

PANHANDLE OIL & GAS INC
Form 10-Q
May 07, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the period ended March 31, 2012

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

Commission File Number 001-31759

PANHANDLE OIL AND GAS INC.

(Exact name of registrant as specified in its charter)

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OKLAHOMA **73-1055775 .**
(State or other jurisdiction of **(I.R.S. Employer**

incorporation or organization) **Identification No.)**
Grand Centre Suite 300, 5400 N Grand Blvd., Oklahoma City,

Oklahoma 73112

(Address of principal executive offices)

Registrant's telephone number including area code (405) 948-1560

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. Yes No

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). Yes No

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). Yes No

Outstanding shares of Class A Common stock (voting) at May 7, 2012: 8,239,532

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The following defined terms are used in this report:

Bbl means barrel;

Board means board of directors;

CEGT means Centerpoint Energy Gas Transmission's East pipeline in Oklahoma;

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;

Mcfe 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;

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;

PEPL means Panhandle Eastern Pipeline Company's Texas/Oklahoma mainline;

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

SEC means 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.

Fiscal year references

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 2012 mean the fiscal year ended September 30, 2012.

References to natural gas

Excluding 2012 amounts, all references to natural gas reserves, production, sales and prices include associated natural gas liquids.

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

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PANHANDLE OIL AND GAS INC.

CONDENSED BALANCE SHEETS

| | March 31, 2012 (unaudited) | September 30, 2011 |
|--|-------------------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,119,676 | \$ 3,506,999 |
| Oil and natural gas sales receivables | 6,950,126 | 8,811,404 |
| Deferred income taxes | 26,900 | |
| Refundable income taxes | | 354,246 |
| Refundable production taxes | 479,621 | 223,672 |
| Derivative contracts | 309,658 | 269,329 |
| Other | 195,792 | 95,408 |
| Total current assets | 9,081,773 | 13,261,058 |
| Properties and equipment, at cost, based on successful efforts accounting: | | |
| Producing oil and natural gas properties | 260,460,706 | 230,554,198 |
| Non-producing oil and natural gas properties | 9,889,633 | 11,100,350 |
| Furniture and fixtures | 655,201 | 628,929 |
| | 271,005,540 | 242,283,477 |
| Less accumulated depreciation, depletion and amortization | (155,307,113) | (146,147,514) |
| Net properties and equipment | 115,698,427 | 96,135,963 |
| Investments | 823,028 | 667,504 |
| Refundable production taxes | 1,031,146 | 1,359,668 |
| Total assets | \$ 126,634,374 | \$ 111,424,193 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,399,998 | \$ 4,899,593 |
| Deferred income taxes | | 7,100 |
| Income taxes payable | 283,863 | |
| Accrued liabilities and other | 1,024,793 | 1,040,269 |
| Total current liabilities | 4,708,654 | 5,946,962 |
| Long-term debt | 13,809,501 | |
| Deferred income taxes | 25,170,393 | 24,777,650 |
| Asset retirement obligations | 1,934,291 | 1,843,875 |
| Derivative contracts | | 53,389 |
| Stockholders' equity: | | |
| Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at March 31, 2012 and September 30, 2011 | 140,524 | 140,524 |
| Capital in excess of par value | 1,844,004 | 1,924,507 |
| Deferred directors' compensation | 2,475,538 | 2,665,583 |
| Retained earnings | 82,698,964 | 79,771,563 |
| | 87,159,030 | 84,502,177 |

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| | | |
|---|----------------|----------------|
| Less treasury stock, at cost; 191,970 shares at March 31, 2012 and 175,331 shares at September 30, 2011 | (6,147,495) | (5,699,860) |
| Total stockholders' equity | 81,011,535 | 78,802,317 |
| Total liabilities and stockholders' equity | \$ 126,634,374 | \$ 111,424,193 |

(See accompanying notes)

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PANHANDLE OIL AND GAS INC.

CONDENSED STATEMENTS OF OPERATIONS

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|------------------------------|---------------|----------------------------|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| | (unaudited) | | (unaudited) | |
| Revenues: | | | | |
| Oil and natural gas (and associated natural gas liquids) sales | \$ 9,565,898 | \$ 10,907,935 | \$ 21,310,175 | \$ 20,639,509 |
| Lease bonuses and rentals | 166,727 | 28,490 | 1,921,918 | 141,855 |
| Gains (losses) on derivative contracts | 590,912 | 8,766 | 368,833 | (12,673) |
| Income from partnerships | 113,373 | 32,268 | 240,317 | 110,316 |
| | 10,436,910 | 10,977,459 | 23,841,243 | 20,879,007 |
| Costs and expenses: | | | | |
| Lease operating expenses | 2,051,487 | 2,081,579 | 4,316,399 | 4,279,449 |
| Production taxes | 343,852 | 422,428 | 782,351 | 767,072 |
| Exploration costs | 41,688 | 290,353 | 355,058 | 577,457 |
| Depreciation, depletion and amortization | 4,940,961 | 3,631,385 | 9,083,374 | 7,066,196 |
| Provision for impairment | 217,262 | 828,019 | 580,809 | 828,019 |
| Loss (gain) on asset sales, interest and other | 29,537 | (13,499) | (47,504) | (19,226) |
| General and administrative | 1,606,157 | 1,465,941 | 3,303,680 | 3,105,938 |
| | 9,230,944 | 8,706,206 | 18,374,167 | 16,604,905 |
| Income before provision for income taxes | 1,205,966 | 2,271,253 | 5,467,076 | 4,274,102 |
| Provision for income taxes | 530,000 | 499,000 | 1,379,000 | 1,075,000 |
| Net income | \$ 675,966 | \$ 1,772,253 | \$ 4,088,076 | \$ 3,199,102 |
| Basic and diluted earnings per common share (Note 3) | \$ 0.08 | \$ 0.21 | \$ 0.49 | \$ 0.38 |
| Basic and diluted weighted average shares outstanding: | | | | |
| Common shares | 8,249,954 | 8,281,059 | 8,253,079 | 8,291,549 |
| Unissued, directors' deferred compensation shares | 133,851 | 119,943 | 133,387 | 119,652 |
| | 8,383,805 | 8,401,002 | 8,386,466 | 8,411,201 |
| Dividends declared per share of common stock and paid in period | \$ 0.07 | \$ 0.07 | \$ 0.14 | \$ 0.14 |

(See accompanying notes)

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PANHANDLE OIL AND GAS INC.

STATEMENTS OF STOCKHOLDERS EQUITY

Six Months Ended March 31, 2012

| | Class A voting Common Stock | | Capital in Excess of Par Value | Deferred Directors Compensation | Retained Earnings | Treasury Shares | Treasury Stock | Total |
|--------------------------------|--------------------------------|------------|--------------------------------------|---------------------------------------|----------------------|--------------------|-------------------|---------------|
| | Shares | Amount | Par Value | Compensation | Earnings | Shares | Stock | Total |
| Balances at September 30, 2011 | 8,431,502 | \$ 140,524 | \$ 1,924,507 | \$ 2,665,583 | \$ 79,771,563 | (175,331) | \$ (5,699,860) | \$ 78,802,317 |
| Purchase of treasury stock | | | | | | | | |