

PERMIAN BASIN ROYALTY TRUST

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	June 30, 2007 <i>(Unaudited)</i>	December 31, 2006
Assets		
Cash and Short-term Investments	\$ 4,500,184	\$ 5,135,136
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of \$9,602,921 and \$9,536,002 at June 30, 2007, and December 31, 2006, Respectively)	<u>1,372,295</u>	<u>1,439,214</u>
	<u>\$ 5,871,479</u>	<u>\$ 6,574,350</u>
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 4,500,184	\$ 5,135,136
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	<u>1,372,295</u>	<u>1,439,214</u>
	<u>\$ 5,872,479</u>	<u>\$ 6,574,350</u>

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

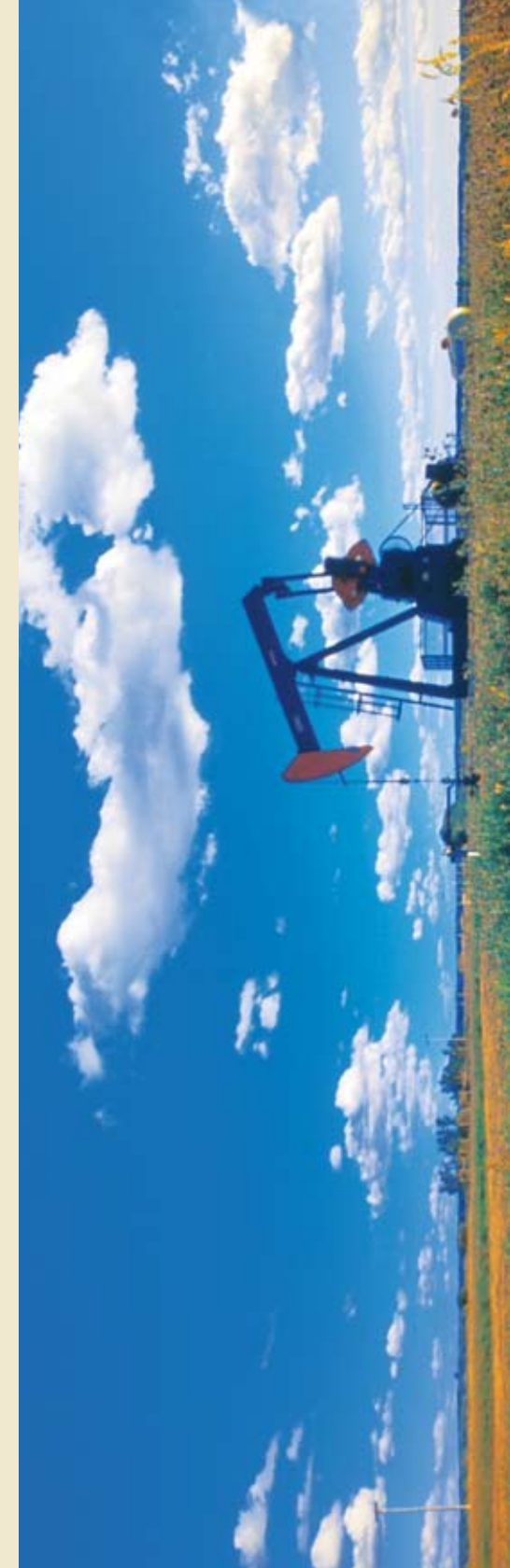
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Royalty Income	\$ 13,419,418	\$ 14,040,544	\$ 27,319,961	\$ 32,958,471
Interest Income	<u>27,208</u>	<u>28,202</u>	<u>57,993</u>	<u>63,715</u>
	<u>13,446,626</u>	14,068,746	<u>27,377,954</u>	33,022,186
General and Administrative Expenditures	<u>(322,344)</u>	<u>(224,361)</u>	<u>(644,620)</u>	<u>(524,827)</u>
Distributable Income	<u>\$ 13,124,282</u>	<u>\$ 13,844,385</u>	<u>\$ 26,733,334</u>	<u>\$ 32,497,359</u>
Distributable Income Per Unit (46,608,796 Units)	<u>\$.28</u>	<u>\$.30</u>	<u>\$.57</u>	<u>\$.70</u>

