

PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2015	December 31, 2014
	(Unaudited)	
Assets		
Cash and Short-term Investments.....	\$ 1,419,770	\$ 2,105,320
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,285,325 and \$10,252,269 at September 30, 2015 and December 31, 2014, respectively)	689,891	722,947
TOTAL ASSETS	\$ 2,109,661	\$ 2,828,267
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 1,419,770	\$ 2,105,320
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	689,891	722,947
TOTAL LIABILITIES AND TRUST CORPUS	\$ 2,109,661	\$ 2,828,267

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2015	2014	2015	2014
Royalty Income.....	\$ 5,882,301	\$ 15,233,085	\$ 14,634,316	\$ 41,975,489
Interest Income.....	26	77	75	205
	5,882,327	15,233,162	14,634,391	41,975,694
General and Administrative Expenditures	(388,407)	(193,727)	(1,435,459)	(1,110,378)
Distributable Income	\$ 5,493,920	\$ 15,039,435	\$ 13,198,932	\$ 40,865,316
Distributable Income per Unit (46,608,796 Units)	\$.12	\$.32	\$.28	\$.88

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Nine Months Ended September 30,	
	2015	2014
Trust Corpus, Beginning of Period	\$ 722,947	\$ 780,872
Amortization of Net Overriding Royalty Interests.....	(33,056)	(52,155)
Distributable Income.....	13,198,932	40,865,316
Distributions Declared.....	(13,198,932)	(40,865,316)
Trust Corpus, End of Period.....	\$ 689,891	\$ 728,717
Distributions per Unit.....	\$.28	\$.88

**PERMIAN BASIN
ROYALTY TRUST**

**3rd
Quarter Report**

2015

TO UNIT HOLDERS:

For the quarter ended September 30, 2015, royalty income received by the Trust amounted to \$5,882,301 compared to royalty income of \$15,233,085 during the third quarter of 2014. The decrease in royalty income is primarily attributable to a substantial decrease in oil and gas prices for the quarter ending September 30, 2015 to \$54.26 and \$2.90, respectively, as compared to the quarter ending September 30, 2014 of \$94.82 and \$6.67, respectively.

Interest income for the quarter ended September 30, 2015, was \$26 compared to \$77 during the third quarter of 2014. The decrease in interest income is primarily attributable to substantially reduced amounts of funds available for investment. General and administrative expenses during the third quarter of 2015 amounted to \$388,407 compared to \$193,727 during the third quarter of 2014. The increase in general and administrative expenses can be primarily attributed to increased professional expenses and the establishment of reserve for administrative expenses of \$150,000 for any potential extraordinary events and/or expenses. This reserve will be increased by \$50,000 each month until a reserve of \$1,000,000 is reached, given the volatile energy markets continue to create possibilities of extraordinary events and scenarios.

These transactions resulted in distributable income for the quarter ended September 30, 2015 of \$5,493,920 or \$0.12 per Unit of beneficial interest. Distributions of \$0.051674, \$0.035737 and \$0.030461 per Unit were made to Unit holders of record as of July 31, 2015, August 31, 2015 and September 30, 2015, respectively. For the third quarter of 2014, distributable income was \$15,039,435 or \$0.32 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 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:

	THIRD QUARTER	2015	2014
ROYALTIES:			
Oil sales (Bbls)		103,225	147,713
Gas sales (Mcf)		273,275	333,115
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:			
<i>Oil:</i>			
Total oil sales (Bbls)		300,210	293,639
Average per day (Bbls)		3,263	3,192
Average price per Bbl	\$	54.26	\$ 94.82
<i>Gas:</i>			
Total gas sales (Mcf)		1,516,657	851,876
Average per day (Mcf)		16,485	9,260
Average price per Mcf	\$	2.90	\$ 6.67

The average received price of oil decreased to an average price per barrel of \$54.26 per Bbl in the third quarter of 2015, compared to \$94.35 per Bbl in the third quarter of 2014 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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 \$6.67 per Mcf in the third quarter of 2014 to \$2.90 per Mcf in the third 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 third quarter of 2015 totaled \$6.5 million as compared to \$6.3 million for the third 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 2 workover wells completed, 7 new wells completed, 4 new wells in progress and 0 workover wells in progress during the three months ended September 30, 2015 as compared to 10 workover wells completed, 4 new vertical well completed, 7 new wells in progress and 4 workover wells in progress for the three months ended September 30, 2014 on the Waddell Ranch properties. There were 5 facility projects completed and 3 projects in progress for the third quarter of 2015.

Lease operating expenses and property taxes totaled \$6.2 million (gross) for the third quarter of 2015, compared to \$7 million (gross) for the same period in 2014 on the Waddell Ranch properties due to increased maintenance and work on the Waddell Ranch.

NINE MONTHS ENDED SEPTEMBER 30, 2015

For the nine months ended September 30, 2015, royalty income received by the Trust amounted to \$14,634,316 compared to royalty income of \$41,975,489 for the

nine months ended September 30, 2014. This reflects a substantial decrease oil and gas prices for the nine months ending September 30, 2015 to \$52.82 and \$3.04, respectively, as compared to the nine months ending September 30, 2014 of \$92.99 and \$6.91, respectively.

Interest income for the nine months ended September 30, 2015 was \$75 compared to \$205 for the nine months ended September 30, 2014. The decrease in interest income is attributable primarily to less funds available for investment. General and administrative expenses for the nine months ended September 30, 2015 were \$1,435,459. During the nine months ended September 30, 2014, general and administrative expenses were \$1,110,378. The increase in general and administrative expenses is primarily due to increased professional expenses and the establishment of a reserve of \$250,000 to create an administrative reserve for any extraordinary events and/or expenses. An increase of \$50,000 per month in the administrative reserve will continue until a balance of \$1,000,000 is reached.

These transactions resulted in distributable income for the nine months ended September 30, 2015 of \$13,198,932, or \$.28 per Unit. For the nine months ended September 30, 2014, distributable income was \$40,865,316, or \$.88 per Unit.

Southwest Bank, Trustee
By:



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