

Permian Basin Royalty Trust

Condensed Statements of Assets, Liabilities and Trust Corpus

	March 31, 2006	December 31, 2005
	<i>(Unaudited)</i>	
Assets		
Cash and Short-term Investments	\$ 6,265,957	\$ 7,264,048
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of \$9,405,060 and \$9,364,586 at March 31, 2006, and December 31, 2005, respectively)	<u>1,570,156</u>	<u>1,610,630</u>
	\$ 7,836,113	\$ 8,874,678
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 6,265,957	\$ 7,264,048
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	<u>1,570,156</u>	<u>1,610,630</u>
	\$ 7,836,113	\$ 8,874,678

The accompanying notes to condensed financial statements are an integral part of these statements.

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31,	
	2006	2005
Royalty Income	\$ 18,917,927	\$ 13,531,071
Interest Income	<u>35,513</u>	<u>11,475</u>
	18,953,440	13,542,546
General and Administrative Expenditures	<u>(300,467)</u>	<u>(298,693)</u>
Distributable Income	<u>\$ 18,652,973</u>	<u>\$ 13,243,853</u>
Distributable Income per Unit (46,608,796 Units)	<u>\$.40</u>	<u>\$.28</u>

The accompanying notes to condensed financial statements are an integral part of these statements.

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31,	
	2006	2005
Trust Corpus, Beginning of Period	\$ 1,610,630	\$ 1,795,267
Amortization of Net Overriding Royalty Interests	<u>(40,474)</u>	<u>(49,290)</u>
Distributable Income	<u>18,652,973</u>	<u>13,243,853</u>
Distributions Declared	<u>(18,652,973)</u>	<u>(13,243,853)</u>
Total Trust Corpus, End of Period	<u>\$ 1,570,156</u>	<u>\$ 1,745,977</u>
Distributions per Unit	<u>\$.40</u>	<u>\$.28</u>

The accompanying notes to condensed financial statements are an integral part of these statements.

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First Quarter Report 2006

To unit holders

For the quarter ended March 31, 2006, royalty income received by the Trust amounted to \$18,917,927 compared to royalty income of \$13,531,071 during the first quarter of 2005. The increase in royalty income is primarily attributable to significant increases in both oil and gas prices.

Interest income for the quarter ended March 31, 2006, was \$35,513 compared to \$11,475 during the first quarter of 2005. The increase in interest income is primarily attributable to higher interest rates and more funds available for investment. General and administrative expenses during the first quarter of 2006 amounted to \$300,467 compared to \$298,693 during the first quarter of 2005. The increase in general and administrative expenses can be primarily attributed to increased costs associated with Sarbanes-Oxley compliance.

These transactions resulted in distributable income for the quarter ended March 31, 2006 of \$18,652,973 or \$.40 per Unit of beneficial interest. Distributions of \$.142168, \$.123749 and \$.134437 per Unit were made to Unit holders of record as of January 31, 2006, February 28, 2006 and March 31, 2006, respectively. For the first quarter of 2005, distributable income was \$13,243,853, or \$.28 per Unit of beneficial interest.

Royalty income for the Trust for the first quarter of the calendar year is associated with actual oil and gas production for the period of November and December 2005 and January 2006 from the properties from which the Trust's net overriding royalty interests ("Royalties") were carved. Oil and gas sales attributable to the Royalties and the properties from which the Royalties were carved are as follows:

<u>First Quarter</u>	<u>2006</u>	<u>2005</u>
Royalties		
Oil Sales (Bbls) _____	205,912	208,024
Gas Sales (Mcf) _____	895,338	913,669
Properties From Which The Royalties Were Carved		
<i>Oil:</i>		
Total Oil Sales (Bbls) _____	302,938	308,892
Average Per Day (Bbls) _____	3,293	3,358
Average Price Per Bbl _____	\$54.79	\$40.17
<i>Gas:</i>		
Total Gas Sales (Mcf) _____	1,421,963	1,501,946
Average Per Day (Mcf) _____	15,456	16,326
Average Price Per Mcf _____	\$9.56	\$6.36

The posted price of oil increased to an average price per barrel of \$54.79 per Bbl in the first quarter of 2006, compared to \$40.17 per Bbl in the first quarter of 2005. The Trustee has been advised by BROG that for the period August 1, 1993, through March 31, 2006, the oil from the Waddell Ranch properties was being sold under

a competitive bid to a third party. The average price of gas increased from \$6.36 per Mcf in the first quarter of 2005 to \$9.56 per Mcf in the first quarter of 2006. This increase is primarily attributable to a significant increase in gas prices during the year of 2006.

Since the oil and gas sales attributable to the Royalties are based on an allocation formula that is dependent on such factors as price and cost (including capital expenditures), the production amounts in the Royalties section of the above table do not provide a meaningful comparison. Oil and gas volumes from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2005) increased for the applicable period in 2006 compared to 2005.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first quarter of 2006 totaled \$598,857 as compared to \$798,225 for the first quarter of 2005. BROG has informed the Trustee that the 2006 capital expenditures budget has been revised to \$30.1 million for the Waddell Ranch properties. The total amount of capital expenditures for 2005 was \$14.3 million. Through the first quarter of 2006, capital expenditures of \$3.9 million have been expended.

The Trustee has been advised that there were 20 workover wells completed and 2 new wells completed during the three months ended March 31, 2006 as compared to 11 workover wells completed, 5 new wells in progress and 13 workover wells in progress for the three months ended March 31, 2005 on the Waddell Ranch properties.

Lease operating expense and property taxes totaled \$3.7 million for the first quarter of 2006, compared to \$2.9 million in the first quarter of 2005 on the Waddell Ranch properties. This increase is primarily attributable to higher electrical costs on the Waddell Ranch properties.

Bank of America, N.A., Trustee

By:



Ron E. Hooper
Senior Vice President