

# **Permian Basin Royalty Trust**

## **TAX INFORMATION 2008**

This booklet contains tax information relevant to ownership of Units of Permian Basin Royalty Trust and should be retained.

# Permian Basin Royalty Trust

901 Main Street, Suite 1700  
Post Office Box 830650  
Dallas, Texas 75283-0650  
Telephone Toll-Free 1-877-228-5085

February 20, 2009

## IMPORTANT TAX INFORMATION


### TO UNIT HOLDERS:

We enclose the following material which provides Unit holders with some of the information necessary to compute the 2008 Federal income tax consequences of Owning Units:

- (a) Grantor Trust Schedule A for 2008.
- (b) Instructions for Schedules A and B-1 through B-12.
- (c) Supplemental Tax Tables and Worksheet.

U.S. Trust, Bank of America Private Wealth  
Management, N.A., Trustee

By:



Ron E. Hooper  
Senior Vice President

**Permian Basin Royalty Trust**  
**EIN 75-6280532 CUSIP# 71423610**  
**SCHEDULE A To**  
**FORM 1041, GRANTOR TRUST**  
**For Year Ended December 31, 2008**

*Federal and State Income Tax Information*  
*See Instructions Before Filing*

**PART I**  
**ROYALTY INFORMATION PER UNIT**

<u>Source</u>	(a) <u>Gross Income</u>	(b) <u>Severance Tax</u>	(c) <u>Net Royalty Payment</u>	(d) <u>Cost Depletion Factor</u>	(e) <u>Basis Allocation Factor*</u>	(f) <u>Production</u>
<b>WADDELL RANCH PROPERTIES – TEXAS</b>						
1. Oil . . . . .	\$1.002813	\$0.042862	0.959951	0.123227	0.329649	0.009748 BBLs
2. Gas . . . . .	0.700612	0.040668	0.659944	0.152263	0.302271	0.067451 MCF
3. Total Oil and Gas for Year . . . . .	<u>1.703425</u>	<u>0.083530</u>	<u>1.619895</u>			
<b>ROYALTY PROPERTIES – TEXAS</b>						
1. Oil . . . . .	0.671935	0.025633	0.646302			0.006567 BBLs
2. Gas . . . . .	0.154177	0.010065	0.144112			0.011356 MCF
3. Total Oil and Gas for year . . . . .	<u>0.826112</u>	<u>0.035698</u>	<u>0.790414</u>	0.071429	0.368080	
TOTAL FOR YEAR . . . . .	<u>\$2.529537</u>	<u>\$0.119228</u>	<u>\$2.410309</u> A		<u>1.000000</u>	

**PART II**  
**OTHER INCOME AND EXPENSE PER UNIT**

<u>Item</u>	
1. Interest Income . . . . .	\$0.001937 B
2. Administrative Expense . . . . .	\$0.020891 C

**PART III**  
**RECONCILIATION OF TAXABLE INCOME AND CASH DISTRIBUTION PER UNIT**

<u>Item</u>	
1. Taxable Income per Unit, Excluding Depletion (A + B – C) . . . . .	\$2.391355
2. Reconciling Items . . . . .	–
3. Cash Distribution Per Unit . . . . .	<u>\$2.391355</u>

\* For Unit holders who acquired Units in January or February, use the basis allocation factor in Note 2 of the Specific Instructions for Cost Depletion Worksheet

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### Instructions for Schedules A and B-1 Through B-12

#### I.

#### FEDERAL INCOME TAX INFORMATION

##### 1. Reporting of Income and Deductions.

(a) *Direct Ownership Reporting.* The Permian Basin Royalty Trust (the “Trust”) is a grantor trust for Federal income tax purposes. Each Unit holder of the Trust is taxable on his pro rata share of the income and expenses of the Trust as if he were the direct owner of a pro rata share of the Trust income and assets. Thus, the taxable year for reporting a Unit holder’s share of the Trust’s income and expense is controlled by his taxable year and his method of accounting, not by the taxable year and method of accounting of the Trust. Therefore, a cash-basis Unit holder would report his pro rata share of income or expense of the Trust, received or paid by the Trust, during his tax year. An accrual-basis Unit holder should report his pro rata share of income or expense of the Trust accrued during his tax year. Since the Trust is a grantor trust for Federal income tax purposes, proper classification of Trust income and expense will be dependent upon the relevant facts and circumstances of each Unit holder. Accordingly, Unit holders should consult their own tax advisors regarding all tax compliance matters related to the Units.

