

# PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

## CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	JUNE 30, 2011 (Unaudited)	DECEMBER 31, 2010
<b>ASSETS</b>		
Cash and Short-term Investments .....	\$ 6,708,026	\$ 4,580,923
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,047,463 and \$10,004,009 at June 30, 2011 and December 31, 2010, respectively).....	927,753	971,207
<b>TOTAL ASSETS</b> .....	<b>\$ 7,635,779</b>	<b>\$ 5,552,130</b>
<b>LIABILITIES AND TRUST CORPUS</b>		
Distribution Payable to Unit Holders .....	\$ 6,708,026	\$ 4,580,923
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	927,753	971,207
<b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....	<b>\$ 7,635,779</b>	<b>\$ 5,552,130</b>

## CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2011	2010	2011	2010
Royalty Income.....	\$18,398,691	\$18,444,207	\$35,196,974	\$ 34,952,943
Interest Income.....	165	251	364	388
	<b>18,398,856</b>	18,444,458	<b>35,197,338</b>	34,953,331
General and Administrative Expenditures .....	(502,935)	(459,539)	(842,452)	(863,335)
Distributable Income.....	<b>\$17,895,921</b>	\$17,984,919	<b>\$34,354,886</b>	\$ 34,089,996
Distributable Income per Unit (46,608,796 Units) .	<b>\$ .38</b>	\$ .39	<b>\$ .74</b>	\$ .73

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

	SIX MONTHS ENDED JUNE 30,	
	2011	2010
Trust Corpus, Beginning of Period.....	\$ 971,207	\$ 1,079,986
Amortization of Net Overriding Royalty Interests.....	(43,454)	(55,991)
Distributable Income.....	34,354,886	34,089,996
Distributions Declared.....	(34,354,886)	(34,089,996)
Trust Corpus, End of Period.....	<b>\$ 927,753</b>	\$ 1,023,995
Distributions per Unit.....	<b>\$ .74</b>	\$ .73

# PERMIAN BASIN ROYALTY TRUST

**2<sup>nd</sup>**  
Quarter Report  
**2011**



## TO UNIT HOLDERS:

For the quarter ended June 30, 2011 royalty income received by the Trust amounted to \$18,398,691 compared to royalty income of \$18,444,207 during the second quarter of 2010. The decrease in royalty income is primarily attributable to decreases in both oil and gas production, offset by increases in both oil and gas prices.

Interest income for the quarter ended June 30, 2011, was \$165 compared to \$251 during the second quarter of 2010. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the second quarter of 2011 amounted to \$502,935 compared to \$459,539 during the second quarter of 2010. The increase in general and administrative expenses can be primarily attributed to timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended June 30, 2011 of \$17,895,921 or \$.383959 per Unit of beneficial interest. Distributions of \$.103695, \$.136343 and \$.143921 per Unit were made to Unit holders of record as of April 29, 2011, May 31, 2011 and June 30, 2011, respectively. For the second quarter of 2010, distributable income was \$17,984,919, or \$.385869 per Unit of beneficial interest.

Royalty income for the Trust for the second quarter of the calendar year is associated with actual oil and gas production for the period of February, March and April of 2011 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:

	2011	2010
<b>SECOND QUARTER</b>		
<b>ROYALTIES</b>		
Oil sales (Bbls) .....	152,584	174,469
Gas sales (Mcf) .....	632,460	799,308
<b>PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:</b>		
<i>Oil:</i>		
Total oil sales (Bbls) .....	240,626	257,558
Average per day (Bbls) .....	2,704	2,894
Average price per Bbl .....	\$ 93.97	\$ 77.01
<i>Gas:</i>		
Total gas sales (Mcf) .....	1,159,749	1,310,250
Average per day (Mcf) .....	13,031	14,722
Average price per Mcf .....	\$ 7.59	\$ 7.10

The average received price of oil increased to an average price per barrel of \$93.97 per Bbl in the second quarter of 2011 compared to \$77.01 per Bbl in the second quarter of 2010 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2011, the oil from the Waddell Ranch properties was being sold under a competitive bid to a third party. The average price of gas increased from \$7.10 per Mcf in the second quarter of 2010 to \$7.59 per Mcf in the second quarter of 2011 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, 2010) for the applicable period in 2011 compared to 2010.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2011 totaled \$1.9 million as compared to \$0.2 million to the Trust for the second quarter of 2010. ConocoPhillips has informed the Trustee that the 2011 capital expenditures budget has been revised to \$23 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2010 was \$12.0 million. Through the second quarter of 2011, capital expenditures of \$11.4 million (gross) have been expended.

The Trustee has been advised that there was 1 well completed and 0 wells in progress, and 3 workover wells completed and 9 workover wells in progress, during the three months ended June 30, 2011 as compared to 0 wells completed and 0 wells in progress, and 0 workover wells completed and 3 workover wells in progress for the three months ended June 30, 2010 on the Waddell Ranch properties. There were 0 facility projects completed and 16 projects in progress for the second quarter of 2011.

Lease operating expenses and property taxes totaled \$5.1 million for the second quarter of 2011, compared to \$4.6 million in the second quarter of 2010 on the Waddell Ranch properties. This increase is primarily attributable to increased costs of services.

### SIX MONTHS ENDED JUNE 30, 2011

For the six months ended June 30, 2011, royalty income received by the Trust amounted to \$35,196,974 compared to royalty income of \$34,952,943 for the six months ended June 30, 2010. The increase in royalty income is primarily due to an increase in oil and gas prices in the first six months of 2011, compared to the first six months in 2010. Interest income for the six months ended June 30, 2011 was \$364 compared to \$388 for the six months ended June 30, 2010. The decrease in interest income is attributable primarily to lower interest rates. General and administrative expenses for the six months ended June 30, 2011 were \$842,452. During the six months ended June 30, 2010, general and administrative expenses were \$863,335. The decrease in general and administrative expenses is primarily due to reduced Unit holder reporting and other professional expenses.

These transactions resulted in distributable income for the six months ended June 30, 2011 of \$34,354,886, or \$.737090, per Unit. For the six months ended June 30, 2010, distributable income was \$34,089,996, or \$.731407, per Unit.

**Bank of America, N.A., Trustee**  
By:



**Ron E. Hooper**  
Senior Vice President