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**PANHANDLE OIL AND GAS INC. REPORTS
RECORD 2008 THIRD QUARTER AND NINE MONTHS FINANCIAL RESULTS,
38% INCREASE IN PRODUCTION VOLUMES**

OKLAHOMA CITY – (PR Newswire) – PANHANDLE OIL AND GAS INC. (NYSE-PHX) today reported financial results for the fiscal third quarter and nine months ended, June 30, 2008. For the third quarter of 2008, the Company recorded net income of \$6,468,885 or \$0.76 per share as compared to net income of \$2,904,078 or \$0.34 per share for the 2007 quarter. Total revenues for the 2008 quarter were \$18,453,206 as compared to \$10,988,346 for the 2007 quarter. Net cash provided by operating activities was \$9,117,191 compared to \$6,006,385 for the 2007 quarter. Additions to properties and equipment for drilling and equipping wells and leasehold acquisitions amounted to \$11,372,497 for the 2008 third quarter, an increase of 29% over the 2007 amount. Production for the third quarter of 2008 increased 38% to 1,979,904 mcf as compared to 1,432,023 mcf for the 2007 third quarter. The average sales price per mcf increased 46% to \$10.38 for the 2008 third quarter.

For the fiscal nine months ended June 30, 2008 net income was \$12,780,473 or \$1.50 per share as compared to net income for the 2007 nine months of \$4,668,826 or \$0.55 per share. Total revenues for the 2008 nine months were \$44,904,231, a 60% increase, compared to \$28,063,974 for the 2007 nine months. Net cash provided by operating activities for the 2008 period was \$25,474,992 as compared to \$17,573,724 for the 2007 nine months. Additions to properties and equipment for drilling and equipping wells and purchasing leasehold totaled \$29,625,707 in the 2008 period, an increase of 50% over the 2007 amount. Production for the 2008 nine months increased 36% to 5,538,866 mcf as compared to 4,071,421 mcf for the 2007 nine months. For the nine months, the average sales price per mcf increased 34% to \$8.79.

Lonnie J. Lowry, Vice-President and CFO said “The significant financial improvement in the 2008 third quarter and nine months were the result of record production levels and increased sales prices of both oil and natural gas. These increases were partially offset by unrealized non-cash mark-to-market (MTM) losses on natural gas collar contracts of \$1,407,889 and \$3,613,416 (approximately \$960,000 and \$2,417,000 after tax) for the quarter and nine months, respectively.

“Recent natural gas price volatility has resulted in wide swings in the MTM value of the Company’s natural gas collar contracts. As of June 30, 2008 the Company’s MTM liability was \$3,506,500 whereas the MTM liability as of July 31, 2008 had decreased to \$132,241. The Company made a payment of \$767,800 in July to settle the July contracts. These collars continue to serve their intended purpose to

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reduce the Company's exposure to short-term fluctuations in the price of natural gas; ensuring adequate cash flow is available to fund the Company's aggressive drilling commitments. We have costless collars contracts in place for approximately 30 percent of expected gas production for the remainder of calendar 2008."

OPERATIONS UPDATE

Michael C. Coffman, President and CEO said "The Company continues to significantly increase its total production volumes. Panhandle's third quarter and nine month production increases are the result of increased drilling activity levels which began in fiscal 2006. Our continuing commitment to participating in an increasing number of drilled wells and expanding our capital 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 drilling activity and well proposals on the Company's mineral acreage in our unconventional natural gas plays. Through July 24, 2008 we agreed to participate with a working interest in the drilling of 110 wells, 8% average working interest and net revenue interest, in the Woodford Shale in southeast Oklahoma and 45 wells, 5% average working interest and 6% net revenue interest, in the Fayetteville Shale in Arkansas. As of the same date, Panhandle had an interest in 57 working interest wells and 16 royalty interest wells which were producing in the Woodford Shale, and 25 working interest wells and 61 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 very active for several years. Drilling in the Dill City project, 18% average working interest and 14% net revenue interest, in western Oklahoma also continues to be active. In the project as of July 24, 2008, Panhandle had a working interest in 14 new Atoka producing wells, two wells were drilling and 13 wells were scheduled. Again, this project will remain very active through fiscal 2008 and beyond."