(b) *Taxable Year.* Since the Trust distributes its income monthly to Unit holders of record at the end of each month, Schedules B-1 through B-12 are prepared for each month during the year to permit Unit holders to develop their own tax data by computing the relevant information for each month the Unit holder owned Units during his taxable year. For example, a Unit holder with a fiscal year ending January 31, 2009 and who has owned the same number of Units throughout the fiscal year would combine the results of Schedules B-2 through B-12 for 2008 and Schedule B-1 for 2009. For the convenience of Unit holders who report on the calendar year and who have owned the same number of Units throughout the calendar year, Schedule A, which combines the results of Schedules B-1 through B-12, is attached. Schedules B-1 through B-12 are unnecessary for most Unit holders as individualized schedules are provided summarizing taxable income for the calendar year. Unit holders whose Units are held by a nominee or broker, or any other Unit holders requiring Schedules B-1 through B-12, may contact the Trustee. See also Subsections (f) and (g) of this Paragraph 1 below for additional information relating to Units held by nominees, brokers and other middlemen.

(c) *Types and Reporting of Trust Income and Deductions.*

(i) The Trust holds two net overriding royalties — one in oil and gas properties known as the Waddell Ranch Properties-Texas and the other in oil and gas properties known as the Royalty Properties-Texas (herein referred to collectively as the Royalties and severally as a Royalty). In general, the net overriding royalty income is computed monthly based on proceeds realized in the preceding month by the owner of the interests from which the Royalties were created from oil and gas produced in an earlier month less the applicable costs and expenses, and is received by the Trustee on the last day of the monthly period. The gross amount of net overriding royalty income received by the Trust from each Royalty during the period is reported in Column (a) of Part I.

(ii) Severance tax paid by the Trust during the period covered is reported in Column (b) of Part I.

(iii) Interest income received by the Trustee during the period covered is reported as Item 1 of Part II.

(iv) Administration expenses are paid on the last day of the month in which they accrue. The amount so accrued and paid during the period covered is reported as Item 2 of Part II.

(d) *Unit Multiplication.* Because each schedule shows only results on a per-Unit basis, it will be necessary to multiply the gross royalty income, and severance tax shown in Part I and the interest income and administration expense shown in Part II by the number of Units owned by a Unit holder during the applicable period to obtain the amount to be reported on his tax return. Income and expenses (other than depletion) may be computed directly from the appropriate schedules. Depletion per Unit must be computed as provided in paragraph 2 below.

(e) *Individual Taxpayers.* For Unit holders who hold the Units as an investment and who file Form 1040 for a period beginning in 2008, it is suggested that the items of income and deduction computed from the appropriate schedules be reported in the following manner:

<b>Item</b>	<b>Form 1040</b>
Gross Royalty Income	Line 4, Part I, Schedule E
Depletion	Line 20, Part I, Schedule E
Severance Tax	Line 16, Part I, Schedule E
Interest Income	Line 1, Part I, Schedule B
Administration Expenses	Line 18, Part I, Schedule E

On the following pages, we have reproduced Schedules E and B of Form 1040 and identified the specific location of each item of income and expense listed above. These pages are entitled "Individual Unit Holder's Specific Location of Items of Income and Expense on Schedules E and B (Form 1040)."

For the convenience of Unit holders who acquired or sold Units during 2008, Tables I through IV are enclosed to assist in the computation of Gross Royalty Income, Severance Tax, Interest Income, and Administration Expenses. These tables are only for those Unit holders who have a calendar year as their taxable year.

(f) *Nominee Reporting.* Nominees and brokers report the distributions from the Trust as royalty income on Form 1099-MISC. The taxable amount before depletion should be reported per the attached schedules. In years where there are no reconciling items, the net taxable income excluding depletion, see instruction 2, will equal the cash distributions from the Trust. See also Subsection (g) of this Paragraph 1 below for additional information relating to Units held by nominees, brokers and other middlemen.

