

PANHANDLE OIL & GAS INC  
Form 10-K/A  
January 09, 2014  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Commission File Number:001-31759

PANHANDLE OIL AND GAS INC.

(Exact name of registrant as specified in its charter)

OKLAHOMA  
(State or other jurisdiction of incorporation  
or organization)

73-1055775  
(I.R.S. Employer Identification No.)

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

Registrant's telephone number: (405) 948-1560

Securities registered under Section 12(b) of the Act:

CLASS A COMMON STOCK (VOTING)  
(Title of Class)

NEW YORK STOCK EXCHANGE  
(Name of each exchange on which registered)

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Securities registered under Section 12(g) of the Act:  
(Title of Class)

CLASS B COMMON STOCK (NON-VOTING) \$1.00 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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. X Yes  No

(Facing Sheet Continued)

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

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the preceding 12 months (or for such shorter period) that the registrant was required to submit and post such files.

X Yes      No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. \_\_\_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" 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 Act).    Yes     No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by using the \$28.65 per share closing price of registrant's Common Stock, as reported by the New York Stock Exchange at March 31, 2013, was \$201,942,992. As of December 1, 2013, 8,231,254 shares of Class A Common Stock were outstanding.

#### Documents Incorporated By Reference

The information required by Part III of this Report, to the extent not set forth herein, is incorporated by reference from the registrant's Definitive Proxy Statement relating to the annual meeting of stockholders to be held on March 5, 2014, which definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.



Explanatory Note

The sole purpose of this Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2013, as filed with the Securities and Exchange Commission on December 11, 2013 (“Original Form 10-K”), is to amend the Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm to include the signatures of our registered independent registered public accounting firm. These two reports shown on pages 44 and 45 of the Original Form 10-K were shown without the registered independent public accounting firm’s signatures.

Except as described above, this Amendment does not modify or update the disclosures presented in, or exhibits to, the Original Form 10-K in any way. Those sections of the Original Form 10-K that are unaffected by this Amendment are not included herein. This Amendment continues to speak as of the date of the Original Form 10-K. Other than the furnishing of these two reports from our Independent Registered Public Accounting Firm with its signatures as described above, this Amendment has no impact on the Company’s previously reported audited financial statements and notes thereto as of September 30, 2013. Furthermore, this Amendment does not reflect events occurring after the filing of the Original 10-K Filing. Accordingly, this Amendment should be read in conjunction with the Original Form 10-K, as well as the Company’s other filings made with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act subsequent to the filing of the Original Form 10-K.

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ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (the "Exchange Act") as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2013. In making this assessment, the Company's management used the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management has concluded that, as of September 30, 2013, the Company's internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on the following page.

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Report of Independent Registered Public Accounting Firm

on Internal Control Over Financial Reporting

The Board of Directors and Stockholders of

Panhandle Oil and Gas Inc.

We have audited Panhandle Oil and Gas Inc.'s internal control over financial reporting as of September 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Panhandle Oil and Gas Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Panhandle Oil and Gas Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets of Panhandle Oil and Gas Inc. as of September 30, 2013 and 2012, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2013 and our report dated December 11, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Oklahoma City, Oklahoma

December 11, 2013

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of  
Panhandle Oil and Gas Inc.

We have audited the accompanying balance sheets of Panhandle Oil and Gas Inc. (the Company) as of September 30, 2013 and 2012, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panhandle Oil and Gas Inc. at September 30, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Panhandle Oil and Gas Inc.'s internal control over financial reporting as of September 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated December 11, 2013, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Oklahoma City, Oklahoma  
December 11, 2013

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## Panhandle Oil and Gas Inc.

## Balance Sheets

	September 30, 2013	2012
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,867,171	\$ 1,984,099
Oil, NGL and natural gas sales receivables	13,720,761	8,349,865
Refundable income taxes	-	325,715
Refundable production taxes	662,051	585,454
Deferred income taxes	-	121,900
Derivative contracts	425,198	-
Other	129,998	255,812
Total current assets	17,805,179	11,622,845
Properties and equipment at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	304,889,145	275,997,569
Non-producing oil and natural gas properties	8,932,905	10,150,561
Furniture and fixtures	737,368	668,004
	314,559,418	286,816,134
Less accumulated depreciation, depletion and amortization	(186,641,291)	(165,199,079)
Net properties and equipment	127,918,127	121,617,055
Investments	1,574,642	1,034,870
Refundable production taxes	540,482	911,960
Total assets	\$ 147,838,430	\$ 135,186,730

(Continued on next page)

See accompanying notes.

