

PANHANDLE OIL & GAS INC
Form DEF 14A
January 22, 2015

Notice of Annual Shareholders Meeting

To be held March 4, 2015

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 of Oklahoma City, 3233 Northwest Expressway, Oklahoma City, Oklahoma on Wednesday, March 4, 2015, 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 two years;
- 3.To ratify the appointment of Ernst & Young, LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2015;
- 4.To hold an advisory vote on executive compensation; and
- 5.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, 2015 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, 2015

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 4, 2015

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 of Oklahoma City, 3233 Northwest Expressway, Oklahoma City, Oklahoma, on Wednesday, March 4, 2015, 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 Proposal No. 3 and Proposal No. 4. 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, 2015. A copy of the Company’s Annual Report to Shareholders for the fiscal year ended September 30, 2014 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 4, 2015: this proxy statement, form of proxy and the Company’s 2014 Annual Report to Shareholders are available at the following website: www.proxydocs.com/phx.

PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.

(1)

Voting of Common Stock

All holders of Common Stock of record at the close of business on January 21, 2015 will be entitled to vote at the meeting or any adjournments or postponements. As of January 21, 2015, there were 16,507,446 shares of Class A Common Stock, par value \$0.01666 (“Common Stock”), outstanding, entitled to vote and owned by approximately 8,600 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 card 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 such as ratification of the appointment of our auditor. If your shares are held by a broker or other nominee and if you do not provide such specific voting instructions, your shares cannot 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.

To be elected a director, the nominee for director who is not currently a director of the Company must receive “FOR” votes from the holders of the majority of the shares of Common Stock present at the meeting and entitled to vote for the election of directors.

Two of 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 entitled to be 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

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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 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 and No. 4 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 card 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.

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Proposal No. 1

Election of Two Directors for Three Year Terms Ending 2018

Proposal No. 2

Election of One Director for a Two Year Term Ending in 2017

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

Name	Age	Positions/Offices Presently Held with the Company	Served As Director Since	Present Term Ends
Michael C. Coffman	61	Director, President and Chief Executive Officer	2006	2017
Duke R. Ligon (1)(3)	73	Director	2007	2015
Robert O. Lorenz (1)(2)	68	Lead Independent Director	2003	2016
Robert A. Reece (1)(3)	70	Director	1986	2017
Robert E. Robotti (2)(3)	61	Director	2004	2016
Darryl G. Smette (1)(2)	67	Director	2010	2015
H. Grant Swartzwelder (2)(3)	51	Director	2002	2015

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

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

Our Bylaws state the Board shall be comprised of not less than five members with the exact number determined by resolution of the Board. The Board has set the current size of the Board at seven members. The Board is divided into three classes. Under the classified Board, at each annual shareholders' meeting, the term of one class expires. Directors in each class ordinarily serve three year terms, or until the director's retirement or until his or her successor is elected and qualified.

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 exploration and production 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 have created 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 effectively execute the overall strategy of Panhandle.

Nominees for the vacancies for the three year terms ending in 2018 are H. Grant Swartzwelder and Lee M. Canaan. Mr. Swartzwelder is currently a director. Ms. Canaan has never been a director of the Company.

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The nominee to fill the third vacancy for a two year term ending in 2017 is Darryl G. Smette, who is a current director.

There are three directors whose terms expire in 2015 so normally three nominees would be proposed to fill the three vacancies with three year terms ending 2018. The Board decided to waive the requirement of a three year term for Darryl G. Smette and to nominate him for a two year term ending in 2017. This will enable the Company to be able to retain Mr. Smette as a director for as long as possible as permitted by our Bylaws. 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 70 or over may be re-elected for one additional term of one year. By electing Mr. Smette to a two year term this year, he will be eligible to be elected to a three year term in 2017 since he will be less than 70. Mr. Smette is a valuable member of our board due to his unique and vast experience in the energy business and the Board believes it is in the Company's best interest to be able to retain him as a director for as many years as possible if Mr. Smette is willing to continue as a director after 2017.

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 2018

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.

