

# **Phx Minerals Inc. Reports Second Fiscal Quarter 2022 Results, Record Royalty Volumes And A Quarterly Dividend Increase Of 33%**

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OKLAHOMA CITY, May 9, 2022 - [PHX Minerals Inc.](#), "PHX" or the "Company" (NYSE: PHX), today reported financial and operating results for the second fiscal quarter ended March 31, 2022.

#### SUMMARY OF RESULTS FOR THE PERIOD ENDED MARCH 31, 2022, AND SUBSEQUENT EVENTS

- Royalty production volumes for the second fiscal quarter of 2022 increased 26% to a record 1,548 Mmcfe, and total production volumes for the second fiscal quarter of 2022 increased 16% to 2,460 Mmcfe compared to the first fiscal quarter of 2022.
- 82% of royalty production volumes and 78% of total production volumes in the second fiscal quarter of 2022 were attributable to natural gas.
- 108 gross (0.48 net) wells converted to PDP, including 35 gross (0.04 net) in the SCOOP and 31 gross (0.33 net) in the Haynesville, during the second fiscal quarter of 2022.
- 134 gross (0.60 net) wells in progress as of March 31, 2022.
- Net loss in the second fiscal quarter of 2022 was (\$4.0) million, or (\$0.12) per share, compared to net income of \$2.9 million, or \$0.20 per share, in the first fiscal quarter of 2022.
- Pretax net income excluding non-cash derivative gains (losses) <sup>(1)</sup> in the second fiscal quarter of 2022 was \$7.8 million, or \$0.23 per share, compared to \$2.9 million, or \$0.09 per share, in the first fiscal quarter of 2022.
- Adjusted EBITDA<sup>(1)</sup> of \$5.8 million for the second fiscal quarter of 2022, increased from \$3.6 million in the second fiscal quarter of 2021 and from \$4.4 million in the first fiscal quarter of 2022.
- Total debt as of March 31, 2022, equaled \$24.0 million and debt to adjusted EBITDA (TTM) <sup>(1)</sup> ratio was 1.23x as of March 31, 2022.
- During the second quarter of fiscal year 2022, PHX closed on an acquisition of 825 net royalty acres located in the SCOOP play of Oklahoma and the Haynesville play of East Texas and Louisiana for approximately \$9.3 million in cash.
- Since March 31, 2022, PHX has closed on an additional acquisition of 185 net royalty acres located in the SCOOP play of Oklahoma and the Haynesville play of Louisiana for approximately \$1.5 million in cash. PHX has an additional 98 net royalty acres pending acquisition and under purchase and sale agreements, which the Company expects to close by the end of May 2022 for approximately \$9.4 million in cash.
- PHX announced that the quarterly dividend increased to \$0.02 per share, a 33% increase, payable on June 3, 2022, to stockholders of record on May 19, 2022.

(1) This is a non-GAAP measure. Refer to the Non-GAAP Reconciliation section.

Chad L. Stephens, President and CEO, commented, "We are very pleased to report excellent financial results for our second fiscal quarter. First, I would like to recognize our employees for their dedication and hard work, for they are our greatest resource. Without their efforts, none of our accomplishments would have been achieved without them.

"Royalty volumes increased by over 20% on a quarter over quarter basis for the second consecutive quarter to a record 1,548 Mmcfe. Total production volumes continued to decline as a percentage of total volumes to 37% and will continue to decline as we focus on increasing royalty volumes. Higher sales volumes along with the serendipitous commodity price environment provided a 32% increase quarter over sequential quarter in adjusted EBITDA.

"Our active mineral acquisition program has closed a year-to-date total of \$25.6 million in transactions with another \$9.4 million scheduled to close by the end of May - all in our core focus areas in the SCOOP of southern Oklahoma and the Haynesville of East Texas and Louisiana. Recent acquisitions are in areas of active drilling and will drive our increasing royalty volumes and cash flow over the coming quarters. Additionally, the Board approved a 33% increase in our quarterly dividend payable in June 2022, which highlights our confidence in our financial strength and earnings power of our growing asset base. PHX remains committed to increasing the return of capital to stockholders via future dividends as we grow our asset base."

## OPERATING HIGHLIGHTS

|                                   | Second Quarter Ended | Second Quarter Ended | Six Months Ended | Six Months Ended |
|-----------------------------------|----------------------|----------------------|------------------|------------------|
|                                   | March 31, 2022       | March 31, 2021       | March 31, 2022   | March 31, 2021   |
| Mcf Sold                          | 2,460,042            | 2,296,802            | 4,588,290        | 4,371,139        |
| Average Sales Price per Mcfe \$   | 6.01                 | 3.63                 | 6.21             | 3.38             |
| Gas Mcf Sold                      | 1,908,030            | 1,735,820            | 3,482,295        | 3,211,276        |
| Average Sales Price per Mcf \$    | 4.47                 | 2.52                 | 4.95             | 2.44             |
| Oil Barrels Sold                  | 51,631               | 56,269               | 99,705           | 114,945          |
| Average Sales Price per Barrel \$ | 91.26                | 55.89                | 83.12            | 47.73            |
| NGL Barrels Sold                  | 40,371               | 37,228               | 84,627           | 78,365           |
| Average Sales Price per Barrel \$ | 38.05                | 22.24                | 34.94            | 18.54            |

