

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	March 31, 2018 <i>(Unaudited)</i>	December 31, 2017
Assets		
Cash and Short-term Investments.....	\$ 4,523,106	\$ 3,421,419
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,465,495 and \$10,446,173 at March 31, 2018 and December 31, 2017, respectively).....	509,721	529,043
TOTAL ASSETS	\$ 5,032,827	\$ 3,950,462
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 3,473,106	\$ 2,371,419
Reserves for Expenses	1,050,000	1,050,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	509,721	529,043
TOTAL LIABILITIES AND TRUST CORPUS	\$ 5,032,827	\$ 3,950,462

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31, 2018	2017
Royalty Income.....	\$ 9,719,305	\$ 9,552,223
Interest Income.....	5,476	2,282
	9,724,781	9,554,505
General and Administrative Expenditures.....	(413,850)	(365,457)
Distributable Income	\$ 9,310,931	\$ 9,189,048
Distributable Income per Unit (46,608,796 Units)	\$.20	\$.20

Condensed Statements of Change in Trust Corpus (Unaudited)

	Three Months Ended March 31, 2018	2017
Trust Corpus, Beginning of Period.....	\$ 529,043	\$ 603,119
Amortization of Net Overriding Royalty Interests.....	(19,322)	(19,453)
Distributable Income.....	9,310,931	9,189,048
Distributions Declared.....	(9,310,931)	(9,189,048)
Trust Corpus, End of Period	\$ 509,721	\$ 583,666
Distributions per Unit.....	\$.20	\$.20

Permian Basin Royalty Trust



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Quarter Report
2018

To Unit Holders:

For the quarter ended March 31, 2018, royalty income received by the Trust amounted to \$9,719,305 compared to royalty income of \$9,552,223 during the first quarter of 2017. The increase in royalty income is primarily attributable to a decrease in oil and gas production of both oil and gas but offset by an increase in both oil and gas prices for the quarter ending March 31, 2018, as compared to the quarter ended March 31, 2017. Average oil and gas prices were \$56.39 and \$3.84 for the quarter ending March 31, 2018 compared to \$46.26 and \$3.16 for the quarter ended March 31, 2017.

Interest income for the quarter ended March 31, 2018, was \$5,476 compared to \$2,282 during the first quarter of 2017. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment. Total expenses during the first quarter of 2018 amounted to \$413,850 compared to \$365,457 during the first quarter of 2017. The increase in total expenses can be primarily attributed to increased expense for professional services.

These transactions resulted in distributable income for the quarter ended March 31, 2018, of \$9,310,931 or \$.20 per Unit of beneficial interest. Distributions of \$0.059614, \$0.065637 and \$0.074516 per Unit were made to Unit holders of record as of January 31, 2018, February 28, 2018, and March 29, 2018, respectively. For the first quarter of 2017, distributable income was \$9,189,048 or \$.20 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 2017 and January 2018 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	2018	2017
ROYALTIES:		
Oil sales (Bbls)	143,180	159,629
Gas sales (Mcf)	511,378	610,590
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	236,242	245,934
Average per day (Bbls)	2,625	2,670
Average price per Bbl	\$ 56.39	\$ 46.26
<i>Gas:</i>		
Total gas sales (Mcf)	1,033,291	1,097,105
Average per day (Mcf)	11,481	11,925
Average price per Mcf	\$ 3.84	\$ 3.16

The average received price of oil increased to an average price per barrel of \$56.39 per Bbl in the first quarter of 2018, compared to \$46.26 per Bbl in the first quarter of 2017 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through March 31, 2018, 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 \$3.16 per Mcf in the first quarter of 2017 to \$3.84 per Mcf in the first quarter of 2018 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 decreased from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2017) for the applicable period in 2018 compared to 2017.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first quarter of 2018 totaled \$428,000 as compared to \$144,000 for the first quarter of 2017. ConocoPhillips has informed the Trustee that the 2018 capital expenditures budget has been approved at \$4.3 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2017 with regard to the Waddell Ranch properties totaled \$3.2 million (gross).

The Trustee has been advised that there were 0 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress during the three months ended March 31, 2018, as compared to 0 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress for the three months ended March 31, 2017, on the Waddell Ranch properties. There were various facility projects in progress for the first quarter of 2018.

Lease operating expenses and property taxes totaled \$4.4 million (gross) for the first quarter of 2018, compared to \$2.9 million (gross) for the same period in 2017 on the Waddell Ranch properties due to increased maintenance work.

Simmons Bank, Trustee
By:



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