(g) *WHFIT Information.* The Trustee assumes that Trust Units are held by middlemen, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in street name, referred to herein collectively as "middlemen"). Therefore, the Trustee considers the Trust to be a widely held fixed investment trust ("WHFIT") classified as a non-mortgage widely held stock investment trust ("NMWHIT") for U.S. federal income tax purposes. Bank of America, N.A., Trustee 901 Main Street, Suite 1700, P.O. Box 830650, Dallas, Texas 75202, (877) 228-5085, [trustee@pbt-permianbasintrust.com](mailto:trustee@pbt-permianbasintrust.com) is the representative of the Trust that will provide tax information in accordance with the applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT and a NMWHIT. Tax information is also posted by the Trustee at [www.pbt-permianbasintrust.com](http://www.pbt-permianbasintrust.com). Notwithstanding the foregoing, the middlemen, holding Trust Units on behalf of Unit holders, and not the Trustee of the Trust, are solely responsible for complying with the information reporting requirements under the U.S. Treasury Regulations with respect to such Trust Units, including the issuance of IRS Form 1099 and certain written tax statements. Until holders whose Trust Units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the Trust Units.

2. **Computation of Depletion.** Each Unit holder's allowable depletion on Units acquired before October 12, 1990 is the amount of cost depletion with respect to each Royalty. **For Units acquired after October 11, 1990, each Unit holder's allowable depletion is the greater of cost depletion or percentage depletion with respect to each Royalty.**

(a) *Percentage Depletion.* The tax law allows percentage depletion on proven properties acquired after October 11, 1990. For Units acquired after such date the Unit holder should compute both percentage depletion and cost depletion from each property, and claim the larger amount as a deduction on his or her income tax return. **The Trustee and its independent-accountants have estimated the percentage depletion for January through December 2008 and it appears that percentage depletion may exceed cost depletion.**

To compute percentage depletion, each Unit holder who acquired units after October 11, 1990 should multiply his or her number of Units by the gross royalty income for each property. This amount should then be multiplied by 15% to determine the percentage depletion deduction. The result should then be compared to the net income from the property (gross income minus expenses). The lesser of the percentage depletion and the net income is the allowable percentage depletion deduction. The percentage depletion is then compared to the cost depletion calculated using instructions in paragraph b. The greater of cost depletion or percentage depletion is the deduction to be taken on the Unit holder's income tax return. The worksheet and instructions provided on pages 12-14 assume a Unit holder will take the cost depletion deduction. Some Unit holders may be entitled to a percentage depletion deduction in lieu of a cost depletion deduction, in which case Table VIII (on page 15) should be used to compute such Unit holder's depletion deduction.

**SCHEDULE E (Form 1040) Supplemental Income and Loss**  
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0074  
 Attachment Sequence No. 13

Department of the Treasury Internal Revenue Service 09 Attach to Form 1040, 1040NR, or Form 1041. See Instructions for Schedule E (Form 1040). Names shown on return Your social security number

**Part I Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see page E-3). If you are an individual, report firm rental income or loss from Form 4838 on page 2, line 4D.

1 List the type and address of each rental real estate property:	2 For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:			Yes No
	A	B	C	
A				
B				
C				

**Income:**

	Properties			Totals
	A	B	C	(Add columns A, B, and C.)
3 Rents received				3
4 Royalties received				4
<b>Expenses:</b>				
5 Advertising				5
6 Auto and travel (see page E-4)				6
7 Cleaning and maintenance				7
8 Commissions				8
9 Insurance				9
10 Legal and other professional fees				10
11 Management fees				11
12 Mortgage interest paid to banks, etc. (see page E-5)				12
13 Other interest				13
14 Repairs				14
15 Supplies				15
16 Taxes				16
17 Utilities				17
18 Other (list) ▶				18
19 Add lines 5 through 18				19
20 Depreciation expense or depletion (see page E-5)				20

Name of Royalty

Gross Royalty Income

Severance Tax

Administration Expenses

Depletion

Schedules AAB (Form 1040) 2008 OMB No. 1545-0074 Page 2

Names shown on Form 1040. Do not enter name and social security number if shown on other side. Your social security number

**Schedule B—Interest and Ordinary Dividends** Attachment Sequence No. 08

**Part I Interest**

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶

Amount
1
2
3
4

**Part II Ordinary Dividends**

5 List name of payer ▶

Amount
5
6

**Part III Foreign Accounts and Trusts**

7a At any time during 2008, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1. . . . .

8 During 2008, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2 . . . . .

Yes No

For Paperwork Reduction Act Notice, see Form 1040 instructions. Schedule B (Form 1040) 2008

Interest Income

For Unit holders who acquired their Units before October 12, 1990, no percentage depletion is allowable under the exemption for independent producers and royalty owners provided by IRC Section 613A(c), because the Royalties were proven properties at the time of their transfer. No percentage depletion is allowable under the exemption for certain gas wells provided by IRC Section 613A(b), because none of the gross income from the Royalties constitutes income from “fixed contract gas” under that section.