Lee M. Canaan, age 58, is the founder and portfolio manager of Braeburn Capital Partners, LLC, Bloomfield Hills, Michigan, (a private investment management firm). Ms. Canaan founded the firm in 2003. She has previously served as a director of Noble International Inc. (automotive supplies) from 2000 to 2004, Oakmont Acquisition Corporation (a special purpose acquisition corporation) from 2005 to 2007 and Equal Energy Ltd (oil and gas exploration and production) from 2013 until its sale in 2014. She has been a director of Rock Creek Pharmaceuticals, Inc. (a drug development company) since 2014. She holds a bachelor's degree in Geological Sciences, a master's degree in Geophysics, and an MBA degree. She is also a Chartered Financial Analyst.

Ms. Canaan's qualifications to serve on the board include her corporate finance and merger and acquisition experience, her scientific background in geology and geophysics and her oil and gas

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exploration knowledge of most North American basins. She has served as a director of several public companies.

The Board of Directors Recommends Shareholders

Vote “FOR”

The Election of H. Grant Swartzwelder and Lee M. Canaan

as Directors

Nominee for Election to the Board of Directors for a Two Year Term Ending in 2017

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.

The Board of Directors Recommends Shareholders

Vote “FOR”

The Election of Darryl G. Smette as a Director

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

Directors Whose Terms End 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 served as a director of Equal Energy Ltd. (oil and gas exploration and production) from May 2013 until its sale in 2014.

Mr. Coffman's qualifications to serve on the Board include his 38 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.

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Stock Ownership of Directors, Nominees and Executive Officers

The following table sets forth information with respect to the outstanding shares of Common Stock owned beneficially as of December 31, 2014 by each director, nominee for director and executive officers, individually and as a group.

Name of Beneficial Owner	Amount of Shares Beneficially Owned(3)	Percent of Common Stock
Paul F. Blanchard, Jr. (2)(6)	141,733	*
Lee M. Canaan (nominee for director)	1,077	*
Michael C. Coffman (1)(2)(6)	347,934	2.1%
Duke R. Ligon (1)(3)(5)	186,241	1.1%
Robert O. Lorenz (1)(3)(5)	9,706	*
Lonnie J. Lowry (2)(6)	14,563	*
Robert A. Reece (1)	45,962	*
Robert E. Robotti (1)	810,492 (7)	4.9%
Darryl G. Smette (1)	4,996	*
H. Grant Swartzwelder (1)(3)(5)	9,850	*
Robb P. Winfield (2)(6)	17,770	*
All directors, nominees and executive officers as a group (11 persons)	1,590,324	9.6%

*Less than 1% owned

(1)Director

(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 future 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 "Outside Directors Compensation For Fiscal 2014", on page 12.

(5)The number of shares includes vested shares of restricted stock granted to directors under the Company's Amended 2010 Restricted Stock Plan.

(6)The number of shares shown for Messrs. Coffman, Blanchard, Lowry and Winfield include unvested shares of restricted stock awarded under the Company's Amended 2010 Restricted Stock Plan and their shares in the Company's

ESOP Plan, in each case over which they exercise voting authority.

(7)Based on a Schedule 13D filed with the SEC in December 2014.

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.

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Board Independence

Our Board annually determines the independence of each director and nominees for election as a director based on a review of the information provided by the directors, nominees and executive officers. The Board makes these determinations under the NYSE Listed Company Manual's independence standards, applicable SEC rules and our Corporate Governance Guidelines. As a result of this evaluation, the Board affirmatively determined by resolution that all current directors and our nominee for election to the Board named above are independent, except Michael C. Coffman, Chief Executive Officer, who does not serve on any Board committee.

Meetings and Committees of the Board of Directors

During the fiscal year ended September 30, 2014 ("fiscal 2014"), the Board held five 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 2014 annual shareholders meeting.

During fiscal 2014, each director attended at least 75% of the meetings of the Board and each of the Board committees on which he served.

