# Permian Basin Royalty Trust

## Condensed Statements of Assets, Liabilities and Trust Corpus

| | June 30, 2003 (Unaudited) | December 31, 2002 |
|---|---|---|
| **Assets** | | |
| Cash and Short-term Investments | **$ 2,601,810** | $ 2,371,387 |
| Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of $8,889,549 and $8,802,823 at June 30, 2003, and December 31, 2002, respectively) | **2,085,667** | 2,172,393 |
| | **$ 4,687,477** | $ 4,543,780 |
| **Liabilities and Trust Corpus** | | |
| Distribution Payable to Unit Holders | **$ 2,601,810** | $ 2,371,387 |
| Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding | **2,085,667** | 2,172,393 |
| | **$ 4,687,477** | $ 4,543,780 |

## Condensed Statements of Distributable Income (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Royalty Income | **$ 8,569,350** | $ 5,654,312 | **$ 15,552,724** | $ 10,228,540 |
| Interest Income | **3,400** | 3,058 | **6,935** | 7,892 |
| | **8,572,750** | 5,657,370 | **15,559,659** | 10,236,432 |
| General and Administrative Expenditures | **(147,705)** | (134,628) | **(365,133)** | (295,379) |
| Distributable Income | **$ 8,425,045** | $ 5,522,742 | **$ 15,194,526** | $ 9,941,053 |
| Distributable Income per Unit (46,608,796 Units) | **$ .18** | $ .12 | **$ .33** | $ .21 |

## Condensed Statements of Changes in Trust Corpus (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Trust Corpus, Beginning of Period | **$ 2,129,927** | $ 2,329,575 | **$ 2,172,393** | $ 2,371,187 |
| Amortization of Net Overriding Royalty Interests | **(44,260)** | (54,262) | **(86,726)** | (95,874) |
| Distributable Income | **8,425,045** | 5,522,742 | **15,194,526** | 9,941,053 |
| Distributions Declared | **(8,425,045)** | (5,522,742) | **(15,194,526)** | (9,941,053) |
| Total Trust Corpus, End of Period | **$ 2,085,667** | $ 2,275,313 | **$ 2,085,667** | $ 2,275,313 |
| Distributions per Unit | **$ .18** | $ .12 | **$ .33** | $ .21 |

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Trust's 2002 Annual Report.

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# Permian Basin Royalty Trust
## Second Quarter Report
## 2003

## To Unit Holders

For the six months ended June 30, 2003, royalty income received by the Trust amounted to $15,552,724 compared to royalty income of $10,228,540 for the six months ended June 30, 2002. The increase in royalty income is primarily due to an increase in oil and gas prices in the first six months of 2003, compared to the first six months in 2002. Interest income for the six months ended June 30, 2003, was $6,935 compared to $7,892 for the six months ended June 30, 2002. The decrease in interest income is attributable primarily to a decrease in interest rate. General and administrative expenses for the six months ended June 30, 2003, were $365,133. During the six months ended June 30, 2002, general and administrative expenses were $295,379. The increase in general and administrative expenses is primarily due to timing differences in the receipt and payment of these expenses.

These transactions resulted in distributable income for the six months ended June 30, 2003, of $15,194,526, or $.33 per Unit. For the six months ended June 30, 2002, distributable income was $9,941,053 or $.21 per Unit.

Royalty income for the Trust for the period ended June 30, 2003, is associated with actual oil and gas production for the period November 2002 through April 2003 from the properties from which the Royalties were carved. Oil and gas production attributable to the Royalties and the properties from which the Royalties were carved are as follows:

| Second Quarter | 2003 | 2002 |
|---|---|---|
| **Royalties** | | |
| Oil Sales (Bbls) | **335,295** | 366,168 |
| Gas Sales (Mcf) | **1,447,228** | 1,549,944 |
| **Properties From Which The Royalties Were Carved** | | |
| Oil: | | |
| Total Oil Sales (Bbls) | **608,513** | 646,102 |
| Average Per Day (Bbls) | **3,362** | 3,570 |
| Average Price Per Bbl | **$28.95** | $19.03 |
| Gas: | | |
| Total Gas Sales (Mcf) | **3,091,962** | 3,029,372 |
| Average Per Day (Mcf) | **17,083** | 16,737 |
| Average Price Per Mcf | **$4.64** | $2.44 |

The average price of oil increased during the six months ended June 30, 2003, to $28.95 per barrel compared to $19.03 per barrel for the same period in 2002. The increase in the average price of oil is primarily due to increased demand in 2003, caused by a worldwide political turmoil. The increase in the average price of gas from $2.44 per Mcf for the six months ended June 30, 2002, to $4.64 per Mcf for the six months ended June 30, 2003, is primarily the result of an increase in the spot prices of natural gas.

Since the oil and gas sales volumes 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. The oil and gas sales volumes from the properties from which the Royalties are carved have remained relatively constant for the applicable period of 2003 compared to 2002.

The Trust has been advised that two gross and one net productive oil wells were drilled and completed on the Waddell Ranch properties during the six months ended June 30, 2003, and during the six months ended June 30, 2002. Capital expenditures for the Waddell Ranch properties for the six months ended June 30, 2003, totaled $5.5 million compared to $1.7 million for the same period in 2002. Burlington Resources Oil & Gas Company LLP ("BROG") has previously advised the Trust that the remaining 2003 capital expenditures budget for the Waddell Ranch properties is $4.1 million.

Lease operating expense and property taxes totaled $5.1 million in 2003 compared to $4.0 million in 2002. The increase in lease operating expense is primarily attributable to more work-over activity and higher electrical costs.

Bank of America, N.A., Trustee

By:

Ron E. Hooper
Senior Vice President