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Six Months Ended June 30,	
	2007	2006
Trust Corpus, Beginning of Period	\$ 1,439,214	\$ 1,610,630
Amortization of Net Overriding Royalty Interest	<u>(66,919)</u>	<u>(83,331)</u>
Distributable Income	<u>26,733,334</u>	32,497,359
Distributions Declared	<u>(26,733,334)</u>	<u>(32,497,359)</u>
Total Trust Corpus, End of Period	<u>\$ 1,372,295</u>	<u>\$ 1,527,299</u>
Distributions Per Unit	<u>\$.57</u>	<u>\$.70</u>

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

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TO UNIT HOLDERS

For the quarter ended June 30, 2007, royalty income received by the Trust amounted to \$13,419,418 compared to royalty income of \$14,040,544 during the second quarter of 2006. The decrease in royalty income is primarily attributable to decreases in both oil and gas prices.

Interest income for the quarter ended June 30, 2007, was \$27,208 compared to \$28,202 during the second quarter of 2006. The decrease in interest income is primarily attributable to less funds available for investment. General and administrative expenses during the second quarter of 2007 amounted to \$322,344 compared to \$224,361 during the second quarter of 2006. The increase in general and administrative expenses can be primarily attributed to increased expenses due to Unit holder tax reporting.

These transactions resulted in distributable income for the quarter ended June 30, 2007, of \$13,124,282 or \$.28 per Unit of beneficial interest. Distributions of \$.088668, \$.096363 and \$.096552 per Unit were made to Unit holders of record as of April 30, 2007, May 31, 2007, and June 29, 2007, respectively. For the second quarter of 2006, distributable income was \$13,844,385, or \$.30 per Unit of beneficial interest.

Royalty income for the Trust for the second quarter of 2007 is associated with actual oil and gas production for

the period of February, March and April of 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>Second Quarter</u>	<u>2007</u>	<u>2006</u>
Royalties		
Oil Sales (Bbls) _____	161,440	170,398
Gas Sales (Mcf) _____	740,684	654,765
Properties From Which The Royalties Were Carved		
<i>Oil:</i>		
Total Oil Sales (Bbls) _____	290,391	301,624
Average Per Day (Bbls) _____	3,263	3,389
Average Price Per Bbl _____	\$55.49	\$57.44
<i>Gas:</i>		
Total Gas Sales (Mcf) _____	1,648,661	1,433,943
Average Per Day (Mcf) _____	18,524	16,112
Average Price Per Mcf _____	\$6.78	\$7.23

The posted price of oil decreased to an average price per barrel of \$55.49 per Bbl in the second quarter of 2007 compared to \$57.44 per Bbl in the second quarter of 2006. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 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 \$7.23 per Mcf in the second quarter of 2006 to \$6.78 per Mcf in the second quarter of 2007 due to change in overall market variables.

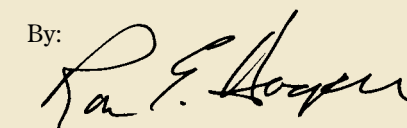
Since the oil and gas sales attributable to the Royalties are based on an allocation formula that is dependent on such factors as price and cost (including capital expenditures), the production amounts in the Royalties section of the above table do not provide a meaningful comparison. Relating to the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2006), oil volumes decreased and gas volumes increased for the applicable period in 2007 compared to 2006. Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2007 totaled \$5.7 million as compared to \$5.6 million for the second quarter of 2006. ConocoPhillips has informed the Trustee that the 2007 capital expenditures budget has been revised to \$32.0 million for the Waddell Ranch properties. The total amount of capital expenditures for 2006 was \$35.6 million. Through the second quarter of 2007, capital expenditures of \$8.5 million have been expended.

The Trustee has been advised that there were two wells completed and one well in progress, and nine workover wells completed and two workover wells in progress, during the three months ended June 30, 2007, as compared to eight wells completed, seven wells in progress, 11 workover wells completed and nine workover wells in progress for the three months ended June 30, 2006, on the Waddell Ranch properties. There were no facility projects completed and no projects in progress for the second quarter of 2007.

Lease operating expenses and property taxes totaled \$4.1 million for the second quarter of 2007, compared to \$3.3 million in the second 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 second quarter in 2007.

Bank of America, N.A., Trustee

By:



Ron E. Hooper
Senior Vice President

