

# Permian Basin Royalty Trust Financial Statements

## Condensed Statements of Assets, Liabilities and Trust Corpus

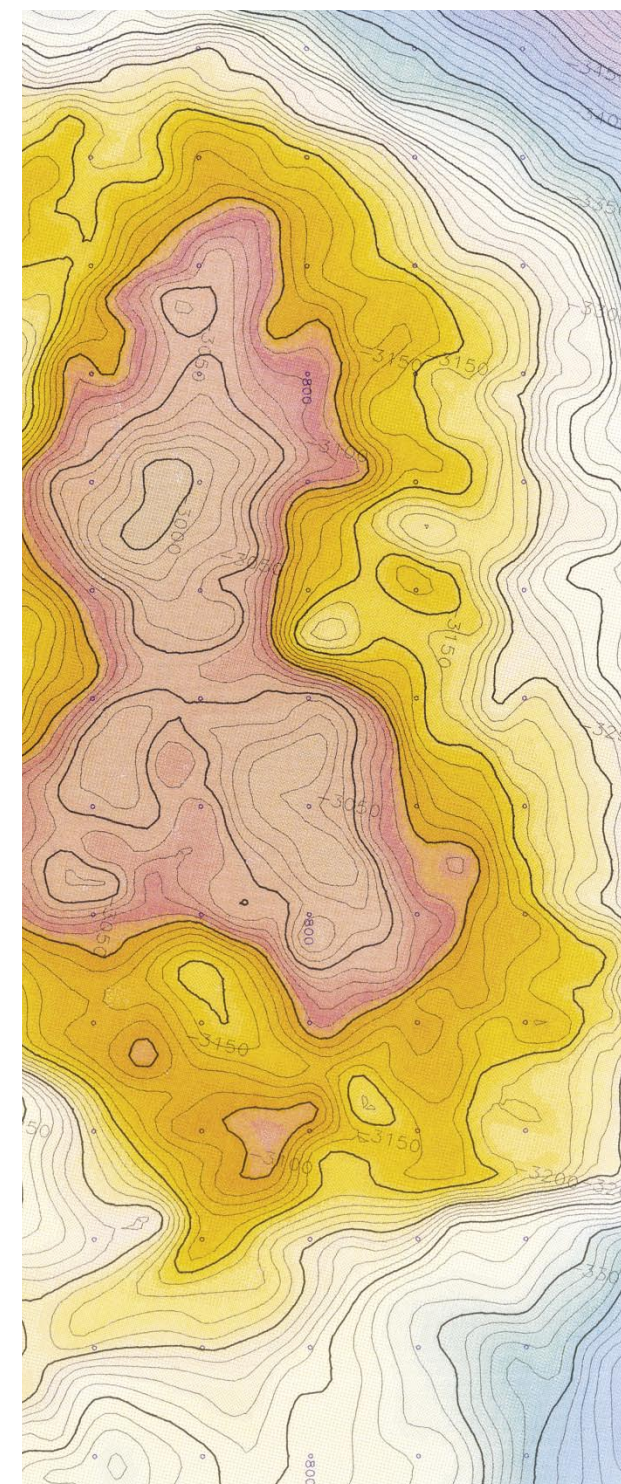
	June 30, 2009 (Unaudited)	December 31, 2008
<b>Assets</b>		
Cash and Short-term Investments.....	<b>\$ 2,192,146</b>	\$ 5,147,216
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$9,844,825 and \$9,804,423 at June 30, 2009 and December 31, 2008, respectively) .....	<b>1,130,391</b>	1,170,793
<b>TOTAL ASSETS</b> .....	<b>\$ 3,322,537</b>	<b>\$ 6,318,009</b>
<b>Liabilities and Trust Corpus</b>		
Distribution Payable to Unit Holders .....	<b>\$ 2,192,146</b>	\$ 5,147,216
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding .....	<b>1,130,391</b>	1,170,793
<b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....	<b>\$ 3,322,537</b>	<b>\$ 6,318,009</b>

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Royalty Income.....	<b>\$ 6,725,240</b>	\$27,260,526	<b>\$14,438,626</b>	\$53,684,924
Interest Income .....	<b>447</b>	21,520	<b>2,682</b>	55,214
	<b>6,725,687</b>	27,282,046	<b>14,441,308</b>	53,740,138
General and Administrative Expenditures.....	<b>(487,556)</b>	(359,490)	<b>(929,972)</b>	(714,246)
Distributable Income.....	<b>\$ 6,238,131</b>	\$26,922,556	<b>\$13,511,336</b>	\$53,025,892
Distributable Income per Unit (46,608,796 Units) .....	<b>\$ .13</b>	\$ .58	<b>\$ .29</b>	\$ 1.14

