

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name PANHANDLE OIL AND GAS, INC.		2 Issuer's employer identification number (EIN) 73-1055775	
3 Name of contact for additional information LONNIE LOWRY	4 Telephone No. of contact 405-948-1560	5 Email address of contact l1owry@panhandleoilandgas.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 5400 N. GRAND BLVD., SUITE 300		7 City, town, or post office, state, and Zip code of contact OKLAHOMA CITY, OK 73112	
8 Date of action 10/08/2014		9 Classification and description COMMON STOCK	
10 CUSIP number 698477106	11 Serial number(s)	12 Ticker symbol PHX	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ A TWO-FOR-ONE STOCK SPLIT, COMPLETED IN THE FORM OF A STOCK DIVIDEND OF ONE SHARE OF COMMON STOCK FOR EACH SHARE OF COMMON STOCK OUTSTANDING. THE STOCK DIVIDEND WAS DISTRIBUTED ON OCTOBER 8, 2014 TO STOCKHOLDERS OF RECORD AS OF SEPTEMBER 24, 2014.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ THE STOCK SPLIT WAS A NON-TAXABLE TRANSACTION UNDER INTERNAL REVENUE CODE (IRC) SECTION 305(a) AND ACCORDINGLY A STOCKHOLDER'S BASIS SHALL BE ALLOCATED UNDER IRC SECTION 307(a). UNDER IRC SECTION 307(a) EACH STOCKHOLDER WILL ALLOCATE THE BASIS IN A SHARE OWNED PRIOR TO THE STOCK SPLIT OVER THAT SHARE AND THE ADDITIONAL SHARE ISSUED IN THE TWO-FOR-ONE STOCK SPLIT. AS A RESULT, A STOCKHOLDER WILL MULTIPLY THE BASIS IN EACH SHARE HELD BEFORE THE STOCK SPLIT BY 50% TO DETERMINE THE BASIS, AFTER THE STOCK SPLIT, IN THAT SHARE AND THE ADDITIONAL SHARE DISTRIBUTED IN THE STOCK SPLIT. SEE THE EXAMPLE BELOW IN #16.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ A SHAREHOLDER WILL MULTIPLY THE BASIS IN EACH SHARE HELD BEFORE THE STOCK SPLIT BY 50% TO DETERMINE THE BASIS, AFTER THE STOCK SPLIT, IN THAT SHARE AND THE ADDITIONAL SHARE DISTRIBUTED IN THE STOCK SPLIT.

EXAMPLE:

BEFORE THE STOCK SPLIT: A STOCKHOLDER HOLDS 100 SHARES OF PANHANDLE OIL AND GAS INC. COMMON STOCK WITH A BASIS OF \$60 PER SHARE AND \$6,000 IN TOTAL.

AFTER THE STOCK SPLIT: A STOCKHOLDER HOLDS 200 SHARES OF PANHANDLE OIL AND GAS INC. COMMON STOCK WITH A BASIS OF \$30 PER SHARE AND \$6,000 IN TOTAL.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based **▶** IRC SECTION 305(a) AND IRC SECTION 307(a).

18 Can any resulting loss be recognized? **▶** NO LOSS CAN BE RECOGNIZED IN CONNECTION WITH THE TWO-FOR-ONE STOCK SPLIT COMPLETED IN THE FORM OF A STOCK DIVIDEND.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year **▶** THE REPORTABLE TAX YEAR IS 2014 FOR STOCKHOLDERS REPORTING TAXABLE INCOME ON A CALENDAR YEAR BASIS. FOR STOCKHOLDERS REPORTING TAXABLE INCOME ON A BASIS OTHER THAN CALENDAR YEAR, THE REPORTABLE YEAR IS THE STOCKHOLDER'S TAX YEAR THAT INCLUDES OCTOBER 8, 2014.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature **▶** *Lonnie J. Lowry* Date **▶** 11-6-14
Print your name **▶** Lonnie J. Lowry Title **▶** VP/CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
ERIC F. PERCIVAL	<i>E. F. Percival</i>	11-6-14		P00295636
Firm's name ▶	HSPG & ASSOCIATES, PC		Firm's EIN ▶	20-5861398
Firm's address ▶	5400 N. GRAND BLVD., STE. 330 OKLAHOMA CITY, OK 73112		Phone no.	405-844-9995

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054