

PANHANDLE OIL & GAS INC
Form PRE 14A
January 03, 2014

Notice of Annual Shareholders Meeting

To be held March 5, 2014

To The Shareholders of Panhandle Oil and Gas Inc.:

Notice is hereby given that the annual meeting of the shareholders of Panhandle Oil and Gas Inc. (the "Company") will be held at the Tower Hotel, formerly the Oklahoma City Marriott, 3233 Northwest Expressway, Oklahoma City, Oklahoma on Wednesday, March 5, 2014, at 1:30 p.m. local time, for the following purposes:

- 1.To elect the two nominees named in the accompanying proxy statement to serve as directors on the Company's Board of Directors for terms of three years;
- 2.To elect the nominee named in the accompanying proxy statement to serve as a director on the Company's Board of Directors for a term of one year;
- 3.To approve an amendment to the Panhandle Oil and Gas Inc. 2010 Restricted Stock Plan;
- 4.To ratify the appointment of Ernst & Young, LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2014;
- 5.To hold an advisory vote on executive compensation;
- 6.To hold an advisory vote to determine the frequency of future advisory votes on executive compensation; and
- 7.To consider and act upon any other matter as may properly come before the meeting or any adjournment or postponement thereof.

Only holders of record of the Common Stock at the close of business on January 21, 2014 will be entitled to vote at the meeting and any adjournments or postponements.

By Order of the Board of Directors

Lonnie J. Lowry, Secretary

Oklahoma City, Oklahoma

January 28, 2014

Your Vote Is Important.

Whether Or Not You Expect To Attend The Meeting, Please Mark, Sign And Date The Enclosed Proxy And Mail It Promptly In The Postage-Paid Envelope Provided.

Please Vote!

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Panhandle Oil and Gas Inc.

5400 N. Grand Boulevard, Suite 300

Oklahoma City, OK 73112-5688

Annual Shareholders Meeting

March 5, 2014

Notice of Annual Meeting

The accompanying proxy is solicited by the Board of Directors (the “Board”) of Panhandle Oil and Gas Inc., an Oklahoma corporation (the “Company”, “Panhandle”, “we”, “us” and “our”), for use at the Company’s annual shareholders meeting (the “meeting”) to be held at the Tower Hotel, formerly the Oklahoma City Marriott, 3233 Northwest Expressway, Oklahoma City, Oklahoma, on Wednesday, March 5, 2014, at 1:30 p.m. local time, and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Shareholders Meeting.

When the proxy is properly executed and returned, the shares it represents will be voted at the meeting in accordance with the directions noted thereon. If no direction is indicated, the persons named on the enclosed proxy will vote the proxy FOR the nominees for director in Proposals No. 1 and No. 2 and FOR Proposals No. 3 through No. 6. Signed proxy cards without specified choices will be voted in the discretion of the proxies. Should other matters properly come before the meeting, the proxy will be voted as the Board may recommend, except proxies which are marked to deny discretionary authority.

If the enclosed form of proxy is executed and returned, it still may be revoked at any time before it is exercised by signing and sending to the Company a later dated proxy or a written revocation, or by attending the meeting and voting in person.

If your shares are held in “street name” (that is, through a bank, broker or other nominee), follow the voting instructions on the form you receive from such firm. If you hold shares in “street name” and would like to attend the meeting and vote in person, you will need to bring a proxy to the meeting signed by the nominee in whose name your shares are registered.

The mailing address of the Company is 5400 N. Grand Boulevard, Suite 300, Oklahoma City, OK 73112-5688. The Company anticipates that the proxies and proxy statements will be mailed to shareholders beginning on or about January 28, 2014. A copy of the Company’s Annual Report to Shareholders for the fiscal year ended September 30, 2013 accompanies this proxy statement.

The cost of soliciting proxies for the meeting will be paid by the Company. In addition to solicitation by mail, arrangements may be made with brokerage firms, banks and other custodians, nominees and fiduciaries to send proxy material to their principals. The Company will reimburse these institutions for their reasonable costs. No solicitation is to be made by specially engaged employees or other paid solicitors.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on March 5, 2014: this proxy statement, form of proxy and the Company’s 2013 Annual Report to Shareholders are available at the following website: www.proxydocs.com/phx.

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Voting of Common Stock

All holders of Common Stock of record at the close of business on January 21, 2014 will be entitled to vote at the meeting or any adjournments or postponements. As of January 21, 2014, there were 8,319,961 shares of Class A Common Stock, par value \$0.01666 (“Common Stock”), outstanding, entitled to vote, owned by approximately 3,700 shareholders. A list of record shareholders entitled to vote at the meeting will be available for examination at least 10 days prior to the meeting at the Company’s offices during ordinary business hours and at the meeting.

The Amended Certificate of Incorporation of the Company provides for one vote for each share of Common Stock outstanding. At the meeting, each record holder of Common Stock will be entitled to cast one vote per share of Common Stock held on the record date. Votes may be cast by shareholders either in person or by proxy.

The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the meeting. Abstentions and broker “non-votes” are counted as present and entitled to vote for the purpose of determining a quorum. Broker “non-votes” are shares held by brokers or nominees over which the broker or nominee lacks discretionary power to vote (such as for the election of directors) and for which the broker or nominee has not received specific voting instructions from the beneficial owner. For purposes of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that particular matter, even though those shares will be considered present and entitled to vote for purposes of determining a quorum and may be entitled to vote on other matters.