Total Production for the last five quarters was as follows:

| Quarter ended | Mcf Sold  | Oil Bbls Sold | NGL Bbls Sold | Mcf Sold  |
|---------------|-----------|---------------|---------------|-----------|
| 3/31/2022     | 1,908,030 | 51,631        | 40,371        | 2,460,042 |
| 12/31/2021    | 1,574,265 | 48,074        | 44,256        | 2,128,248 |
| 9/30/2021     | 1,609,101 | 54,043        | 46,369        | 2,211,570 |
| 6/30/2021     | 1,879,343 | 55,492        | 46,753        | 2,492,813 |
| 3/31/2021     | 1,735,820 | 56,269        | 37,228        | 2,296,802 |

Royalty Interest Production for the last five quarters was as follows:

| Quarter ended | Mcf Sold  | Oil Bbls Sold | NGL Bbls Sold | Mcf Sold  |
|---------------|-----------|---------------|---------------|-----------|
| 3/31/2022     | 1,261,949 | 28,758        | 18,852        | 1,547,609 |
| 12/31/2021    | 949,523   | 25,996        | 19,953        | 1,225,220 |
| 9/30/2021     | 705,397   | 29,442        | 19,364        | 998,230   |
| 6/30/2021     | 908,471   | 31,095        | 18,255        | 1,204,571 |
| 3/31/2021     | 924,969   | 31,768        | 19,088        | 1,230,105 |

Working Interest Production for the last five quarters was as follows:

| Quarter ended | Mcf Sold | Oil Bbls Sold | NGL Bbls Sold | Mcf Sold  |
|---------------|----------|---------------|---------------|-----------|
| 3/31/2022     | 646,081  | 22,873        | 21,519        | 912,433   |
| 12/31/2021    | 624,742  | 22,078        | 24,303        | 903,028   |
| 9/30/2021     | 903,704  | 24,601        | 27,005        | 1,213,340 |
| 6/30/2021     | 970,872  | 24,397        | 28,498        | 1,288,242 |
| 3/31/2021     | 810,851  | 24,501        | 18,140        | 1,066,697 |

## FINANCIAL HIGHLIGHTS

|  | Second Quarter Ended | Second Quarter Ended | Six Months Ended | Six Months Ended |
|--|----------------------|----------------------|------------------|------------------|
|  | March 31, 2022       | March 31, 2021       | March 31, 2022   | March 31, 2021   |
| Working Interest Sales                       | \$ 5,904,871         | \$ 3,851,478         | \$ 11,871,518    | \$ 7,759,000     |
| Royalty Interest Sales                       | \$ 8,878,994         | \$ 4,494,347         | \$ 16,599,511    | \$ 7,011,800     |
| Natural Gas, Oil and NGL Sales               | \$ 14,783,865        | \$ 8,345,825         | \$ 28,471,029    | \$ 14,770,000    |
| Lease Bonuses and Rental Income              | \$ 161,908           | \$ 58,554            | \$ 240,823       | \$ 59,987        |
| Total Revenue                                | \$ 1,962,367         | \$ 6,056,236         | \$ 18,564,614    | \$ 12,228,000    |
| LOE per Working Interest Mcfe                | \$ 1.02              | \$ 0.97              | \$ 1.20          | \$ 0.85          |
| LOE per total Mcfe                           | \$ 0.38              | \$ 0.45              | \$ 0.48          | \$ 0.47          |
| Transportation, Gathering and Marketing      |                      |                      |                  |                  |
| per Mcfe                                     | \$ 0.61              | \$ 0.57              | \$ 0.59          | \$ 0.59          |
| Production Tax per Mcfe                      | \$ 0.28              | \$ 0.19              | \$ 0.30          | \$ 0.16          |
| Cash G&A Expense per Mcfe <sup>(1)</sup>     | \$ 0.93              | \$ 0.80              | \$ 0.88          | \$ 0.78          |
| G&A Expense per Mcfe                         | \$ 1.12              | \$ 0.90              | \$ 1.05          | \$ 0.87          |
| Interest Expense per Mcfe                    | \$ 0.09              | \$ 0.12              | \$ 0.09          | \$ 0.13          |
| DD&A per Mcfe                                | \$ 0.86              | \$ 0.77              | \$ 0.81          | \$ 0.92          |
| Total Expense per Mcfe                       | \$ 3.34              | \$ 3.00              | \$ 3.32          | \$ 3.14          |
| Net Income (Loss)                            | \$ (4,020,455)       | \$ (499,723)         | \$ 2,661,794     | \$ (1,096,000)   |
| Adjusted EBITDA <sup>(2)</sup>               | \$ 5,819,415         | \$ 3,582,486         | \$ 10,235,479    | \$ 6,494,100     |
| Cash Flow from Operations                    | \$ 7,296,330         | \$ 4,205,726         | \$ 15,934,320    | \$ 4,677,100     |
| CapEx  | \$ 86,671            | \$ 297,015           | \$ 279,348       | \$ 425,090       |
| CapEx - Mineral Acquisitions                 | \$ 9,274,447         | \$ 64,758            | \$ 20,918,274    | \$ 7,934,500     |
| Borrowing Base                               |                      |                      | \$ 32,000,000    | \$ 29,400,000    |
| Debt   |                      |                      | \$ 24,000,000    | \$ 23,500,000    |
| Debt to Adjusted EBITDA (TTM) <sup>(2)</sup> |                      |                      | 1.23             | 2.35             |

(1) G&A excluding restricted stock and deferred director's expense.

(2) This is a non-GAAP measure. Refer to the Non-GAAP Reconciliation section.

