

PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2019 <i>(Unaudited)</i>	December 31, 2018
Assets		
Cash and Short-term Investments	\$ 2,914,923	\$ 3,526,613
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,539,929 and \$10,507,636 at September 30, 2019 and December 31, 2018, respectively).....	435,287	467,580
TOTAL ASSETS	\$ 3,350,210	\$ 3,994,193
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 1,864,923	\$ 2,476,613
Reserves for Expenses.....	1,050,000	1,050,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	435,287	467,580
TOTAL LIABILITIES AND TRUST CORPUS	\$ 3,350,210	\$ 3,994,193

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2019	2018	2019	2018
Royalty Income.....	\$ 6,060,272	\$ 7,236,350	\$ 15,357,784	\$ 24,578,777
Interest Income.....	6,753	6,994	18,174	19,224
	6,067,025	7,243,344	15,375,958	24,598,001
General and Administrative Expenditures.....	(118,549)	(186,501)	(876,098)	(1,181,813)
Distributable Income	\$ 5,948,476	\$ 7,056,843	\$ 14,499,860	\$ 23,416,188
Distributable Income per Unit (46,608,796 Units)	\$.13	\$.15	\$.31	\$.50

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2019	2018	2019	2018
Trust Corpus, Beginning of Period.....	\$ 448,358	\$ 495,327	\$ 467,580	\$ 529,043
Amortization of Net Overriding Royalty Interests.	(13,071)	(10,382)	(32,293)	(44,098)
Distributable Income.....	5,948,476	7,056,843	14,499,959	23,416,188
Distributions Declared.....	(5,948,476)	(7,056,843)	(14,499,959)	(23,416,188)
Trust Corpus, End of Period.....	\$ 435,287	\$ 484,945	\$ 435,287	\$ 484,945
Distributions per Unit	\$.13	\$.15	\$.31	\$.50

Permian Basin Royalty Trust



3rd
Quarter Report

2019

TO UNIT HOLDERS:

For the quarter ended September 30, 2019, royalty income received by the Trust amounted to \$6,060,272 compared to royalty income of \$7,236,350 during the third quarter of 2018. The decrease in royalty income is primarily attributable to a decrease in oil and gas pricing offset by an increase in production of oil for the quarter ending September 30, 2019, as compared to the quarter ended September 30, 2018. Average oil and gas prices were \$54.30 and \$1.82, respectively, for the quarter ending September 30, 2019 compared to \$60.19 and \$3.64 for the quarter ended September 30, 2018.

Interest income for the quarter ended September 30, 2019 was \$6,753 compared to \$6,994 during the third quarter of 2018. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the third quarter of 2019 amounted to \$118,549 compared to \$186,501 during the third quarter of 2018. The decrease in total expenses can be primarily attributed to decreased expense for professional services and the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended September 30, 2019 of \$5,948,476 or \$0.13 per Unit of beneficial interest. Distributions of \$0.044227, \$0.043387 and \$0.040012 per Unit were made to Unit holders of record as of July 31, 2019, August 31, 2019, and September 30, 2019, respectively. For the third quarter of 2018, distributable income was \$7,056,843 or \$0.15 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 2019 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	2019	2018
ROYALTIES:			
Oil sales (Bbls)		104,258	101,892
Gas sales (Mcf)		310,106	329,291
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:			
<i>Oil:</i>			
Total oil sales (Bbls)		228,405	214,069
Average per day (Bbls)		2,510	2,327
Average price per Bbl	\$	54.30	\$ 60.19
<i>Gas:</i>			
Total gas sales (Mcf)		893,060	969,476
Average per day (Mcf)		9,814	10,538
Average price per Mcf	\$	1.82	\$ 3.64

The average received price of oil decreased to an average price per barrel of \$54.30 per Bbl in the third quarter of 2019, compared to \$60.19 per Bbl in the third quarter of 2018 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 30, 2019, 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 \$3.64 per Mcf in the third quarter of 2018 to \$1.82 per Mcf in the third quarter of 2019 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, 2018) for the applicable period in 2019 compared to 2018.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2019 totaled \$351,706 as compared to \$5,200 for the third quarter of 2018. ConocoPhillips has informed the Trustee that the 2019 capital expenditures budget has been approved at \$6.6 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2018 with regard to the Waddell Ranch properties totaled \$4.3 million (gross).

The Trustee has been advised that there were 0 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress during the three months ended September 30, 2019, as compared to 0 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress for the three months ended September 30, 2018, on the Waddell Ranch properties. There were various facility projects in progress for the third quarter of 2019.

Lease operating expenses and property taxes totaled \$5.538 million (gross) for the third quarter of 2019, compared to \$6.75 million (gross) for the same period in 2018 on the Waddell Ranch properties due to decreased maintenance work.

Nine Months Ended September 30, 2019

For the nine months ended September 30, 2019, royalty income received by the Trust amounted to \$15,357,784 compared to royalty income of \$24,578,777 for the nine months ended September 30, 2018. The decrease in royalty income

is primarily attributable to a decrease in oil and gas pricing and a decrease in production of oil and gas for the nine months ending September 30, 2019, as compared to the nine months ended September 30, 2018. Average oil and gas prices were \$51.25 and \$2.68 for the nine months ending September 30, 2019 compared to \$59.11 and \$3.51 for the nine months ended September 30, 2018.

Interest income for the nine months ended September 30, 2019, was \$18,174 compared to \$19,224 during the nine months ended September 30, 2018. The decrease in interest income is primarily attributable to decreased funds available to invest. Total expenses during the nine months ending September 30, 2019, amounted to \$876,098 compared to \$1,181,813 during the nine months ended September 30, 2018. The decrease in total expenses can be primarily attributed to decreased expense for professional services and the timing of payment of expenses.

These transactions resulted in distributable income for the nine months ended September 30, 2019 of \$14,499,860, or \$0.31 per Unit. For the nine months ended September 30, 2018, distributable income was \$23,416,188, or \$0.50 per Unit.

Simmons Bank, Trustee

By:



Ron E. Hooper
Senior Vice President,
Royalty Trust Management