Under the rules of the New York Stock Exchange, brokers or their nominees do not have the discretionary power to vote shares on most matters. At the meeting, they may only vote shares if they receive specific voting instructions from the beneficial owner. In very limited circumstances, brokers generally do have discretion to vote on matters deemed to be routine. If your shares are held by a broker or other nominee and if you do not provide such specific voting instructions, your shares can not be voted for the election of directors or any Proposal other than ratification of the appointment of our independent registered public accounting firm.

The Board has adopted a majority vote standard for the election of directors in uncontested director elections. Accordingly, at the meeting, each nominee will be elected if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote for the election of directors cast their votes “FOR” the nominee.

The three nominees for director at the meeting are currently directors of the Company. If any incumbent nominee for director fails to receive the required affirmative vote of the holders of a majority of the votes cast for that director, under Oklahoma law and the Company’s Bylaws, the incumbent will remain in office until his successor is elected and qualified or until his earlier death, resignation, retirement or removal. If any incumbent for director receives a greater number of votes “WITHHELD” from his election than votes “FOR”, he must promptly submit his offer of resignation from the Board for consideration by the Corporate Governance and Nominating Committee of the Board. The Corporate Governance and Nominating Committee will consider all relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation. The Board will act on the offered resignation, taking into account such

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recommendation, and publicly disclose its decision regarding the offered resignation within 90 days from the date of the annual meeting. The director who offered his resignation will not participate in any proceedings with respect to his offered resignation. If the Board accepts a director's offered resignation, the Corporate Governance and Nominating Committee will recommend to the Board whether to fill such vacancy or reduce the size of the Board. The Company's Corporate Governance Guidelines and Bylaws can be viewed at the Company's website: www.panhandleoilandgas.com.

Proposals No. 3 through No. 6 will be approved if the holders of a majority of shares of Common Stock present at the meeting and entitled to vote on each such Proposal vote "FOR" the Proposal.

The Company knows of no arrangements which would result in a change in control of the Company at any future date.

The Company knows of no other matters to come before the meeting. The Company did not receive any shareholder proposals. If any other matters properly come before the meeting, the proxies solicited hereby will be voted on such matters as the Board may recommend, except proxies which are marked to deny discretionary authority.

A proxy is enclosed for your signature. Please return it immediately, marked, dated and signed. If your shares are held in "street name", please provide voting instructions on the form you receive from your broker or other nominee.

Proposal No. 1

Election of Two Directors for Three Year Terms Ending 2017

Proposal No. 2

Election of One Director for a One Year Term Ending in 2015

The present directors of the Company and their current Board Committee memberships are as follows:

Name	Age	Positions/Offices Presently Held with the Company	Since	Present
			Served As	Term
Michael C. Coffman	60	Director, President and Chief Executive Officer	2006	2014
Duke R. Ligon (1)(3)	72	Director	2007	2014
Robert O. Lorenz (1)(2)	67	Lead Independent Director	2003	2016
Robert A. Reece (1)(3)	69	Director	1986	2014
Robert E. Robotti (2)(3)	60	Director	2004	2016
Darryl G. Smette (1)(2)	66	Director	2010	2015
H. Grant Swartzwelder (2)(3)	50	Director	2002	2015

(1)Member of the Audit Committee.

(2)Member of the Compensation Committee.

(3)Member of the Corporate Governance and Nominating Committee.

(3)

The Board believes it is in the Company's best interest to continue to have a classified board structure with three year terms for its directors due to the uniqueness of Company assets, strategies and the minimal amount of shares outstanding. Panhandle's ownership of perpetual fee mineral acres leads the Company to employ business strategies that are more long-term results oriented as compared to more traditional oil and gas companies.

This requires the Company's directors to have a long-term outlook and understanding rather than being focused on short term results. This long-term results oriented focus has served the Company well, with demonstrated operating and financial results that continue to create value for our shareholders. Maintaining a consistent focus by a long-term oriented board is imperative and maintaining longer service for our board of directors is important in order to execute the overall strategy of Panhandle.

Nominees for the vacancies for the three year terms ending in 2017 are Michael C. Coffman and Robert A. Reece, both of whom are currently directors.

The nominee to fill the third vacancy for a one year term ending in 2015 is Duke R. Ligon, who is a current director.

The Board is divided into three classes, with the terms of office of each class ending in successive years. Each director is elected for a three year term. There are three directors whose terms expire in 2014 so normally three nominees would be proposed to fill the three vacancies with three year terms ending 2017. Duke R. Ligon is one of the directors whose term expires in 2014. When Mr. Ligon was re-elected to a three year term in 2011, he was 69 years of age. The Company's Bylaws provide that, at the time of re-election, a director must be less than 70 years of age, unless, in the sole discretion of the Board, a director who is over 70 may be re-elected for one additional term of one year. The Board has determined to nominate Mr. Ligon for an additional term of one year ending in 2015. At the 2015 Annual Shareholders Meeting, a person will be nominated to serve the remaining two years of what would have been a three year term for Mr. Ligon. This will allow the Company to have its three classes of directors as nearly equal in number as possible with the term of office of one class expiring each year.