## SECOND FISCAL QUARTER ENDED MARCH 31, 2022, RESULTS

The Company recorded a second fiscal quarter 2022 net loss of (\$4,020,455), or (\$0.12) per share, as compared to a net loss of (\$499,723), or (\$0.02) per share, in the second fiscal quarter 2021. The change in net loss was principally the result of unrealized losses associated with the Company's derivative contracts, offset by increased natural gas, oil and NGL sales and gains on asset sales.

Natural gas, oil and NGL revenue increased \$6,438,040, or 77%, for the second quarter 2022, compared to the corresponding 2021 quarter due to increases in natural gas, oil and NGL prices of 77%, 63% and 71%, respectively, and an increase in natural gas and NGL volumes of 10% and 8%, respectively, partially offset by an 8% decrease in oil volumes.

The production increase in royalty volumes during the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, resulted from acquired wells in the Haynesville Shale and SCOOP plays coming online. The decrease in working interest volumes resulted from naturally declining production in high-interest wells in the Arkoma Stack and the divestiture of low-value legacy working interests in Oklahoma.

The Company had a net loss on derivative contracts of (\$12,983,406) in the second fiscal 2022 quarter, as compared to a net loss of (\$2,348,143) in the second fiscal 2021 quarter, of which (\$11,772,640) is unrealized with respect to the second fiscal 2022 quarter. Realized net loss on derivative contracts for the second fiscal 2022 quarter excludes \$2,493,481 of cash paid to settle off-market derivative contracts. The change in net loss on derivative contracts was principally due to the Company's natural gas and oil collars and fixed price swaps being less beneficial in the quarter ended March 31, 2022, in relation to their respective contracted volumes and prices, as compared to the corresponding 2021 quarter.

The 11% increase in total cost per Mcfe in the second fiscal 2022 quarter, relative to the second fiscal 2021 quarter, was primarily driven by an increase in general and administrative costs, or G&A, and depreciation, depletion and amortization, or DD&A. G&A increased \$684,788, or 33%, in the second fiscal 2022 quarter compared to the corresponding 2021 quarter due to legal expenses associated with reincorporating in the state of Delaware, increased transaction activity and restricted stock expense. DD&A increased \$343,299, or 19%, in the second fiscal 2022 quarter to \$0.86 per Mcfe, as compared to \$0.77 per Mcfe in the second fiscal 2021 quarter. Of the DD&A increase, \$217,604 was a result of a \$0.09 increase in the DD&A rate per Mcfe, and \$125,695 of such increase resulted from production increasing 7% in the second fiscal 2022 quarter.

## SIX MONTHS ENDED MARCH 31, 2022, RESULTS

The Company recorded net income of \$2,661,794, or \$0.08 per share, in the fiscal six-month period ended March 31, 2022 (the "fiscal six-month 2022 period"), as compared to a net loss of (\$1,096,443), or (\$0.05) per share, in the corresponding 2021 period. The change in net income was principally the result of increased natural gas, oil and NGL sales and lease bonuses and rental income, and decreased DD&A and interest expense, partially offset by an increase in losses on derivative contracts, lease operating expense, or LOE, transportation, gathering and marketing expenses, production taxes and a reduction in income tax benefit.

Natural gas, oil and NGL sales increased \$13,700,225, or 93%, for the fiscal six-month 2022 period, compared to the corresponding 2021 period, due to increases in natural gas, oil and NGL prices of 103%, 74% and 88%, respectively, and an increase in natural gas and NGL volumes of 8% and 8%, respectively, partially offset by a decrease in oil volumes of 13%.

Natural gas volumes increased during the fiscal six-month 2022 period, as compared to the corresponding 2021 period, primarily as a result of new wells associated with recent acquisitions in the Haynesville Shale and SCOOP plays coming online. These gas volumes were partially offset by naturally declining production in high-interest wells in the Arkoma Stack and divestitures in the Fayetteville. NGL production also increased as a result of new wells brought online in the SCOOP, as well as increased production from liquids-rich gas wells in the Anadarko Granite Wash. The decrease in oil production was a result of naturally declining production in working interest wells in the Eagle Ford play and royalty wells in the Bakken play, due to the Company's strategy of no longer participating with working interests in new drilling in the Eagle Ford, and reduced drilling activity in the Bakken, as well as naturally declining production in high-interest wells brought

online in the STACK during fiscal year 2021. Oil production decreases were partially offset by new wells in the SCOOP.

The Company had a net loss on derivative contracts of (\$10,147,238) in the fiscal six-month 2022 period, as compared to a net loss of (\$2,602,179) in the corresponding 2021 period, of which (\$7,222,140) is unrealized with respect to the fiscal six-month 2022 period. Realized net loss on derivative contracts for the fiscal six-month 2022 period excludes \$5,181,572 of cash paid to settle off-market derivative contracts. The change in net loss on derivative contracts was principally due to the Company's natural gas and oil collars and fixed price swaps being less beneficial in the fiscal six-month 2022 period in relation to their respective contracted volumes and prices, as compared to the corresponding 2021 period.

The 6% increase in total cost per Mcfe in the fiscal six-month 2022 period, relative to the corresponding 2021 period, was primarily driven by an increase in G&A and production tax, partially offset by a decrease in DD&A. G&A increased \$1,049,248, or 28%, in the fiscal six-month 2022 period compared to the corresponding 2021 period due to legal expenses associated with reincorporating in the state of Delaware, increased transaction activity and restricted stock expense. DD&A decreased \$333,590, or 8%, in the fiscal six-month 2022 period to \$0.81 per Mcfe, as compared to \$0.92 per Mcfe in the corresponding 2021 period. Of the DD&A decrease, \$533,366 was a result of an \$0.11 decrease in the DD&A rate per Mcfe, partially offset by an increase of \$199,776 resulting from production increasing 5% in the fiscal six-month 2022 period compared to the corresponding 2021 period. The DD&A rate per Mcfe decrease was mainly due an increase in reserves during the fiscal six-month 2022 period, as compared to the corresponding 2021 period.

