

Permian Basin Royalty Trust Financial Statements

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and Short-term Investments.....	\$ 2,409,776	\$ 1,464,757
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,320,143 and \$10,294,530 at June 30, 2016 and December 31, 2015, respectively)	655,073	680,686
TOTAL ASSETS	\$ 3,064,849	\$ 2,145,443
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 1,609,776	\$ 964,757
Reserves for Expenses	800,000	500,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	655,073	680,686
TOTAL LIABILITIES AND TRUST CORPUS	\$ 3,064,849	\$ 2,145,443

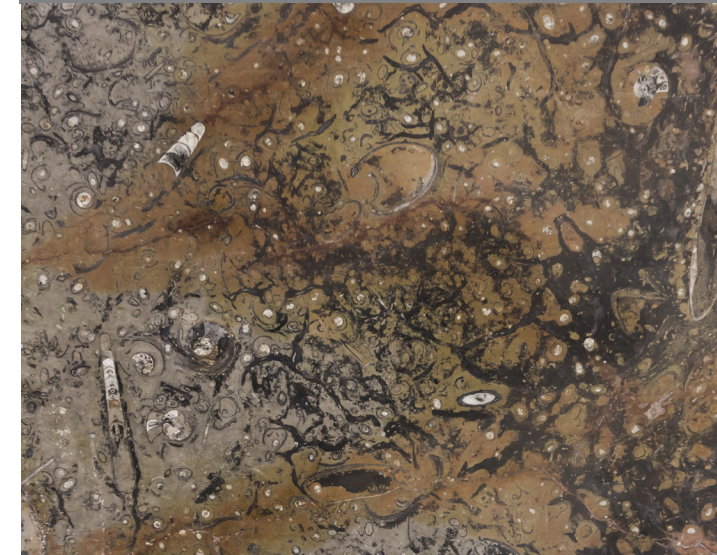
CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Royalty Income.....	\$ 4,379,766	\$ 4,121,910	\$ 7,149,802	\$ 8,752,016
Interest Income	232	17	316	49
	4,379,998	4,121,927	7,150,118	8,752,065
Reserves for Expenses	(150,000)	(150,000)	(300,000)	(200,000)
General and Administrative Expenditures.....	(565,013)	(450,958)	(879,847)	(847,051)
Distributable Income.....	\$ 3,664,985	\$ 3,520,969	\$ 5,970,271	\$ 7,705,014
Distributable Income per Unit (46,608,796 Units) .	\$.08	\$.08	\$.13	\$.17

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Six Months Ended June 30,	
	2016	2015
Trust Corpus, Beginning of Period.....	\$ 680,686	\$ 722,947
Amortization of Net Overriding Royalty Interests	(25,613)	(20,337)
Distributable Income.....	5,970,271	7,705,014
Distributions Declared.....	(5,970,271)	(7,705,014)
Trust Corpus, End of Period.....	\$ 655,073	\$ 702,610
Distributions per Unit	\$.13	\$.17

PERMIAN BASIN ROYALTY TRUST



2nd
Quarter Report
2016

To Unit Holders:

For the quarter ended June 30, 2016, royalty income received by the Trust amounted to \$4,379,766 compared to royalty income of \$4,121,910 during the second quarter of 2015. The increase in royalty income is primarily attributable to a reduction of capital expenditures and an increase in oil and gas production, offset by a decrease in oil and gas prices for the quarter ending June 30, 2016, as compared to the quarter ended June 30, 2015. Average oil and gas prices were \$30.02 and \$1.79 for the quarter ending June 30, 2016 compared to \$48.47 and \$2.63 for the quarter ended June 30, 2015.

Interest income for the quarter ended June 30, 2016, was \$232 compared to \$17 during the second quarter of 2015. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment, primarily the reserve of \$800,000 in the Trust account.

Total expenses during the second quarter of 2016 amounted to \$565,013 compared to \$450,958 during the second quarter of 2015. The increase in total expenses can be primarily attributed to increased expense for professional services.

These transactions resulted in distributable income for the quarter ended June 30, 2016, of \$3,664,985 or \$0.08 per Unit of beneficial interest. Distributions of \$0.010037, \$0.034016 and \$0.034538 per Unit were made to Unit holders of record as of April 29, 2016, May 31, 2016, and June 30, 2016, respectively. For the second quarter of 2015, distributable income was \$3,520,969 or \$.08 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 2016 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 2016	2015
ROYALTIES:		
Oil sales (Bbls)	124,037	87,600
Gas sales (Mcf)	366,634	176,810
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	301,428	158,372
Average per day (Bbls)	3,349	1,779
Average price per Bbl	\$ 32.71	\$ 48.47
<i>Gas:</i>		
Total gas sales (Mcf)	1,324,086	638,402
Average per day (Mcf)	15,062	7,173
Average price per Mcf	\$ 1.81	\$ 2.63

The average received price of oil decreased to an average price per barrel of \$32.71 per Bbl in the second quarter of 2016, compared to \$48.47 per Bbl in the second quarter of 2015 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2016, 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 \$2.63 per Mcf in the second quarter of 2015 to \$1.81 per Mcf in the second quarter of 2016 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 increased 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, 2015) for the applicable period in 2016 compared to 2015.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2016 totaled \$710,000 as compared to \$3.4 million for the second quarter of 2015. ConocoPhillips has informed the Trustee that the 2016 capital expenditures budget has been approved at \$2.45 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2015 with regard to the Waddell Ranch properties totaled \$27 million (gross).

The Trustee has been advised that there were no workover wells completed, no new wells completed, no new wells in progress and no workover wells in progress during the three months ended June 30, 2016, as compared to 4 workover wells completed, 0 new wells completed, 5 new wells in progress and 0 workover wells in progress for the three months ended June 30, 2015, on the Waddell Ranch properties. There were various facility projects in progress for the second quarter of 2016.

Lease operating expenses and property taxes totaled \$5.5 million (gross) for the second quarter of 2016, compared to \$6.9 million (gross) for the same period in 2015 on the Waddell Ranch properties due to decreased activities on the Waddell Ranch.

SIX MONTHS ENDED JUNE 30, 2016

For the six months ended June 30, 2016, royalty income received by the Trust amounted to \$7,149,802 compared to royalty income of \$8,752,016 for the six months ended June 30, 2015. The decrease in royalty income is primarily attributable to a substantial decrease in oil and gas prices for the six months ending June 30, 2016, as compared to the six months ended June 30, 2015. Average oil and gas prices were \$33.61 and \$1.95 for the six months ending June 30, 2016 compared to \$52.13 and \$3.12 for the six months ended June 30, 2015.

Interest income for the six months ended June 30, 2016, was \$316 compared to \$49 during the six months ended June 30, 2015. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment, including the reserve for expense. Total expenses during the six months ending June 30, 2016, amounted to \$879,847 compared to \$847,051 during the six months ended June 30, 2015. The increase in total expenses can be primarily attributed to increased professional expenses.

These transactions resulted in distributable income for the six months ended June 30, 2016 of \$5,970,271, or \$.13 per Unit. For the six months ended June 30, 2015, distributable income was \$7,705,014, or \$.17 per Unit.

Southwest Bank, Trustee
By:



Ron E. Hooper
Senior Vice President,
Royalty Trust Management