

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2021 <i>(Unaudited)</i>	December 31, 2020
Assets		
Cash and short-term investments.....	\$ 1,922,140	\$ 1,725,449
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,613,883 and \$10,592,340 at June 30, 2021 and December 31, 2020, respectively)	361,333	382,876
TOTAL ASSETS	\$ 2,283,473	\$ 2,108,325
Liabilities and Trust Corpus		
Distribution payable to Unit Holders.....	\$ 822,140	\$ 625,449
Commitments and reserves for contingencies	1,100,000	1,100,000
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding.....	361,055	382,776
TOTAL LIABILITIES AND TRUST CORPUS	\$ 2,283,473	\$ 2,108,325

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Royalty income.....	\$2,941,146	\$2,446,502	\$ 5,065,303	\$8,701,011
Interest income	1,273	2,423	2,586	6,784
	2,942,419	2,448,925	5,067,889	8,707,795
Reserve for expenses.....	—	(50,000)	—	(50,000)
General and administrative expenditures.....	(284,304)	(470,893)	(570,044)	(799,756)
Distributable income.....	\$2,658,115	\$1,928,032	\$4,497,845	\$7,858,039
Distributable income per Unit (46,608,796 Units)	\$.06	\$.04	\$.10	\$.17

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Trust Corpus, beginning of period.....	\$ 373,055	\$ 411,429	\$ 382,876	\$ 424,507
Amortization of net overriding royalty interests..	(11,722)	(9,249)	(21,543)	(22,327)
Distributable income.....	2,658,115	1,928,032	4,497,845	7,858,039
Distributions declared	(2,658,115)	(1,928,032)	(4,497,845)	(7,858,039)
Trust Corpus, end of period	\$ 361,333	\$ 402,180	\$ 361,333	\$ 402,180
Distributions per Unit	\$.06	\$.04	\$.10	\$.17

Permian Basin Royalty Trust

2nd
Quarter Report
2021

■ To Unit Holders:

For the quarter ended June 30, 2021, royalty income received by the Trust amounted to \$2,941,146 compared to royalty income of \$2,446,502 during the second quarter of 2020. The increase in royalty income is primarily attributable to an increase in oil and gas pricing, an increase in oil and gas production for the quarter ending June 30, 2021, as compared to the quarter ended June 30, 2020. Average oil and gas prices were \$59.35 and \$2.69, respectively, for the quarter ending June 30, 2021, compared to \$32.31 and \$0.80 for the quarter ended June 30, 2020.

Interest income for the quarter ended June 30, 2021, was \$1,273 compared to \$2,423 during the second quarter of 2020. The decrease in interest income is primarily attributable to decreased amounts of funds available for investment. Total expenses during the second quarter of 2021 amounted to \$284,304 compared to \$520,893 during the second quarter of 2020. The decrease in total expenses can be primarily attributed to decreased expenses for professional services, printing costs and the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended June 30, 2021, of \$2,658,115 or \$0.06 per Unit of beneficial interest. Distributions of \$0.018156, \$0.021243 and \$0.017630 per Unit were made to Unit holders of record as of April 30, 2021, May 28, 2021, and June 30, 2021, respectively. For the second quarter of 2020, distributable income was \$1,928,032 or \$0.04 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 2021 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 proper-

ties from which the Royalties were carved are as follows:

Second Quarter	2021	2020
Royalties:		
Oil sales (Bbls)	201,698	76,817
Gas sales (Mcf)	802,960	183,189
Properties From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	259,400	205,387
Average per day (Bbls)	2,882	2,257
Average price per Bbl	\$ 59.35	\$ 32.21
Gas:		
Total gas sales (Mcf)	1,064,296	862,083
Average per day (Mcf)	11,696	9,473
Average price per Mcf	\$ 2.69	\$ 0.80

The average received price of oil increased to an average price per barrel of \$59.35 per Bbl in the second quarter of 2021, compared to \$32.21 per Bbl in the second quarter of 2020 due to worldwide market variables. The Trustee has been advised by the operator of the Waddell Ranch properties that for the period of August 1, 1993 through September 30, 2020, 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 \$0.80 per Mcf in the second quarter of 2020 to \$2.69 per Mcf in the second quarter of 2021 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, 2020) for the applicable period in 2021 compared to 2020.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2021 totaled about \$10 million (gross) as compared to \$706,723 for the second quarter of 2020. Blackbeard has previously informed the Trustee that the 2021 capital expenditures budget has been approved at \$88.6 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2020 with regard to the Waddell Ranch properties totaled \$10.4 million (gross).

The Trustee has been advised that there were 34 workover wells (gross) completed, 22 new wells (gross) completed, 20 new wells (gross) in progress and 37 workover wells (gross) in progress during the three months ended June 30, 2021, as compared to no workover wells completed, no new wells completed, no new wells in progress and no workover wells in progress for the three months ended June 30, 2020, on the Waddell Ranch properties. There were various facility projects in progress for the second quarter of 2021.

Lease operating expenses and property taxes totaled \$6.8 million (gross) for the second quarter of 2021, compared to \$4.8 million (gross) for the same period in 2020 on the Waddell Ranch properties due to increased maintenance work.

Production from the 2020 budgeted new wells (net to the Trust) through 6/30/21 was 76,978 BOE.

Production from the 2021 budgeted new wells (net to the Trust) through 6/30/21 was 37,561 BOE.

Six Months Ended June 30, 2021

For the six months ended June 30, 2021, royalty income received by the Trust amounted to \$5,065,303 compared to royalty income of \$8,701,011 for the six months ended June 30, 2020. The decrease in royalty income

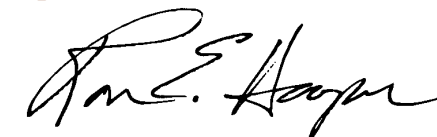
is primarily attributable to the Waddell Ranch NPI having been in deficit for the year and therefore has not contributed to the Royalty Income for the year. Revenue from the Texas Royalty properties increased due to an increase in oil and gas pricing and an increase in oil and gas production for the six months ending June 30, 2021, as compared to the six months ended June 30, 2020. Average oil and gas prices were \$52.14 and \$2.68, respectively, for the six months ending June 30, 2021 compared to \$45.51 and \$1.22 for the six months ended June 30, 2020.

Interest income for the six months ended June 30, 2021, was \$2,586 compared to \$6,784 during the six months ended June 30, 2020. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the six months ending June 30, 2021, amounted to \$570,044 compared to \$849,756 during the six months ended June 30, 2020. The decrease in total expenses can be primarily attributed to decreased expenses for professional services, printing costs and the timing of payment of expenses.

These transactions resulted in distributable income for the six months ended June 30, 2021 of \$4,497,845, or \$.10 per Unit. For the six months ended June 30, 2020, distributable income was \$7,858,039 or \$.17 per Unit.

Simmons Bank, Trustee

By:



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