

PERMIAN BASIN ROYALTY TRUST

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	Sept. 30, 2007	Dec. 31, 2006
	<i>(Unaudited)</i>	
<u>Assets</u>		
Cash and Short-term Investments	\$ 6,576,732	\$ 5,135,136
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of \$9,639,410 and \$9,536,002 at Sept. 30, 2007, and Dec. 31, 2006, Respectively)	<u>1,335,806</u>	<u>1,439,214</u>
	<u>\$ 7,912,538</u>	<u>\$ 6,574,350</u>
<u>Liabilities and Trust Corpus</u>		
Distribution Payable to Unit Holders	\$ 6,576,732	\$ 5,135,136
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	<u>1,335,806</u>	<u>1,439,214</u>
	<u>\$ 7,912,538</u>	<u>\$ 6,574,350</u>

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2007	2006	2007	2006
Royalty Income	\$ 18,000,323	\$ 18,697,269	\$ 45,320,284	\$ 51,655,740
Interest Income	<u>28,609</u>	<u>31,634</u>	<u>86,602</u>	<u>95,350</u>
	<u>18,028,932</u>	18,728,903	<u>45,406,886</u>	51,751,090
General and Administrative Expenditures	<u>(99,342)</u>	<u>(152,561)</u>	<u>(743,962)</u>	<u>(677,389)</u>
Distributable Income	<u>\$ 17,929,590</u>	<u>\$ 18,576,342</u>	<u>\$ 44,662,924</u>	<u>\$ 51,073,701</u>
Distributable Income Per Unit (46,608,796 Units)	<u>\$.38</u>	<u>\$.40</u>	<u>\$.96</u>	<u>\$ 1.10</u>

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Nine Months Ended Sept. 30,	
	2007	2006
Trust Corpus, Beginning of Period	\$ 1,439,214	\$ 1,610,630
Amortization of Net Overriding Royalty Interest	<u>(103,408)</u>	<u>(129,951)</u>
Distributable Income	<u>44,662,924</u>	51,073,701
Distributions Declared	<u>(44,662,924)</u>	<u>(51,073,701)</u>
Total Trust Corpus, End of Period	<u>\$ 1,335,806</u>	<u>\$ 1,480,679</u>
Distributions Per Unit	<u>\$.96</u>	<u>\$ 1.10</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 Sept. 30, 2007, royalty income received by the Trust amounted to \$18,000,323 compared to royalty income of \$18,697,269 during the third quarter of 2006. The decrease in royalty income is primarily attributable to decreases in oil prices and oil production but offset by increased gas prices and gas production.

Interest income for the quarter ended Sept. 30, 2007, was \$28,609 compared to \$31,635 during the third quarter of 2006. The decrease in interest income is primarily attributable to lower interest rates and less funds available for investment. General and administrative expenses during the third quarter of 2007 amounted to \$99,342 compared to \$152,561 during the third quarter of 2006. The decrease in general and administrative expenses can be primarily attributed to the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended Sept. 30, 2007, of \$17,929,590 or \$.384683 per Unit of beneficial interest. Distributions of \$.116911, \$.126665 and \$.141104 per Unit were made to Unit Holders of record as of July 31, 2007, Aug. 31, 2007, and Sept. 28, 2007, respectively. For the third quarter of 2006, distributable income was \$18,576,342, or \$.398559 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 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>Third Quarter</u>	<u>2007</u>	<u>2006</u>
Royalties		
Oil Sales (Bbls) _____	188,507	198,283
Gas Sales (Mcf) _____	901,602	869,934

Properties From Which The Royalties Were Carved

Oil:

Total Oil Sales (Bbls) _____	294,548	308,150
Average Per Day (Bbls) _____	3,202	3,349
Average Price Per Bbl _____	\$61.78	\$65.95

Gas:

Total Gas Sales (Mcf) _____	1,611,556	1,539,034
Average Per Day (Mcf) _____	17,517	16,729
Average Price Per Mcf _____	\$8.02	\$7.42

The posted price of oil decreased to an average price per barrel of \$61.78 per Bbl in the third quarter of 2007 compared to \$65.95 per Bbl in the third quarter of 2006. The Trustee has been advised by ConocoPhillips that for the period of Aug. 1, 1993, through Sept. 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 increased from \$7.42 per Mcf in the third quarter of 2006 to \$8.02 per Mcf in the third 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 table opposite 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 Dec. 31, 2006) decreased for the applicable period in 2007 compared to 2006.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2007 totaled \$2,936,440 as compared to \$3,332,426 for the third quarter of 2006. ConocoPhillips has informed the Trustee that the 2007 capital expenditures budget has been revised to \$19.6 million for the Waddell Ranch properties. The total amount of capital expenditures for 2006 was \$15.3 million. Through the third quarter of 2007, capital expenditures of \$11.5 million have been expended.

The Trustee has been advised that there were no wells completed and only one drill well in progress, and no workover wells completed and one workover well in progress, during the three months ended Sept. 30, 2007, as compared to seven wells completed, six wells in progress, six workover wells completed and 19 workover wells in progress for the three months ended Sept. 30, 2006, on the Waddell Ranch properties. There were no facility projects completed and no projects in progress for the third quarter of 2007.

Lease operating expenses and property taxes totaled \$3.6 million for the third quarter of 2007, compared to \$3.4 million in the third 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 third quarter in 2007.

Bank of America, N.A., Trustee

By:



Ron E. Hooper
Senior Vice President