These three nominees were recommended by the Corporate Governance and Nominating Committee and approved by the Board. The Board has no reason to believe that any nominee will be unable to serve as director. However, if any nominee should be unable for any reason to accept nomination or election, it is the intention of the persons named in the enclosed proxy to vote those proxies for the election of such other person or persons as the Board may recommend.

Nominees for Election to the Board of Directors for Three Year Terms Ending in 2017

Michael C. Coffman has worked in public accounting and as a financial officer with companies involved in the oil and gas industry since 1975. He joined the Company in 1990 as its treasurer. From 1995 to 2006, he served as vice-president and chief financial officer. From 2006 to August 2007, he served as co-president and chief financial officer. Since August 2007, he has served as president and chief executive officer. He was elected to the Board in 2006. Since January 1, 2013, Mr. Coffman has been a director of the Oklahoma City branch of the Federal Reserve Bank of Kansas City and he has been a director of Equal Energy Ltd. (oil and gas production) since May 2013.

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Mr. Coffman's qualifications to serve on the Board include his 37 years in the oil and gas exploration and production industry and his skills and experience in financial, accounting and acquisition matters.

Robert A. Reece is an attorney and since 1980 has been of counsel with the law firm of Crowe & Dunlevy, Oklahoma City, and active in the management of his family's investments, including significant oil and gas holdings. He has been a director of NBC Bank (a state chartered bank) of Oklahoma City since 1982. He holds an MBA degree. Mr. Reece was elected to the Board in 1986.

Mr. Reece's qualifications to serve on the Board include extensive experience in the legal, oil and gas and private equity investment fields. Mr. Reece has managed significant investments for his family for over 35 years.

The Board of Directors Recommends That The Shareholders

Vote "FOR" The Election of

Michael C. Coffman And Robert A. Reece

As Directors

Nominee for Election to the Board of Directors for a One Year Term Ending in 2015

Duke R. Ligon is an attorney and currently is the owner and manager of Mekusukey Oil Company LLC (oil and gas royalty company). He served as senior vice president and general counsel of Devon Energy Corporation (oil and gas exploration, production and transportation) from 1997 until he retired in 2007. Prior to 1997, Mr. Ligon was a partner in the law firm of Mayer Brown LLP, New York City. From 2007 to 2010, he served as strategic advisor to Love's Travel Stops and Country Stores (convenience stores and midstream energy transportation). He has been a director of PostRock Energy Corporation (oil and natural gas transportation) since 2006, Blueknight Energy Partners, L.P. (formerly SemGroup Energy Partners, L.P.) (crude oil terminaling, storage, gathering and transportation) since 2009, Vantage Drilling Company (offshore drilling) since 2010, and Emerald Oil, Inc. (oil and gas production) since 2011. He was a director of Pre-Paid Legal Services, Inc. (sale of legal expense plans) from 2007 until its sale in 2011, TransMontaigne Partners, L.P. (distribution and marketing of petroleum products) from 2008 to 2009, Teppco Partners LP (crude oil transportation) in 2009, and SteelPath MLP Funds Trust (investment company) from 2010 until November 2012 when the company was sold, but remains on the Advisory Board through 2014. Mr. Ligon was elected to the Board in August 2007.

Mr. Ligon brings expertise to the Board in legal, investment banking and financial matters having practiced law in a large New York law firm, worked in the investment banking business and served as general counsel of a large independent oil and gas company. Mr. Ligon has served as a director of several public companies and has extensive contacts in the oil and gas and financial industries.

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The Board of Directors Recommends That The Shareholders

Vote “FOR” The Election of

Duke R. Ligon As A Director

Directors Whose Terms Continue Beyond the 2014 Annual Meeting and Who are Not Subject to Election this Year
Directors Whose Terms End in 2015

Darryl G. Smette joined Devon Energy Corporation (oil and gas exploration, production and transportation) in 1986 and currently serves as Executive Vice President of Marketing, Midstream and Supply Chain. Mr. Smette is a member of Devon’s Capital Budget Committee and the senior management Executive Committee and as such is charged with developing and executing Devon’s corporate strategy. Mr. Smette is also responsible for marketing, midstream operations and procurement and logistics of goods and services. Prior to joining Devon, Mr. Smette worked in the oil and gas industry for 16 years. Mr. Smette holds an MBA degree. He was elected to the Board in August 2010.

Mr. Smette’s qualifications to serve on the Board are his extensive operational experience in the oil and gas industry, including, exploration, production, distribution and marketing, and in developing and executing corporate business strategies for a large independent oil and gas company.

H. Grant Swartzwelder is president of PetroGrowth Advisors and PG Energy Holdings, LP, Irving, Texas (investment banking and venture capital), both of which he founded in 1998. Since 1998, he has founded and managed several private companies engaged in various aspects of the oil and gas service business. Prior to 1998, he was vice president of Principal Financial Securities, Inc., Dallas, Texas (an investment-banking firm). He holds a Bachelor of Science degree in Petroleum Engineering and an MBA degree. He was elected to the Board in 2002.

Mr. Swartzwelder’s qualifications to serve on the Board include his investment banking and venture capital experience, his founding and management of several oil and gas service businesses and his background in petroleum engineering.

