

# Permian Basin Royalty Trust Financial Statements

## Condensed Statements of Assets, Liabilities and Trust Corpus

	March 31, 2017 <i>(Unaudited)</i>	December 31, 2016
<b>Assets</b>		
Cash and Short-term Investments.....	\$ 3,258,067	\$ 3,795,604
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,391,550 and \$10,372,097 at March 31, 2017 and December 31, 2016, respectively) .....	583,666	603,119
<b>TOTAL ASSETS</b> .....	<b>\$ 3,841,733</b>	<b>\$ 4,398,723</b>
<b>Liabilities and Trust Corpus</b>		
Distribution Payable to Unit Holders .....	\$ 2,208,067	\$ 2,745,604
Reserves for Expenses.....	1,050,000	1,050,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	583,666	603,119
<b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....	<b>\$ 3,841,733</b>	<b>\$ 4,398,723</b>

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31,	
	2017	2016
Royalty Income .....	\$ 9,552,223	\$ 2,770,036
Interest Income.....	2,282	84
	<b>9,554,505</b>	2,770,120
Reserves for Expenses.....	—	(150,000)
General and Administrative Expenditures .....	(365,457)	(314,834)
<b>Distributable Income</b> .....	<b>\$ 9,189,048</b>	<b>\$ 2,305,286</b>
Distributable Income per Unit (46,608,796 Units) .....	\$ .20	\$ .05

## Condensed Statements of Change in Trust Corpus (Unaudited)

	Three Months Ended March 31,	
	2017	2016
Trust Corpus, Beginning of Period .....	\$ 603,119	\$ 680,686
Amortization of Net Overriding Royalty Interests.....	(19,453)	(8,811)
Distributable Income.....	9,189,048	2,305,286
Distributions Declared.....	(9,189,048)	(2,305,286)
<b>Trust Corpus, End of Period</b> .....	<b>\$ 583,666</b>	<b>\$ 671,875</b>
Distributions per Unit .....	\$ .20	\$ .05



**PERMIAN BASIN  
ROYALTY TRUST**

**1<sup>st</sup>**

Quarter Report

**2017**

## To Unit Holders:

For the quarter ended March 31, 2017, royalty income received by the Trust amounted to \$9,552,223 compared to royalty income of \$2,770,036 during the first quarter of 2016. The increase in royalty income is primarily attributable to a reduction of capital expenditures by the operator and an increase in oil and gas prices for the quarter ending March 31, 2017, as compared to the quarter ended March 31, 2016. Average oil and gas prices were \$46.26 and \$3.16 for the period ended March 31, 2017 compared to \$34.50 and \$2.08 for the period ended March 31, 2016.

Interest income for the quarter ended March 31, 2017 was \$2,282 compared to \$84 during the first quarter of 2016. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment, primarily the reserve of \$1,050,000 in the Trust account. Total expenses during the first quarter of 2017 amounted to \$365,457 compared to \$464,834 during the first quarter of 2016. The decrease in total expenses can be primarily attributed to decreased expense for professional services and no additional reserve for expenses.

These transactions resulted in distributable income for the quarter ended March 31, 2017 of \$9,189,048 or \$0.20 per Unit of beneficial interest. Distributions of \$0.048012, \$0.101910 and \$0.047230 per Unit were made to Unit holders of record as of January 31, 2017, February 28, 2017 and March 31, 2017, respectively. For the first quarter of 2016,

distributable income was \$2,305,286, or \$0.05 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 2016 and January 2017 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:

	<b>FIRST QUARTER</b>	<b>2017</b>	<b>2016</b>
<b>ROYALTIES:</b>			
Oil sales (Bbls)		<b>159,629</b>	71,623
Gas sales (Mcf)		<b>610,590</b>	95,509
<b>PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:</b>			
<i>Oil:</i>			
Total oil sales (Bbls)		<b>245,934</b>	305,428
Average per day (Bbls)		<b>2,670</b>	3,320
Average price per Bbl	<b>\$</b>	<b>46.26</b>	<b>\$</b> 34.50
<i>Gas:</i>			
Total gas sales (Mcf)		<b>1,097,105</b>	1,416,991
Average per day (Mcf)		<b>11,925</b>	15,402
Average price per Mcf	<b>\$</b>	<b>3.16</b>	<b>\$</b> 2.08

The average received price of oil increased to an average price per barrel of \$46.26 per Bbl in the first quarter of 2017, compared to \$34.50 per Bbl in the first quarter of 2016 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through March 31, 2017, 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 \$2.08 per Mcf in the

first quarter of 2016 to \$3.16 per Mcf in the first quarter of 2017 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, 2016) for the applicable period in 2017 compared to 2016.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first quarter of 2017 totaled \$144,000 as compared to \$2.6 million for the first quarter of 2016. ConocoPhillips has informed the Trustee that the 2017 capital expenditures budget has been approved at \$3.2 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2016 with regard to the Waddell Ranch properties totaled \$11.55 million (gross).

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for 2016 with regard to the Waddell Ranch properties totaled \$11.55 million (gross).

Lease operating expenses and property taxes totaled \$2.9 million (gross) for the first quarter of 2017, compared to \$6.9 million (gross) for the same period in 2016 on the Waddell Ranch properties due to decreased maintenance work and reduction of property taxes.

**Southwest Bank, Trustee**

By:



**Ron E. Hooper**

**Senior Vice President,**

**Royalty Trust Management**

