

## PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

### CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2014 (Unaudited)	December 31, 2013
<b>Assets</b>		
Cash and Short-term Investments.....	\$ <b>5,058,439</b>	\$ 3,136,698
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,208,718 and \$10,194,344 at March 31, 2014 and December 31, 2013, respectively) .....	<b>766,498</b>	780,872
<b>TOTAL ASSETS</b> .....	<b>\$ 5,824,937</b>	<b>\$ 3,917,570</b>
<b>Liabilities and Trust Corpus</b>		
Distribution Payable to Unit Holders .....	\$ <b>5,058,439</b>	\$ 3,136,698
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding .....	<b>766,498</b>	780,872
<b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....	<b>\$ 5,824,937</b>	<b>\$ 3,917,570</b>

### CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31, 2014	2013
Royalty Income.....	\$ <b>12,135,107</b>	\$ 7,023,046
Interest Income .....	<b>63</b>	196
	<b>12,135,170</b>	7,023,242
General and Administrative Expenditures.....	<b>(434,775)</b>	(324,648)
Distributable Income.....	<b>\$ 11,700,395</b>	\$ 6,698,594
Distributable Income per Unit (46,608,796 Units).....	<b>\$ .25</b>	\$ .14

### CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31, 2014	2013
Trust Corpus, Beginning of Period .....	\$ <b>780,872</b>	\$ 825,949
Amortization of Net Overriding Royalty Interests .....	<b>(14,374)</b>	(9,572)
Distributable Income.....	<b>11,700,395</b>	6,698,594
Distributions Declared.....	<b>(11,700,395)</b>	(6,698,594)
Trust Corpus, End of Period .....	<b>\$ 766,498</b>	\$ 816,377
Distributions per Unit .....	<b>\$ .25</b>	\$ .14

# PERMIAN BASIN ROYALTY TRUST

1<sup>st</sup>  
Quarter Report  
2014

## TO UNIT HOLDERS:

For the quarter ended March 31, 2014, royalty income received by the Trust amounted to \$12,135,107 compared to royalty income of \$7,023,046 during the first quarter of 2013. The increase in royalty income is primarily attributable to increased production and to a substantial increase in oil and gas prices for the quarter ending March 31, 2014 to \$89.97 and \$6.58, respectively, as compared to the quarter ending March 31, 2013 of \$79.19 and \$4.33, respectively.

Interest income for the quarter ended March 31, 2014, was \$63 compared to \$196 during the first quarter of 2013. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the first quarter of 2014 amounted to \$434,775 compared to \$324,648 during the first quarter of 2013. The increase in general and administrative expenses can be primarily attributed to increased professional expenses.

These transactions resulted in distributable income for the quarter ended March 31, 2014 of \$11,700,395 or \$.25 per Unit of beneficial interest. Distributions of \$0.050812, \$0.091691 and \$0.108529 per Unit were made to Unit holders of record as of January 31, 2014, February 28, 2014 and March 31, 2014, respectively. For the first quarter of 2013, distributable income was \$6,698,594, or \$.14 per Unit of beneficial interest.

Royalty income for the Trust for the first quarter of the calendar year is associated with actual oil and gas production for the period of November and December 2013 and January 2014 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:

	FIRST QUARTER 2014	2013
PRODUCTION:		
Oil sales (Bbls)	121,049	81,047
Gas sales (Mcf)	301,342	118,747
PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	306,742	267,890
Average per day (Bbls)	3,334	2,912
Average price per Bbl	\$ 89.97	\$ 79.19
<i>Gas:</i>		
Total gas sales (Mcf)	1,006,039	982,828
Average per day (Mcf)	10,935	10,683
Average price per Mcf	\$ 6.58	\$ 4.33

The average received price of oil increased to an average price per barrel of \$89.97 per Bbl in the first quarter of 2014, compared to \$79.19 per Bbl in the first quarter of 2013 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through March 31, 2014, the oil from the Waddell Ranch properties was being sold under a competitive bid to a third party. The average price of gas (including natural gas liquids) increased from \$4.33 per Mcf in the first quarter of 2013 to \$6.58 per Mcf in the first quarter of 2014 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, 2013) for the applicable period in 2014 compared to 2013.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch

properties during the first quarter of 2014 totaled \$11.6 million as compared to \$11.7 million for the first quarter of 2013. ConocoPhillips has informed the Trustee that the 2014 capital expenditures budget has been approved at \$76 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2013 with regard to the Waddell Ranch properties totaled \$88.6 million (gross).

The Trustee has been advised that there were 8 workover wells completed, 7 new wells completed, 1 new well in progress and 3 workover wells in progress during the three months ended March 31, 2014 as compared to 14 workover wells completed, 1 new well completed, 2 new wells in progress and 13 workover wells in progress for the three months ended March 31, 2013 on the Waddell Ranch properties.

Lease operating expenses and property taxes were \$5.5 million for the first quarter of 2014 as compared to \$5.2 million for the first quarter of 2013. The decrease in lease operating expenses and property taxes is primarily attributable to decreased activity of drilling and facilities maintenance.

### TRUSTEE RESIGNATION

On January 9, 2014, U.S. Trust, Bank of America Private Wealth Management gave notice to Unit holders that it will be resigning as trustee subject to the conditions set forth below. Bank of America, N.A. has nominated Southwest Bank, an independent state bank chartered under the laws of the State of Texas and headquartered in Fort Worth, Texas ("Southwest Bank"), as successor trustee at a meeting of unit holders of the trust called for Friday, May 23, 2014, for the purpose of approving a successor trustee of the Trust. U.S. Trust, Bank of America Private Wealth Management's resignation is conditioned on

the satisfaction or waiver by U.S. Trust, Bank of America Private Wealth Management of each of the following: (i) the appointment of Southwest Bank as trustee of Sabine Royalty Trust (another royalty trust for which U.S. Trust, Bank of America Private Wealth Management currently serves as trustee); (ii) the appointment of Southwest Bank or another successor trustee as trustee of the trust and five other royalty trusts for which U.S. Trust, Bank of America Private Wealth Management currently serves as trustee and as agent under a disbursing arrangement for which it currently serves as agent; (iii) the accuracy of certain representations and warranties and performance of certain agreements made by Southwest Bank in an agreement between U.S. Trust, Bank of America Private Wealth Management and Southwest Bank; and (iv) no governmental injunction, order or other action that would prohibit Southwest Bank's appointment, U.S. Trust, Bank of America Private Wealth Management's resignation or the other actions described above. The effective date of U.S. Trust, Bank of America Private Wealth Management's resignation shall be June 30, 2014, assuming all of the conditions described above have been satisfied or waived as of such date.

**BANK OF AMERICA, N.A., TRUSTEE  
BY:**



**RON E. HOOPER  
SENIOR VICE PRESIDENT**

