

PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and Short-term Investments.....	\$ 1,700,050	\$ 2,105,320
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,272,606 and \$10,252,269 at June 30, 2015 and December 31, 2014, respectively)	702,610	722,947
TOTAL ASSETS	\$ 2,402,660	\$ 2,828,267
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 1,700,050	\$ 2,105,320
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	702,610	722,947
TOTAL LIABILITIES AND TRUST CORPUS	\$ 2,402,660	\$ 2,828,267

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Royalty Income.....	\$ 4,121,910	\$ 14,607,298	\$ 8,752,016	\$ 26,742,405
Interest Income	17	65	49	128
	4,121,927	14,607,363	8,752,065	26,742,532
General and Administrative Expenditures	(600,958)	(481,876)	(1,047,051)	(916,651)
Distributable Income.....	\$ 3,520,969	\$ 14,125,487	\$ 7,705,014	\$ 25,825,881
Distributable Income per Unit (46,608,796 Units)	\$.08	\$.30	\$.17	\$.55

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Six Months Ended June 30,	
	2015	2014
Trust Corpus, Beginning of Period	\$ 722,947	\$ 780,872
Amortization of Net Overriding Royalty Interests	(20,337)	(33,166)
Distributable Income.....	7,705,014	25,825,881
Distributions Declared.....	(7,705,014)	(25,825,881)
Trust Corpus, End of Period.....	\$ 702,610	\$ 747,706
Distributions per Unit.....	\$.17	\$.55

**PERMIAN BASIN
ROYALTY TRUST**

**2nd
Quarter Report
2015**

TO UNIT HOLDERS:

For the quarter ended June 30, 2015, royalty income received by the Trust amounted to \$4,121,910 compared to royalty income of \$14,607,298 during the first quarter of 2014. The decrease in royalty income is primarily attributable to a substantial decrease in oil and gas production and oil and gas prices for the quarter ending June 30, 2015 to \$48.47 and \$2.63, respectively, as compared to the quarter ending June 30, 2014 of \$94.35 and \$7.56, respectively.

Interest income for the quarter ended June 30, 2015, was \$17 compared to \$65 during the second quarter of 2014. The decrease in interest income is primarily attributable to lower interest rates and substantially reduced amounts of funds available for investment. General and administrative expenses during the second quarter of 2015 amounted to \$600,958 compared to \$481,876 during the second quarter of 2014. The increase in general and administrative expenses can be primarily attributed to increased professional expenses.

These transactions resulted in distributable income for the quarter ended June 30, 2015 of \$3,520,969 or \$.08 per Unit of beneficial interest. Distributions of \$0.023781, \$0.015672 and \$0.036474 per Unit were made to Unit holders of record as of April 30, 2015, May 29, 2015 and June 30, 2015, respectively. For the second quarter of 2014, distributable income was \$14,125,487 or \$.30 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 2015 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 2015	2014
ROYALTIES:		
Oil sales (Bbls)	87,600	140,160
Gas sales (Mcf)	176,810	316,541
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	158,372	261,209
Average per day (Bbls)	1,779	3,235
Average price per Bbl	\$ 48.47	\$ 94.35
<i>Gas:</i>		
Total gas sales (Mcf)	638,402	617,883
Average per day (Mcf)	7,173	9,406
Average price per Mcf	\$ 2.63	\$ 7.56

The average received price of oil decreased to an average price per barrel of \$48.47 per Bbl in the second quarter of 2015, compared to \$94.35 per Bbl in the second quarter of 2014 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2015, 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 \$7.56 per Mcf in the second quarter of 2014 to \$2.63 per Mcf in the second quarter of 2015 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 increased from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2014) for the applicable period in 2015 compared to 2014.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2015 totaled \$3.4 million as compared to \$6.8 million for the second quarter of 2014. ConocoPhillips has informed the Trustee that the 2015 capital expenditures budget has been approved at \$48.1 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2014 with regard to the Waddell Ranch properties totaled \$76 million (gross).

The Trustee has been advised that there were 4 workover wells completed, 0 new wells completed, 5 new wells in progress and 0 workover wells in progress during the three months ended June 30 2015 as compared to 7 workover wells completed, 1 new vertical well completed, 0 new wells in progress and 5 workover wells in progress for the three months ended June 30, 2014 on the Waddell Ranch properties. There were 13 facility projects completed and 9 projects in progress for the second quarter of 2015.

Lease operating expenses and property taxes totaled \$6.9 million (gross) for the second quarter of 2015, compared to \$7.5 million (gross) for the same period in 2014 on the Waddell Ranch properties due to increased maintenance and work on the Waddell Ranch.

SIX MONTHS ENDED JUNE 30, 2015

For the six months ended June 30, 2015, royalty income received by the Trust amounted to \$8,752,016 compared to royalty income of \$26,742,405 for the six months ended June 30, 2014. This reflects a substantial decrease in oil and gas production and oil and gas prices for the six months ending June 30, 2015 to \$52.13 and \$3.17, respectively, as compared to the six months ending June 30, 2014 of \$92.09 and \$7.03, respectively.

Interest income for the six months ended June 30, 2015 was \$49 compared to \$128 for the six months ended June 30, 2014. The decrease in interest income is attributable primarily to lower interest rates and less funds available for investment. General and administrative expenses for the six months ended June 30, 2015 were \$1,047,051. During the six months ended June 30, 2014, general and administrative expenses were \$916,651. 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, 2015 of \$7,705,014, or \$.17 per Unit. For the six months ended June 30, 2014, distributable income was \$25,825,881, or \$.55 per Unit.

Southwest Bank, Trustee
By:



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