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 2014, see "Report of the Audit Committee" on page 14 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. The Audit Committee Charter, which was most recently amended in December 2014, 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. Each member meets applicable independence requirements, including the enhanced independence standards of the NYSE, and qualifies as an "outside director" under Section 162(m) of the Internal Revenue Code and as a "Non-Employee Director" under SEC Rule 16b-3. The Committee met three times during fiscal 2014. The Committee reviews officer performance and recommends to the Board compensation amounts for executive officers and directors. See "Compensation Discussion and Analysis" on page 20 below. The 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 (which was most recently amended in December 2014) can be viewed at the Company's website: www.panhandleoilandgas.com.

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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 four times during fiscal 2014. 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.

Compensation of Directors

The following outlines the compensation for the Company's non-employee directors for their services in all capacities in fiscal 2014.

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The table below contains information with respect to fiscal 2014 compensation of non-employee directors who served in such capacity at any time during fiscal 2014, except for the fiscal 2014 compensation of Michael C. Coffman, Chief Executive Officer, whose compensation is disclosed below in the caption “Executive Compensation – Summary Compensation Table”. Currently, the Company’s Deferred Compensation Plan for Non-Employee Directors (the “Directors’ Deferred Compensation Plan”) and the Company’s Amended 2010 Restricted Stock Plan (“Restricted Stock Plan”) serve as the only equity incentive plans for its non-employee directors.

Annually, non-employee 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 Common 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 but one non-employee director participated in the Directors’ Deferred Compensation Plan in fiscal 2014.

For fiscal 2014, outside directors received 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 traveled over 50 miles to attend a Board or committee meeting received an additional \$500 for each meeting. During fiscal 2014, the Lead Independent Director and the chairs of the Audit, Compensation and Corporate Governance and Nominating Committees received additional annual retainers of \$15,000, \$10,000, \$6,000, and \$5,000, respectively. The annual retainers were paid in equal installments on December 31, 2013, and March 31, June 30 and September 30, 2014. 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.

For fiscal 2015, 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. These annual retainers are to be paid in equal installments on December 31, 2014, March 31, June 30 and September 30, 2015.

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.

Longnecker & Associates has for several years recommended that Panhandle directors add an equity-based component to their compensation. To address Longnecker’s recommendation, an

amendment to the Restricted Stock Plan was approved by the shareholders at last year's annual meeting, providing that all independent directors are eligible to participate in the Plan. The initial grant of restricted stock to each director was valued at \$35,000, vesting throughout calendar 2014 and was effective May 29, 2014. According to Longnecker & Associates, with the adjustments to director compensation for fiscal 2014 and the \$35,000 restricted equity award, Panhandle's directors were compensated at approximately the 25th percentile range of peer company directors. A similar grant of restricted stock to independent directors is expected to be made in mid-March 2015.

Outside Directors Compensation For Fiscal 2014

Name	Fees Paid in Cash or Deferred(1)(2)	All Other Compensation(3)(4)	Total
Duke R. Ligon	\$57,500	\$38,648	\$96,148
Robert O. Lorenz	\$77,000	\$43,118	\$120,118
Robert A. Reece	\$50,000	\$48,776	\$98,776
Robert E. Robotti	\$54,000	\$40,367	\$94,367
Darryl G. Smette	\$57,500	\$37,236	\$94,736
H. Grant Swartzwelder	\$58,000	\$42,305	\$100,305

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

(2)At the end of fiscal 2014, the following future share amounts had been recorded to each director's account under the Directors' Deferred Compensation Plan: Ligon– 24,189; Lorenz– 52,726; Reece– 87,596; Robotti– 34,882; Smette– 14,249; and Swartzwelder– 47,083.

(3)Includes dividends accrued under the Directors' Deferred Compensation Plan. Under the Plan, dividends paid on the Common Stock are recorded to each Director's account under the Plan 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)Includes \$35,000 for each director as a result of restricted stock awards in May 2014. In accordance with applicable accounting standards, this amount represents the grant date fair value of the award on the award date.

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 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.