Directors Whose Terms End in 2016

Robert O. Lorenz is a former audit partner of Arthur Andersen LLP. He served as the managing partner of the Oklahoma City office beginning in 1994 and as the managing partner of the Oklahoma practice beginning in 2000. He retired from Arthur Andersen in 2002. Since 2005, Mr. Lorenz has been a director of OGE Energy Corp. (regulated electric utility and natural gas transportation), and was a director of Infinity Inc. (oil and gas exploration and development) from 2004 to 2009. He was elected to the Board in 2003.

Mr. Lorenz’s qualifications to serve on the Board include over 30 years in public accounting, his expertise in the areas of finance and accounting, and his broad experience as a director of public companies engaged in the energy business.

Robert E. Robotti, since 1983, has been the president of Robotti & Company, LLC (a registered broker-dealer), president of Robotti & Company Advisors, LLC (a registered investment

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advisor), or their predecessors, and, since 1980, has been the managing member of Ravenswood Investment Company, LLC, which serves as the general partner of three investment partnerships, all located in New York City. Since 2007, Mr. Robotti has served as a portfolio manager and managing member of Robotti Global Fund, LLC, a global equity fund. Mr. Robotti has been a director of Pulse Seismic, Inc. (oil and gas seismic) since 2007. Mr. Robotti holds an MBA degree and is a member of the New York Society of Security Analysts. He was elected to the Board in 2004.

Mr. Robotti's qualifications to serve on the Board include his extensive experience in the investment business as the owner of a registered broker-dealer and a registered investment advisor, as the manager of several investment partnerships and as a portfolio manager of a global equity fund. He has served as a director of several public companies.

None of the organizations described in the business experiences of the Company's directors and officers are parents, subsidiaries or affiliates of the Company, or do business with the Company. The Company for many years, in the ordinary course of its business, has participated on industry terms through its mineral acreage ownership in the drilling and completion of oil and gas wells for which Devon Energy Corporation serves as the operator. Darryl G. Smette is an Executive Vice President of Devon. See "Transactions with Directors" below.

None of the non-management directors have ever been employees of the Company.

Stock Ownership of Directors and Executive Officers

The following table sets forth information with respect to the outstanding shares of Common Stock owned beneficially as of December 31, 2013 by each director, nominee for director and executive officers and by all directors and executive officers as a group.

Name of Beneficial Owner	Amount of Shares	Percent of Beneficially Owned(3)(4) Common Stock
Paul F. Blanchard, Jr. (2)(5)	67,659	*
Michael C. Coffman (1)(2)(5)	168,981	2.1%
Duke R. Ligon (1)	211,217	2.6%
Robert O. Lorenz (1)	4,200	*
Lonnie J. Lowry (2)(5)	17,709	*
Robert A. Reece (1)	30,162	*
Robert E. Robotti (1) c/o Robotti & Company, LLC 6 E. 43rd St., 23rd Floor New York, NY 10017	714,680	8.7%
Darryl G. Smette (1)	1,842	*
Ben Priestersbach (2)(5)	20,277	*
H. Grant Swartzwelder (1)	8,272	*
Robb P. Winfield (2)(5)	7,525	*
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All directors and executive officers as a group (11 persons)	1,252,524	15.1%

*Less than 1% owned

(1)Director

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(2)Executive Officer

(3)The number of shares shown includes shares that are individually or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority.

(4)The number of shares shown does not include future share amounts recorded to each outside director's account under the Directors' Deferred Compensation Plan. These share amounts represent shares to be issued in the future and have no investment or voting authority. See "Compensation of Directors" - footnote (2) of table entitled "Directors Compensation For Fiscal 2013", on page 10.

(5)The number of shares shown for Messrs. Coffman, Blanchard, Lowry, Spriestersbach and Winfield include unvested shares of restricted stock awarded under the Company's 2010 Restricted Stock Plan and their shares in the Company's ESOP Plan over which they exercise voting authority.

Lead Independent Director

Effective November 1, 2008, the Board named Robert O. Lorenz as Lead Independent Director and eliminated the position of Chairman of the Board. The Lead Independent Director presides at all Board meetings and all executive sessions of outside directors. The Board adopted a "Charter of Lead Independent Director" which can be viewed at the Company's website: www.panhandleoilandgas.com.

Meetings and Committees of the Board of Directors

During the fiscal year ended September 30, 2013 ("fiscal 2013"), the Board held six meetings. At each meeting, a quorum of directors was present. The outside directors hold executive sessions at each Board meeting without management present. The Company expects all of its directors to attend each annual shareholders meeting. All directors attended the 2013 annual shareholders meeting.

During fiscal 2013, each director attended at least 75% of the meetings of the Board and each of the Board committees on which he served.

The Board has determined that, under the rules of the Securities and Exchange Commission and the New York Stock Exchange, all directors are currently independent, except for Michael C. Coffman, Chief Executive Officer, who does not serve on any Board committee.

The members of the Board are elected to various committees. The Board presently has three standing committees: Audit, Compensation, and Corporate Governance and Nominating.

