

Permian Basin Royalty Trust Financial Statements

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and Short-term Investments.....	\$ 1,258,027	\$ 1,464,757
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,303,341 and \$10,294,530 at March 31, 2016 and December 31, 2015, respectively)	671,875	680,686
TOTAL ASSETS	\$ 1,929,902	\$ 2,145,443
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 608,027	\$ 964,757
Reserves for Expenses	650,000	500,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	671,875	680,686
TOTAL LIABILITIES AND TRUST CORPUS	\$ 1,929,902	\$ 2,145,443

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Royalty Income.....	\$ 2,770,036	\$ 4,630,106
Interest Income	84	32
	2,770,120	4,630,138
Reserves for Expenses	(150,000)	(100,000)
General and Administrative Expenditures.....	(314,834)	(346,094)
Distributable Income.....	\$ 2,305,286	\$ 4,184,044
Distributable Income per Unit (46,608,796 Units)	\$.05	\$.09

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Trust Corpus, Beginning of Period.....	\$ 680,686	\$ 722,947
Amortization of Net Overriding Royalty Interests.....	(8,811)	(9,543)
Distributable Income.....	2,305,286	4,184,044
Distributions Declared.....	(2,305,286)	(4,184,044)
Trust Corpus, End of Period.....	\$ 671,875	\$ 713,404
Distributions per Unit	\$.05	\$.09

PERMIAN BASIN ROYALTY TRUST



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2016

To Unit Holders:

For the quarter ended March 31, 2016, royalty income received by the Trust amounted to \$2,770,036 compared to royalty income of \$4,630,106 during the first quarter of 2015. The decrease in royalty income is primarily attributable to a substantial decrease in oil and gas prices for the quarter ending March 31, 2016, as compared to the quarter ending March 31, 2015. Average oil and gas prices were \$34.50 and \$2.08 for the period ending March 31, 2016 compared to \$57.72 and \$4.15 for the period ending March 31, 2015.

Interest income for the quarter ended March 31, 2016, was \$84 compared to \$32 during the first quarter of 2015. The increase in interest income is primarily attributable to higher interest rates on different investments offset by substantially reduced amounts of funds available for investment. Total expenses during the first quarter of 2016 amounted to \$464,834 compared to \$446,094 during the first quarter of 2015. The increase in total expenses can be primarily attributed to increased expense reserve.

These transactions resulted in distributable income for the quarter ended March 31, 2016 of \$2,305,286 or \$0.05 per Unit of beneficial interest. Distributions of \$0.014734, \$0.021680 and \$0.013045 per Unit were made to Unit holders of record as of January 29, 2016, February 29, 2016 and March 31, 2016, respectively. For the first quarter of 2015, distributable income was \$4,184,044, or \$.09 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 2015 and January 2016 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	2016	2015
ROYALTIES:			
Oil sales (Bbls)		71,623	79,262
Gas sales (Mcf)		95,509	103,333
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:			
<i>Oil:</i>			
Total oil sales (Bbls)		305,428	311,483
Average per day (Bbls)		3,320	3,386
Average price per Bbl	\$	34.50	\$ 57.72
<i>Gas:</i>			
Total gas sales (Mcf)		1,416,991	1,180,576
Average per day (Mcf)		15,402	12,832
Average price per Mcf	\$	2.08	\$ 4.15

The average received price of oil decreased to an average price per barrel of \$34.50 per Bbl in the first quarter of 2016, compared to \$57.72 per Bbl in the first quarter of 2015 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through March 31, 2016, 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) decreased from \$4.15 per Mcf in the first quarter of 2015 to \$2.08 per Mcf in the first quarter of 2016 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 decreased 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, 2015) for the applicable period in 2016 compared to 2015.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first quarter of 2016 totaled \$2.6 million as compared to \$10.2 million for the first quarter of 2015. ConocoPhillips has informed the Trustee that the 2016 capital expenditures budget has been approved at \$2.45 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2015 with regard to the Waddell Ranch properties totaled \$27 million (gross).

The Trustee has been advised that there were no workover wells completed, no new wells completed, no new wells in progress and no workover wells in progress during the three months ended March 31, 2016 as compared to 6 workover wells completed, 3 new wells completed, 0 new well in progress and 2 workover wells in progress for the three months ended March 31, 2015 on the Waddell Ranch properties. There were various facility projects in progress for the first quarter of 2016.

Lease operating expenses and property taxes totaled \$6.9 million (gross) for the first quarter of 2016, compared to \$6.8 million (gross) for the same period in 2014 on the Waddell Ranch properties due to increased maintenance and work on the Waddell Ranch.

Southwest Bank, Trustee

By:



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