

# PERMIAN BASIN ROYALTY TRUST

## CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

|  | March 31,<br>2007   | December 31,<br>2006 |
|--|---------------------|----------------------|
|  | <i>(Unaudited)</i>  |                      |
| <u>Assets</u>  |                     |                      |
| Cash and Short-term Investments  | \$ 4,664,349        | \$ 5,135,136         |
| Net Overriding Royalty Interests in Producing Oil and Gas Properties<br>(Net of Accumulated Amortization of \$9,571,673 and \$9,536,002<br>at March 31, 2007, and December 31, 2006, Respectively) | <u>1,403,543</u>    | <u>1,439,214</u>     |
|  | <u>\$ 6,067,892</u> | <u>\$ 6,574,350</u>  |
| <u>Liabilities and Trust Corpus</u>  |                     |                      |
| Distribution Payable to Unit Holders   | \$ 4,664,349        | \$ 5,135,136         |
| Trust Corpus – 46,608,796 Units of Beneficial Interest<br>Authorized and Outstanding   | <u>1,403,543</u>    | <u>1,439,214</u>     |
|  | <u>\$ 6,067,892</u> | <u>\$ 6,574,350</u>  |

## CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

|  | Three Months Ended March 31, |                      |
|--|------------------------------|----------------------|
|  | 2007                         | 2006                 |
| Royalty Income                                   | \$ 13,900,543                | \$ 18,917,927        |
| Interest Income                                  | <u>30,785</u>                | <u>35,513</u>        |
|  | <u>13,931,328</u>            | 18,953,440           |
| General and Administrative Expenditures          | <u>(322,276)</u>             | <u>(300,467)</u>     |
| Distributable Income                             | <u>\$ 13,609,052</u>         | <u>\$ 18,652,973</u> |
| Distributable Income Per Unit (46,608,796 Units) | <u>\$ .29</u>                | <u>\$ .40</u>        |

## CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

|   | Three Months Ended March 31, |                     |
|---|------------------------------|---------------------|
|   | 2007                         | 2006                |
| Trust Corpus, Beginning of Period               | \$ 1,439,214                 | \$ 1,610,630        |
| Amortization of Net Overriding Royalty Interest | <u>(35,671)</u>              | <u>(40,474)</u>     |
| Distributable Income                            | <u>13,609,052</u>            | 18,652,973          |
| Distributions Declared                          | <u>(13,609,052)</u>          | <u>(18,652,973)</u> |
| Total Trust Corpus, End of Period               | <u>\$ 1,403,543</u>          | <u>\$ 1,570,156</u> |
| Distributions Per Unit                          | <u>\$ .29</u>                | <u>\$ .40</u>       |

*These financial statements should be read in conjunction with the financial statements and notes included in the Trust's 2006 Annual Report.*

**PERMIAN BASIN ROYALTY TRUST**  
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## TO UNIT HOLDERS

For the quarter ended March 31, 2007, royalty income received by the Trust amounted to \$13,900,543 compared to royalty income of \$18,917,927 during the first quarter of 2006. The decrease in royalty income is primarily attributable to significant decreases in both oil and gas prices.

Interest income for the quarter ended March 31, 2007, was \$30,785 compared to \$35,513 during the first quarter of 2006. The decrease in interest income is primarily attributable to less funds available for investment. General and administrative expenses during the first quarter of 2007 amounted to \$322,276 compared to \$300,467 during the first quarter of 2006. The increase in general and administrative expenses can be primarily attributed to increased printing expenses.

These transactions resulted in distributable income for the quarter ended March 31, 2007, of \$13,609,052 or \$.29 per Unit of beneficial interest. Distributions of \$.101215, \$.090695 and \$.100074 per Unit were made to Unit holders of record as of January 31, 2007, February 28, 2007, and March 30, 2007, respectively. For the first quarter of 2006, distributable income was \$18,652,973, or \$.40 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 2006 and January 2007 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>2007</u>      | <u>2006</u> |
|--|------------------|-------------|
| <b>Royalties</b>                                       |                  |             |
| Oil Sales (Bbls) _____                                 | <b>174,617</b>   | 205,912     |
| Gas Sales (Mcf) _____                                  | <b>769,291</b>   | 895,338     |
| <b>Properties From Which The Royalties Were Carved</b> |                  |             |
| <i>Oil:</i>  |                  |             |
| Total Oil Sales (Bbls) _____                           | <b>296,785</b>   | 302,938     |
| Average Per Day (Bbls) _____                           | <b>3,226</b>     | 3,293       |
| Average Price Per Bbl _____                            | <b>\$51.98</b>   | \$54.79     |
| <i>Gas:</i>  |                  |             |
| Total Gas Sales (Mcf) _____                            | <b>1,503,430</b> | 1,421,963   |
| Average Per Day (Mcf) _____                            | <b>16,342</b>    | 15,456      |
| Average Price Per Mcf _____                            | <b>\$7.14</b>    | \$9.56      |

The posted price of oil decreased to an average price of \$51.98 per Bbl in the first quarter of 2007, compared to \$54.79 per Bbl in the first quarter of 2006. The Trustee has been advised by ConocoPhillips that for the period of

August 1, 1993, through March 31, 2007, the oil from the Waddell Ranch properties was being sold under a competitive bid to a third party. The average price of gas decreased from \$9.56 per Mcf in the first quarter of 2006 to \$7.14 per Mcf in the first quarter of 2007 due to change in overall market variables.

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 sales volumes decreased and gas sales volumes increased from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2006) for the applicable period in 2007 compared to 2006. Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first quarter of 2007 totaled \$2.8 million as compared to \$0.6 million for the first quarter of 2006. ConocoPhillips has informed the Trustee that the 2007 capital expenditures budget has been revised to \$32.4 million for the Waddell Ranch properties. The total amount of capital expenditures for 2006 was \$35.6 million. Through the

first quarter of 2007, capital expenditures of \$2.8 million have been expended.

The Trustee has been advised that there were 12 workover wells completed, one new well completed, seven new wells in progress and seven workover wells in progress during the three months ended March 31, 2007, as compared to 20 workover wells completed, two new wells completed and no new wells or workover wells in progress for the three months ended March 31, 2006, on the Waddell Ranch properties.

Lease operating expense and property taxes totaled \$4.1 million for the first quarter of 2007 compared to \$3.7 million in the first quarter of 2006 on the Waddell Ranch properties. This increase is primarily attributable to increased electrical costs and increased ad valorem taxes paid for the first quarter in 2007.

Bank of America, N.A., Trustee

By:



Ron E. Hooper  
Senior Vice President

