

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	March 31, 2021 <i>(Unaudited)</i>	December 31, 2020
Assets		
Cash and short-term investments.....	\$ 1,637,532	\$ 1,725,449
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,602,161 and \$10,592,340 at March 31, 2021 and December 31, 2020, respectively)	<u>373,055</u>	<u>382,876</u>
TOTAL ASSETS	<u>\$ 2,010,587</u>	<u>\$ 2,108,325</u>
Liabilities and Trust Corpus		
Distribution payable to Unit Holders.....	\$ 537,532	\$ 625,449
Commitments and reserves for contingencies	1,100,000	1,100,000
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding.....	<u>373,055</u>	<u>382,776</u>
TOTAL LIABILITIES AND TRUST CORPUS	<u>\$ 2,010,587</u>	<u>\$ 2,108,325</u>

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31, 2021	2020
Royalty income.....	\$ 2,124,157	\$ 6,254,509
Interest income	1,313	4,361
	<u>2,125,470</u>	<u>6,258,870</u>
General and administrative expenditures	<u>(285,740)</u>	<u>(328,863)</u>
Distributable income.....	<u>\$ 1,839,730</u>	<u>\$ 5,930,007</u>
Distributable income per Unit (46,608,796 Units)	<u>\$.04</u>	<u>\$.13</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31, 2021	2020
Trust corpus, beginning of period.....	\$ 382,876	\$ 424,507
Amortization of net overriding royalty interests	(9,821)	(13,078)
Distributable income.....	1,839,730	5,930,007
Distributions declared	<u>(1,837,730)</u>	<u>(5,930,007)</u>
Total Trust Corpus, end of period.....	<u>\$ 373,055</u>	<u>\$ 411,429</u>
Distributions per Unit	<u>\$.04</u>	<u>\$.13</u>

Permian Basin Royalty Trust

1st
Quarter Report
2021

■ To Unit Holders:

For the quarter ended March 31, 2021, royalty income received by the Trust amounted to \$2,124,157 compared to royalty income of \$6,254,509 during the first quarter of 2020. The decrease in royalty income is primarily attributable to increased drilling costs on the Waddell Ranch properties resulting in a deficiency for the NPI, therefore, no royalties were paid, despite an increase in oil production and an increase in the price of gas for the quarter ended March 31, 2021, as compared to the quarter ended March 31, 2020. Average oil and gas prices were \$44.08 and \$2.67, respectively, for the quarter ending March 31, 2021 compared to \$58.13 and \$1.60 for the quarter ended March 31, 2020.

Interest income for the quarter ended March 31, 2021, was \$1,313 compared to \$4,361 during the first quarter of 2020. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the first quarter of 2021 amounted to \$285,740 compared to \$328,863 during the first quarter of 2020. The decrease in total expenses can be primarily attributed to decreased expense for professional services and the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended March 31, 2021, of \$1,839,730 or \$0.04 per Unit of beneficial interest. Distributions of \$0.011453, \$0.016492 and \$0.011525 per Unit were made to Unit holders of record as of January 29, 2021, February 26, 2021,

and March 31, 2021, respectively. For the first quarter of 2020, distributable income was \$5,930,007 or \$.13 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 2020 and January 2021 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:

	2021	2020
First Quarter		
Royalties:		
Oil sales (Bbls)	181,762	105,936
Gas sales (Mcf)	923,221	275,107
Properties From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	231,828	216,469
Average per day (Bbls)	2,576	2,379
Average price per Bbl \$	44.08	\$ 58.13
Gas:		
Total gas sales (Mcf)	1,223,891	938,484
Average per day (Mcf)	13,599	10,313
Average price per Mcf \$	2.67	\$ 1.60

The average received price of oil decreased to an average price per barrel of \$44.08 per Bbl in the first quarter of 2021, compared to \$58.13 per Bbl in the first quarter of 2020 due to worldwide market variables. The Trustee has been advised by the operator of the Waddell Ranch properties that for the period of August 1, 1993, through March 31, 2021, 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 \$1.60 per Mcf in the first quarter of 2020 to \$2.67 per Mcf in the first quarter of 2021 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 and gas (including natural gas liquids) 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, 2020) for the applicable period in 2021 compared to 2020.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first quarter of 2021 totaled \$9.5 million as compared to \$528,000 for the first quarter of 2020. Blackbeard has previously informed the Trustee that the 2021 capital expenditures budget has been approved at \$88.6 million (gross) (\$32.5 million net to the Trust) for the Waddell Ranch properties. The total amount of capital expenditures for 2020 with regard to the Waddell Ranch properties totaled \$10.4 million (gross).

The Trustee has been advised that there were 27 workover wells completed, 8 new wells completed, 8 new wells in progress and 9 workover wells in progress during the three months ended March 31, 2021, as compared to no workover wells completed, no new wells completed, no new wells in

progress and no workover wells in progress for the three months ended March 31, 2020, on the Waddell Ranch properties. There were various facility projects in progress for the first quarter of 2021.

Lease operating expenses and property taxes totaled \$2.3 million (gross) for the first quarter of 2021, compared to \$5.2 million (gross) for the same period in 2020 on the Waddell Ranch properties due to decreased maintenance work.

Simmons Bank, Trustee

By:



Ron E. Hooper
Senior Vice President,
Royalty Trust Management

