

Permian Basin Royalty Trust

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2006	December 31, 2005
<i>(Unaudited)</i>		
Assets		
Cash and Short-term Investments	\$ 6,637,774	\$ 7,264,048
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of \$9,494,537 and \$9,364,586 at September 30, 2006, and December 31, 2005, respectively)	<u>1,480,679</u>	<u>1,610,630</u>
	\$ 8,118,453	\$ 8,874,678
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 6,637,774	\$ 7,264,048
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	<u>1,480,679</u>	<u>1,610,630</u>
	\$ 8,118,453	\$ 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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Royalty Income	\$ 18,697,269	\$ 15,989,323	\$ 51,655,740	\$ 42,266,409
Interest Income	<u>31,635</u>	<u>13,777</u>	<u>95,350</u>	<u>36,821</u>
	18,728,903	16,003,100	51,751,090	42,303,230
General and Administrative Expenditures	<u>(152,561)</u>	<u>(112,337)</u>	<u>(677,389)</u>	<u>(648,236)</u>
Distributable Income	<u>\$ 18,576,342</u>	<u>\$ 15,890,763</u>	<u>\$ 51,073,701</u>	<u>\$ 41,654,994</u>
Distributable Income per Unit (46,608,796 Units)	<u>\$.398559</u>	<u>\$.340939</u>	<u>\$ 1.095795</u>	<u>\$.893715</u>

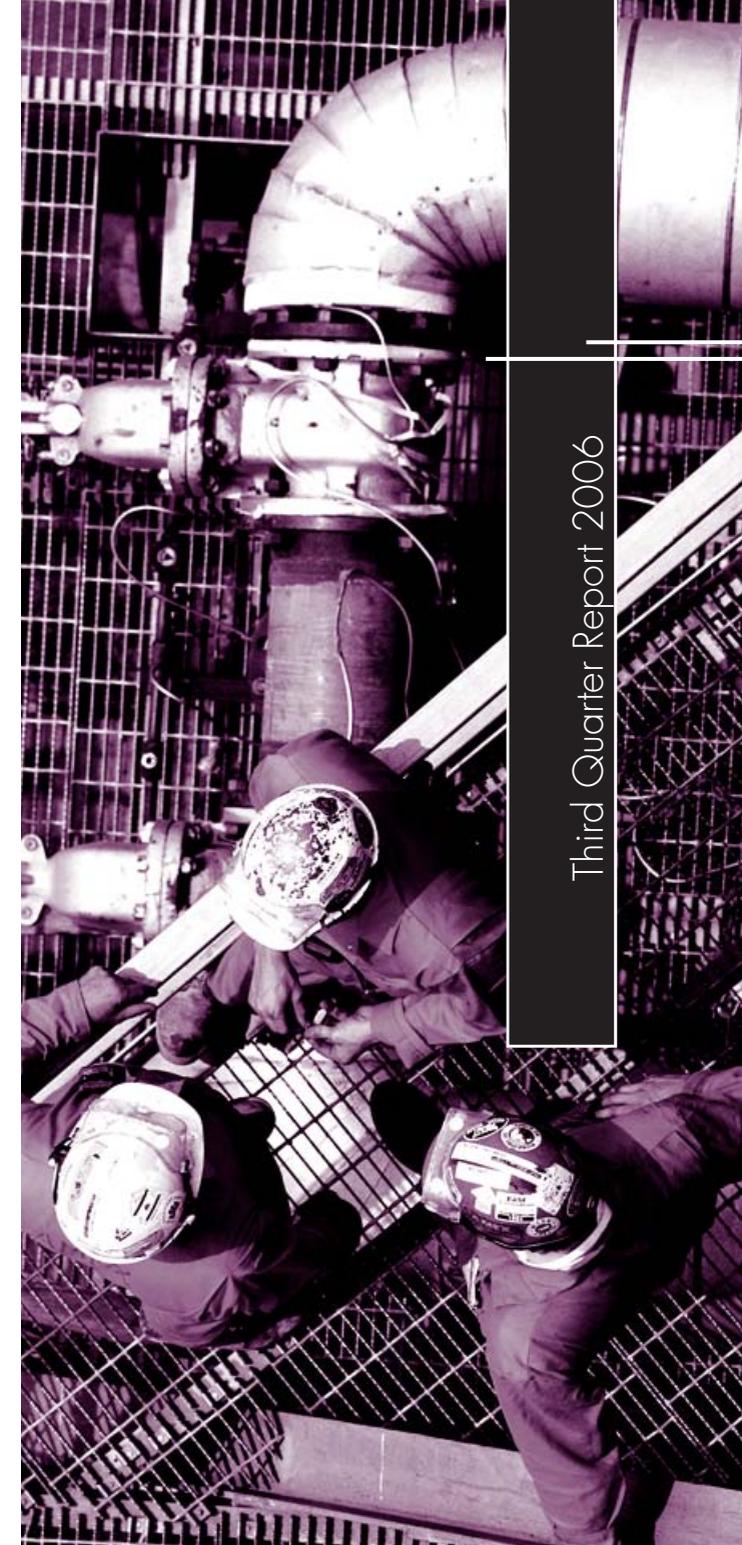
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Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Trust Corpus, Beginning of Period	\$ 1,527,299	\$ 1,705,706	\$ 1,610,630	\$ 1,795,267
Amortization of Net Overriding Royalty Interest	<u>(46,620)</u>	<u>(45,820)</u>	<u>(129,951)</u>	<u>(135,381)</u>
Distributable Income	<u>18,576,342</u>	<u>15,890,763</u>	<u>51,073,701</u>	<u>41,654,994</u>
Distributions Declared	<u>(18,576,342)</u>	<u>(15,890,763)</u>	<u>(51,073,701)</u>	<u>(41,654,994)</u>
Total Trust Corpus, End of Period	<u>\$ 1,480,679</u>	<u>\$ 1,659,886</u>	<u>\$ 1,480,679</u>	<u>\$ 1,659,886</u>
Distributions per Unit	<u>\$.398559</u>	<u>\$.340939</u>	<u>\$ 1.095795</u>	<u>\$.893715</u>