## OPERATIONS UPDATE

During the second fiscal quarter of 2022, the Company converted 108 gross (0.48 net) wells to producing status, including 35 gross (0.04 net) in the SCOOP and 31 gross (0.33 net) in the Haynesville.

At March 31, 2022, the Company had a total of 134 gross wells (0.60 net wells) in progress across its mineral positions and 52 gross (0.23 net) active permitted wells. As of March 31, 2022, 18 rigs were operating on the Company's acreage with 86 rigs operating within 2.5 miles of its acreage.

|  | Bakken/<br>Three    Arkoma |       |       |       |              |             |       |       |
|--|----------------------------|-------|-------|-------|--------------|-------------|-------|-------|
|  | SCOOP                      | STACK | Forks | Stack | Fayetteville | Haynesville | Other | Total |
| As of March 31, 2022:                  |                            |       |       |       |              |             |       |       |
| Gross Wells in Progress on PHX Acreage | 61                         | 14    | 6     | 6     | -            | 40          | 7     | 134   |
| Net Wells in Progress on PHX Acreage   | 0.17                       | 0.07  | 0.01  | 0.00  | -            | 0.33        | 0.02  | 0.60  |
| Gross Active Permits on PHX Acreage    | 10                         | 11    | 11    | 4     | -            | 12          | 4     | 52    |
| As of March 31, 2022:                  |                            |       |       |       |              |             |       |       |
| Rigs Present on PHX Acreage            | 7                          | 1     | 1     | 1     | -            | 7           | 1     | 18    |
| Rigs Within 2.5 Miles of PHX Acreage   | 19                         | 13    | 10    | 2     | -            | 29          | 13    | 86    |

## Leasing Activity

During the second quarter of fiscal 2022, the Company leased 385 net mineral acres for an average bonus payment of \$942 per net mineral acre and an average royalty of 22%.

|   | Bakken/  |          |       |        |              |             |        |        |
|---|----------|----------|-------|--------|--------------|-------------|--------|--------|
|   |          |          | Three | Arkoma |              |             |        |        |
|   | SCOOP    | STACK    | Forks | Stack  | Fayetteville | Haynesville | Other  | Total  |
| During Three Months Ended March 31, 2022: |          |          |       |        |              |             |        |        |
| Net Mineral Acres Leased                  | 41       | 67       | -     | 125    | 9            | -           | 143    | 385    |
| Average Bonus per Net Mineral Acre        | \$ 1,679 | \$ 1,000 | -     | \$ 185 | \$ 100       | -           | \$ 467 | \$ 942 |
| Average Royalty per Net Mineral Acre      | 25%      | 25%      | -     | 19%    | \$ 17        | -           | 19%    | 22%    |

## ACQUISITION AND DIVESTITURE UPDATE

During the second quarter of fiscal year 2022, the Company purchased 825 net royalty acres for approximately \$9.3 million and sold 7,208 net mineral acres, which were predominantly undeveloped and unleased, for approximately \$2.1 million.

|   | Bakken/  |       |       |        |              |             |        |           |
|---|----------|-------|-------|--------|--------------|-------------|--------|-----------|
|   |          |       | Three | Arkoma |              |             |        |           |
|   | SCOOP    | STACK | Forks | Stack  | Fayetteville | Haynesville | Other  | Total     |
| During Three Months Ended March 31, 2022: |          |       |       |        |              |             |        |           |
| Net Mineral Acres Purchased               | 184      | -     | -     | -      | -            | 421         | -      | 605       |
| Net Royalty Acres Purchased               | 224      | -     | -     | -      | -            | 601         | -      | 825       |
| Price per Net Royalty Acre                | \$ 8,027 | -     | -     | -      | -            | \$ 12,511   | -      | \$ 10,000 |
| Net Mineral Acres Sold                    | -        | -     | -     | -      | -            | -           | 7,208  | 7,208     |
| Net Royalty Acres Sold                    | -        | -     | -     | -      | -            | -           | 7,708  | 7,708     |
| Price per Net Royalty Acre                | -        | -     | -     | -      | -            | -           | \$ 272 | \$ 272    |

## SECOND QUARTER EARNINGS CALL

PHX will host a conference call to discuss the Company's second fiscal quarter results at 11:00 a.m. EST tomorrow May 10, 2022. Management's discussion will be followed by a question and answer session with investors. To participate on the conference call, please dial 877-407-3088 (domestic) or 201-389-0927 (international). A replay of the call will be available for 14 days after the call. The number to access the replay of the conference call is 877-660-6853 and the PIN for the replay is 13729283.

