

PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

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CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and Short-term Investments.....	\$ 4,501,531	\$ 3,136,698
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,227,510 and \$10,194,344 at June 30, 2014 and December 31, 2013, respectively)	747,706	780,872
TOTAL ASSETS.....	\$ 5,249,237	\$ 3,917,570
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 4,501,531	\$ 3,136,698
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	747,706	780,872
TOTAL LIABILITIES AND TRUST CORPUS.....	\$ 5,249,237	\$ 3,917,570

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Royalty Income.....	\$14,607,298	\$11,154,510	\$26,742,405	\$18,177,556
Interest Income	65	58	128	255
	14,607,363	11,154,568	26,742,532	18,177,811
General and Administrative Expenditures ..	(481,876)	(533,935)	(916,651)	(858,583)
Distributable Income.....	\$14,125,487	\$10,620,633	\$25,825,881	\$17,319,228
Distributable Income per Unit (46,608,796 Units)	\$.30	\$.23	\$.55	\$.37

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Six Months Ended June 30,	
	2014	2013
Trust Corpus, Beginning of Period	\$ 780,872	\$ 825,949
Amortization of Net Overriding Royalty Interests	(33,166)	(19,996)
Distributable Income.....	25,825,881	17,319,228
Distributions Declared.....	(25,825,881)	(17,319,228)
Trust Corpus, End of Period.....	\$ 747,706	\$ 805,953
Distributions per Unit	\$.55	\$.37

2nd
Quarter Report
2014

TO UNIT HOLDERS:

For the quarter ended June 30, 2014, royalty income received by the Trust amounted to \$14,607,298 compared to royalty income of \$11,154,510 during the second quarter of 2013. The increase in royalty income is primarily attributable to a substantial increase in oil and gas prices for the quarter ending June 30, 2014 to \$94.35 and \$7.56, respectively, as compared to the quarter ending June 30, 2013 of \$84.50 and \$4.49, respectively.

Interest income for the quarter ended June 30, 2014, was \$65 compared to \$58 during the second quarter of 2013. The increase in interest income is primarily attributable to more funds available for investment. General and administrative expenses during the second quarter of 2014 amounted to \$481,876 compared to \$533,935 during the second quarter of 2013. 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, 2014 of \$14,125,487 or \$.30 per Unit of beneficial interest. Distributions of \$0.086274, \$0.120209 and \$0.096581 per Unit were made to Unit holders of record as of April 30, 2014, May 30, 2014 and June 30, 2014, respectively. For the second quarter of 2013, distributable income was \$10,620,633, or \$.23 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 2014 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:

	SECOND QUARTER 2014	2013
PRODUCTION:		
Oil sales (Bbls)	140,160	88,336
Gas sales (Mcf)	316,541	185,198
PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	261,209	270,421
Average per day (Bbls)	3,235	3,038
Average price per Bbl	\$ 94.35	\$ 84.50
<i>Gas:</i>		
Total gas sales (Mcf)	617,883	790,218
Average per day (Mcf)	9,406	8,879
Average price per Mcf	\$ 7.56	\$ 4.49

The average received price of oil increased to an average price per barrel of \$94.35 per Bbl in the second quarter of 2014, compared to \$84.50 per Bbl in the second quarter of 2013 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2014, 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 \$4.49 per Mcf in the second quarter of 2013 to \$7.56 per Mcf in the second quarter of 2014 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, 2013) for the applicable period in 2014 compared to 2013.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2014

totaled \$6.8 million (gross) as compared to \$8.4 million (gross) for the second quarter of 2013. ConocoPhillips has informed the Trustee that the 2014 capital expenditures budget has been stated at \$76 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2013 with regard to the Waddell Ranch properties totaled \$88.6 million (gross). Through the second quarter of 2014, capital expenditures of \$18.4 million (gross) have been expended.

The Trustee has been advised that there were 7 workover wells completed, 1 new vertical well completed, 0 new wells in progress and 5 workover wells in progress during the three months ended June 30, 2014 as compared to 15 workover wells completed, 12 new horizontal wells completed, 10 new wells in progress and 17 workover wells in progress for the three months ended June 30, 2013 on the Waddell Ranch properties.

Lease operating expenses and property taxes were \$7.5 million (gross) for the second quarter of 2014 as compared to \$6.3 million (gross) for the same period in 2013 on the Waddell Ranch properties due to decreased maintenance and work on the Waddell Ranch.

SIX MONTHS ENDED JUNE 30, 2014

For the six months ended June 30, 2014, royalty income received by the Trust amounted to \$26,742,405 compared to royalty income of \$18,177,556 for the six months ended June 30, 2013. This reflects an increase in oil and gas productions and prices for the six months ending June 30, 2014 to \$92.09 and \$7.03, respectively, as compared to the six months ending June 30, 2013 of \$81.86 and \$4.40, respectively.

Interest income for the six months ended June 30, 2014 was \$128 compared to \$255 for the six months ended June 30, 2013. The decrease in interest income is attributable primarily to lower interest rates. General and administrative

expenses for the six months ended June 30, 2014 were \$916,651. During the six months ended June 30, 2013, general and administrative expenses were \$858,583. The increase in general and administrative expenses is primarily due to increased professional expenses.

These transactions resulted in distributable income for the six months ended June 30, 2014 of \$25,825,881, or \$.55 per Unit. For the six months ended June 30, 2013, distributable income was \$17,319,228, or \$.37 per Unit.

On January 9, 2014, U.S. Trust, Bank of America Private Wealth Management gave notice to Unit holders that it will be resigning as Trustee subject to the conditions set forth below. Bank of America nominated Southwest Bank, an independent state bank chartered under the laws of the State of Texas and headquartered in Fort Worth, Texas ("Southwest Bank"), as successor trustee at a meeting of Unit holders of the Trust called for May 23, 2014 for the purpose of approving a successor trustee of the Trust (and later adjourned to June 20, 2014). At the Special Meeting, the Unit holders approved the appointment of Southwest Bank as successor trustee of the Trust once the resignation of U.S. Trust, Bank of America Private Wealth Management takes effect and also approved certain amendments to the Indenture. The effective date of U.S. Trust, Bank of America Private Wealth Management's resignation and the effective date of Southwest Bank's appointment as successor trustee will be August 29, 2014.

SOUTHWEST BANK, TRUSTEE
BY:



RON E. HOOPER
SENIOR VICE PRESIDENT,
ROYALTY TRUST MANAGEMENT