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

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Third Quarter Report 2006

To unit holders

For the quarter ended September 30, 2006, royalty income received by the Trust amounted to \$18,697,269 compared to royalty income of \$15,989,323 during the third 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 September 30, 2006, was \$31,635 compared to \$13,777 during the third 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 third quarter of 2006 amounted to \$152,561 compared to \$112,337 during the third quarter of 2005. The increase in general and administrative expenses can be primarily attributed to increased legal and audit expenses.

These transactions resulted in distributable income for the quarter ended September 30, 2006, of \$18,576,342 or \$.398559 per Unit of beneficial interest. Distributions of \$.129940, \$.126203 and \$.142414 per Unit were made to Unit holders of record as of July 31, 2006; August 31, 2006; and September 29, 2006, respectively. For the third quarter of 2005, distributable income was \$15,890,763, or \$.340939 per Unit of beneficial interest.

Royalty income for the Trust for the third quarter of the calendar year is associated with actual oil and gas production for the period of May, June and July 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>Third Quarter</u>	<u>2006</u>	<u>2005</u>
Royalties		
Oil Sales (Bbls) _____	198,283	215,618
Gas Sales (Mcf) _____	869,934	957,711
Properties From Which The Royalties Were Carved		
<i>Oil:</i>		
Total Oil Sales (Bbls) _____	308,150	327,081
Average per Day (Bbls) _____	3,349	3,555
Average Price per Bbl _____	\$65.95	\$49.38
<i>Gas:</i>		
Total Gas Sales (Mcf) _____	1,539,034	1,612,808
Average per Day (Mcf) _____	16,729	17,531
Average Price per Mcf _____	\$7.42	\$6.34

The posted price of oil increased to an average price per barrel of \$65.95 per Bbl in the third quarter of 2006, compared to \$49.38 per Bbl in the third quarter of 2005. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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 \$6.34 per Mcf in the third quarter of 2005 to \$7.42 per Mcf in the third 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 third quarter of 2006 totaled \$3,332,426 as compared to \$1,789,545 for the third quarter of 2005. ConocoPhillips has informed the Trustee that the 2006 capital expenditures budget has been revised to \$36.5 million for the Waddell Ranch properties. The total amount of capital expenditures for 2005 was \$14.7 million.

The Trustee has been advised that there were seven wells completed and six wells in progress, and six workover wells completed and

19 workover wells in progress, during the three months ended September 30, 2006, as compared to two wells completed, no wells in progress, and 13 workover wells in progress for the three months ended September 30, 2005, on the Waddell Ranch properties. There were two facility projects completed and three projects in progress for the third quarter of 2006.

Lease operating expense and property taxes totaled \$3.4 million for the third quarter of 2006, compared to \$3.1 million in the third 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 third quarter in 2006.

Bank of America, N.A., Trustee

By:



Ron E. Hooper
Senior Vice President