



## TO UNIT HOLDERS:

For the quarter ended June 30, 2008, royalty income received by the Trust amounted to \$27,260,526

compared to royalty income of \$13,419,418 during the second quarter of 2007. The increase in royalty income is primarily attributable to substantial increases in both oil and gas prices.

Interest income for the quarter ended June 30, 2008, was \$21,520 compared to \$27,208 during the second quarter of 2007. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the second quarter of 2008 amounted to \$359,490 compared to \$322,344 during the second quarter of 2007. The increase in general and administrative expenses can be primarily attributed to increased expenses due to Unit holder reporting.

These transactions resulted in distributable income for the quarter ended June 30, 2008 of \$26,922,556 or \$.58 per Unit of beneficial interest. Distributions of \$.177679, \$.201904 and \$.198043 per Unit were made to Unitholders of record as of April 30, 2008, May 31, 2008 and June 30, 2008, respectively. For the second quarter of 2007, distributable income was \$13,124,282, or \$.28 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 2008 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 product sales from which the Royalties were carved are as follows:

| Second Quarter                                       | 2008      | 2007      |
|--|-----------|-----------|
| <b>Royalties</b>                                     |           |           |
| Oil sales (Bbls).....                                | 194,164   | 161,440   |
| Gas sales (Mcf) .....                                | 945,837   | 740,684   |
| <b>Product From Which The Royalties Were Carved:</b> |           |           |
| <i>Oil:</i>  |           |           |
| Total oil sales (Bbls).....                          | 272,317   | 290,391   |
| Average per day (Bbls).....                          | 3,026     | 3,263     |
| Average price per Bbl.....                           | \$ 97.94  | \$ 55.49  |
| <i>Gas:</i>  |           |           |
| Total gas sales (Mcf) .....                          | 1,464,597 | 1,648,661 |
| Average per day (Mcf) .....                          | 16,273    | 18,524    |
| Average price per Mcf.....                           | \$ 10.17  | \$ 6.78   |

The average received price of oil increased to an average price per barrel of \$97.94 per Bbl in the second quarter of 2008 compared to \$55.49 per Bbl in the second quarter of 2007 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2008, 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 \$6.78 per Mcf in the second quarter of 2007 to \$10.17 per Mcf in the second quarter of 2008 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 increased 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, 2007) for the applicable period in 2008 compared to 2007.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2008 totaled \$1.4 million as compared to \$5.7 million for the second quarter of 2007. ConocoPhillips has informed the Trustee that the 2008 capital expenditures budget is \$33.9 million for the Waddell Ranch properties. The total amount of capital expenditures for 2007 was \$11.2 million. Through the second quarter of 2008, capital expenditures of \$1.7 million have been expended.

The Trustee has been advised that there were 0 wells completed and 2 wells in progress, and 8 workover wells completed and 10 workover wells in progress, during the three months ended June 30, 2008 as compared to 2 wells completed, 1 well in progress, 9 workover wells completed and 2 workover wells in progress for the three months ended June 30, 2007 on the Waddell Ranch properties. There were no facility projects completed and no projects in progress for the second quarter of 2008.

Lease operating expenses and property taxes totaled \$3.9 million for the second quarter of 2008, compared to \$4.1 million in the second quarter of 2007 on the Waddell Ranch properties. This decrease

is primarily attributable to decreased maintenance costs offset by increased ad valorem taxes paid for the second quarter in 2008.

### Six Months Ended June 30, 2008

For the six months ended June 30, 2008, royalty income received by the Trust amounted to \$53,684,924 compared to royalty income of \$27,319,961 for the six months ended June 30, 2007. The increase in royalty income is primarily due to a substantial increase in oil and gas prices in the first six months of 2008, compared to the first six months in 2007. Interest income for the six months ended June 30, 2008 was \$55,214 compared to \$57,993 for the six months ended June 30, 2007. The decrease in interest income is attributable primarily to lower interest rates. General and administrative expenses for the six months ended June 30, 2008 were \$714,246. During the six months ended June 30, 2007, general and administrative expenses were \$644,620. The increase in general and administrative expenses is primarily due to enhanced Unit holder reporting.

These transactions resulted in distributable income for the six months ended June 30, 2008 of \$53,025,892, or \$1.14, per Unit. For the six months ended June 30, 2007, distributable income was \$26,733,334, or \$.57, per Unit.

**Bank of America, N.A., Trustee**  
By:

**Ron E. Hooper**  
**Senior Vice President**

# Permian Basin Royalty Trust Financial Statements

## Condensed Statements of Assets, Liabilities and Trust Corpus

|  | June 30,<br>2008<br>(Unaudited) | December 31,<br>2007 |
|--|---------------------------------|----------------------|
| <b>Assets</b>  |                                 |                      |
| Cash and Short-term Investments .....  | \$ 9,230,577                    | \$ 8,173,207         |
| Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$9,746,873 and \$9,681,281 at June 30, 2008 and December 31, 2007, respectively) ..... | 1,228,343                       | 1,293,935            |
| <b>TOTAL ASSETS</b> .....  | <b>\$ 10,458,920</b>            | <b>\$ 9,467,142</b>  |
| <b>Liabilities and Trust Corpus</b>  |                                 |                      |
| Distribution Payable to Unit Holders .....   | \$ 9,230,577                    | \$ 8,173,207         |
| Trust Corpus – 46,608,796 Units of Beneficial Interest   |                                 |                      |
| Authorized and Outstanding .....   | 1,228,343                       | 1,293,935            |
| <b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....  | <b>\$ 10,458,920</b>            | <b>\$ 9,467,142</b>  |