## FINANCIAL RESULTS

### Statements of Operations

Three Months Ended March 31, Six Months Ended March 31,



|   | 2022           | 2021         | 2022          | 2021           |
|---|----------------|--------------|---------------|----------------|
| Revenues:   |                |              |               |                |
| Natural gas, oil and NGL sales                            | \$ 14,783,865  | \$ 8,345,825 | \$ 28,471,029 | \$ 14,770,804  |
| Lease bonuses and rental income                           | 161,908        | 58,554       | 240,823       | 59,987         |
| Gains (losses) on derivative contracts                    | (12,983,406)   | (2,348,143)  | (10,147,238)  | (2,602,179)    |
|   | 1,962,367      | 6,056,236    | 18,564,614    | 12,228,612     |
| Costs and expenses:                                       |                |              |               |                |
| Lease operating expenses                                  | 929,454        | 1,030,651    | 2,185,465     | 2,035,063      |
| Transportation, gathering and marketing                   | 1,488,518      | 1,319,514    | 2,702,122     | 2,600,479      |
| Production taxes  | 697,393        | 443,154      | 1,376,340     | 719,180        |
| Depreciation, depletion and amortization                  | 2,121,116      | 1,777,817    | 3,704,876     | 4,038,466      |
| Provision for impairment                                  | -              | -            | 5,585         | -              |
| Interest expense  | 230,212        | 267,865      | 406,931       | 569,763        |
| General and administrative                                | 2,744,264      | 2,059,476    | 4,839,821     | 3,790,573      |
| Losses (gains) on asset sales and other                   | (2,261,135)    | (125,518)    | (113,320)     | (142,469)      |
| Total costs and expenses                                  | 5,949,822      | 6,772,959    | 15,107,820    | 13,611,055     |
| Income (loss) before provision (benefit) for income taxes | (3,987,455)    | (716,723)    | 3,456,794     | (1,382,443)    |
| Provision (benefit) for income taxes                      | 33,000         | (217,000)    | 795,000       | (286,000)      |
| Net income (loss)   | \$ (4,020,455) | \$ (499,723) | \$ 2,661,794  | \$ (1,096,443) |
| Basic and diluted earnings (loss) per common share        | \$ (0.12)      | \$ (0.02)    | \$ 0.08       | \$ (0.05)      |
| Basic and diluted weighted average shares outstanding:    |                |              |               |                |
| Common shares   | 34,056,316     | 22,429,777   | 33,449,594    | 22,403,678     |
| Unissued, directors' deferred compensation shares         | 236,139        | 178,597      | 234,091       | 177,923        |
|   | 34,292,455     | 22,608,374   | 33,683,685    | 22,581,601     |
| Dividends per share of                                    |                |              |               |                |
| common stock paid in period                               | \$ 0.015       | \$ 0.01      | \$ 0.025      | \$ 0.02        |
| Dividends declared per share of                           |                |              |               |                |

|   |         |
|---|---------|
| common stock and to be paid in quarter ended June 30 \$ - | \$ 0.01 |
|---|---------|

## Balance Sheets

March 31, 2022 Sept. 30, 2021

### Assets

#### Current assets:

|   |              |              |
|---|--------------|--------------|
| Cash and cash equivalents   | \$ 1,703,675 | \$ 2,438,511 |
| Natural gas, oil, and NGL sales receivables (net of \$0 allowance for uncollectable accounts) | 9,451,366    | 6,428,982    |
| Refundable income taxes   | -            | 2,413,942    |
| Other   | 1,188,312    | 942,082      |
| Total current assets  | 12,343,353   | 12,223,517   |

#### Properties and equipment at cost, based on successful efforts accounting:

|   |               |               |
|---|---------------|---------------|
| Producing natural gas and oil properties                  | 264,135,242   | 319,984,874   |
| Non-producing natural gas and oil properties              | 48,878,130    | 40,466,098    |
| Other   | 844,582       | 794,179       |
|   | 313,857,954   | 361,245,151   |
| Less accumulated depreciation, depletion and amortization | (196,960,903) | (257,643,661) |
| Net properties and equipment                              | 116,897,051   | 103,601,490   |

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Operating lease right-of-use assets | 564,034        | 607,414        |
| Other, net                          | 537,199        | 578,593        |
| Total assets                        | \$ 130,341,637 | \$ 117,011,014 |

### Liabilities and Stockholders' Equity

#### Current liabilities:

|  |            |            |
|--|------------|------------|
| Accounts payable                             | \$ 602,415 | \$ 772,717 |
| Derivative contracts, net                    | 14,793,396 | 12,087,988 |
| Income taxes payable                         | 253,733    | 334,050    |
| Current portion of operating lease liability | 134,955    | 132,287    |
| Accrued liabilities and other                | 1,506,836  | 1,809,337  |
| Total current liabilities                    |            |            |

17,291,335

15,136,379



|  |                |                |
|--|----------------|----------------|
| Long-term debt   | 24,000,000     | 17,500,000     |
| Deferred income taxes, net   | 370,906        | 343,906        |
| Asset retirement obligations   | 2,178,023      | 2,836,172      |
| Derivative contracts, net  | 1,031,639      | 1,696,479      |
| Operating lease liability, net of current portion                    | 721,188        | 789,339        |
| Total liabilities  | 45,593,091     | 38,302,275     |
| Stockholders' equity:  |                |                |
| Common Stock, \$0.01666 par value; 54,000,500                        |                |                |
| shares authorized and 34,469,449 issued at March 31, 2022;           |                |                |
| 36,000,500 shares authorized and 32,770,433 issued at Sept. 30, 2021 | 574,261        | 545,956        |
| Capital in excess of par value                                       | 37,596,944     | 33,213,645     |
| Deferred directors' compensation                                     | 1,407,423      | 1,768,151      |
| Retained earnings  | 50,778,525     | 48,966,420     |
|  | 90,357,153     | 84,494,172     |
| Less treasury stock, at cost; 377,232 shares at March 31,            |                |                |
| 2022, and 388,545 shares at Sept. 30, 2021                           | (5,608,607)    | (5,785,433)    |
| Total stockholders' equity   | 84,748,546     | 78,708,739     |
| Total liabilities and stockholders' equity                           | \$ 130,341,637 | \$ 117,011,014 |