The Audit Committee is comprised of Robert O. Lorenz, chair, Duke R. Ligon, Robert A. Reece and Darryl G. Smette. For information regarding the functions performed by the Audit Committee, its membership and the number of meetings held during fiscal 2013, see "Report of the Audit Committee" below. The Board has determined that each member of the Audit Committee meets all applicable independence and financial literacy requirements of the Securities and Exchange Commission and of the New York Stock Exchange. Robert O. Lorenz has been determined by the Board to meet the "audit committee financial expert" requirements of the Securities and Exchange Commission and the New York Stock Exchange. The Audit Committee Charter can be viewed at the Company's website: www.panhandleoilandgas.com.

The Compensation Committee is comprised of Darryl G. Smette, chair, Robert O. Lorenz, Robert E. Robotti and H. Grant Swartzwelder. The Committee met four times during fiscal 2013. The Committee reviews officer performance and recommends to the Board compensation amounts for executive officers and directors. See "Compensation Discussion and Analysis" below. The

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Compensation Committee also oversees the administration of the Panhandle Oil and Gas Inc. Employee Stock Ownership and 401(k) Plan and Trust Agreement (the “ESOP Plan”). The Compensation Committee Charter can be viewed at the Company’s website: www.panhandleoilandgas.com.

The Corporate Governance and Nominating Committee is comprised of Duke R. Ligon, chair, Robert A. Reece, Robert E. Robotti and H. Grant Swartzwelder. The Committee met twice during fiscal 2013. The Committee’s charter can be viewed at the Company’s website: www.panhandleoilandgas.com. Functions of the Corporate Governance and Nominating Committee include: search for, identify and screen individuals qualified to become members of the Board; recommend to the Board when new members should be added to the Board; recommend to the Board individuals to fill vacant Board positions; and recommend to the Board nominees for election as directors at the annual shareholders meeting. If a vacancy on the Board exists that will not be filled by an incumbent director, the Committee identifies prospective nominees primarily through business and industry contacts. At a minimum, in its assessment of potential Board candidates, the Corporate Governance and Nominating Committee will review each candidate’s character, wisdom, acumen, business skills and experience, understanding of and involvement in the oil and gas industry, and ability to devote the time and effort necessary to fulfill his or her responsibilities. It is the policy of the Company to seek the most qualified candidates for Board membership without regard to race, gender, national origin, religion, disability, age or sexual orientation. The Corporate Governance and Nominating Committee will consider nominees proposed by shareholders of the Company if the requirements set forth in the Company’s Bylaws are satisfied. For more information, see “Shareholder Proposals” below. Those nominations must include sufficient biographical information so that the Committee can appropriately assess the proposed nominee’s background and qualifications. To propose a prospective nominee for the Committee’s consideration, shareholders must submit the proposal in writing to Panhandle Oil and Gas Inc., Attention: Secretary, 5400 N. Grand Boulevard, Suite 300, Oklahoma City, OK 73112-5688. Any such submission must be accompanied by the written consent of the proposed nominee to being named as a nominee and to serve as a director, if elected. The Committee is responsible for overall corporate governance issues and compliance. The Committee reviews periodically the corporate governance policies and principles of the Company and oversees and evaluates compliance with the Company’s Code of Ethics and Business Practices. The Corporate Governance and Nominating Committee Charter can be viewed at the Company’s website: www.panhandleoilandgas.com.

Board Role in Risk Oversight

Management is responsible for day-to-day risk assessment and mitigation activities. The Board is responsible for risk oversight, focusing on the Company’s overall risk management strategy, its degree of tolerance for risk and the steps management is taking to manage the Company’s risk. This process is designed to provide to the Board timely visibility about the identification, assessment and management of critical risks. The Audit Committee assists the Board by annually reviewing and discussing with management this process and its functionality. The areas of critical risk include information technology, strategic, operational, compliance, environmental and financial risks. The Board, or the Audit Committee, receives this information through updates from the appropriate members of management to enable it to understand and monitor the Company’s risk management process. Information brought to the attention of the Audit Committee can then be shared with the Board, as appropriate.

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Compensation of Directors

The following outlines the compensation plan for the Company's outside directors for their services in all capacities.

The table contains information with respect to fiscal 2013 compensation of directors who served in such capacity at any time during fiscal 2013, except for the fiscal 2013 compensation of Michael C. Coffman, Chief Executive Officer, whose compensation is disclosed below in the caption "Executive Compensation – Summary Compensation Table". Currently, other than the Company's Deferred Compensation Plan for Non-Employee Directors (the "Directors' Deferred Compensation Plan"), the Company has no stock award, stock option or other equity incentive plans for its directors. If the amendment to the Company's 2010 Restricted Stock Plan is approved by shareholders at the 2014 Annual Meeting as set forth in Proposal No. 3, the directors will be entitled to participate in the Plan.

Annually, outside directors may elect to be included in the Directors' Deferred Compensation Plan. The Directors' Deferred Compensation Plan provides that each outside director may individually elect to be credited with future unissued shares of Company stock rather than cash for all or a portion of the annual retainers, Board meeting fees and committee meeting fees, and may elect to receive shares, if and when issued, over annual time periods up to ten years. These unissued shares are recorded to each director's deferred compensation account at the closing market price of the shares (i) on the dates of the Board and committee meetings, and (ii) on the payment dates of the annual retainers. Only on a director's retirement, termination, death, or a change-in-control of the Company will the shares recorded for such director under the Directors' Deferred Compensation Plan be issued to the director. The promise to issue such shares in the future is an unsecured obligation of the Company. All directors participated in the Directors' Deferred Compensation Plan in fiscal 2013.