Coffman concluded: "Production from the Woodford Shale properties, net to Panhandle's interest, continues to increase and is currently approximately 6.3 mmcf per day. 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. Our net current production is approximately 1.4 mmcf per day. Production from the Dill City project also continues to increase as two wells have recently begun production. Net production from this area is approximately 2.5 mmcf and 126 barrels per day. We expect to have two rigs drilling in Dill City for the next 12 months."

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.

OPERATING HIGHLIGHTS

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	Third Quarter Ended June 30, 2008	Third Quarter Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
MCFE Sold	1,979,904	1,432,023	5,538,866	4,071,421
Average Sales Price per MCFE	\$10.38	\$7.11	\$8.79	\$6.56
Barrels Sold	31,907	31,223	101,027	75,667
Average Sales Price per Barrel	\$120.92	\$62.15	\$100.12	\$58.72
MCF Sold	1,788,462	1,244,685	4,932,704	3,617,419
Average Sales Price per MCF	\$9.33	\$6.62	\$7.82	\$6.16

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Oil and gas sales	\$ 20,551,865	\$ 10,181,501	\$ 48,687,560	\$ 26,718,087
Lease bonuses and rentals	32,154	22,560	110,464	193,317
Gains (losses) on natural gas collar contracts	(2,286,789)	560,972	(4,391,316)	588,181
Gain on asset sales, interest and other	105,963	96,388	190,718	274,768
Income of partnerships	50,013	126,925	306,805	289,621
	<u>18,453,206</u>	<u>10,988,346</u>	<u>44,904,231</u>	<u>28,063,974</u>
Costs and expenses:				
Lease operating expenses	2,178,732	888,049	4,977,151	2,621,608
Production taxes	675,206	721,927	2,431,165	1,764,164
Exploration costs	35,394	224,078	397,125	943,489
Depreciation, depletion, and amortization	4,671,193	3,644,062	13,376,346	10,504,001
Provision for impairment	37,666	398,033	385,672	2,027,866
Loss on asset sales	203,387	(1,522)	203,387	254,395
General and administrative	1,164,743	913,077	3,991,566	3,055,791
Interest expense	-	24,064	44,346	110,541
	<u>8,966,321</u>	<u>6,811,768</u>	<u>25,806,758</u>	<u>21,281,855</u>
Income before provision for income taxes	<u>9,486,885</u>	<u>4,176,578</u>	<u>19,097,473</u>	<u>6,782,119</u>
Provision for income taxes	<u>3,018,000</u>	<u>1,272,500</u>	<u>6,317,000</u>	<u>2,113,293</u>
Net income	<u>\$ 6,468,885</u>	<u>\$ 2,904,078</u>	<u>\$ 12,780,473</u>	<u>\$ 4,668,826</u>
Earnings per common share	<u>\$ 0.76</u>	<u>\$ 0.34</u>	<u>\$ 1.50</u>	<u>\$ 0.55</u>
Weighted average shares outstanding				
Common shares	8,423,067	8,422,529	8,428,701	8,422,529
Unissued, vested directors' shares	85,909	77,119	84,911	76,339
	<u>8,508,976</u>	<u>8,499,648</u>	<u>8,513,612</u>	<u>8,498,868</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>\$ 0.18</u>

CONSOLIDATED BALANCE SHEETS

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(unaudited)

