

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2020 <i>(Unaudited)</i>	December 31, 2019
Assets		
Cash and short-term Investments	\$ 1,675,819	\$ 2,862,570
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,585,776 and \$10,550,709 at September 30, 2020 and December 31, 2019, respectively)	389,440	424,507
TOTAL ASSETS	\$ 2,065,259	\$ 3,287,077
Liabilities and Trust Corpus		
Distribution payable to Unit Holders.....	\$ 576,819	\$ 1,812,570
Commitments and reserves for contingencies.....	1,100,000	1,050,000
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding.....	389,440	424,507
TOTAL LIABILITIES AND TRUST CORPUS	\$ 2,065,259	\$ 3,287,077

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	2020	2019
Royalty income	\$ 1,358,890	\$ 6,060,272	\$ 10,059,901	\$ 15,357,784
Interest income	1,280	6,753	8,064	18,174
	<u>1,360,120</u>	<u>6,067,025</u>	<u>10,067,965</u>	<u>15,375,958</u>
Reserve for expenses	—	—	50,000	—
General and administrative expenditures	(105,830)	(118,549)	(905,281)	(876,098)
Distributable income	<u>\$ 1,254,340</u>	<u>\$ 5,948,476</u>	<u>\$ 9,112,684</u>	<u>\$ 14,449,860</u>
Distributable income per Unit (46,608,796 Units)	<u>\$.03</u>	<u>\$.13</u>	<u>\$.20</u>	<u>\$.31</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2020	2019	2020	2019
Trust Corpus, beginning of period	\$ 402,180	\$ 448,358	\$ 424,507	\$ 467,580
Amortization of net overriding royalty interests...	(12,740)	(13,071)	(35,067)	(32,293)
Distributable income	1,254,340	5,948,476	9,122,684	14,499,959
Distributions declared	(1,254,340)	(5,948,476)	(9,122,684)	(14,499,959)
Trust Corpus, end of period	<u>\$ 389,440</u>	<u>\$ 435,287</u>	<u>\$ 389,440</u>	<u>\$ 435,287</u>
Distributions per Unit.....	<u>\$.03</u>	<u>\$.13</u>	<u>\$.20</u>	<u>\$.31</u>

Permian Basin Royalty Trust

3rd
Quarter Report
2020



To Unit Holders:

For the quarter ended September 30, 2020, royalty income received by the Trust amounted to \$1,358,890 compared to royalty income of \$6,060,272 during the third quarter of 2019. The decrease in royalty income is primarily attributable to a severe decrease in oil and gas pricing worldwide, a decrease in oil and gas production due to Blackbeard, after assuming the role of operator of the Waddell Ranch properties, immediately instituting a workover of specific wells, which caused the Trust not to receive any royalty income from the Waddell Ranch properties in the quarter ended September 2020, as compared to the quarter ended September 30, 2019. Average oil and gas prices were \$28.55 and \$1.74, respectively, for the quarter ended September 30, 2020 compared to \$54.30 and \$1.82 for the quarter ended September 30, 2019.

Interest income for the quarter ended September 30, 2020 was \$1,280 compared to \$6,753 during the third quarter of 2019. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the third quarter of 2020 amounted to \$105,830 compared to \$118,549 during the third quarter of 2019. The decrease in total expenses can be primarily attributed to the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended September 30, 2020 of \$1,254,340 or \$0.03 per Unit of beneficial interest. Distributions of \$0.005702, \$0.008863 and \$0.012354 per Unit were made to Unit holders of record as of July 31, 2020, August 31, 2020, and September 30, 2020, respectively. For the third quarter of 2019, distributable income was \$5,948,476 or \$0.13 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 2020 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:

	2020	2019
Third Quarter		
Royalties:		
Oil sales (Bbls)	90,097	104,258
Gas sales (Mcf)	266,443	310,106
Properties From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	200,549	228,405
Average per day (Bbls)	2,204	2,510
Average price per Bbl \$	28.55	\$ 54.30
Gas:		
Total gas sales (Mcf)	775,713	893,060
Average per day (Mcf)	8,524	9,814
Average price per Mcf \$	1.74	\$ 1.82

The average received price of oil decreased to an average price per barrel of \$28.55 per Bbl in the third quarter of 2020, compared to \$54.30 per Bbl in the third quarter of 2019 due to worldwide market variables. The Trustee has been advised by the operator of the Waddell Ranch properties that for the period of August 1, 1993, through September 30, 2020, 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 \$1.82 per Mcf in the third quarter of 2019 to \$1.74 per Mcf in the third quarter of 2020 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. Both Oil and gas sales volumes decreased from the properties

from which the Royalties are carved for the applicable period of 2020 compared to 2019.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2020 totaled \$2.8 million as compared to \$351,706 for the third quarter of 2019. ConocoPhillips has previously informed the Trustee that the 2020 capital expenditures budget has been approved at \$1.35 million (gross) for the Waddell Ranch properties. The foregoing capital expenditures budget has been revised since Blackbeard assumed the role of operator of the Waddell Ranch properties on April 1, 2020. Blackbeard's 2020 budget for the remainder of the year will be approximately \$7 million for drilling and completion, \$3 million for recompletions, plug and abandonments, and infrastructure of facilities. The additional expenditures should occur later in the year 2020. The total amount of capital expenditures for 2019 with regard to the Waddell Ranch properties totaled \$1.35 million (gross).

The Trustee has been advised that there were 5 vertical drill wells started and 3 were completed, 2 new wells in progress and 5 workover wells in progress during the three months ended September 30, 2020, 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, 2019, on the Waddell Ranch properties. There were various facility projects in progress for the third quarter of 2020.

Lease operating expenses and property taxes totaled \$5.197 million (gross) for the third quarter of 2020, compared to \$5.538 million (gross) for the same period in 2019 on the Waddell Ranch properties due to increased maintenance work.

Nine Months Ended September 30, 2020

For the nine months ended September 30, 2020, royalty income received by the Trust amounted to \$10,059,901 compared to royalty income of \$15,357,784 for the nine months ended September 30, 2019. The decrease in royalty income is primarily attributable to a decrease in oil pricing, a decrease in oil and gas production, for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. Average oil and gas prices were \$40.05 and \$1.38 for the nine months ended September 30, 2020 compared to \$51.25 and \$2.68 for the nine months ended September 30, 2019.

Interest income for the nine months ended September 30, 2020, was \$8,064 compared to \$18,174 during the nine months ended September 30, 2019. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the nine months ended September 30, 2020, amounted to \$955,281 compared to \$876,098 during the nine months ended September 30, 2019. The increase in total expenses can be primarily attributed to increased expense for professional services, the timing of expense, and increase in reserve for expenses of \$50,000.

These transactions resulted in distributable income for the nine months ended September 30, 2020 of \$9,112,684, or \$0.20 per Unit. For the nine months ended September 30, 2019, distributable income was \$14,499,860, or \$0.31 per Unit.

Simmons Bank, Trustee

By:

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