Directors Compensation For Fiscal 2013

Name	Fees Paid in Cash or Deferred(1)(2)	All Other Compensation(3)	Total
Bruce M. Bell (4)	\$ 6,000	\$ 854	\$ 6,854
Duke R. Ligon	\$ 55,000	\$ 2,673	\$ 57,673
Robert O. Lorenz	\$ 74,500	\$ 6,385	\$ 80,885
Robert A. Reece	\$ 46,500	\$ 11,529	\$ 58,029
Robert E. Robotti	\$ 51,500	\$ 4,215	\$ 55,715
Darryl G. Smette	\$ 56,250	\$ 1,517	\$ 57,767
H. Grant Swartzwelder	\$ 54,750	\$ 5,844	\$ 60,594

(1)All directors deferred 100% of their retainers and fees under the Directors' Deferred Compensation Plan.

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(2)At the end of fiscal 2013, the following future share amounts had been recorded to each director's account under the Directors' Deferred Compensation Plan: Ligon– 10,708; Lorenz– 24,447; Reece– 42,351; Robotti– 16,113; Smette– 6,559; and Swartzwelder– 22,042.

(3)Under the Directors' Deferred Compensation Plan, dividends paid on the Common Stock are recorded to each Director's account on the record date of the dividend in the form of unissued shares. The amount recorded is based on the number of future unissued shares in each Director's account and the closing market price of the Company Stock on each dividend record date. These future share amounts have no voting authority and the Directors have no investment authority with respect thereto.

(4)Retired from Board in December 2012.

For fiscal 2013, outside directors received annual retainers of \$35,000, \$1,500 for attending each Board meeting, \$1,000 for attending each committee meeting and out-of-pocket travel expenses for attending all meetings. Any director who traveled over 50 miles to attend a Board or committee meeting received an additional \$500 for each meeting. In addition, during fiscal 2013, the Lead Independent Director and the chairs of the Audit, Compensation and Corporate Governance and Nominating Committees received additional annual retainers of \$12,500, \$10,000, \$5,000, and \$5,000, respectively. The annual retainers were paid in equal installments on December 31, 2012, and March 31, June 30 and September 30, 2013. This retainer and fee structure was guided by a study conducted by Longnecker & Associates, Houston, Texas (an independent compensation consultant) retained by the Compensation Committee to review the Company's Board compensation levels.

Any director who participates in a board meeting or committee meeting by conference telephone or other communications equipment receives only one-half of the fee paid for attendance in person at these meetings.

For fiscal 2014, outside directors will receive annual retainers of \$37,500, \$1,500 for attending each Board meeting, \$1,000 for attending each committee meeting and out-of-pocket travel expenses for attending all meetings. Any director who travels over 50 miles to attend a Board or committee meeting receives an additional \$500 for each meeting. In addition, the Lead Independent Director and the chairs of the Audit, Compensation and Corporate Governance and Nominating Committees will receive additional annual retainers of \$15,000, \$10,000, \$6,000 and \$5,000, respectively. The annual retainers are paid in equal installments on December 31, 2013, March 31, June 30 and September 30, 2014. The changes in retainers and fees for fiscal 2014 were guided by a study conducted by Longnecker & Associates, an independent compensation consultant retained by the Compensation Committee.

Longnecker & Associates has for several years recommended that Panhandle directors add an equity-based component to their compensation. To address Longnecker's recommendation, if Proposal 3, Amendment to 2010 Restricted Stock Plan, is approved by vote of the shareholders, the directors will become eligible to participate in the Plan. The initial grant of restricted stock to each director is planned to be valued at \$35,000, will vest one-fourth each quarter and will be effective mid-March 2014. According to Longnecker & Associates, with the adjustments to director compensation for fiscal 2014 and the \$35,000 restricted equity award, Panhandle's directors will be compensated at about the 25th percentile range of peer company directors.

(11)

Share Ownership Guidelines for Directors

The Bylaws of the Company require outside directors to own shares of the Company's Common Stock in order to be a Board member. To further align the interests of the Directors with the Company's shareholders, each Director is expected to own that number of shares at the end of their third year of Board service which equals, on a cost basis, the aggregate amount of the three prior years' Directors' retainers and the meeting fees for the five regularly scheduled Board meetings held each year during such three year period. Future unissued shares that have been recorded to the directors' accounts under the Director's Deferred Compensation Plan may be used to satisfy this share ownership requirement.

Transactions with Directors

The Company has entered into indemnification agreements with each of its directors and executive officers.

The Company for many years in the ordinary course of its business has participated on industry terms through its mineral acreage ownership in the drilling and completion of oil and gas wells in which Devon Energy Corporation serves as the operator. Darryl G. Smette is an Executive Vice President of Devon.

We review any transactions and relationships in which the Company and any of our directors, nominees for director, executive officers or any of their immediate family members may be participants, so as to determine whether any of these individuals have a direct or indirect material interest in any such transaction. We have developed and implemented processes and controls to obtain information from the directors and executive officers about related person transactions, and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in any such transaction. Transactions that are determined to be directly or indirectly material to a related person are disclosed in our proxy statement as required by SEC rules.

