

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2012	December 31, 2011
Assets		
Cash and Short-term Investments	\$ 2,847,723	\$ 4,727,946
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,136,974 and \$10,083,640 at September 30, 2012 and December 31, 2011, respectively)	838,242	891,576
TOTAL ASSETS	\$ 3,685,965	\$ 5,619,522
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 2,847,723	\$ 4,727,946
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	838,242	891,576
TOTAL LIABILITIES AND TRUST CORPUS	\$ 3,685,965	\$ 5,619,522

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2012	2011	2012	2011
Royalty Income	\$ 9,120,982	\$ 14,879,902	\$ 45,684,941	\$ 50,076,877
Interest Income	112	157	646	521
	9,121,094	14,880,059	45,685,587	50,077,398
General and Administrative Expenditures	(167,683)	(150,178)	(978,425)	(992,629)
Distributable Income.....	\$ 8,953,411	\$ 14,729,881	\$ 44,707,162	\$ 49,084,769
Distributable Income per Unit (46,608,796 Units)....	\$.19	\$.32	\$.96	\$ 1.05

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Nine Months Ended Sept. 30,	
	2012	2011
Trust Corpus, Beginning of Period	\$ 891,576	\$ 971,207
Amortization of Net Overriding Royalty Interests	(53,334)	(60,640)
Distributable Income.....	44,707,162	49,084,769
Distributions Declared.....	(44,707,162)	(49,084,769)
Trust Corpus, End of Period	\$ 838,242	\$ 910,567
Distributions per Unit.....	\$.96	\$ 1.05

PERMIAN BASIN ROYALTY TRUST



3rd
 Quarter Report
2012



To Unit Holders:

For the quarter ended September 30, 2012 royalty income received by the Trust amounted to \$9,120,982 compared to royalty income of \$14,879,902 during the third quarter of 2011. The decrease in royalty income is primarily attributable to decreases in both oil and gas production, decreases in oil and gas prices, increased lease operating expenses and increased capital expenditures.

Interest income for the quarter ended September 30, 2012, was \$112 compared to \$157 during the third quarter of 2011. The decrease in interest income is primarily attributable to fewer available funds for investment. General and administrative expenses during the third quarter of 2012 amounted to \$167,683 compared to \$150,178 during the third quarter of 2011. 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 September 30, 2012 of \$8,953,411 or \$.19 per Unit of beneficial interest. Distributions of \$.073765, \$.057232 and \$.061098 per Unit were made to Unit holders of record as of July 31, 2012, August 31, 2012 and September 28, 2012, respectively. For the third quarter of 2011, distributable income was \$14,729,881 or \$.32 per Unit of beneficial interest.

Royalty income for the Trust for the third quarter of the calendar year is associated with actual oil and gas production for the period of May, June and July 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:

	THIRD QUARTER	2012	2011
ROYALTIES:			
Oil sales (Bbls)		102,191	125,747
Gas sales (Mcf)		216,868	413,816
PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:			
<i>Oil:</i>			
Total oil sales (Bbls)		260,281	191,190
Average per day (Bbls)		2,829	2,078
Average price per Bbl	\$	81.88	\$ 94.11
<i>Gas:</i>			
Total gas sales (Mcf)		974,074	742,437
Average per day (Mcf)		10,588	8,070
Average price per Mcf	\$	5.13	\$ 8.52

The average received price of oil decreased to an average price per barrel of \$81.88 per Bbl in the third quarter of 2012 compared to \$94.11 per Bbl in the third quarter of 2011 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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 \$8.52 per Mcf in the third quarter of 2011 to \$5.13 in the third 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 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, 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 third quarter of 2012 totaled \$9.2 million as compared to \$1.9 million to the Trust for the third 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 third quarter of 2012, capital expenditures of \$17.2 million (gross) have been expended.

The Trustee has been advised that there was 1 well completed and 2 wells in progress, and 20 workover wells completed and 10 workover wells in progress, during the three months ended September 30, 2012 as compared to 0 wells completed and 0 wells in progress, and 11 workover wells completed and 9 workover wells in progress for the three months ended September 30, 2011 on the Waddell Ranch properties. There were 0 facility projects completed and 4 projects in progress for the third quarter of 2012.

Lease operating expenses and property taxes totaled \$5.2 million for the third quarter of 2012, compared to \$3.2 million in the third quarter of 2011 on the Waddell Ranch properties.

NINE MONTHS ENDED SEPTEMBER 30, 2012
For the nine months ended September 30, 2012, royalty income received by the Trust amounted to

\$45,684,941 compared to royalty income of \$50,076,877 for the nine months ended September 30, 2011. The decrease in royalty income is primarily due to a decrease in gas prices offset by an increase in oil prices in the first nine months of 2012, compared to the first nine months in 2011. Additionally, substantial increases in capital expenditures greatly impacted the net profits revenues to the Trust. Interest income for the nine months ended September 30, 2012 was \$646 compared to \$521 for the nine months ended September 30, 2011. The increase in interest income is attributable primarily to the timing of funds available to invest. General and administrative expenses for the nine months ended September 30, 2012 were \$978,425. During the nine months ended September 30, 2011, general and administrative expenses were \$992,629. 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 nine months ended September 30, 2012 of \$44,707,162, or \$.96, per Unit. For the nine months ended September 30, 2011, distributable income was \$49,084,769, or \$1.05, per Unit.

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

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