

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2021 <i>(Unaudited)</i>	December 31, 2020
Assets		
Cash and short-term investments.....	\$ 2,178,062	\$ 1,725,449
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,627,973 and \$10,592,340 at September 30, 2021 and December 31, 2020, respectively).....	347,243	382,876
TOTAL ASSETS	\$ 2,525,305	\$ 2,108,325
Liabilities and Trust Corpus		
Distribution payable to Unit Holders.....	\$ 1,078,062	\$ 625,449
Commitments and reserves for contingencies	1,100,000	1,100,000
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding.....	347,243	382,776
TOTAL LIABILITIES AND TRUST CORPUS	\$ 2,525,305	\$ 2,108,325

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
Royalty income.....	\$3,344,086	\$1,358,890	\$8,409,389	\$10,059,901
Interest income	1,273	1,280	3,859	8,064
	3,345,359	1,360,120	8,413,247	10,067,965
Reserve for expenses.....	—	—	—	50,000
General and administrative expenditures.....	(361,096)	(105,830)	(931,140)	(905,281)
Distributable income.....	\$2,984,263	\$1,254,340	\$7,482,108	\$ 9,112,684
Distributable income per Unit (46,608,796 Units)	\$.06	\$.03	\$.16	\$.20

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
Trust Corpus, beginning of period.....	\$ 361,333	\$ 402,180	\$ 382,876	\$ 424,507
Amortization of net overriding royalty interests..	(14,090)	(12,740)	(35,633)	(35,067)
Distributable income.....	2,984,263	1,254,340	7,482,108	9,122,684
Distributions declared	(2,984,263)	(1,254,340)	(7,482,108)	(9,122,684)
Trust Corpus, end of period	\$ 347,243	\$ 389,440	\$ 347,243	\$ 389,440
Distributions per Unit	\$.06	\$.03	\$.16	\$.20

Permian Basin Royalty Trust

3rd
Quarter Report
2021

■ To Unit Holders:

For the quarter ended September 30, 2021, royalty income received by the Trust amounted to \$3,344,086 compared to royalty income of \$1,358,890 during the third quarter of 2020. The increase in royalty income is primarily attributable to an increase in oil and gas pricing and an increase in oil and gas production, primarily on the Texas Royalty Properties as compared to the quarter ended September 30, 2020. Blackbeard, after assuming the role of operator of the Waddell Ranch properties, immediately instituted a workover of specific wells, which caused the Trust not to receive any royalty income from the Waddell Ranch properties in the third quarter of 2021. Average oil and gas prices were \$68.34 and \$3.36, respectively, for the quarter ending September 30, 2021 compared to \$28.55 and \$1.74 for the quarter ended September 30, 2020.

Interest income for the quarter ended September 30, 2021 was \$1,273 compared to \$1,280 during the third quarter of 2020. The decrease in interest income is primarily attributable to decreased amounts of funds available for investment. Total expenses during the third quarter of 2021 amounted to \$361,096 compared to \$105,830 during the third quarter of 2020. The increase in total expenses can be primarily attributed to increased expense for professional services, printing expenses and the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended September 30, 2021 of \$2,984,263 or \$0.064028 per Unit of beneficial interest. Distributions of \$0.021355, \$0.019552 and \$0.023119 per Unit were made to Unit holders of record as of July 30, 2021, August 31, 2021, and September 30, 2021, respectively. For the third quarter of 2020, distributable income was \$1,254,340 or \$0.03 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 2021 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	2021	2020
Royalties:		
Oil sales (Bbls)	264,235	90,097
Gas sales (Mcf)	920,432	266,443
Properties From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	342,171	200,549
Average per day (Bbls)	3,802	2,204
Average price per Bbl	\$ 68.34	\$ 28.55
Gas:		
Total gas sales (Mcf)	1,221,263	775,713
Average per day (Mcf)	13,420	8,524
Average price per Mcf	\$ 3.36	\$ 1.74

The average received price of oil increased to an average price per barrel of \$68.34 in the third quarter of 2021, compared to \$28.55 per Bbl in the third quarter of 2020 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, 2021, 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 \$1.74 per Mcf in the third quarter of 2020 to \$3.36 (including pricing for gas liquids) per Mcf in the third quarter of 2021 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, 2020) for the applicable period in 2021 compared to 2020.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2021 totaled \$26.8 million (gross) as compared to \$2.8 million for the third quarter of 2020. Blackbeard has previously informed the Trustee that the 2021 capital expenditures budget has been revised to \$88.6 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2020 with regard to the Waddell Ranch properties totaled \$10.4 million (gross).

The Trust's portion of the revised budget is \$51 million for the entire year of 2021. The Trustee has been advised that there were 13.9 (net to the Trust) workover wells completed, 7.1 (net to the Trust) new wells completed, 9.4 (net to the Trust) new wells in progress and 12.6 (net to the Trust) workover wells in progress during the three months ended September 30, 2021, as compared to 5 (net to the Trust) vertical drill wells started and 3 (net to the Trust) completed, 2 (net to the Trust) new wells in progress, and 5 (net to the Trust) workover wells in progress for the three months ended September 30, 2020, on the Waddell Ranch properties. There were various facility projects in progress for the third quarter of 2021.

Lease operating expenses and property taxes totaled \$6.6 million (gross) for the third quarter of 2021, compared to \$5.197 million (gross) for the same period in 2020 on the Waddell Ranch properties due to increased maintenance work.

Production from the 2020 budgeted new wells (net to the Trust) through 6/30/21 was 76,978 BOE.

Production from the 2021 budgeted new wells (net to the Trust) through 6/30/21 was 37,561 BOE.

Nine Months Ended September 30, 2021

For the nine months ended September 30, 2021,

royalty income received by the Trust amounted to \$8,409,389 compared to royalty income of \$10,059,901 for the nine months ended September 30, 2020. The decrease in royalty income is primarily attributable to an increase in oil pricing, offset by a decrease in oil and gas production, as compared to the nine months ended September 30, 2020. However, the Waddell Properties did not contribute to Royalties for the nine months of 2021 due to excess costs, but production did increase for the nine-month period. Average oil and gas prices were \$58.79 and \$2.92 for the nine months ended September 30, 2021 compared to \$40.05 and \$1.38 for the nine months ended September 30, 2020.

Interest income for the nine months ended September 30, 2021, was \$3,859 compared to \$8,064 during the nine months ended September 30, 2020. The decrease in interest income is primarily attributable to decreased amounts of funds available for investment. Total expenses during the nine months ended September 30, 2021, amounted to \$931,140 compared to \$955,281 during the nine months ended September 30, 2020. The decrease in total expenses can be primarily attributed to decreased expense for professional services, printing expenses and the timing expenses, including lack of expense reserve in current quarter.

These transactions resulted in distributable income for the nine months ended September 30, 2021 of \$7,482,108, or \$.16 per Unit. For the nine months ended September 30, 2020, distributable income was \$9,112,684, or \$0.20 per Unit.

Simmons Bank, Trustee

By:



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