Pursuant to these processes, all directors and executive officers annually complete, sign and submit a directors' and officers' questionnaire that is designed to identify related person transactions and both actual and potential conflicts of interest. We also make appropriate inquiries as to the nature and extent of business that the Company may conduct with other companies for whom any of our directors or executive officers also serve as directors or executive officers. Under the Company's Code of Ethics and Business Practices, if an actual or potential conflict of interest affects an executive officer or a director, he or she is to immediately disclose all the relevant facts and circumstances to the Company's President or the Corporate Governance and Nominating Committee, as appropriate. If the Corporate Governance and Nominating Committee determines that there is a conflict, it will refer the matter to the Board, which will review the matter to make a final determination as to whether a conflict exists; and, if so, how the conflict should be resolved. In addition, the Audit Committee reviews all reports and disclosures of actual and potential related person transactions.

Compensation Committee Interlocks and Insider Participation

The functions and members of the Compensation Committee are set forth above under "Proposal No. 1 and Proposal No. 2 – Meetings and Committees of the Board of Directors." All

Committee members are independent and none of the Committee members have served as an officer or employee of the Company.

Code of Ethics

The Board has adopted a Code of Ethics and Business Practices applicable to all directors, officers and employees of the Company. In addition, the Board has adopted a Code of Ethics for Senior Financial Officers. The Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer were required to sign this code and will be held to the standards outlined in the code. Copies of both codes are available at the Company's website: www.panhandleoilandgas.com.

Proposal No. 3

Approval Of Amendment To The Panhandle Oil And Gas Inc.

2010 Restricted Stock Plan

The Company is asking its shareholders to approve an amendment to increase the number of shares of common stock reserved for issuance under the Panhandle Oil and Gas Inc. 2010 Restricted Stock Plan from 100,000 shares to 250,000 shares and to allow the grant of shares of restricted stock to our directors.

The 2010 Restricted Stock Plan was initially approved by the shareholders at the Company's 2010 Annual Shareholders meeting and covered 100,000 shares reserved for grant to officers of the Company.

As of December 21, 2013, an aggregate of 100,851 shares of common stock had been awarded under the 2010 Restricted Stock Plan. December 21, 2013 is the last date restricted stock has been awarded. The Company had repurchased 8,422 shares of common stock previously awarded but which did not vest, leaving only 7,571 shares available for grants in the future.

The Company believes that the grant of restricted shares that vest over several years is an essential long-term component to the Company's total compensation package for its officers and also encourages officers to remain with the Company.

Under the 2010 Restricted Stock Plan, directors were not eligible for stock awards. The Company recommends that Directors become eligible for stock awards under the Plan. We believe this will help retain and attract qualified directors and further align the directors' interests with those of the Company's shareholders.

The Restricted Stock Plan was designed to provide as much flexibility as possible for future granting of restricted stock so that the Company can respond as necessary to provide competitive compensation in order to attract, retain and motivate officers and directors of the Company and to align their interests with those of the Company's shareholders.

Until the Restricted Stock Plan was approved in 2010, the Company had not provided any equity incentives to its officers other than contributions of Common Stock to the Company's ESOP Plan. See "Executive Compensation".

The Company intends to repurchase on the open market or in private transactions shares of Common Stock equal to the number of shares of restricted stock awarded on an annual basis under the Restricted Stock Plan in order to avoid dilution to existing shareholders.

The full text of the Amended 2010 Restricted Stock Plan as proposed to be amended (the “Amended Restricted Stock Plan”) is included as Appendix A to this Proxy Statement and a brief description of its material terms is provided below.

Description of the Amended Restricted Stock Plan

Brief Summary of Proposed Amendments. The number of shares covered by the Amended Restricted Stock Plan is increased from 100,000 shares to 250,000 shares and directors become eligible for awards of restricted stock. Further, the Compensation Committee is given the authority to determine the vesting period for all awards to directors and officers.

Awards. The Restricted Stock Plan permits awards of restricted stock to Company officers and directors and is used by the Compensation Committee for retention and long-term incentive compensation. The Company will sell shares of restricted stock to officers and directors at a significant discount to the fair market value of the shares, generally at the par value of the shares. The restricted shares may vest after the passage of time (which for officers will typically be several years on the anniversary dates of the issuance of the restricted stock) and may vest depending on the market price performance of the Company’s Common Stock. The vesting period under the Plan will be determined by the Compensation Committee when it awards shares of Restricted Stock. Under various vesting requirements, the restricted stock awards may wholly or partially vest or never vest. The Company will repurchase the restricted stock at the original purchase price if vesting does not occur.

Officers participate in this program based on their (i) ability to make a significant contribution to the Company’s financial and operating results, (ii) level of responsibility and (iii) performance. No officer is entitled to participate automatically based on title, position or salary level. This program is designed to help retain key officers of the Company and participation is highly selective.

Longnecker & Associates has for several years recommended that Panhandle directors have an equity-based portion to their compensation. To address Longnecker’s recommendation, the amendment to the 2010 Restricted Stock Plan, Proposal No. 3, will include the directors as participants in the Plan.