(b) *Cost Depletion and Apportionment of Basis.* To compute cost depletion, each Unit holder should multiply his basis in each Royalty (reduced by the prior years’ depletion, if any) by the factor indicated on Column (d) of Part I, which factor was obtained by dividing the estimated quantity of reserves at the beginning of the year into the quantity produced and sold during the period. A Unit holder’s basis in each Royalty is determined by apportioning his basis in the Units among each Royalty in proportion to the relative fair market value of each on the date the Units were acquired by him. Note 2 of the Specific Instructions to the enclosed Cost Depletion Worksheet and Column (e) of Part I set forth a factor for apportioning basis based on the Trustee’s determination of the relative fair market value of the Royalties. In the case of the Royalty known as the Waddell Ranch Properties-Texas, a Unit holder’s basis is further apportioned between oil and gas since both have significant value and substantially different production rates. A Unit holder should allocate his basis in accordance with the basis allocation factor in Note 2 of the Specific Instructions to the enclosed Cost Depletion Worksheet or in Column (e) of Part I in the monthly Grantor Trust Schedule (B-1 through B-12) for the month in which he purchases Units and should not thereafter reallocate his basis. The Trustee intends to redetermine the relative values of the Royalties annually, and change the basis allocation factor in Note 2 of the Specific Instructions to the enclosed Cost Depletion Worksheet or in Column (e) of Part I based on such redetermination.

A Cost Depletion Worksheet is enclosed to assist Unit holders in computing their cost depletion deduction. The Worksheet is divided into two parts. Part A pertains to Units that have been held the entire calendar year, and Part B pertains to Units that were acquired or sold during 2008. Unit holders who use Part B should obtain their cost depletion factors for their applicable period of ownership in 2008 from Tables V, VI, and VII. Notes are contained in the Specific Instructions for the Cost Depletion Worksheet to explain certain aspects of the depletion calculation.

**3. Reconciliation of Net Income and Cash Distributions.** The difference between the per-Unit taxable income for a period and the per-Unit cash distributions, if any, reported for such period (even though distributed in a later period) is attributable to adjustments in Part III, Line 2, labelled Reconciling Items. The Reconciling Items consist of items which are not currently deductible, such as increases in cash reserves established by the Trustee for the payment of future expenditures, capital items and items which do not constitute taxable income such as reductions in previously established cash reserves. It is expected that normally the Reconciling items will be negligible.

**4. Adjustments to Basis.** Each Unit holder should reduce his tax basis in each Royalty by the amount of depletion allowable with respect to such Royalty and in his Units by the amount of depletion allowable with respect to the Royalties.

**5. Federal Income Tax Reporting of Units Sold.** The sale, exchange, or other disposition of a Unit is a taxable transaction for Federal income tax purposes. Gain or loss is computed under the usual tax principles as the difference between the selling price and the adjusted basis of the Unit. The adjusted basis in a Unit is the original cost or other basis of the Unit reduced (but not below zero) by any depletion which reduced the adjusted basis of the interest in the Royalty represented by such Unit. For Unit holders who acquired their Units after 1986, upon subsequent disposition of such Unit, a portion of the gain (if any) will be recaptured as ordinary income to the extent of the depletion which reduced the adjusted basis of such Unit. Unit holders should consult their tax advisers.



6. **Portfolio Income.** Royalty Income is generally considered portfolio income under the passive loss rules enacted by the Tax Reform Act of 1986. Therefore, it appears that Unit holders should not consider the taxable income from the Trust to be passive income in determining net passive income or loss. Unit holders should consult their tax advisers for further information.

## II. STATE INCOME TAX RETURNS

The State of Texas does not impose an individual income tax; therefore, no part of the income attributable to the Trust will be subject to state personal income tax in Texas. Effective January 1, 2008, Texas imposes a margin tax at a rate of 1% on gross revenues less certain deductions, as specifically set forth in the Texas margin tax statute. The tax generally will be imposed on gross revenues generated in 2007 and thereafter. Entities subject to tax generally include trusts unless otherwise exempt, and most other types of entities having limited liability protection. Trusts that meet certain statutory requirements are generally exempt from the margin tax as “passive entities.” The Trust should be exempt from Texas margin tax as a passive entity. Since the Trust is exempt from the Texas margin tax at the Trust level as a passive entity, each Unit holder that is a business entity subject to the Texas margin tax would generally include its share of the Trust’s revenue in its margin tax computation. The source of such income to a Unit holder would be Texas since the Trust’s day-to-day operations are conducted in Texas.

