

PANHANDLE OIL & GAS INC
Form 10-Q
February 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13
or 15(d) of the Securities Exchange Act
of 1934
~~December~~ 31,
~~2013~~
period
ended

Transition Report Pursuant to Section 13
or 15(d) of the Securities Exchange Act
of 1934
For _____ to _____
the
transition
period
from

~~00131759~~
File
Number

PANHANDLE OIL AND GAS INC.
(Exact name of registrant as specified in its
charter)

OKLAHOMA 73-1055775
(I.R.S. Employer)

(State
or
other
jurisdiction
of
incorporation Identification No.)
or
organization)

Grand Centre Suite 300, 5400 N Grand
Blvd., Oklahoma City, Oklahoma 73112
(Address of principal executive offices)

Reg 405 and 408-1560
405 and 408-1560
telephone
number
including
area
code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YesNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YesNo

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer",

“accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Accelerated filer Non-accelerated
filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YesNo

Outstanding shares of 8,236,672
Class A Common
stock (voting) at
February 6, 2014:

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The following defined terms are used in this report:

“Bbl” means barrel.

“Board” means board of directors.

“BTU” means British Thermal Units.

“Company” refers to Panhandle Oil and Gas Inc.

“DD&A” means depreciation, depletion and amortization.

“ESOP” refers to the Panhandle Oil and Gas Inc. Employee Stock Ownership and 401(k) Plan, a tax qualified, defined contribution plan.

“FASB” means the Financial Accounting Standards Board.

“G&A” means general and administrative costs.

“Independent Consulting Petroleum Engineer(s)” or “Independent Consulting Petroleum Engineering Firm” refers to DeGolyer and MacNaughton of Dallas, Texas.

“LOE” means lease operating expense.

“Mcf” means thousand cubic feet.

“Mcf” means natural gas stated on an Mcf basis and crude oil and natural gas liquids converted to a thousand cubic feet of natural gas equivalent by using the ratio of one Bbl of crude oil or natural gas liquids to six Mcf of natural gas.

“Mmbtu” means million BTU.

“minerals”, “mineral acres” or “mineral interests” refers to fee mineral acreage owned in perpetuity by the Company.

“NGL” means natural gas liquids.

“NYMEX” refers to the New York Mercantile Exchange.

“Panhandle” refers to Panhandle Oil and Gas Inc.

“play” is a term applied to identified areas with potential oil and/or natural gas reserves.

“royalty interest” refers to well interests in which the Company does not pay a share of the costs to drill, complete and operate a well, but receives a much smaller proportionate share (as compared to a working interest) of production.

“SEC” refers to the United States Securities and Exchange Commission.

“working interest” refers to well interests in which the Company pays a share of the costs to drill, complete and operate a well and receives a proportionate share of production.

“WTI” refers to West Texas Intermediate.

Fiscal year references

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All references to years in this report, unless otherwise noted, refer to the Company's fiscal year end of September 30. For example, references to 2014 mean the fiscal year ended September 30, 2014.

References to oil and natural gas properties

References to oil and natural gas properties inherently include natural gas liquids associated with such properties.

PART 1 FINANCIAL INFORMATION

PANHANDLE OIL AND GAS INC.

CONDENSED BALANCE SHEETS

	December 31, 2013 (unaudited)	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 294,961	\$ 2,867,171
Oil, NGL and natural gas sales receivables	14,677,736	13,720,761
Refundable production taxes	708,506	662,051
Derivative contracts	-	425,198
Other	165,811	129,998
Total current assets	15,847,014	17,805,179
Properties and equipment at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	314,483,789	304,889,145
Non-producing oil and natural gas properties	8,873,666	8,932,905
Furniture and fixtures	737,929	737,368
	324,095,384	314,559,418
Less accumulated depreciation, depletion and amortization	(191,820,197)	(186,641,291)
Net properties and equipment	132,275,187	127,918,127
Investments	1,663,320	1,574,642
Refundable production taxes	440,203	540,482
Total assets	\$ 150,225,724	\$ 147,838,430
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,168,398	\$ 8,409,634
Derivative contracts	466,772	-
Deferred income taxes	84,100	127,100
Income taxes payable	1,840,342	751,992
Accrued liabilities and other	1,203,080	1,011,865
Total current liabilities	10,762,692	10,300,591
Long-term debt	6,000,000	8,262,256
Deferred income taxes	31,595,907	31,226,907
Asset retirement obligations	2,477,441	2,393,190
Stockholders' equity:		
Class A voting common stock, \$.0166 par value;		

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24,000,000 shares authorized, 8,431,502 issued at December 31, 2013, and September 30, 2013	140,524	140,524
Capital in excess of par value	2,456,303	2,587,838
Deferred directors' compensation	2,870,595	2,756,526
Retained earnings	100,052,495	96,454,449
	105,519,917	101,939,337
Less treasury stock, at cost; 194,830 shares at December 31, 2013, and 200,248 shares at September 30, 2013	(6,130,233)	(6,283,851)
Total stockholders' equity	99,389,684	95,655,486
Total liabilities and stockholders' equity	\$ 150,225,724	\$ 147,838,430

(See accompanying notes)

(1)

PANHANDLE OIL AND GAS INC.

CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,	
	2013	2012
Revenues:	(unaudited)	
Oil, NGL and natural gas sales	\$ 18,473,082	\$ 12,758,954
Lease bonuses and rentals	196,229	374,392
Gains (losses) on derivative contracts	(496,901)	892,693
Income from partnerships	224,346	154,396
	18,396,756	14,180,435
Costs and expenses:		
Lease operating expenses	3,315,397	3,296,562
Production taxes	571,564	303,553
Exploration costs	38,755	19,767
Depreciation, depletion and amortization	5,308,019	5,639,020
Provision for impairment	202,991	154,965
Loss (gain) on asset sales, interest and other	(77,455)	43,186
General and administrative	1,873,167	1,898,084
	11,232,438	11,355,137
Income before provision for income taxes	7,164,318	2,825,298
Provision for income taxes	2,238,000	677,000
Net income	\$ 4,926,318	\$ 2,148,298
Basic and diluted earnings per common share (Note 3)	\$ 0.59	\$ 0.26
Basic and diluted weighted average shares outstanding:		
Common shares	8,231,902	8,250,109
Unissued, directors' deferred compensation shares	123,061	122,285
	8,354,963	8,372,394
Dividends declared per share of common stock and paid in period	\$ 0.08	\$ 0.07
Dividends declared per share of common stock and to be paid in quarter ended March 31	\$ 0.08	\$ 0.07

(See accompanying notes)

(2)

PANHANDLE OIL AND GAS INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

Three Months Ended December 31, 2013

	Class A voting Common Stock		Capital in Excess of Par Value	Deferred Directors' Compensation	Retained Earnings	Treasury Shares	Treasury Stock	Total
	Shares	Amount						
Balances at September 30, 2013	8,431,502	\$ 140,524	\$ 2,587,838	\$ 2,756,526	\$ 96,454,449	(200,248)	\$ (6,283,851)	\$ 95,655,486
Purchase of treasury stock	-	-	-	-	-	(3,722)	(122,044)	(122,044)
Restricted stock awards	-	-	127,976	-	-	-	-	127,976
Net income	-	-	-	-	4,926,318	-	-	4,926,318
Dividends (\$.16 per share)	-	-	-	-	(1,328,272)	-	-	(1,328,272)
Distribution of restricted stock to officers	-	-	(259,511)	-	-	-	-	(259,511)