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Related Person Transactions

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

None of the organizations described above in the business experiences of the Company's directors, nominees for election to the Board 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 in which Devon Energy Corporation serves as the operator. Darryl G. Smette is an Executive Vice President of Devon.

None of the non-employee directors have ever been an officer or employee of the Company.

We review all 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 & 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 under the enhanced independence standards of the NYSE for compensation committee members of NYSE listed companies.

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Code of Ethics

The Board has adopted a Code of Ethics & Business Practices applicable to all directors, officers and employees of the Company. Each director submits annually a signed statement that he or she is in compliance with the Company's Code of Ethics & Business Practices. 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.

Communications with the Board of Directors

The Company provides an informal process for shareholders and other interested parties to send communications to its Board. Shareholders or other interested parties who wish to contact the Lead Independent Director, the outside directors as a group, or any of its individual members may do so by writing: Board of Directors, Panhandle Oil and Gas Inc., 5400 N. Grand Boulevard, Suite 300, Oklahoma City, OK 73112-5688. Correspondence directed to any individual Board member is referred, unopened, to that member. Correspondence not directed to a particular Board member is referred, unopened, to the Lead Independent Director.

Proposal No. 3

Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee has directed the Company to submit the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2015 for ratification by the shareholders at the meeting. Neither the Company's Bylaws nor other governing documents or law require shareholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, the Audit Committee is submitting the selection of Ernst & Young LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during fiscal 2015 if it determines that such a change would be in the best interests of the Company and its shareholders.

A representative of Ernst & Young LLP is expected to attend the meeting and will have the opportunity to make a statement if he or she so desires, and will be available to respond to appropriate questions of shareholders.

The Audit Committee has selected Ernst & Young LLP to conduct quarterly reviews for the first three fiscal quarters of fiscal 2015.

Report of the Audit Committee

During fiscal 2014, the Audit Committee was comprised of four independent directors: Robert O. Lorenz, chair, Duke R. Ligon, Robert A. Reece, and Darryl G. Smette. Four meetings of

the Committee were held during fiscal 2014. The Board has determined that all committee members are independent and financially literate as defined by NYSE listing standards and SEC regulations. Mr. Lorenz is an “audit committee financial expert” as defined by applicable SEC regulations. For purposes of complying with New York Stock Exchange rules, the Board has determined that none of the Committee members currently serve on the audit committees of more than three public companies.

The Audit Committee Charter was amended in December 2014. A copy of the amended Charter can be viewed at the Company’s website: www.panhandleoilandgas.com.

The Audit Committee’s primary responsibility is to oversee the Company’s financial reporting process on behalf of the Board and report the results of its activities to the Board. Management has the primary responsibility for the financial statements and the reporting process, including internal control over financial reporting.

Disclosure Controls and Procedures. Management has established and maintains a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and includes controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in those reports is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of September 30, 2014, management conducted an evaluation of disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed in the reports filed or submitted under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. The Audit Committee discussed with management and Ernst & Young LLP, the Company’s independent registered public accounting firm (“independent accountants”), the quality and adequacy of the Company’s disclosure controls and procedures.

Internal Controls. Management has also established and maintains a system of internal controls over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. Management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting based on the framework set forth in Internal Control – Integrated Framework (as updated in 2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management’s evaluation under the framework in Internal Control – Integrated Framework, management concluded that the Company’s internal control over financial reporting was effective as of September 30, 2014 as discussed in more detail in Management’s Report on Internal Control Over Financial Reporting, which was included in our Annual Report on Form 10-K for the year ended September 30, 2014, filed with the SEC on December 10, 2014. The effectiveness of the Company’s internal control over financial reporting as of September 30, 2014 has been audited by Ernst & Young LLP, as stated in its attestation report, which was included in our Annual Report on Form 10-K for the year ended