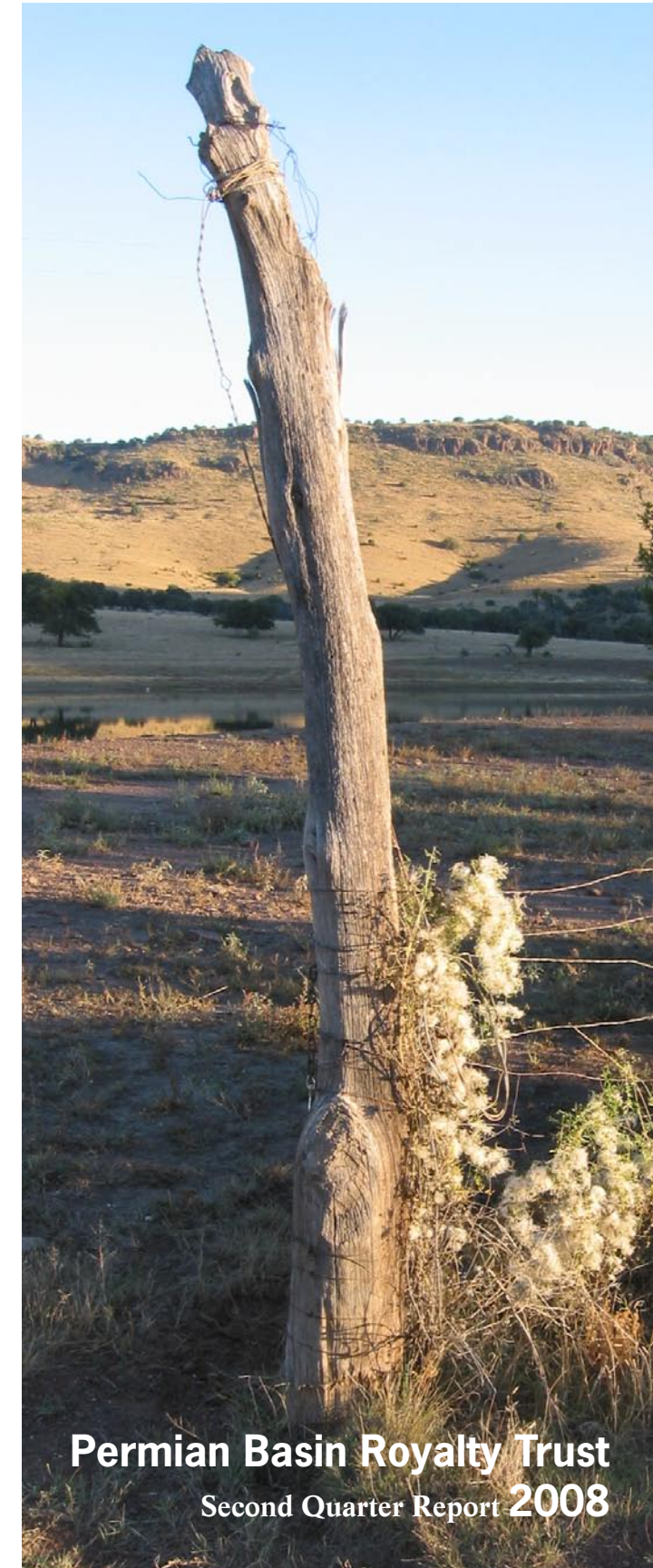
## Condensed Statements of Distributable Income (Unaudited)

|  | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|--|-----------------------------|---------------------|---------------------------|---------------------|
|  | 2008                        | 2007                | 2008                      | 2007                |
| Royalty Income .....                                   | \$27,260,526                | \$13,419,418        | \$53,684,924              | \$27,319,961        |
| Interest Income .....                                  | 21,520                      | 27,208              | 55,214                    | 57,993              |
|  | <u>27,282,046</u>           | <u>13,446,626</u>   | <u>53,740,138</u>         | <u>27,377,954</u>   |
| General and Administrative Expenditures .....          | (359,490)                   | (322,344)           | (714,246)                 | (644,620)           |
| Distributable Income .....                             | <u>\$26,922,556</u>         | <u>\$13,124,282</u> | <u>\$53,025,892</u>       | <u>\$26,733,334</u> |
| Distributable Income per Unit (46,608,796 Units) ..... | <u>\$ .58</u>               | <u>\$ .28</u>       | <u>\$ 1.14</u>            | <u>\$ .57</u>       |

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

|  | Six Months Ended June 30, |                     |
|--|---------------------------|---------------------|
|  | 2008                      | 2007                |
| Trust Corpus, Beginning of Period .....                | \$ 1,293,935              | \$ 1,439,214        |
| Amortization of Net Overriding Royalty Interests ..... | (65,592)                  | (66,919)            |
| Distributable Income .....                             | 53,025,892                | 26,733,334          |
| Distributions Declared .....                           | (53,025,892)              | (26,733,334)        |
| Trust Corpus, End of Period .....                      | <u>\$ 1,228,343</u>       | <u>\$ 1,372,295</u> |
| Distributions per Unit .....                           | <u>\$ 1.14</u>            | <u>\$ .57</u>       |

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**Permian Basin Royalty Trust**  
Second Quarter Report 2008