## Condensed Statements of Cash Flows

|  | Six Months Ended March 31, |                |
|--|----------------------------|----------------|
|  | 2022                       | 2021           |
| Operating Activities   |                            |                |
| Net income (loss)  | \$ 2,661,794               | \$ (1,096,443) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                            |                |
| Depreciation, depletion and amortization   | 3,704,876                  | 4,038,466      |
| Impairment of producing properties   | 5,585                      | -              |
| Provision for deferred income taxes  | 27,000                     | (288,000)      |
| Gain from leasing fee mineral acreage  | (239,751)                  | (57,493)       |
| Proceeds from leasing fee mineral acreage  | 328,783                    | 64,047         |
| Net (gain) loss on sales of assets   | (171,285)                  | (62,097)       |
| Directors' deferred compensation expense   | 103,031                    | 100,254        |
| Total (gain) loss on derivative contracts  | 10,147,238                 | 2,602,179      |
| Cash receipts (payments) on settled derivative contracts                                 | (176,510)                  | 315,883        |
| Restricted stock awards  | 688,981                    | 284,148        |
| Other  | 28,483                     | 31,544         |
| Cash provided (used) by changes in assets and liabilities:                               |                            |                |
| Natural gas, oil and NGL sales receivables   | (3,022,384)                | (1,732,801)    |
| Other current assets   | (205,489)                  | (388,864)      |
| Accounts payable   | (91,587)                   | (340,404)      |
| Income taxes receivable  | 2,413,942                  | 1,356,356      |
| Other non-current assets   | 64,975                     | 56,545         |
| Income taxes payable   | (80,317)                   | -              |
| Accrued liabilities  | (253,045)                  | (206,213)      |
| Total adjustments  | 13,272,526                 | 5,773,550      |
| Net cash provided by operating activities  | 15,934,320                 | 4,677,107      |
| Investing Activities   |                            |                |
| Capital expenditures   | (279,348)                  | (425,098)      |
| Acquisition of minerals and overriding royalty interests                                 |                            |                |



(20,918,274)

(7,934,504)



|  |              |              |
|--|--------------|--------------|
| Net proceeds from sales of assets                                | 6,880,972    | 21,000       |
| Net cash provided (used) by investing activities                 | (14,316,650) | (8,338,602)  |
| Financing Activities   |              |              |
| Borrowings under credit facility                                 | 10,000,000   | -            |
| Payments of loan principal                                       | (3,500,000)  | (5,250,000)  |
| Net cost of equity issuance                                      | (72,657)     | (53,482)     |
| Cash receipts from (payments on) off-market derivative contracts | (7,930,160)  | -            |
| Payments of dividends  | (849,689)    | (454,936)    |
| Net cash provided (used) by financing activities                 | (2,352,506)  | (5,758,418)  |
| Increase (decrease) in cash and cash equivalents                 | (734,836)    | (9,419,913)  |
| Cash and cash equivalents at beginning of period                 | 2,438,511    | 10,690,395   |
| Cash and cash equivalents at end of period                       | \$ 1,703,675 | \$ 1,270,482 |

#### Supplemental Schedule of Noncash Investing and Financing Activities

|  |  |                                |
|--|--|--------------------------------|
| Dividends declared and unpaid  | \$ -   | \$ 289,997                     |
| Gross additions to properties and equipment  | \$ 24,522,684  | \$ 8,759,616                   |
| Value of shares used for acquisitions  | (3,510,001)  | (250,000)                      |
| Net (increase) decrease in accounts payable for properties and equipment additions | 184,939  | (150,014)                      |
| Capital expenditures and acquisitions  | Proved Reserves SEC Pricing<br>\$ 21,197,622<br>March 31, 2022 | \$ 8,359,602<br>Sept. 30, 2021 |
| Proved Developed Reserves:   |  |                                |
| Mcf of Gas   | 57,105,505   | 60,287,881                     |
| Barrels of Oil   | 1,407,747  | 1,439,860                      |
| Barrels of NGL   | 1,413,001  | 1,467,092                      |
| Mcf (1)  | 74,029,993   | 77,729,593                     |
| Proved Undeveloped Reserves:   |  |                                |
| Mcf of Gas   | 6,649,529  | 4,664,787                      |
| Barrels of Oil   | 49,819   | 64,980                         |
| Barrels of NGL   | 39,120   | 34,761                         |

|                        |            |            |
|------------------------|------------|------------|
| Mcf (1)                | 7,183,163  | 5,263,233  |
| Total Proved Reserves: |            |            |
| Mcf of Gas             | 63,755,034 | 64,952,668 |
| Barrels of Oil         | 1,457,566  | 1,504,840  |
| Barrels of NGL         | 1,452,121  | 1,501,853  |
| Mcf (1)                | 81,213,156 | 82,992,826 |

#### 10% Discounted Estimated Future

#### Net Cash Flows (before income taxes):

|                    |                |               |
|--------------------|----------------|---------------|
| Proved Developed   | \$ 136,886,508 | \$ 86,793,303 |
| Proved Undeveloped | 18,800,039     | 9,731,035     |
| Total              | \$ 155,686,547 | \$ 96,524,338 |
| SEC Pricing        |                |               |
| Gas/Mcf            | \$ 4.24        | \$ 2.79       |
| Oil/Barrel         | \$ 75.00       | \$ 56.51      |
| NGL/Barrel         | \$ 31.44       | \$ 20.58      |

#### Proved Reserves - Projected Future Pricing (2)

|                                       |                 |                |
|---------------------------------------|-----------------|----------------|
| 10% Discounted Estimated Future       | Proved Reserves |                |
| Net Cash Flows (before income taxes): | March 31, 2022  | Sept. 30, 2021 |
| Proved Developed                      | \$ 132,544,462  | \$ 111,007,369 |
| Proved Undeveloped                    | 18,291,047      | 11,989,928     |
| Total                                 | \$ 150,835,509  | \$ 122,997,297 |

(1) Crude oil and NGL converted to natural gas on a one barrel of crude oil or NGL equals six Mcf of natural gas basis.

