Months Ended March 31,	2008
	2009		2009	
Revenues:				
Oil and natural gas sales	\$ 8,440,156	\$ 14,909,601	\$ 19,056,820	\$ 28,135,695
Lease bonuses and rentals	39,862	67,864	153,242	78,310
Gains (losses) on derivative contracts	290,545	(2,368,313)	683,552	(2,104,527)
Gain on asset sales, interest and other	38,398	32,361	96,458	84,755
Income of partnerships	65,054	105,709	203,645	256,792
	<u>8,874,015</u>	<u>12,747,222</u>	<u>20,193,717</u>	<u>26,451,025</u>
Costs and expenses:				
Lease operating expenses	1,927,325	1,453,518	3,676,468	2,798,419
Production taxes	340,490	926,355	747,238	1,755,959
Exploration costs	30,043	151,750	202,308	361,731
Depreciation, depletion and amortization	7,087,500	4,448,543	14,037,592	8,705,153
Provision for impairment	132,321	225,997	2,008,241	348,006
General and administrative	1,327,592	1,229,778	2,546,755	2,826,823
Interest expense	-	-	-	44,346
	<u>10,845,271</u>	<u>8,435,941</u>	<u>23,218,602</u>	<u>16,840,437</u>
(Loss) income before (benefit) provision for income taxes	(1,971,256)	4,311,281	(3,024,885)	9,610,588
(Benefit) provision for income taxes	(1,026,000)	1,480,000	(1,205,000)	3,299,000
Net (loss) income	<u>\$ (945,256)</u>	<u>\$ 2,831,281</u>	<u>\$ (1,819,885)</u>	<u>\$ 6,311,588</u>
(Loss) earnings per common share (Note 4)	<u>\$ (0.11)</u>	<u>\$ 0.33</u>	<u>\$ (0.22)</u>	<u>\$ 0.74</u>
Weighted average shares outstanding:				
Common shares	8,300,128	8,431,502	8,300,128	8,431,502
Unissued, vested directors' shares	96,602	85,057	95,950	79,592
	<u>8,396,730</u>	<u>8,516,559</u>	<u>8,396,078</u>	<u>8,511,094</u>
Dividends declared per share of common stock and paid in period	<u>\$ 0.07</u>	<u>\$ 0.07</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>

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Consolidated Balance Sheets

(unaudited)

	<u>March 31, 2009</u>	<u>September 30, 2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 654,364	\$ 895,708
Oil and natural gas sales receivables (net)	8,215,724	17,183,128
Short-term derivative contracts	490,285	646,193
Refundable income taxes	-	2,162,305
Other	970,379	217,691
Total current assets	<u>10,330,752</u>	<u>21,105,025</u>
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	191,960,261	175,727,196
Non-producing oil and natural gas properties	11,110,912	11,216,103
Other	542,596	491,321
	<u>203,613,769</u>	<u>187,434,620</u>
Less accumulated depreciation, depletion and amortization	<u>101,670,052</u>	<u>87,661,433</u>
Net properties and equipment	101,943,717	99,773,187
Investments	701,812	736,314
Other	341,988	392,657
Total assets	<u>\$ 113,318,269</u>	<u>\$ 122,007,183</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,374,520	\$ 15,897,565
Accrued liabilities	804,463	608,456
Income Taxes Payable	283,877	-
Total current liabilities	<u>5,462,860</u>	<u>16,506,021</u>
Long-term debt	15,810,247	9,704,100
Deferred income taxes	24,531,750	25,943,750
Asset retirement obligations	1,660,512	1,504,411
Long-term derivative contracts	282,540	-
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at March 31, 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	1,809,173	1,605,811
Retained earnings	66,254,701	69,236,604
	<u>70,294,468</u>	<u>73,073,009</u>
Less treasury stock, at cost; 131,374 shares at March 31, 2009 and at September 30, 2008	<u>(4,724,108)</u>	<u>(4,724,108)</u>
Total stockholders' equity	<u>65,570,360</u>	<u>68,348,901</u>
Total liabilities and stockholders' equity	<u>\$ 113,318,269</u>	<u>\$ 122,007,183</u>

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Condensed Consolidated Statements of Cash Flows
 (unaudited)

	Six months ended March 31,	
	2009	2008
Operating Activities		
Net (loss) income	\$ (1,819,885)	\$ 6,311,588
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain, net, on sale of assets	(155,238)	(84,279)
Income of partnerships	(203,645)	(256,792)
Exploration costs	202,308	361,731
Depreciation, depletion and amortization	14,037,592	8,705,153
Provision for impairment	2,008,241	348,006
Deferred income taxes	(1,412,000)	2,086,000
Distributions received from partnerships	238,147	297,864
Directors' deferred compensation expense	203,362	195,952
Cash provided by changes in assets and liabilities:		
Oil and natural gas sales receivables	8,967,404	(4,707,925)
Derivative contracts	438,448	2,205,527
Refundable income taxes	2,162,305	-
Other current assets	(752,688)	14,975
Other non-current assets	50,669	-
Accounts payable	466,782	199,456
Accrued liabilities	196,007	363,250
Income taxes payable	283,877	317,295
Total adjustments	26,731,571	10,046,213
Net cash provided by operating activities	24,911,686	16,357,801
Investing Activities		
Capital expenditures, including dry hole costs	(30,271,588)	(16,095,211)
Proceeds from leasing of fee mineral acreage	172,429	98,178
Proceeds from asset sales	2,000	6,420
Net cash used in investing activities	(30,097,159)	(15,990,613)
Financing Activities		
Borrowings under credit facility	36,488,666	17,162,975
Payments on credit facility	(30,382,519)	(16,705,064)
Payments of dividends	(1,162,018)	(1,180,410)
Net cash provided by (used in) financing activities	4,944,129	(722,499)
Decrease in cash and cash equivalents	(241,344)	(355,311)
Cash and cash equivalents at beginning of period	895,708	989,360
Cash and cash equivalents at end of period	\$ 654,364	\$ 634,049
Supplemental Schedule of Noncash Investing and Financing Activities		
Additions to asset retirement obligations	\$ 156,101	\$ -
Net decrease (increase) in accounts payable for properties and equipment additions	\$ 11,989,827	\$ 2,157,999

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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” 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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