

Records Fiscal 2015 Net Income of \$9,321,341 (\$0.56 per share)

OKLAHOMA CITY, Dec. 10, 2015 /PRNewswire/ -- [Panhandle Oil and Gas Inc.](#), the "Company," (NYSE:PHX) today reported financial and operating results for the fiscal year ended Sept. 30, 2015, and for the fiscal fourth quarter, as well as provided an update on its bank line-of-credit borrowing base.

HIGHLIGHTS FOR THE YEAR ENDED SEPT. 30, 2015

- Recorded fiscal year 2015 net income of \$9,321,341, 0.56 per share, compared to a net income of \$25,001,462, 1.49 per share, for fiscal 2014.
- Posted total fiscal 2015 production of 13.7 billion cubic feet equivalent (Bcfe).
- Increased fiscal year 2015 oil production 31% over 2014 volumes.
- Generated cash from operating activities of \$45.6 million for the year, well in excess of capital expenditures of \$30.8 million.
- Reduced debt \$13 million during fiscal 2015.

Fiscal Year 2015 Results

For fiscal 2015, the Company recorded net income of \$9,321,341, or \$0.56 per share. This compared to net income of \$25,001,462, or \$1.49 per share, for fiscal 2014. Net cash provided by operating activities decreased 13% to \$45.6 million for 2015 versus 2014, well in excess of capital expenditures in fiscal 2015, which totaled \$30.8 million.

Total revenues for 2015 were \$70,882,093, a decrease of 16% from \$84,411,224 for 2014. Oil, NGL and natural gas sales revenues decreased \$28,312,614 or 34% in 2015, as compared to 2014. This revenue decrease was a result of decreased oil, NGL and natural gas prices of 43%, 44% and 33%, respectively, and a 10% decrease in natural gas production, partially offset by increased oil and NGL production volumes of 31% and 2%, respectively. Overall results were a 3% decrease in Mcfe production volumes and a 32% decrease in the average sales price per Mcfe to \$3.97, as compared to \$5.88 in 2014.

Gains on derivative contracts in 2015 totaled \$13.8 million in 2015 as compared to \$.2 million in 2014. The majority of these gains were for oil contracts put in place in fiscal 2014 to protect prices received for production from the Eagle Ford Shale properties.

Oil production increased 31% in 2015 to 453,125 barrels from 346,387 barrels in 2014; while gas production decreased 10% to 9,745,223 Mcf. Production from the Eagle Ford was principally responsible for the increased oil volumes. In addition, 210,960 barrels of NGL were produced in fiscal 2015, which was a 2% increase versus 2014. The decline in natural gas production was principally a result of natural decline in production from the Company's Fayetteville Shale properties and significantly reduced natural gas drilling and completion activity Company wide.

Total costs and expenses increased \$9.1 million or 19% in 2015 as compared to 2014. \$3.6 million of the expense increase was in lease operating expenses, as we add additional wells to our producing inventory each year. For the last several years, the majority of wells added have been oil and NGL rich wells, particularly the Eagle Ford wells, which have higher operating costs than dry gas wells. DD&A per Mcfe of production for 2015 was \$1.74, as compared to \$1.55 in 2014, which resulted in an increase of \$2.5 million in DD&A expense in 2015. Offsetting this was a decrease of \$.6 million due to a 3% decrease in oil, NGL and natural gas production volumes collectively in 2015, compared to 2014. The rate increase was principally due to lower projected remaining reserve volumes brought about by lower product prices shortening the economic lives of many wells. A further impact of lower product prices in 2015, as compared to 2014, was an increase of \$3.9 million in the provision for impairment to \$5.0 million. A significant number of smaller fields, primarily in Oklahoma, Kansas and Texas were responsible for the 2015 impairment charges.

Fiscal Fourth Quarter 2015 Results

For the 2015 fourth quarter, the Company recorded a net loss of \$887,681, or \$0.05 per share. This compared to net income of \$9,297,986, or \$0.55 per share, for the 2014 fourth quarter. Net cash provided by operating activities decreased 49% to \$8,223,212 for the 2015 fourth quarter versus the 2014 fourth quarter. Fourth quarter 2015 cash from operating activities again exceeded costs to drill and equip wells of \$7,187,276.