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## Panhandle Oil and Gas Inc.

## Balance Sheets

	September 30, 2013	2012
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 8,409,634	\$ 6,447,692
Derivative contracts	-	172,271
Deferred income taxes	127,100	-
Income taxes payable	751,992	-
Accrued liabilities and other	1,011,865	1,007,779
Total current liabilities	10,300,591	7,627,742
Long-term debt	8,262,256	14,874,985
Deferred income taxes	31,226,907	26,708,907
Asset retirement obligations	2,393,190	2,122,950
Stockholders' equity:		
Class A voting common stock, \$.0166 par value; 24,000,000 shares authorized, 8,431,502 issued at September 30, 2013 and 2012	140,524	140,524
Capital in excess of par value	2,587,838	2,020,229
Deferred directors' compensation	2,756,526	2,676,160
Retained earnings	96,454,449	84,821,395
	101,939,337	89,658,308
Treasury stock, at cost; 200,248 shares at September 30, 2013, and 181,310 shares at September 30, 2012	(6,283,851)	(5,806,162)
Total stockholders' equity	95,655,486	83,852,146
Total liabilities and stockholders' equity	\$ 147,838,430	\$ 135,186,730

See accompanying notes.

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## Panhandle Oil and Gas Inc.

## Statements of Operations

	Year ended September 30,		
	2013	2012	2011
Revenues:			
Oil, NGL and natural gas sales	\$ 60,605,878	\$ 40,818,434	\$ 43,469,130
Lease bonuses and rentals	938,846	7,152,991	352,757
Gains (losses) on derivative contracts	611,024	73,822	734,299
Income from partnerships	733,372	487,070	420,465
	62,889,120	48,532,317	44,976,651
Costs and expenses:			
Lease operating expenses	11,861,403	9,141,970	8,441,754
Production taxes	1,834,840	1,449,537	1,456,755
Exploration costs	9,795	979,718	1,025,542
Depreciation, depletion and amortization	21,945,768	19,061,239	14,712,188
Provision for impairment	530,670	826,508	1,728,162
Loss (gain) on asset sales, interest and other	(785,401)	39,493	(68,325)
General and administrative	6,801,996	6,388,856	5,994,663
	42,199,071	37,887,321	33,290,739
Income (loss) before provision (benefit)			
for income taxes	20,690,049	10,644,996	11,685,912
Provision (benefit) for income taxes	6,730,000	3,274,000	3,192,000
Net income (loss)	\$ 13,960,049	\$ 7,370,996	\$ 8,493,912
Basic and diluted earnings per common share:			
Net income (loss)	\$ 1.67	\$ 0.88	\$ 1.01

See accompanying notes.



Panhandle Oil and Gas Inc.

## Statements of Stockholders' Equity

	Class A voting Common Stock Shares	Amount	Capital in Excess of Par Value	Deferred Directors' Compensation	Retained Earnings	Treasury Shares	Treasury Stock	Total
Balances at September 30, 2010	8,431,502	\$ 140,524	\$ 1,816,365	\$ 2,222,127	\$ 73,599,733	(120,560)	\$ (4,196,753)	\$ 73,581,996
Purchase of treasury stock	-	-	-	-	-	(65,481)	(1,851,290)	(1,851,290)
Issuance of treasury shares to ESOP	-	-	(44,340)	-	-	10,710	348,183	303,843
Restricted stock awards	-	-	152,482	-	-	-	-	152,482
Common shares to be issued to directors for services	-	-	-	443,456	-	-	-	443,456
Dividends declared (\$.28 per share)	-	-	-	-	(2,322,082)	-	-	(2,322,082)
Net income	-	-	-	-	8,493,912	-	-	8,493,912
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	-	-	-	-	-	(38,771)	(1,158,957)	(1,158,957)
Issuance of treasury shares to ESOP	-	-	(14,391)	-	-	10,660	341,333	326,942
Restricted stock awards	-	-	330,923	-	-	-	-	330,923
Distribution of deferred directors' compensation	-	-	(220,810)	(406,770)	-	22,132	711,322	83,742

Common shares to be issued to directors for services	-	-	-	417,347	-	-	-	417,347
Dividends declared (\$.28 per share)	-	-	-	-	(2,321,164)	-	-	(2,321,164)
Net income	-	-	-	-	7,370,996	-	-	7,370,996