Unit holders should consult their own tax advisors concerning regarding all Texas tax compliance matters relating to the Units.

## Supplemental Tax Tables and Worksheet

In addition to Schedule A and Instructions, the Supplemental Tax Tables and Worksheet are provided for certain Unit holders. The Supplemental Tax Tables and Worksheet are comprised of eight tables and a Cost Depletion Worksheet.

For purposes of computing income and expenses (excluding cost and percentage depletion), Tables I-IV should only be used by calendar-year Unit holders who acquired, sold or exchanged Units during 2008. Unit holders who have a taxable year other than December 31 should continue to use Schedules B-1 through B-12. Unit holders who have held Units the entire year should use Schedule A.

To assist all Unit holders in calculating their cost depletion deduction, Tables V-VII and the Cost Depletion Worksheet are provided. Notes are contained in the Specific Instructions for the Cost Depletion Worksheet to explain and assist in preparing a Unit holder's cost depletion deduction.

This worksheet assumes a Unit holder will take the cost depletion deduction. Some Unit holders may be entitled to a percentage depletion deduction in lieu of a cost depletion deduction, in which case Table VIII (on page 16) should be used to compute such Unit holder's depletion deduction. See pages 5-7 of this booklet for additional information regarding depletion deductions.

A brief example illustrating the computation of the income and expenses excluding cost and percentage depletion should be helpful. A Unit holder acquires 1,000 Units on May 7, 2008, and sells these Units on November 10, 2008. For these Units the Unit holder received cash distributions for May through October; therefore, the income and expenses attributable to these Units will be for this same period. To use each table (I-IV) a Unit holder should go down the left-hand column to the specific month when the Units were purchased and across the page to the column which corresponds to the month for which the last cash distribution was received. In the above example, the Unit holder should go down the left-hand column to the fifth line and across the page to the column titled October. This procedure would be done on each of the four tables. The income and expense in the above example are summarized below.

<b>Description</b>	<b>Table</b>	<b>Per Unit</b>	<b>×</b>	<b>Units</b>	<b>=</b>	<b>Amount</b>
Gross Royalty Income	I	1.470651	×	1,000	=	\$1,470.65
Severance Tax	II	0.069872	×	1,000	=	69.87
Interest Income	III	0.000919	×	1,000	=	0.92
Administration Expense	IV	0.010562	×	1,000	=	10.56

## Permian Basin Royalty Trust

Table I

### 2008 Gross Royalty Income (Cumulative \$ per Unit)

For a Unit acquired of record during the month of	2008											
And the last cash distribution on such Unit was attributable to the monthly record date for the month of:	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.195916	0.400332	0.594927	0.782609	0.995429	1.208881	1.455907	1.749782	2.009901	2.253260	2.413047	2.529537
FEBRUARY		0.204416	0.399011	0.586693	0.799513	1.012965	1.259991	1.553866	1.813985	2.057344	2.217131	2.333621
MARCH			0.194595	0.382277	0.595097	0.808549	1.055575	1.349450	1.609569	1.852928	2.012715	2.129205
APRIL				0.187682	0.400502	0.613954	0.860980	1.154855	1.414974	1.658333	1.818120	1.934610
MAY					0.212820	0.426272	0.673298	0.967173	1.227292	1.470651	1.630438	1.746928
JUNE						0.213452	0.460478	0.754353	1.014472	1.257831	1.417618	1.534108
JULY							0.247026	0.540901	0.801020	1.044379	1.204166	1.320656
AUGUST								0.293875	0.553994	0.797353	0.957140	1.073630
SEPTEMBER									0.260119	0.503478	0.663265	0.779755
OCTOBER										0.243359	0.403146	0.519363
NOVEMBER											0.159787	0.276277
DECEMBER												0.116490