Total revenues for the 2015 fourth quarter were \$13,455,001, a decrease of 52% from \$27,887,445 for the 2014 quarter. Oil, NGL and gas sales revenue decreased \$12,597,524, or 53% in the 2015 quarter, as compared to the 2014 quarter. This revenue decrease was a result of decreased oil, NGL and natural gas volumes of 11%, 15% and 16%, respectively, and decreased oil, NGL and natural gas prices of 52%, 54% and 37%, respectively. Average sales price per Mcfe of production during the 2015 fourth quarter was \$3.46, a 45% decrease from \$6.27 in the 2014 fourth quarter. Oil production decreased in the 2015 quarter to 112,237 barrels, versus 126,256 barrels in the 2014 quarter, while gas production decreased 16% to 2,261,236 Mcf, and NGL production decreased 15% to 47,738 barrels. Natural decline and significantly reduced capital expenditures to drill and complete new wells combined to reduce production volumes. Costs and expenses were flat quarter to quarter. Additionally, gains on derivative contracts were \$2.1 million in the 2015 quarter compared to \$3.8 million in the 2014 quarter.

Bank Line-of-Credit Update

On December 10, 2015, Panhandle's bank line-of-credit borrowing base was set at \$100 million. This compares to a current outstanding balance of \$59.5 million. Availability under the line of \$40.5 million is well in excess of projected needs. Based on currently expected product prices, the Company anticipates funding normal operations in 2016 from internally generated cash flow.

Management Comments

Michael C. Coffman, President and CEO, said, "It goes without saying that fiscal 2015 was an extremely difficult year in the energy industry. Both oil and natural gas prices were significantly reduced from 2014 average levels, and capital expenditure levels to drill wells were materially constrained as well. As has been Panhandle's philosophy for many years, we chose the conservative path, spending only cash flow and reducing debt \$13 million during the year.

"We have positioned Panhandle not only to survive this current down price cycle, but to be in a position to take advantage of opportunities that may be available should this downturn continue for an extended time. As always, we will continue to follow our proven conservative operating strategies and, coupled with patience, believe our long-term outlook is bright."

Paul Blanchard, Senior Vice President and COO, said, "Panhandle continues to maintain a consistent investment philosophy driven by a risked rate-of-return analysis of each investment opportunity. We only invest in projects that are anticipated to earn meaningful returns. For the last several years this approach led to the Company to elect to invest in 65% to 70% of well proposals received. During 2015, the Company elected to participate in only 40% of proposals received. The decline in our capital investing led to modestly lower production in 2015, as compared to 2014.

"We believe this approach will serve our shareholders well over the long term as we choose not to invest in projects that are anticipated to provide no meaningful returns at today's NYMEX futures pricing. Instead, we will preserve that capital to have it available to invest in high-quality assets that may become available at an opportune point in this downturn."

FINANCIAL HIGHLIGHTS

Statements of Operations					
	Three Months Ended Sept. 30,		Year Ended Sept. 30,		
	2015	2014	2015	2014	
Revenues:					
Oil, NGL and natural gas sales	\$ 11,133,075	\$ 23,730,599	\$ 54,533,914	\$ 82,846,528	
Lease bonuses and rentals	64,652	69,906	2,010,395	423,328	
Gains (losses) on derivative contracts	2,115,551	3,758,509	13,822,506	247,414	
Income from partnerships	141,723	328,431	515,278	893,954	
	13,455,001	27,887,445	70,882,093	84,411,224	
Costs and expenses:					
Lease operating expenses	4,238,428	3,982,645	17,472,408	13,912,792	
Production taxes	318,085	822,580	1,702,302	2,694,118	
Exploration costs	36	15,877	48,404	86,017	
Depreciation, depletion and amortization	6,141,070	6,334,272	23,821,139	21,896,902	
Provision for impairment	1,476,431	665,933	5,009,191	1,096,076	
Loss (gain) on asset sales and other	(371,408)	(22,709)	(398,994)	8,378	

