

Permian Basin Royalty Trust

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2004	December 31, 2003
	<i>(Unaudited)</i>	
Assets		
Cash and Short-term Investments _____	\$ 4,523,057	\$ 2,873,975
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of \$9,123,213 and \$8,983,700 at September 30, 2004, and December 31, 2003, respectively) _____	<u>1,852,081</u>	<u>1,991,594</u>
	\$ 6,375,138	\$ 4,865,569
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders _____	\$ 4,523,057	\$ 2,873,975
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding _____	<u>1,852,081</u>	<u>1,991,594</u>
	\$ 6,375,138	\$ 4,865,569

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Royalty Income _____	\$ 11,647,036	\$ 8,692,172	\$ 29,899,365	\$ 24,244,896
Interest Income _____	<u>4,185</u>	<u>3,468</u>	<u>10,837</u>	<u>10,402</u>
	11,651,221	8,695,640	29,910,202	24,255,298
General and Administrative Expenditures _____	<u>(84,828)</u>	<u>(71,646)</u>	<u>(412,929)</u>	<u>(436,780)</u>
Distributable Income _____	\$ 11,566,393	\$ 8,623,994	\$ 29,497,273	\$ 23,818,518
Distributable Income per Unit (46,608,796 Units) _____	\$.248159	\$.185029	\$.632869	\$.511031

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Trust Corpus, Beginning of Period _____	\$ 1,902,570	\$ 2,085,667	\$ 1,991,594	\$ 2,192,393
Amortization of Net Overriding Royalty Interests _____	<u>(50,489)</u>	<u>(47,364)</u>	<u>(139,513)</u>	<u>(134,090)</u>
Distributable Income _____	11,566,393	8,623,994	29,497,273	23,818,518
Distributions Declared _____	<u>(11,566,393)</u>	<u>(8,623,994)</u>	<u>(29,497,273)</u>	<u>(23,818,518)</u>
Total Trust Corpus, End of Period _____	\$ 1,852,081	\$ 2,038,303	\$ 1,852,081	\$ 2,038,303

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Trust's 2003 Annual Report.



Permian Basin Royalty Trust

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Permian Basin Royalty Trust

Third Quarter Report 2004

To Unit Holders

For the quarter ended September 30, 2004, royalty income received by the Trust amounted to \$11,647,036 compared to royalty income of \$8,692,172 during the third quarter of 2003. 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, 2004, was \$4,185 compared to \$3,468 during the third quarter of 2003. 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 2004 amounted to \$84,828 compared to \$71,646 during the third quarter of 2003. 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, 2004, of \$11,566,393 or \$.248159 per Unit of beneficial interest. Distributions of \$.077787, \$.073328 and \$.097042 per Unit were made to Unit holders of record as of July 30, 2004, August 31, 2004, and September 30, 2004, respectively. For the third quarter of 2003, distributable income was \$8,623,994, or \$.185029 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 2004 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>2004</u>	<u>2003</u>
Royalties		
Oil Sales (Bbls)	198,032	183,456
Gas Sales (Mcf)	849,226	859,067
Properties From Which The Royalties Were Carved		
Oil:		
Total Oil Sales (Bbls)	319,176	300,864
Average Per Day (Bbls)	3,496	3,270
Average Price Per Bbl	\$36.74	\$27.85
Gas:		
Total Gas Sales (Mcf)	1,535,078	1,589,614
Average Per Day (Mcf)	16,686	17,278
Average Price Per Mcf	\$5.82	\$4.71

The posted price of oil increased to an average price per barrel of \$36.74 per Bbl in the third quarter of 2004, compared to \$27.85 per Bbl in the third quarter of 2003. The Trustee has been advised by Burlington Resources Oil & Gas Company LLP ("BROG") that for the period

August 1, 1993, through September 30, 2004, 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 \$4.71 per Mcf in the third quarter of 2003 to \$5.82 per Mcf in the third quarter of 2004. This increase is primarily attributable to a significant increase in gas prices earlier in the year of 2004.

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 volumes from the Underlying Properties increased for the applicable period in 2004 compared to 2003.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2004 totaled \$2,685,591 as compared to \$1,479,891 for the third quarter of 2003. BROG has informed the Trustee that the 2004 capital expenditures budget has been revised to \$13.2 million for the Waddell Ranch. The total amount of capital expenditures for 2003 was \$9.1 million. Through the third quarter of 2004, capital expenditures of \$6.0 million have been expended.

The Trustee has been advised that there were three wells completed and no wells in progress and four work-over wells in progress during the three months ended September 30, 2004, as compared to two wells completed or in progress for the three months ended September 30, 2003, on the Waddell Ranch properties.

Lease operating expense and property taxes totaled \$2.2 million for the third quarter of 2004, compared to \$2.5 million in the third quarter of 2003 on the Waddell Ranch properties. This decrease is primarily attributable to lower maintenance costs for the quarter.

Bank of America, N.A., Trustee

By:



Ron E. Hooper
Senior Vice President
December 9, 2004