

Permian Basin Royalty Trust Financial Statements

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and Short-term Investments.....	\$ 2,139,686	\$ 1,464,757
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,331,518 and \$10,294,530 at September 30, 2016 and December 31, 2015, respectively).....	643,698	680,686
TOTAL ASSETS	\$ 2,783,384	\$ 2,145,443
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 1,189,686	\$ 964,757
Reserves for Expenses	950,000	500,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	643,698	680,686
TOTAL LIABILITIES AND TRUST CORPUS	\$ 2,783,384	\$ 2,145,443

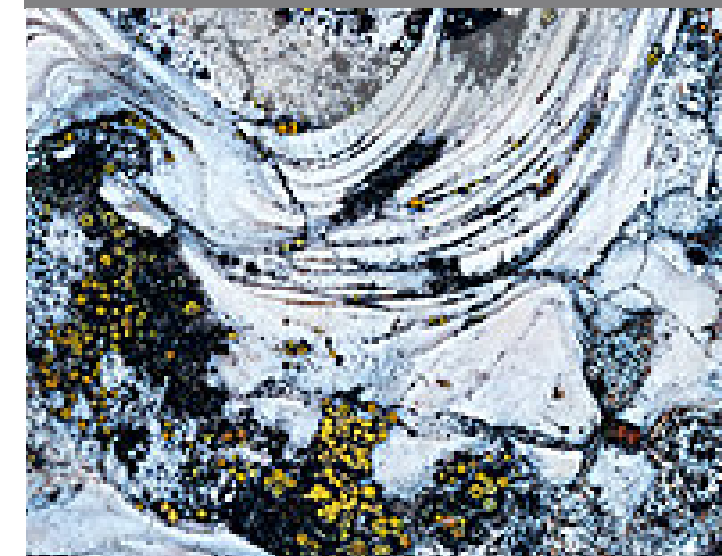
CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2016	2015	2016	2015
Royalty Income.....	\$ 6,554,901	\$ 5,882,301	\$ 13,704,703	\$ 14,634,316
Interest Income.....	796	26	1,112	75
	6,555,697	5,882,327	13,705,815	14,634,391
Reserves for Expenses	(150,000)	(150,000)	(450,000)	(500,000)
General and Administrative Expenditures.....	(161,802)	(238,407)	(1,041,649)	(935,459)
Distributable Income.....	\$ 6,243,895	\$ 5,493,920	\$ 12,214,166	\$ 13,198,932
Distributable Income per Unit (46,608,796 Units) .	\$.13	\$.12	\$.26	\$.28

CONDENSED STATEMENTS OF CHANGE IN TRUST CORPUS (UNAUDITED)

	Nine Months Ended Sept. 30,	
	2016	2015
Trust Corpus, Beginning of Period.....	\$ 680,686	\$ 722,947
Amortization of Net Overriding Royalty Interests.....	(36,988)	(33,056)
Distributable Income.....	12,214,166	13,198,932
Distributions Declared.....	(12,214,166)	(13,198,932)
Trust Corpus, End of Period.....	\$ 643,698	\$ 689,891
Distributions per Unit.....	\$.26	\$.28

PERMIAN BASIN ROYALTY TRUST



3rd
Quarter Report

2016

To Unit Holders:

For the quarter ended September 30, 2016, royalty income received by the Trust amounted to \$6,554,901 compared to royalty income of \$5,882,301 during the third 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 September 30, 2016, as compared to the quarter ended September 30, 2015. Average oil and gas prices were \$42.94 and \$2.01 for the quarter ending September 30, 2016 compared to \$54.26 and \$2.90 for the quarter ended September 30, 2015.

Interest income for the quarter ended September 30, 2016, was \$796 compared to \$26 during the third quarter of 2015. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment, primarily the reserve of \$950,000 in the Trust account. Total expenses during the third quarter of 2016 amounted to \$311,802 compared to \$388,407 during the third quarter of 2015. The decrease in total expenses can be primarily attributed to decreased expense for professional services.

These transactions resulted in distributable income for the quarter ended September 30, 2016, of \$6,243,895 or \$.13 per Unit of beneficial interest. Distributions of \$0.040122, \$0.047933 and \$0.045907 per Unit were made to Unit holders of record as of July 29, 2016, August 31, 2016 and September 30, 2016, respectively. For the third quarter of 2015, distributable income was \$5,493,920 or \$.12 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 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:

	THIRD QUARTER	2016	2015
ROYALTIES:			
Oil sales (Bbls)		142,066	103,225
Gas sales (Mcf)		564,577	273,275
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:			
<i>Oil:</i>			
Total oil sales (Bbls)		282,433	300,210
Average per day (Bbls)		3,070	3,263
Average price per Bbl	\$	42.94	\$ 54.26
<i>Gas:</i>			
Total gas sales (Mcf)		1,477,878	1,516,657
Average per day (Mcf)		16,064	16,485
Average price per Mcf	\$	2.01	\$ 2.90

The average received price of oil decreased to an average price per barrel of \$42.94 per Bbl in the third quarter of 2016, compared to \$54.26 per Bbl in the third quarter of 2015 due to decline in market prices for oil. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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 \$2.90 per Mcf in the third quarter of 2015 to \$2.01 per Mcf in the third quarter of 2016 due to the decrease in spot prices of natural gas.

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 decreased 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 third quarter of 2016 totaled \$851,000 as compared to \$6.5 million for the third 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 September 30, 2016, as compared to 2 workover wells completed, 7 new wells completed, 4 new wells in progress and 0 workover wells in progress for the three months ended September 30, 2015, on the Waddell Ranch properties. There were various facility projects in progress for the third quarter of 2016.

Lease operating expenses and property taxes totaled \$5.1 million (gross) for the third quarter of 2016, compared to \$6.2 million (gross) for the same period in 2015 on the Waddell Ranch properties due to decreased activities on the Waddell Ranch.

NINE MONTHS ENDED SEPTEMBER 30, 2016

For the nine months ended September 30, 2016, royalty income received by the Trust amounted to \$13,704,703 compared to royalty income of \$14,634,316 for the nine months ended September 30, 2015. The decrease in royalty income is primarily attributable to a substantial decrease in oil and gas prices for the nine months ending September 30, 2016, as compared to the nine months ended September 30, 2015. Average oil and gas prices were \$36.57 and \$1.97 for the nine months ending September 30, 2016 compared to \$52.82 and \$3.04 for the nine months ended September 30, 2015.

Interest income for the nine months ended September 30, 2016, was \$1,112 compared to \$75 during the nine months ended September 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 nine months ending September 30, 2016, amounted to \$1,491,649 compared to \$1,435,459 during the nine months ended September 30, 2015. The increase in total expenses can be primarily attributed to increased professional expenses.

These transactions resulted in distributable income for the nine months ended September 30, 2016 of \$12,214,166, or \$.26 per Unit. For the nine months ended September 30, 2015, distributable income was \$13,198,932, or \$.28 per Unit.

Southwest Bank, Trustee

By:



Ron E. Hooper

Senior Vice President,

Royalty Trust Management