Interest expense	355,427	421,599	1,550,483	462,296
General and administrative	1,965,114	2,083,262	7,339,320	7,433,183
Bad debt expense (recovery)	180,499	-	180,499	-
	14,303,682	14,303,459	56,724,752	47,589,762
Income (loss) before provision (benefit) for income taxes	(848,681)	13,583,986	14,157,341	36,821,462
Provision (benefit) for income taxes	39,000	4,286,000	4,836,000	11,820,000
Net income (loss)	\$ (887,681)	\$ 9,297,986	\$ 9,321,341	\$ 25,001,462
Basic and diluted earnings per common share:				
Net income (loss)	\$ (0.05)	\$ 0.55	\$ 0.56	\$ 1.49
Weighted average shares outstanding:				
Common shares	16,546,528	16,474,040	16,522,462	16,472,144
Unissued, vested directors' shares	251,005	258,905	246,442	255,039
	16,797,533	16,732,945	16,768,904	16,727,183
Dividends declared per share of common stock and paid in period	\$ 0.04	\$ 0.04	\$ 0.16	\$ 0.16

Balance Sheets		
		Se
Assets		
Current Assets:		
Cash and cash equivalents		\$ 6
Oil, NGL and natural gas sales receivables, net of allowance for uncollectable accounts		7
Refundable income taxes		3
Refundable production taxes		4
Derivative contracts, net		4
Other		2

Total current assets		1
Properties and equipment at cost, based on successful efforts accounting:		
Producing oil and natural gas properties		4
Non-producing oil and natural gas properties		8
Furniture and fixtures		1
		4
Less accumulated depreciation, depletion and amortization		(
Net properties and equipment		2
Investments		2
Derivative contracts, net		-
Total assets	\$	2
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$	2
Deferred income taxes		1
Income taxes payable		-
Accrued liabilities and other		1
Total current liabilities		4
Long-term debt		6
Deferred income taxes		3
Asset retirement obligations		2
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at Sept. 30, 2015 and 2014		2
Capital in excess of par value		2
Deferred directors' compensation		3
Retained earnings		1
		1
Treasury stock, at cost; 302,623 shares at Sept. 30, 2015, and 372,364 shares at Sept. 30, 2014		(
Total stockholders' equity		1
Total liabilities and stockholders' equity	\$	2

Condensed Statements of Cash Flows			
	Year ended Sept. 30,		
	2015	2014	
Operating Activities			
Net income (loss)	\$ 9,321,341	\$	25,001,462
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	23,821,139		21,896,902
Impairment	5,009,191		1,096,076
Provision for deferred income taxes	2,672,000		6,610,000
Exploration costs	48,404		86,017
Gain from leasing of fee mineral acreage	(2,007,993)		(422,818)
Net (gain) loss on sales of assets	-		149,062
Income from partnerships	(515,278)		(893,954)
Distributions received from partnerships	736,280		1,129,324
Common stock contributed to ESOP	185,113		341,125
Common stock (unissued) to Directors' Deferred Compensation Plan	302,353		353,825
Restricted stock awards	895,127		659,320
Bad debt expense (recovery)	180,499		-
Cash provided (used) by changes in assets and liabilities:			
Oil, NGL and natural gas sales receivables	8,151,379		(2,506,708)
Fair value of derivative contracts	(2,308,922)		(1,476,644)
Refundable income taxes	(345,897)		-
Refundable production taxes	149,995		576,537
Other current assets	102,812		(224,830)
Accounts payable	(343,186)		252,860
Income taxes payable	(523,843)		(284,149)
Accrued liabilities	40,500		279,195
Total adjustments	36,249,673		27,621,140
Net cash provided by operating activities	45,571,014		52,622,602
Investing Activities			
Capital expenditures, including dry hole costs	(30,800,625)		(38,612,788)
Acquisition of working interest properties	(308,180)		(83,253,952)