(2) Projected futures pricing as of March 31, 2022, and Sept. 30, 2021, basis adjusted to Company wellhead price.

## Derivative Contracts as of May 6, 2022

| Fiscal Period  | Product     | Volume Mcf/Bbl | Swap Price | Collar Average | Collar Average |
|----------------|-------------|----------------|------------|----------------|----------------|
|                |             |                |            | Floor Price    | Ceiling Price  |
| Remaining 2022 | Natural Gas | 585,000        |            | \$ 3.95        | \$ 5.69        |
| Remaining 2022 | Natural Gas | 1,785,000      | \$ 2.98    |                |                |
| 2023           | Natural Gas | 890,000        |            | \$ 4.49        | \$ 8.10        |
| 2023           | Natural Gas | 2,100,000      | \$ 3.24    |                |                |
| 2024           | Natural Gas | 60,000         |            | \$ 3.00        | \$ 4.70        |
| 2024           | Natural Gas | 380,000        | \$ 3.41    |                |                |
| Remaining 2022 | Crude Oil   | 64,500         | \$ 45.03   |                |                |
| 2023           | Crude Oil   | 15,000         |            | \$ 75.00       | \$ 96.00       |
| 2023           | Crude Oil   | 66,750         | \$ 62.11   |                |                |
| 2024           | Crude Oil   | 11,250         | \$ 73.35   |                |                |

## Non-GAAP Reconciliation

This news release includes certain "non-GAAP financial measures" as defined under the rules and regulations of the U.S. Securities and Exchange Commission, or the SEC, including Regulation G. These non-GAAP financial measures are calculated using GAAP amounts in the Company's financial statements. These measures, detailed below, are provided in addition to, not as an alternative for, and should be read in conjunction with, the information contained in the Company's financial statements prepared in accordance with GAAP (including the notes thereto), included in the Company's SEC filings and posted on its website.

## Adjusted EBITDA Reconciliation

We define "adjusted EBITDA" as earnings before interest, taxes, depreciation and amortization, or EBITDA, excluding unrealized gains (losses) on derivatives and gains (losses) on asset sales and including cash receipts from (payments on) off-market derivatives and restricted stock and deferred directors' expense. We have included a presentation of adjusted EBITDA because we recognize that certain investors consider this amount to be a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. Adjusted EBITDA has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of adjusted EBITDA may not be comparable to a similarly titled measure of other companies. The following table provides a presentation of net income (loss) to adjusted EBITDA for the periods indicated:

|  | Second Quarter<br>Ended | Second Quarter<br>Ended | Six Months<br>Ended | Six Months<br>Ended | First Quarter<br>Ended |
|--|-------------------------|-------------------------|---------------------|---------------------|------------------------|
|  | March 31, 2022          | March 31, 2021          | March 31, 2022      | March 31, 2021      | Dec. 31, 2021          |
| Net Income (Loss)                              | \$ (4,020,455)          | \$ (499,723)            | \$ 2,661,794        | \$ (1,096,443)      | \$ 6,682,249           |
| Plus:  |                         |                         |                     |                     |                        |
| Income tax expense                             |                         |                         |                     |                     |                        |
| (benefit)                                      | 33,000                  | (217,000)               | 795,000             | (286,000)           | 762,000                |
| Interest expense                               | 230,212                 | 267,865                 | 406,931             | 569,763             | 176,719                |
| DD&A   | 2,121,116               | 1,777,817               | 3,704,876           | 4,038,466           | 1,583,760              |
| Impairment                                     | -                       | -                       | 5,585               | -                   | 5,585                  |
| Less:  |                         |                         |                     |                     |                        |
| Unrealized gains (losses)                      |                         |                         |                     |                     |                        |
| on derivatives                                 | (11,772,640)            | (2,050,712)             | (7,222,140)         | (2,918,062)         | 4,550,499              |
| Gains (losses) on asset sales                  | 2,292,215               | 14,082                  | 171,288             | 30,559              | (2,120,927)            |
| Plus:  |                         |                         |                     |                     |                        |
| Cash receipts from (payments on)               |                         |                         |                     |                     |                        |
| off-market derivative contracts <sup>(1)</sup> | (2,493,481)             | -                       | (5,181,572)         | -                   | (2,688,091)            |
| Restricted stock and deferred                  |                         |                         |                     |                     |                        |
| director's expense                             | 468,598                 | 216,897                 | 792,013             | 384,402             | 323,415                |
| Adjusted EBITDA                                | \$ 5,819,415            | \$ 3,582,486            | \$ 10,235,479       | \$ 6,497,691        | \$ 4,416,065           |

(1) The initial receipt of \$8.8 million of cash from BP Energy Company, or BP, for entering into the off-market derivative contracts had no effect on the Company's statement of operations and was considered cash flow from financing activities. A portion of subsequent settlements with BP has no effect on the Company's statement of operations.

