

# Permian Basin Royalty Trust Financial Statements

## Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2012	December 31, 2011
<b>Assets</b>		
Cash and Short-term Investments .....	\$ 4,060,709	\$ 4,727,946
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,123,940 and \$10,083,640 at June 30, 2012 and December 31, 2011, respectively) .....	851,276	891,576
<b>TOTAL ASSETS</b> .....	<b>\$ 4,911,985</b>	<b>\$ 5,619,522</b>
<b>Liabilities and Trust Corpus</b>		
Distribution Payable to Unit Holders.....	\$ 4,060,709	\$ 4,727,946
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding.....	851,276	891,576
<b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....	<b>\$ 4,911,985</b>	<b>\$ 5,619,522</b>

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Royalty Income .....	\$ 16,142,279	\$ 18,398,691	\$ 36,563,959	\$ 35,196,974
Interest Income .....	149	165	535	364
	<b>16,142,428</b>	18,398,856	<b>36,564,494</b>	35,197,338
General and Administrative Expenditures .....	(485,146)	(502,935)	(810,743)	(842,452)
<b>Distributable Income</b> .....	<b>\$ 15,657,282</b>	<b>\$ 17,895,921</b>	<b>\$ 35,753,751</b>	<b>\$ 34,354,886</b>
Distributable Income per Unit (46,608,796 Units)....	\$ .34	\$ .38	\$ .77	\$ .74

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

	Six Months Ended June 30,	
	2012	2011
Trust Corpus, Beginning of Period .....	\$ 891,576	\$ 971,207
Amortization of Net Overriding Royalty Interests .....	(40,300)	(43,454)
Distributable Income.....	35,753,751	34,354,886
Distributions Declared.....	(35,753,751)	(34,354,886)
<b>Trust Corpus, End of Period</b> .....	<b>\$ 851,276</b>	<b>\$ 927,753</b>
Distributions per Unit.....	\$ .77	\$ .74

# PERMIAN BASIN ROYALTY TRUST



2<sup>nd</sup>  
 Quarter Report  
2012



## To Unit Holders:

For the quarter ended June 30, 2012 royalty income received by the Trust amounted to \$16,142,279 compared to royalty income of \$18,398,691 during the second quarter of 2011. The decrease in royalty income is primarily attributable to decreases in both oil and gas production and decreases in gas prices, offset by increases in oil prices.

Interest income for the quarter ended June 30, 2012, was \$149 compared to \$165 during the second quarter of 2011. The decrease in interest income is primarily attributable to fewer available funds for investment. General and administrative expenses during the second quarter of 2012 amounted to \$485,146 compared to \$502,935 during the second quarter of 2011. The decrease in general and administrative expenses can be primarily attributed to decreased professional expenses.

These transactions resulted in distributable income for the quarter ended June 30, 2012 of \$15,657,282 or \$.335929 per Unit of beneficial interest. Distributions of \$.111279, \$.137527 and \$.087123 per Unit were made to Unit holders of record as of April 30, 2012, May 31, 2012 and June 29, 2012, respectively. For the second quarter of 2011, distributable income was \$17,895,921, or \$.383959 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 2012 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>SECOND QUARTER</b>	<b>2012</b>	<b>2011</b>
<b>PRODUCTION:</b>		
Oil sales (Bbls)	<b>143,036</b>	152,584
Gas sales (Mcf)	<b>470,327</b>	632,460
<b>PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:</b>		
<i>Oil:</i>		
Total oil sales (Bbls)	<b>257,526</b>	240,626
Average per day (Bbls)	<b>2,861</b>	2,704
Average price per Bbl	<b>\$ 98.65</b>	\$ 93.97
<i>Gas:</i>		
Total gas sales (Mcf)	<b>1,097,989</b>	1,159,749
Average per day (Mcf)	<b>12,200</b>	13,031
Average price per Mcf	<b>\$ 6.19</b>	\$ 7.59

The average received price of oil increased to an average price per barrel of \$98.65 per Bbl in the second quarter of 2012 compared to \$93.97 per Bbl in the second quarter of 2011 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2012, 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 \$7.59 per Mcf in the second quarter of 2011 to \$6.19 per Mcf in the second quarter of 2012 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, 2011) for the applicable period in 2012 compared to 2011.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2012 totaled \$5.6 million as compared to \$1.9 million to the Trust for the second quarter of 2011. ConocoPhillips has informed the Trustee that the 2012 capital expenditures budget has been revised to \$75.4 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2011 was \$11.5 million. Through the second quarter of 2012, capital expenditures of \$8.0 million (gross) have been expended.

The Trustee has been advised that there were 0 wells completed and 0 wells in progress, and 12 workover wells completed and 14 workover wells in progress, during the three months ended June 30, 2012 as compared to 1 well completed and 1 well in progress, and 3 workover wells completed and 9 workover wells in progress for the three months ended June 30, 2011 on the Waddell Ranch properties. There were 0 facility projects completed and 1 project in progress for the second quarter of 2012.

Lease operating expenses and property taxes totaled \$5.4 million for the second quarter of 2012, compared to \$5.1 million in the second quarter of 2011 on the Waddell Ranch properties. This increase is primarily attributable to increased costs of services.

### SIX MONTHS ENDED JUNE 30, 2012

For the six months ended June 30, 2012, royalty income received by the Trust amounted to \$36,563,959 compared to royalty income of \$35,196,974 for the six months ended June 30, 2011. The increase in royalty income is primarily due to an increase in oil and gas prices in the first six months of 2012, compared to the first six months in 2011.

Interest income for the six months ended June 30, 2012 was \$535 compared to \$364 for the six months ended June 30, 2011. The increase in interest income is attributable primarily to more funds available to invest. General and administrative expenses for the six months ended June 30, 2012 were \$810,743. During the six months ended June 30, 2011, general and administrative expenses were \$842,452. 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, 2012 of \$35,753,751, or \$.767103, per Unit. For the six months ended June 30, 2011, distributable income was \$34,354,886, or \$.737090, per Unit.

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

**Ron E. Hooper  
Senior Vice President**