Acquisition of minerals and overrides	-	(56,250)
Proceeds from leasing of fee mineral acreage	2,053,900	477,144
Investments in partnerships	(533,580)	(597,149)
Proceeds from sales of assets	-	92,000
Net cash used in investing activities	(29,588,485)	(121,950,995)
Financing Activities		
Borrowings under debt agreement	25,833,116	99,846,333
Payments of loan principal	(38,833,116)	(30,108,589)
Purchases of treasury stock	(242,313)	(122,044)
Payments of dividends	(2,669,056)	(2,661,723)
Excess tax benefit on stock-based compensation	23,000	17,000
Net cash provided by (used in) financing activities	(15,888,369)	66,970,977
Increase (decrease) in cash and cash equivalents	94,160	(2,357,416)
Cash and cash equivalents at beginning of year	509,755	2,867,171
Cash and cash equivalents at end of year	\$ 603,915	\$ 509,755
	Year ended Sept. 30,	
	2015	2014
Supplemental Disclosures of Cash Flow Information		
Interest paid, net of capitalized interest	\$ 1,558,885	\$ 380,451
Income taxes paid, net of refunds received	\$ 3,009,939	\$ 5,477,147
Supplemental schedule of noncash investing and financing activities:		
Additions and revisions, net, to asset retirement obligations	\$ 70,529	\$ 225,453
Gross additions to properties and equipment	\$ 26,183,115	\$ 120,284,639
Net (increase) decrease in accounts payable for properties and equipment additions	4,925,690	1,638,351
Capital expenditures, including dry hole costs	\$ 31,108,805	\$ 121,922,990

OPERATING HIGHLIGHTS				
	Fourth Quarter Ended	Fourth Quarter Ended	Year Ended	Year Ended
	Sept. 30, 2015	Sept. 30, 2014	Sept. 30, 2015	Sept. 30, 2014
MCFE Sold	3,221,086	3,783,123	13,729,733	14,098,009
Average Sales Price per MCFE	\$3.46	\$6.27	\$3.97	\$5.88
Barrels of Oil Sold	112,237	126,256	453,125	346,387
Average Sales Price per Barrel	\$44.18	\$91.83	\$53.12	\$93.68
MCF of Natural Gas Sold	2,261,236	2,690,493	9,745,223	10,773,559
Average Sales Price per MCF	\$2.43	\$3.88	\$2.73	\$4.05
Barrels of NGL Sold	47,738	55,849	210,960	207,688
Average Sales Price per Barrel	\$14.10	\$30.48	\$18.25	\$32.31

Quarterly Production Levels				
Quarter ended	Oil Bbls Sold	MCF Sold	NGL Bbls Sold	MCFE Sold
9/30/15	112,237	2,261,236	47,738	3,221,086
6/30/15	109,738	2,407,049	41,737	3,315,899
3/31/15	114,567	2,475,777	48,681	3,455,265
12/31/14	116,583	2,601,161	72,804	3,737,483
9/30/14	126,256	2,690,493	55,849	3,783,123
6/30/14	70,479	2,508,346	63,029	3,309,394
3/31/14	66,239	2,788,768	51,670	3,496,222
12/31/13	83,413	2,785,952	37,140	3,509,270

Derivative contracts in place as of December 1, 2015			
(prices below reflect the Company's net price from the listed pipelines)			
	Production volume	Indexed	
Contract period	covered per month	pipeline	Fixed price
Natural gas costless collars			
January - December 2015	100,000 Mmbtu	NYMEX Henry Hub	\$3.50 floor / \$4.10 ceiling
January - December 2015	70,000 Mmbtu	NYMEX Henry Hub	\$3.25 floor / \$4.00 ceiling
December 2015 - May 2016	80,000 Mmbtu	NYMEX Henry Hub	\$2.50 floor / \$3.10 ceiling
Natural gas fixed price swaps			
January - September 2016	80,000 Mmbtu	NYMEX Henry Hub	\$2.43
Oil costless collars			
July - December 2015	10,000 Bbls	NYMEX WTI	\$80.00 floor / \$86.50 ceiling
Oil fixed price swaps			
April - December 2015	5,000 Bbls	NYMEX WTI	\$94.56
July - December 2015	7,000 Bbls	NYMEX WTI	\$93.91

[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 2015 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; Panhandle's 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; unsuccessful exploration and development drilling; decreases in the values of Panhandle's oil and gas properties resulting in write-downs; the negative impact lower oil and gas prices could have on the Company's ability to borrow; drilling and operating risks; and Panhandle cannot control activities on its 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. 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.

To view the original version on PR Newswire,
visit:<http://www.prnewswire.com/news-releases/panhandle-oil-and-gas-inc-reports-fiscal-2015-financial-results-300191455.html>

SOURCE [Panhandle Oil and Gas Inc.](#)

Contact
Michael C. Coffman, 405.948.1560, Website: www.panhandleoilandgas.com