



TO UNIT HOLDERS:

For the quarter ended September 30, 2008 royalty income received by the Trust amounted to \$35,552,084 compared to

royalty income of \$18,000,323 during the third quarter of 2007. The increase in royalty income is primarily attributable to substantial increases in both oil and gas prices but offset by decreased oil and gas production.

Interest income for the quarter ended September 30, 2008, was \$20,118 compared to \$28,609 during the third quarter of 2007. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the third quarter of 2008 amounted to \$134,748 compared to \$99,342 during the third quarter of 2007. The increase 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 September 30, 2008 of \$35,437,454 or \$.760317 per Unit of beneficial interest. Distributions of \$.234609, \$.278952 and \$.246754 per Unit were made to Unit holders of record as of July 31, 2008, August 31, 2008 and September 28, 2008, respectively. For the third quarter of 2007, distributable income was \$17,929,590, or \$.384683 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 product sales 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:

Third Quarter	2008	2007
Royalties		
Oil sales (Bbls).....	189,184	188,507
Gas sales (Mcf)	955,832	901,602
Product From Which The Royalties Were Carved:		
<i>Oil:</i>		
Total oil sales (Bbls).....	265,967	294,548
Average per day (Bbls).....	2,891	3,202
Average price per Bbl.....	\$ 104.07	\$ 61.78
<i>Gas:</i>		
Total gas sales (Mcf)	1,475,516	1,611,556
Average per day (Mcf)	16,038	17,517
Average price per Mcf.....	\$ 11.06	\$ 8.02

The average received price of oil increased to an average price per barrel of \$104.07 per Bbl in the third quarter of 2008, compared to \$61.78 per Bbl in the third quarter of 2007. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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 \$8.02 per Mcf in the third quarter of 2007 to \$11.06 per Mcf in the third 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 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, 2007) decreased for the applicable period in 2008 compared to 2007.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2008 totaled \$2,643,259 as compared to \$2,936,440 for the third quarter of 2007. ConocoPhillips has informed the Trustee that the 2008 capital expenditures budget has been revised to \$31.0 million for the Waddell Ranch properties. The total amount of capital expenditures for 2007 was \$11.2 million. Through the third quarter of 2008, capital expenditures of \$4.3 million have been expended.

The Trustee has been advised that there were no wells completed and 4 drill wells in progress, and 21 workover wells completed and 14 workover wells in progress, during the three months ended September 30, 2008 as compared to no wells completed, 1 drill well in progress, no workover wells completed and 1 workover well in progress for the three months ended September 30, 2007 on the Waddell Ranch properties. There were 3 facility projects completed and no projects in progress for the third quarter of 2008.

Lease operating expense and property taxes totaled \$4.2 million for the third quarter of 2008, compared to \$3.6 million in the third quarter of 2007 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 2008.

Nine Months Ended September 30, 2008

For the nine months ended September 30, 2008, royalty income received by the Trust amounted to \$89,237,008 compared to royalty income of \$45,320,284 for the nine months ended September 30, 2007. The increase in royalty income is primarily due to a substantial increase in oil and gas prices in the first nine months of 2008 compared to the first nine months in 2007. Interest income for the nine months ended September 30, 2008 was \$75,332 compared to \$86,602 for the nine months ended September 30, 2007. General and administrative expenses for the nine months ended September 30, 2008 were \$848,993. During the nine months ended September 30, 2007, general and administrative expenses were \$743,962. The increase in general and administrative expenses is primarily due to enhanced Unit holder tax reporting to more Unit holders.

These transactions resulted in distributable income for the nine months ended September 30, 2008 of \$88,463,347, or \$1.89797 per Unit. For the nine months ended September 30, 2007, distributable income was \$44,662,924, or \$.958251 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

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and Short-term Investments	\$ 11,500,938	\$ 8,173,207
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$9,777,015 and \$9,681,281 at September 30, 2008 and December 31, 2007, respectively)	1,198,202	1,293,935
TOTAL ASSETS	\$ 12,699,140	\$ 9,467,142
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 11,500,938	\$ 8,173,207
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding	1,198,202	1,293,935
TOTAL LIABILITIES AND TRUST CORPUS	\$ 12,699,140	\$ 9,467,142

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2008	2007	2008	2007
Royalty Income	\$35,552,084	\$18,000,323	\$89,237,008	\$45,320,284
Interest Income	20,118	28,609	75,332	86,602
	<u>35,572,202</u>	<u>18,028,932</u>	<u>89,312,340</u>	<u>45,406,886</u>
General and Administrative Expenditures	(134,748)	(99,342)	(848,993)	(743,962)
Distributable Income	<u>\$35,437,454</u>	<u>\$17,929,590</u>	<u>\$88,463,347</u>	<u>\$44,662,924</u>
Distributable Income per Unit (46,608,796 Units) \$	<u>.76</u>	<u>\$.38</u>	<u>\$ 1.90</u>	<u>\$.96</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Nine Months Ended Sept. 30,	
	2008	2007
Trust Corpus, Beginning of Period	\$ 1,293,935	\$ 1,439,214
Amortization of Net Overriding Royalty Interests	(95,733)	(103,408)
Distributable Income	88,463,347	44,662,924
Distributions Declared	(88,463,347)	(44,662,924)
Trust Corpus, End of Period	<u>\$ 1,198,202</u>	<u>\$ 1,335,806</u>
Distributions per Unit	<u>\$ 1.90</u>	<u>\$.96</u>

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Third Quarter Report 2008