September 30, 2014. The Audit Committee reviewed and discussed with management and Ernst & Young LLP the Company's system of internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Discussions with Management and Independent Accountants. In fulfilling its responsibilities, the Committee reviewed with management the audited financial statements included in the Company's Annual Report on Form 10-K for fiscal 2014, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee reviewed the audited financial statements with Ernst & Young LLP, which is responsible for expressing an opinion on the conformity of those financial statements with generally accepted accounting principles and its judgment as to the quality, not just the acceptability, of the Company's accounting principles. The Audit Committee discussed with the independent accountants such matters required under PCAOB and SEC standards. In addition, the Audit Committee discussed with the independent accountants its independence from management and the Company, including matters in the written disclosures and letter received from the independent accountants as required by Public Company Accounting Oversight Board Rule 3526 (Communications with Audit Committee Concerning Independence). The Audit Committee met with the independent accountants, with and without management present, to discuss the overall scope and plans for their audit, the results of their examinations, their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting.

The Audit Committee also met with the independent accountants and management after the end of each of the first three fiscal quarters. At these meetings, the independent accountants' review of quarterly results was presented and discussed and discussions were also held with management concerning these results.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited financial statements be included in our Annual Report on Form 10-K for fiscal 2014 for filing with the Securities and Exchange Commission (which was filed on December 10, 2014).

Audit Committee
Robert O. Lorenz – Chair
Duke R. Ligon
Robert A. Reece
Darryl G. Smette

Independent Accountants' Fees and Services

The following sets forth fees billed for audit and other services provided by Ernst & Young LLP for the fiscal years ended September 30, 2014 and September 30, 2013:

Fee Category	Fiscal 2014 Fiscal 2013	
	Fees	Fees
Audit Fees (1)	\$ 394,000 (2)	\$ 339,000
Audit-Related Fees	\$ ---	\$ ---
Tax Fees	\$ ---	\$ ---
All Other Fees	\$ ---	\$ ---

(1)Includes fees for audit of annual financial statements, reviews of the related quarterly financial statements and internal control audits required by Section 404 of the Sarbanes-Oxley Act.

(2)Includes fees of \$33,000 for the audit of revenue and expenses on properties acquired in June 2014.

All services rendered by Ernst & Young LLP were permissible under applicable laws and regulations and were pre-approved by the Audit Committee. The Audit Committee's pre-approval policy is set forth in the Audit Committee Charter which can be viewed at the Company's website: www.panhandleoilandgas.com.

To ratify the selection of Ernst & Young LLP, a majority of the votes entitled to be cast on Proposal No. 3 must vote "FOR" ratification. Abstentions will have the effect of a vote "AGAINST" ratification.

The Board of Directors Recommends Shareholders

Vote "FOR"

Ratification of Selection of Independent

Registered Public Accounting Firm

Proposal No. 4

Advisory Vote on Executive Compensation

The Securities Exchange Act of 1934 requires that we include in our proxy statements a non-binding vote on our executive compensation (commonly referred to as "Say-On-Pay"). At the 2014 Annual Shareholders meeting, the Board recommended, and the shareholders approved, that the Say-on-Pay vote should occur every year. Accordingly, we include a non-binding vote on our executive compensation as described in this proxy statement.

In 2011, 94% of the shares voted were cast in support of the Company's executive compensation program and in 2014, 96% of the shares voted to support the program. We encourage shareholders to review the discussion on executive compensation contained in this Proxy Statement, the Compensation Discussion and Analysis section below on pages 20 to 28 and the Executive Compensation section below on pages 29 to 35. The Company's consistent value creation over time is attributable to a rigorously applied management process implemented over the years by

successive teams of talented and committed executives. The Company's executive compensation underpins and reinforces this process and the performance it generates. We believe our compensation program strikes the appropriate balance between utilizing fair and responsible pay

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practices and effectively incentivizing our executives to dedicate themselves fully to value creation for our shareholders.

The Board strongly endorses the Company's executive compensation program and recommends that the shareholders vote in favor of the following resolution:

RESOLVED, that the shareholders approve on an advisory basis the compensation of the Company's named executive officers as described in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders under "Compensation Discussion and Analysis" and "Executive Compensation" and the other related tabular and narrative disclosures contained in this Proxy Statement.

