

PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

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CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and Short-term Investments.....	\$ 4,417,568	\$ 3,136,698
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,246,449 and \$10,194,344 at September 30, 2014 and December 31, 2013, respectively)	728,717	780,872
TOTAL ASSETS.....	\$ 5,146,285	\$ 3,917,570
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 4,417,568	\$ 3,136,698
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	728,717	780,872
TOTAL LIABILITIES AND TRUST CORPUS.....	\$ 5,146,285	\$ 3,917,570

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2014	2013	2014	2013
Royalty Income.....	\$15,233,085	\$12,620,943	\$41,975,489	\$30,798,499
Interest Income	77	98	205	354
	15,233,162	12,621,041	41,975,694	30,798,853
General and Administrative Expenditures ..	(193,727)	(145,855)	(1,110,378)	(1,004,442)
Distributable Income.....	\$15,039,435	\$12,475,186	\$40,865,316	\$29,794,411
Distributable Income per Unit (46,608,796 Units)	\$.32	\$.27	\$.88	\$.64

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Nine Months Ended September 30,	
	2014	2013
Trust Corpus, Beginning of Period	\$ 780,872	\$ 825,949
Amortization of Net Overriding Royalty Interests	(52,155)	(33,541)
Distributable Income.....	40,865,316	29,794,411
Distributions Declared.....	(40,865,316)	(29,794,411)
Trust Corpus, End of Period	\$ 728,717	\$ 792,408
Distributions per Unit	\$.88	\$.64

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2014

TO UNIT HOLDERS:

For the quarter ended September 30, 2014 royalty income received by the Trust amounted to \$15,233,085 compared to royalty income of \$12,620,943 during the third quarter of 2013. The increase in royalty income is primarily attributable to an increase in both oil and gas production as the result of the 2013 drilling program. Also, this is offset by a decrease in average oil prices but an increase in gas prices for the quarter ending September 30, 2014 to \$94.82 and \$6.67, respectively, as compared to the quarter ending September 30, 2013 of \$96.18 per Bbl and \$6.20 per Mcf, respectively.

Interest income for the quarter ended September 30, 2014, was \$77 compared to \$98 during the third quarter of 2013. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the third quarter of 2014 amounted to \$193,727 compared to \$145,855 during the third quarter of 2013. The increase in general and administrative expenses can be primarily attributed to increased professional expenses due to increased administrative actions.

These transactions resulted in distributable income for the quarter ended September 30, 2014 of \$15,039,435 or \$.32 per Unit of beneficial interest. Distributions of \$.118511, \$.109382 and \$.094779 per Unit were made to Unit holders of record as of July 31, 2014, August 29, 2014 and September 30, 2014, respectively. For the third quarter of 2013, distributable income was \$12,475,187 or \$.27 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 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:

	THIRD QUARTER	2014	2013
PRODUCTION:			
Oil sales (Bbls)		147,713	114,794
Gas sales (Mcf)		333,115	209,046
PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:			
<i>Oil:</i>			
Total oil sales (Bbls)		293,639	284,178
Average per day (Bbls)		3,192	3,092
Average price per Bbl	\$	94.82	\$ 96.18
<i>Gas:</i>			
Total gas sales (Mcf)		851,876	688,350
Average per day (Mcf)		9,260	7,482
Average price per Mcf	\$	6.67	\$ 6.20

The average received price of oil decreased to an average price per barrel of \$94.82 per Bbl in the third quarter of 2014 compared to \$96.18 per Bbl in the third quarter of 2013 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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 \$6.20 per Mcf in the third quarter of 2013 to \$6.67 in the third 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 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, 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 third quarter of 2014 totaled

\$6.3 million (gross) as compared to \$9.4 million (gross) for the third 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. Through the third quarter of 2014, capital expenditures of \$24.7 million (gross) have been expended.

The Trustee has been advised that there were 4 wells completed and 7 wells in progress, and 10 workover wells completed and 4 workover wells in progress, during the three months ended September 30, 2014 as compared to 2 wells completed and 5 wells in progress, and 18 workover wells completed and 5 workover wells in progress for the three months ended September 30, 2013 on the Waddell Ranch properties. There were 4 facility projects completed and 6 projects in progress for the third quarter of 2014.

Lease operating expenses and property taxes totaled \$7 million (gross) for the third quarter of 2014, compared to \$6.9 million (gross) for the same period in 2013 on the Waddell Ranch properties due to increased maintenance and work on the Waddell Ranch.

NINE MONTHS ENDED SEPTEMBER 30, 2014

For the nine months ended September 30, 2014, royalty income received by the Trust amounted to \$41,975,489 compared to royalty income of \$30,798,499 for the nine months ended September 30, 2013. The increase in royalty income is primarily due to an increase in both oil and gas production, compared to the first nine months in 2013.

Interest income for the nine months ended September 30, 2014 was \$205 compared to \$354 for the nine months ended September 30, 2013. The decrease in interest income is attributable primarily to lower interest rates. General and administrative expenses for the nine months ended September 30, 2014 were \$1,110,378. During the

nine months ended September 30, 2013, general and administrative expenses were \$1,004,442. The increase in general and administrative expenses is primarily due to increased professional expenses.

These transactions resulted in distributable income for the nine months ended September 30, 2014 of \$40,865,316, or \$.88, per Unit. For the nine months ended September 30, 2013, distributable income was \$29,794,411, or \$.64, 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 was August 29, 2014.

SOUTHWEST BANK, TRUSTEE
BY:



RON E. HOOPER
SENIOR VICE PRESIDENT,
ROYALTY TRUST MANAGEMENT