If Proposal 3, Amendment to 2010 Restricted Stock Plan, is approved by vote of the shareholders, the directors will become eligible to participate in the Plan. The initial grant to directors is planned to be valued at \$35,000, will vest one-fourth each quarter, and will be effective mid-March 2014. According to Longnecker & Associates, with the adjustments to director compensation for fiscal 2014 and the \$35,000 restricted equity award, Panhandle’s directors will be compensated at about the 25th percentile range of peer company directors.

Each participant in the Restricted Stock Plan enters into a stock restriction agreement with the Company setting forth the terms, conditions and restrictions of the restricted stock award. The restricted stock is issued by the Company in the name of the participant and deposited with the

Company, or an escrow agent determined by the Compensation Committee, until the restrictions lapse or until vesting is no longer possible under the stock restriction agreement.

Subject to the terms and conditions of the stock restriction agreement, a participant holding restricted stock has the right to receive dividends on the shares of restricted stock during the restriction period, vote the shares of restricted stock and enjoy other shareholder rights related to the restricted stock. On expiration of the restriction period, subject to the terms of the Plan, the stock restriction agreement and the vesting requirements, the participant will be entitled to receive shares of Common Stock not subject to restriction.

Effective Date and Term. The Stock Restriction Plan initially became effective in March, 2010 when approved by shareholders. The Amended Restricted Stock Plan proposed herein will become effective when and if approved by the Company's shareholders. No restricted stock can be awarded after the day before the tenth anniversary of the date of shareholder approval, but the vesting periods for restricted stock previously sold may extend beyond that date. If the Amended Stock Restriction Plan is approved by shareholders, the tenth anniversary will be measured from such approval.

Eligibility. Any current officer or Director of the Company, or any future subsidiary entities in which the Company has a controlling interest, as determined by the Compensation Committee, are eligible to be granted an award of restricted stock.

Administration. The Plan is administered by the Compensation Committee of the Board, which has authority to grant awards of restricted stock and determine the recipients and the terms of awards. The Compensation Committee has full authority to construe and interpret the terms of the Amended Restricted Stock Plan and to determine all facts necessary to administer the Plan.

Stock Subject to the Restricted Stock Plan. Subject to adjustments allowed under the Amended Restricted Stock Plan, awards of restricted stock which may be made under the Plan will increase to 250,000 shares from 100,000 shares of Common Stock if the proposed amendment to the Plan is approved by shareholders. If any award of restricted stock expires or is terminated, surrendered or canceled without being fully vested, the unused shares covered by such award will again be available for awards under the Plan.

Restricted Stock. Pursuant to the Amended Restricted Stock Plan, the Compensation Committee may grant awards of restricted stock on the terms and conditions set forth by the Compensation Committee in the applicable stock restriction agreement, including the conditions for vesting, the vesting periods, the issue price and the acceleration of vesting in certain events. The vesting periods for previous restricted stock awards to officers have been a minimum of two years.

Adjustments Due to Changes in Capitalization or Control. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of shares of Common Stock other than an ordinary cash dividend, (i) the number of shares of Common Stock available under the Amended Restricted Stock Plan, (ii) the number of shares of Common Stock subject to and the repurchase price per share subject to each outstanding restricted stock award, and (iii) the terms of each other outstanding award shall be equitably adjusted by the Company in the manner determined by the Compensation Committee.

Change in Control. On the occurrence of a change in control of the Company as defined in the Amended Restricted Stock Plan, except to the extent provided to the contrary in the stock restriction agreement between a participant and the Company, all restrictions and conditions on all restricted stock awards then outstanding shall automatically lapse and be deemed terminated or satisfied, as applicable.

Transferability of Awards. Unless otherwise provided by the Compensation Committee, restricted stock will be nontransferable, either voluntarily or by operation of law, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Voting and Dividends. Holders of shares of restricted stock may vote their shares. Dividends are paid on restricted stock.

Termination of Employment. The Compensation Committee will determine the effect on restricted stock due to the disability, death, retirement, termination or other cessation or change in the employment, of a participant.

Tax Withholding. A participant in the Amended Restricted Stock Plan must satisfy all applicable federal, state and local or other income and employment tax withholding obligations of the Company before it will authorize the restricted stock to be released by the Company or from escrow. The Compensation Committee may allow a participant to satisfy all or part of these withholding obligations by transferring shares of restricted stock to the Company.

Amendment of Awards. The Compensation Committee may amend, suspend or terminate the Amended Restricted Stock Plan or any portion of the Plan at any time; provided that if at any time the approval of the Company's shareholders is required as to any modification or amendment under applicable laws and rules, the Compensation Committee may not effect such modification or amendment without shareholder approval. Unless otherwise specified in the amendment, any amendment to the Amended Restricted Stock Plan shall apply to, and be binding on, the holders of restricted stock under the Plan at the time the amendment is adopted, provided, the Compensation Committee determines that such amendment does not materially and adversely affect the rights of participants under the Plan.

Outstanding Equity Awards. The following table provides information on the holdings of restricted stock by our executive officers at December 21, 2013 which is the last date restricted stock has been awarded.

OUTSTANDING RESTRICTED STOCK AWARDS

Name	Award Date	Approval Date	Number of Shares of Restricted Stock That Have Not Vested
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