Because the vote is advisory, it will not be binding upon the Board or the Compensation Committee and neither the Board nor the Compensation Committee will be required to take any action as a result of the outcome of the vote on this Proposal. The Compensation Committee will carefully consider the outcome of the vote when considering future executive compensation arrangements.

To approve the foregoing resolution, a majority of the votes entitled to be cast on Proposal No. 4 must vote "FOR" approval. Abstentions will have the effect of a vote "AGAINST" approval.

The Board of Directors Recommends a Vote

"FOR"

Approval of the Company's Executive Compensation

Executive Compensation Overview

For fiscal 2014, Panhandle's executive compensation program was generally unchanged from fiscal 2013. The program is designed to reward the Company's leadership team for operating and financial results for the year and for adding to and building per share value for our shareholders, measured on both yearly and long-term horizons. We believe our current program's performance metrics are the correct measures that align shareholder interests and executive interests to Company performance over the short-, medium- and long-term horizons. Because of the unique assets and operating strategies of the Company, we believe it is imperative that its management team be engaged in and manage the Company based on a longer-term horizon than the typical oil and gas exploration and production company. Accordingly, our compensation programs and performance metric measurements are structured to achieve that purpose.

Summary of Current Compensation Program

- Yearly base salaries of our executives are based on Company and individual results, overall responsibilities of each officer, expertise required in execution of the position and comparable Company ranges,
- Yearly cash bonus payments are based on achievement of Company operational performance metrics and subjective job responsibility performance goals of each officer,

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- Yearly Long-Term Incentive (LTI) restricted equity based compensation is used to motivate achievement of long-range goals of the Company and to reward individual achievement performance over longer-term horizons, and
- Yearly LTI ultimate realization is based on employment longevity (25%) and growth in the per share market price (75%) of the Company's common shares over the vesting period of the restricted stock grants.

Financial and Operating Performance – Fiscal 2014

The financial and operating results outlined below provide additional perspective on Panhandle's fiscal 2014 performance:

- Net income of \$25,001,462, \$1.49 per share, increased 79% over 2013;
- Production of oil, natural gas and natural gas liquids (NGL) increased 9% to 14.1 billion cubic feet equivalent (Bcfe), the largest in Company history;
- Generated cash from operating activities of \$52.6 million in fiscal 2014, well in excess of fiscal 2014 capital expenditures;
- Target amounts on objective performance metrics for fiscal 2014 were exceeded, except finding cost per Mcfe (which was 96% achieved) and total general and administrative (“G&A”) expenses; and
- Continued to maintain a strong balance sheet.

Information About Our Executive Officers

The current executive officers of the Company are listed below. All officers hold office at the discretion of the Board and may be removed from office, with or without cause, at any time by the Board.

Name (1)	Age	Positions and Offices Presently Held With the Company	Officer Since
Michael C. Coffman(2)	61	President and Chief Executive Officer	1990
Paul F. Blanchard, Jr.	54	Senior Vice President and Chief Operating Officer	2009
Lonnie J. Lowry	62	Vice President, Chief Financial Officer and Secretary	2006
Robb P. Winfield	40	Controller and Chief Accounting Officer	2009

(1)During the past three years, Ben Spriestersbach was listed as an executive officer but he retired in October 2014.

(2)Biographical information for Mr. Coffman is set forth above in “Election of Directors – Directors Whose Terms End in 2017.”

Paul F. Blanchard, Jr. was sole proprietor of a consulting petroleum engineering firm from 2007 to 2008, and served from 1997 to 2007 as Vice President, Mid-Continent Business Unit of Range Resources Corporation (oil and gas exploration and production). He joined the Company as Vice President and Chief Operating Officer in January 2009. In March 2010, he was elected Senior Vice President and Chief Operating Officer. Mr. Blanchard holds a Bachelors of Science Degree in Petroleum Engineering.

