

Permian Basin Royalty Trust

Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2006 <i>(Unaudited)</i>	December 31, 2005
Assets		
Cash and Short-term Investments	\$ 4,924,094	\$ 7,264,048
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of \$9,447,917 and \$9,364,586 at June 30, 2006, and December 31, 2005, respectively)	<u>1,527,299</u>	<u>1,610,630</u>
	\$ 6,451,393	\$ 8,874,678
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 4,924,094	\$ 7,264,048
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	<u>1,527,299</u>	<u>1,610,630</u>
	\$ 6,451,393	\$ 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 June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Royalty Income	\$ 14,040,544	\$ 12,746,016	\$ 32,958,471	\$ 26,277,087
Interest Income	<u>28,202</u>	<u>11,569</u>	<u>63,715</u>	<u>23,043</u>
	14,068,746	12,757,585	33,022,186	26,300,130
General and Administrative Expenditures	<u>(224,361)</u>	<u>(237,206)</u>	<u>(524,827)</u>	<u>(535,899)</u>
Distributable Income	<u>\$ 13,844,385</u>	<u>\$ 12,520,379</u>	<u>\$ 32,497,359</u>	<u>\$ 25,764,231</u>
Distributable Income per Unit (46,608,796 Units)	<u>\$.297034</u>	<u>\$.268627</u>	<u>\$.697237</u>	<u>\$.552776</u>

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Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Trust Corpus, Beginning of Period	\$ 1,570,156	\$ 1,745,977	\$ 1,610,630	\$ 1,795,267
Amortization of Net Overriding Royalty Interest	<u>(42,857)</u>	<u>(40,271)</u>	<u>(83,331)</u>	<u>(89,561)</u>
Distributable Income	<u>13,844,385</u>	<u>12,520,379</u>	<u>32,497,359</u>	<u>25,764,231</u>
Distributions Declared	<u>(13,844,385)</u>	<u>(12,520,379)</u>	<u>(32,497,359)</u>	<u>(25,764,231)</u>
Total Trust Corpus, End of Period	<u>\$ 1,527,299</u>	<u>\$ 1,705,706</u>	<u>\$ 1,527,299</u>	<u>\$ 1,705,706</u>
Distributions per Unit	<u>\$.297034</u>	<u>\$.268627</u>	<u>\$.697237</u>	<u>\$.552776</u>

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

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Second Quarter Report 2006

To unit holders

For the quarter ended June 30, 2006, royalty income received by the Trust amounted to \$14,040,544 compared to royalty income of \$12,746,016 during the second 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 June 30, 2006, was \$28,202 compared to \$11,569 during the second 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 second quarter of 2006 amounted to \$224,361 compared to \$237,206 during the second quarter of 2005. The decrease in general and administrative expenses can be primarily attributed to decreased expenses due to implementation and compliance with the Sarbanes-Oxley Act.

These transactions resulted in distributable income for the quarter ended June 30, 2006, of \$13,844,385 or \$.297034 per Unit of beneficial interest. Distributions of \$.0951942, \$.096192 and \$.105647 per Unit were made to Unit holders of record as of April 28, 2006, May 31, 2006, and June 30, 2006, respectively. For the second quarter of 2005, distributable income was \$12,520,379, or \$.268627 per Unit of beneficial interest.

Royalty income for the Trust for the second quarter of the calendar year is associated with actual oil and gas production for the period of February, March and April of 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>Second Quarter</u>	<u>2006</u>	<u>2005</u>
Royalties		
Oil Sales (Bbls) _____	170,398	181,562
Gas Sales (Mcf) _____	654,765	747,306
Properties From Which The Royalties Were Carved		
<i>Oil:</i>		
Total Oil Sales (Bbls) _____	301,624	312,749
Average Per Day (Bbls) _____	3,389	3,514
Average Price Per Bbl _____	\$57.44	\$46.61
<i>Gas:</i>		
Total Gas Sales (Mcf) _____	1,433,943	1,518,099
Average Per Day (Mcf) _____	16,112	17,057
Average Price Per Mcf _____	\$7.23	\$6.43

The posted price of oil increased to an average price per barrel of \$57.44 per Bbl in the second quarter of 2006 compared to \$46.61 per Bbl in the second quarter of 2005. The Trustee has been advised by BROG that for the period of August 1, 1993, through June 30, 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 \$6.43 per Mcf in the second quarter of 2005 to \$7.23 per Mcf in the second quarter of 2006 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 and gas sales volumes from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2005) decreased for the applicable period in 2006 compared to 2005.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2006 totaled \$5.6 million as compared to \$4.5 million for the second quarter of 2005. BROG has informed the Trustee that the 2006 capital expenditures budget has been revised to \$37.3 million for the Waddell Ranch properties. The total amount of capital expenditures for 2005 was \$14.3 million. Through the second quarter of 2006, capital expenditures of \$6.2 million have been expended.

The Trustee has been advised that there were 8 wells completed and 7 wells in progress, and 11 workover wells completed and 9 workover wells in progress, during the three months ended June 30, 2006, as compared to 4 wells completed, 2 wells in progress, 23 workover wells completed and 13 workover wells in progress for the three months ended June 30, 2005, on the Waddell Ranch properties. There were no facility projects completed and 5 projects in progress for the second quarter of 2006.

Lease operating expense and property taxes totaled \$3.3 million for the second quarter of 2006, compared to \$2.7 million in the second quarter of 2005 on the Waddell Ranch properties. This increase is primarily attributable to increased electrical costs and increased ad valorem taxes paid for the second quarter in 2006.

Bank of America, N.A., Trustee

By:



Ron E. Hooper
Senior Vice President