	June 30, 2008	September 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 650,661	\$ 989,360
Oil and gas sales receivables	17,462,297	8,103,250
Fair value of natural gas collar contracts	-	106,916
Other	1,336,497	112,882
Total current assets	<u>19,449,455</u>	<u>9,312,408</u>
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and gas properties	153,094,794	125,634,251
Non-producing oil and gas properties	10,693,152	10,697,854
Other	491,659	625,455
	<u>164,279,605</u>	<u>136,957,560</u>
Less accumulated depreciation, depletion and amortization	81,335,348	68,424,645
Net properties and equipment	<u>82,944,257</u>	<u>68,532,915</u>
Investments	628,403	690,011
Other	258,535	4,463
Total assets	<u>\$ 103,280,650</u>	<u>\$ 78,539,797</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,772,164	\$ 1,773,255
Fair value of natural gas collar contracts	3,506,500	-
Accrued liabilities	671,033	348,042
Total current liabilities	<u>7,949,697</u>	<u>2,121,297</u>
Long-term debt	10,018,862	4,661,471
Deferred income taxes	21,102,750	16,827,750
Asset retirement obligations	1,247,908	1,247,908
Stockholders' equity:		
Class A voting common stock, \$.0166 par value;		
24,000,000 shares authorized, 8,431,502 issued at June		
30, 2008 and at September 30, 2007		
	140,524	140,524
Capital in excess of par value	2,146,071	2,146,071
Deferred directors' compensation	1,584,743	1,358,778
Retained earnings	61,045,856	50,035,998
	<u>64,917,194</u>	<u>53,681,371</u>
Less treasury stock, at cost; 54,514 shares at June 30,		
2008 and no shares at September 30, 2007	(1,955,761)	-
Total stockholders' equity	<u>62,961,433</u>	<u>53,681,371</u>
Total liabilities and stockholders' equity	<u>\$ 103,280,650</u>	<u>\$ 78,539,797</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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(unaudited)

	Ninemonths ended June 30,	
	2008	2007
Operating Activities		
Net income	\$ 12,780,473	\$ 4,668,826
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization	13,376,346	10,504,001
Provision for impairment	385,672	2,027,866
Deferred income taxes	4,275,000	1,747,000
Lease bonus income	-	(42,019)
Exploration costs	397,125	943,489
Loss, net, on asset sales	83,986	51,818
Income of partnerships	(306,805)	(289,621)
Distributions received from partnerships	368,413	351,229
Directors' deferred compensation expense	225,965	133,820
Cash provided by changes in assets and liabilities:		
Oil and gas sales receivables	(9,359,047)	(2,032,209)
Other current assets	(819,020)	1,244,628
Accounts payable	130,477	(1,339,695)
Fair value of natural gas collar contracts	3,613,416	(446,581)
Accrued liabilities	322,991	51,172
Total adjustments	12,694,519	12,904,898
Net cash provided by operating activities	25,474,992	17,573,724
Investing Activities		
Capital expenditures, including dry hole costs	(27,757,275)	(17,052,261)
Proceeds from leasing of fee mineral acreage	131,449	174,338
Investments in partnerships	-	11,280
Proceeds from asset sales	181,120	510,378
Net cash used in investing activities	(27,444,706)	(16,356,265)
Financing Activities		
Borrowings under credit facility	40,058,723	8,984,560
Payments on credit facility	(34,701,332)	(8,621,300)
Purchase of treasury stock	(1,955,761)	-
Payments of dividends	(1,770,615)	(1,516,055)
Net cash provided by (used in) financing activities	1,631,015	(1,152,795)
(Decrease) increase in cash and cash equivalents	(338,699)	64,664
Cash and cash equivalents at beginning of period	989,360	434,353
Cash and cash equivalents at end of period	\$ 650,661	\$ 499,017
Supplemental Schedule of Noncash Investing and Financing Activities		
Receivable from asset sales	\$ 658,668	\$ -
Additions and revisions, net, to asset retirement obligations	\$ -	\$ 197,697
Additions to properties and equipment included in accounts payable	\$ (1,868,432)	\$ (2,690,288)

DERIVATIVE CONTRACTS IN PLACE AS OF 6/30/08

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(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>
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

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 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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