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Lonnie J. Lowry served as Vice President, Controller and Secretary from March 2006 until August 2007 when he was elected Vice President, Chief Financial Officer and Secretary. From 2001 to 2006, he served as Controller of the Company. He had been Controller of Wood Oil Company, Tulsa, Oklahoma (oil and gas exploration and production) for 15 years when it was acquired by Panhandle in 2001.

Robb P. Winfield served as Controller from February 2008 to March 2009 when he was elected Controller and Chief Accounting Officer. Mr. Winfield was employed by Chesapeake Energy Corporation (independent oil and gas company) from 2004 to 2008 as Revenue Coordinator and Supervisor and was employed as an auditor from 1999 to 2004 by Ernst & Young LLP.

Compensation Discussion and Analysis

Compensation Committee and Role of the Board of Directors in Fiscal 2014

The Compensation Committee is composed entirely of independent directors as defined by NYSE listing standards and SEC rules and has the responsibility for establishing, implementing and monitoring all facets of the compensation of the Company's executive officers. In particular, the Committee's role is to recommend to the Board for final approval, the compensation, benefit plans and policies, and, in addition, to review, approve and recommend to the Board annually all compensation decisions relating to the Chief Executive Officer and the other executive officers of the Company. The Committee reviews the executive compensation program, recommends compensation levels, performance metrics, and recommends executive bonus distributions and restricted stock awards. The Committee met three times during fiscal 2014. The Committee operates in accordance with its Charter which sets forth its powers and responsibilities. A copy of the Charter of the Compensation Committee, which was most recently amended in December 2014, can be viewed at the Company's website: www.panhandleoilandgas.com.

Compensation Philosophy and Objectives

The objectives of the Company's compensation program are to:

- Attract, retain and incentivize key executives which are necessary to continue execution of the Company's unique business strategies, including the ownership, management and use of mineral acreage in an oil and gas exploration and production company;
- Motivate and reward individual and Company performance and contributions; and
- Align the interests of our executives with those of our shareholders.

The principal elements of the executive compensation program are (i) yearly salary, (ii) annual cash bonus, (iii) restricted stock awards and (iv) contributions to the ESOP Plan. Awards of restricted stock pursuant to the Company's Amended 2010 Restricted Stock Plan are an integral part of the Company's compensation program as a retention and long-term incentive form of compensation. The executive compensation program is used to meet the Company's compensation objectives as follows:

- Attract and retain key executives, reward the officers who contribute to the Company's success, and motivate the officers to develop and execute short-term,

medium-term and long-term business strategies as well as meet annual goals approved by the Board;

- Align the interests of our executives with those of the Company's shareholders. In fiscal 2014, the Company used allocations of Company stock to the ESOP Plan and awards of restricted stock to align the financial interests of the executives with those of our shareholders and to provide a longer-term incentive form of compensation;
- Motivate and reward individual performance and contributions. The Company's evaluation of the individual performance of each executive officer affects most aspects of the executive's compensation. Market data, individual performance and level of responsibility are considered in determining an executive's annual salary and are important factors in deciding discretionary cash bonuses;
- Financial and operating performances of the Company and the market price performance of the Company's Common Stock are also key factors in determining compensation; and
- Awards of shares under the Amended 2010 Restricted Stock Plan made in December of 2010, 2012, 2013 and 2014 contain different vesting provisions relating to continuous length of service to the Company and market price performance of the Company's Common Stock. These provisions further align the structure of management compensation to Company performance and the enhancement of shareholder value.

Role of the Compensation Consultant

In an effort to align our executives' compensation competitively with the market, the Compensation Committee engaged an outside, independent compensation consultant, Longnecker & Associates, Houston, Texas ("Longnecker"), to review levels and incentive components of the executives' compensation for fiscal 2014. The primary role of Longnecker was to help identify peer companies and to provide the Compensation Committee with market data and information regarding compensation trends in our industry and to make recommendations regarding base salaries, the design of our incentive programs and executive and director compensation levels. Management does not direct or oversee the retention or activities of Longnecker with respect to the Company's executive compensation program. The Compensation Committee has sole authority to retain and terminate independent compensation consultants and to determine the terms of their retention.

Role of Executive Officers