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

	Six Months Ended June 30,	
	2009	2008
Trust Corpus, Beginning of Period .....	<b>\$ 1,170,793</b>	\$ 1,293,935
Amortization of Net Overriding Royalty Interests .....	<b>(40,402)</b>	(65,592)
Distributable Income.....	<b>13,511,336</b>	53,025,892
Distributions Declared.....	<b>(13,511,336)</b>	(53,025,892)
Trust Corpus, End of Period .....	<b>\$ 1,130,391</b>	\$ 1,228,343
Distributions per Unit .....	<b>\$ .29</b>	\$ 1.14





## To Unit holders:

For the quarter ended June 30, 2009 royalty income received by the Trust amounted to \$6,725,240 compared to royalty income of \$27,260,526 during the second quarter of 2008. The decrease in royalty income is primarily attributable to significant decreases in both oil and gas prices and related production.

Interest income for the quarter ended June 30, 2009, was \$447 compared to \$21,520 during the second quarter of 2008. The decrease in interest income is primarily attributable to less funds available for investment and significantly lowered interest rates. General and administrative expenses during the second quarter of 2009 amounted to \$487,556 compared to \$359,490 during the second quarter of 2008. The increase in general and administrative expenses can be primarily attributed to increased printing expenses and other professional expenses.

These transactions resulted in distributable income for the quarter ended June 30, 2009 of \$6,238,130 or \$.133840 per Unit of beneficial interest. Distributions of \$.036633, \$.050173 and \$.047032 per Unit were made to Unit holders of record as of April 30, 2009, May 29, 2009 and June 30, 2009, respectively. For the second quarter of 2008, distributable income was \$26,922,556, or \$.58 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 2009 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:

<b>Second Quarter</b>	<b>2009</b>	<b>2008</b>
<b>Royalties</b>		
Oil sales (Bbls) .....	<b>127,053</b>	194,164
Gas sales (Mcf) .....	<b>480,941</b>	945,837
<b>Product From Which The Royalties Were Carved:</b>		
<i>Oil:</i>		
Total oil sales (Bbls) .....	<b>262,962</b>	272,317
Average per day (Bbls) .....	<b>2,955</b>	3,026
Average price per Bbl .....	<b>\$ 39.47</b>	\$ 97.94
<i>Gas:</i>		
Total gas sales (Mcf) .....	<b>1,320,596</b>	1,464,597
Average per day (Mcf) .....	<b>14,838</b>	16,273
Average price per Mcf .....	<b>\$ 3.90</b>	\$ 10.17

The average received price of oil decreased to an average price per barrel of \$39.47 per Bbl in the second quarter of 2009 compared to \$97.94 per Bbl in the second quarter of 2008 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2009, 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 \$10.17 per Mcf in the second quarter of 2008 to \$3.90 per Mcf in the second quarter of 2009 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, 2008) for the applicable period in 2009 compared to 2008.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2009 totaled \$1.9 million as compared to \$1.4 million to the Trust for the second quarter of 2008. ConocoPhillips has informed the Trustee that the 2009 capital expenditures budget has been revised to \$27.1 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2008 was \$24.1 million. Through the second quarter of 2009, capital expenditures of \$11.4 million (gross) have been expended.

The Trustee has been advised that there was 1 well completed and 2 wells in progress, and 11 workover wells completed and 10 workover wells in progress, during the three months ended June 30, 2009 as compared to 0 wells completed, 2 wells in progress, 8 workover wells completed and 10 workover wells in progress for the three months ended June 30, 2008 on the Waddell Ranch properties. There were no facility projects completed and three projects in progress for the second quarter of 2009.

Lease operating expenses and property taxes totaled \$4.5 million for the second quarter of 2009, compared to \$3.9 million in the second quarter of 2008 on the Waddell Ranch properties. This increase is primarily attributable to increased ad valorem taxes and an increase in the project management fee.

## Six Months Ended June 30, 2009

For the six months ended June 30, 2009, royalty income received by the Trust amounted to \$14,438,626 compared to royalty income of \$53,684,924 for the six months ended June 30, 2008. The decrease in royalty income is primarily due to a substantial decrease in oil and gas prices in the first six months of 2009, compared to the first six months in 2008. Interest income for the six months ended June 30, 2009 was \$2,682 compared to \$55,214 for the six months ended June 30, 2008. The decrease in interest income is attributable primarily to lower interest rates. General and administrative expenses for the six months ended June 30, 2009 were \$929,972. During the six months ended June 30, 2008, general and administrative expenses were \$714,246. The increase in general and administrative expenses is primarily due to enhanced Unit holder reporting and other professional expenses.

These transactions resulted in distributable income for the six months ended June 30, 2009 of \$13,511,336, or \$.289888, per Unit. For the six months ended June 30, 2008, distributable income was \$53,025,892, or \$1.14, per Unit.

## Permian Basin Royalty Trust

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