#### Debt to Adjusted EBITDA (TTM) Reconciliation

"Debt to adjusted EBITDA (TTM)" is defined as the ratio of long-term debt to adjusted EBITDA on a trailing 12-month (TTM) basis. We have included a presentation of debt to adjusted EBITDA (TTM) because we recognize that certain investors consider such ratios to be useful means of measuring our ability to meet our debt service obligations and for evaluating our financial performance. The debt to adjusted EBITDA (TTM) ratio has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of debt to adjusted EBITDA (TTM) may not be comparable to a similarly titled measure of other companies. The following table provides a presentation of net income (loss) to adjusted EBITDA on a TTM basis and of the resulting debt to adjusted EBITDA (TTM) ratio:

|  | TTM Ended      | TTM Ended      |
|--|----------------|----------------|
|  | March 31, 2022 | March 31, 2021 |
| Net Income (Loss)                              | \$ (2,459,000) | \$ (6,485,780) |
| Plus:  |                |                |
| Income tax expense (benefit)                   | 429,949        | (1,842,000)    |
| Interest expense                               | 832,295        | 1,139,313      |
| DD&A   | 7,412,214      | 9,023,030      |
| Impairment                                     | 56,060         | 358,826        |
| Less:  |                |                |
| Unrealized gains (losses)                      |                |                |
| on derivatives                                 | (8,580,898)    | (7,842,624)    |
| Gains (losses) on asset sales                  | 450,074        | 738,432        |
| Plus:  |                |                |
| Cash receipts from (payments on)               |                |                |
| off-market derivative contracts <sup>(1)</sup> | 3,618,428      | -              |
| Restricted stock and deferred                  |                |                |
| director's expense                             | 1,443,276      | 721,944        |
| Adjusted EBITDA                                | \$ 19,464,046  | \$ 10,019,525  |
| Debt   | \$ 24,000,000  | \$ 23,500,000  |
| Debt to Adjusted EBITDA (TTM)                  | 1.23           | 2.35           |

(1) The initial receipt of \$8.8 million of cash from BP for entering into the off-market derivative contracts had no effect on the Company's statement of operations and was considered cash flow from financing activities. A portion of subsequent settlements with BP has no effect on the Company's statement of operations.

#### Pretax Net Income (Loss) Excluding Non-cash Derivative Gains (Losses) Reconciliation

"Pretax net income (loss) excluding non-cash derivative gains (losses)" is defined as earnings before taxes, excluding unrealized gains (losses) on derivatives. We have included a presentation of pretax net income (loss) excluding non-cash derivative gains (losses) because we recognize that certain investors consider this amount to be a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. Pretax net income (loss) excluding non-cash derivative gains (losses) has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of pretax net income (loss) excluding non-cash derivative gains (losses) may not be comparable to a similarly titled measure of other companies. The following table provides a presentation of net income (loss) to pretax net income (loss) excluding non-cash derivative gains (losses) for the periods indicated:



|  | Second Quarter Ended | First Quarter Ended |
|--|----------------------|---------------------|
|  | March 31, 2022       | Dec. 31, 2021       |
| Net Income (Loss)                            | \$ (4,020,455)       | \$ 6,682,249        |
| Plus:  |                      |                     |
| Income tax expense (benefit)                 | 33,000               | 762,000             |
| Less:  |                      |                     |
| Unrealized gains (losses)                    |                      |                     |
| on derivatives                               | (11,772,640)         | 4,550,499           |
| Pretax Net Income (Loss) excluding           |                      |                     |
| Non-cash Derivative Gains (Losses)           | \$ 7,785,185         | \$ 2,893,750        |
| Basic and diluted weighted average           |                      |                     |
| shares outstanding                           | 34,292,455           | 33,127,722          |
| Pretax Net Income (Loss) excluding           |                      |                     |
| Non-cash Derivative Gains (Losses) per share | \$ 0.23              | \$ 0.09             |

[PHX Minerals Inc.](#) (NYSE: PHX) Oklahoma City-based, [PHX Minerals Inc.](#) is a natural gas and oil mineral company with a strategy to proactively grow its mineral position in its core areas of focus. PHX owns mineral acreage principally located in Oklahoma, Texas, Louisiana, North Dakota, and Arkansas. Additional information on PHX can be found at [www.phxmin.com](http://www.phxmin.com).

#### Cautionary Statement Regarding Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as "anticipates," "plans," "estimates," "believes," "expects," "intends," "will," "should," "may" and similar expressions may be used to identify forward-looking statements. Forward-looking statements are not statements of historical fact and reflect PHX's current views about future events. Forward-looking statements may include, but are not limited to, statements relating to: the Company's ability to execute its business strategies; the volatility of realized natural gas and oil prices; the level of production on the Company's properties; estimates of quantities of natural gas, oil and NGL reserves and their values; general economic or industry conditions; legislation or regulatory requirements; conditions of the securities markets; the Company's ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; title defects in the properties in which the Company invests; and other economic, competitive, governmental, regulatory or technical factors affecting properties, operations or prices. Although the Company believes expectations reflected in these and other forward-looking statements are reasonable, the Company can give no assurance such expectations will prove to be correct. Such forward-looking statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company. These forward-looking statements involve certain risks and uncertainties that could cause the results to differ materially from those expected by the Company's management. Information concerning these risks and other factors can be found in the Company's filings with the SEC, including its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, available on the Company's website or the SEC's website at [www.sec.gov](http://www.sec.gov).

Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements. The

forward-looking statements in this press release are made as of the date hereof, and the Company does not undertake any obligation to update the forward-looking statements as a result of new information, future events or otherwise.

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