Table II

### 2008 Severance Tax (Cumulative \$ per Unit)

For a Unit acquired of record during the month of	2008											
And the last cash distribution on such Unit was attributable to the monthly record date for the month of:	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.009255	0.018985	0.027987	0.036780	0.046814	0.057063	0.069094	0.082838	0.095308	0.106652	0.113862	0.119228
FEBRUARY		0.009730	0.018732	0.027525	0.037589	0.047808	0.059839	0.073583	0.086053	0.097397	0.104607	0.109973
MARCH			0.009002	0.017795	0.027859	0.030078	0.050109	0.063853	0.076323	0.087667	0.094877	0.100243
APRIL				0.008793	0.018857	0.029076	0.041107	0.054851	0.067321	0.078665	0.085875	0.091241
MAY					0.010064	0.020283	0.032314	0.046058	0.058528	0.069872	0.077082	0.082448
JUNE						0.010219	0.022250	0.035994	0.048464	0.059808	0.067018	0.0723484
JULY							0.012031	0.025775	0.038245	0.049589	0.056799	0.062165
AUGUST								0.013744	0.026214	0.037558	0.048902	0.054268
SEPTEMBER									0.012470	0.023814	0.031024	0.036390
OCTOBER										0.011344	0.018554	0.023920
NOVEMBER											0.007210	0.012576
DECEMBER												0.005366

## Permian Basin Royalty Trust

Table III

**2008 Interest Income  
(Cumulative \$ per Unit)**

For a Unit acquired of record during the month of \_\_\_\_\_ And the last cash distribution on such Unit was attributable to the monthly record date for the month of: \_\_\_\_\_

	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.000277	0.000543	0.000722	0.000899	0.001402	0.001183	0.001320	0.001461	0.001613	0.001818	0.001873	0.001937
FEBRUARY	_____	0.000266	0.000445	0.000622	0.000765	0.000906	0.001043	0.001184	0.001336	0.001541	0.001596	0.001660
MARCH	_____	_____	0.000179	0.000356	0.000499	0.000640	0.000777	0.000918	0.001070	0.001275	0.001330	0.001394
APRIL	_____	_____	_____	0.000177	0.000320	0.000461	0.000598	0.000739	0.000891	0.001096	0.001151	0.001215
MAY	_____	_____	_____	_____	0.000143	0.000284	0.000421	0.000562	0.000714	0.000919	0.000974	0.001038
JUNE	_____	_____	_____	_____	_____	0.000141	0.000278	0.000419	0.000571	0.000776	0.000831	0.000895
JULY	_____	_____	_____	_____	_____	_____	0.000137	0.000278	0.000430	0.000635	0.000690	0.000754
AUGUST	_____	_____	_____	_____	_____	_____	_____	0.000141	0.000293	0.000498	0.000553	0.000617
SEPTEMBER	_____	_____	_____	_____	_____	_____	_____	_____	0.000152	0.000357	0.000412	0.000476
OCTOBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.000205	0.000260	0.000324
NOVEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.000055	0.000119
DECEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.000064

Table IV

**2008 Trust Administration Expenses  
(Cumulative \$ per Unit)**

For a Unit acquired of record during the month of \_\_\_\_\_ And the last cash distribution on such Unit was attributable to the monthly record date for the month of: \_\_\_\_\_

	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.002726	0.004646	0.007611	0.008998	0.009993	0.015324	0.015847	0.017167	0.018214	0.019560	0.020137	0.020891
FEBRUARY	_____	0.001920	0.004885	0.006272	0.007267	0.012598	0.013121	0.014441	0.015488	0.016834	0.017411	0.018165
MARCH	_____	_____	0.002965	0.004352	0.005347	0.010678	0.011201	0.012521	0.013568	0.014914	0.015491	0.016245
APRIL	_____	_____	_____	0.001387	0.002382	0.007713	0.008236	0.009556	0.010603	0.011949	0.012526	0.013280
MAY	_____	_____	_____	_____	0.000995	0.006326	0.006849	0.008169	0.009216	0.010562	0.011139	0.011893
JUNE	_____	_____	_____	_____	_____	0.005331	0.005854	0.007174	0.008221	0.009567	0.010144	0.010898
JULY	_____	_____	_____	_____	_____	_____	0.000523	0.001843	0.002890	0.004236	0.004813	0.005567
AUGUST	_____	_____	_____	_____	_____	_____	_____	0.001320	0.002367	0.003713	0.004290	0.005044
SEPTEMBER	_____	_____	_____	_____	_____	_____	_____	_____	0.001047	0.002393	0.002970	0.003724
OCTOBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.001346	0.001923	0.002677
NOVEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.000577	0.001331
DECEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.000754

## Permian Basin Royalty Trust

### 2008 Cost Depletion Worksheet

The following may help you calculate your *cost depletion* to be reported on your Federal Income Tax Return.

A. If you *owned* the Units for the *entire year*, your cost depletion would be calculated as follows:

	Original Basis (NOTE 1)	Basis Allocation Factors (NOTE 2)	Basis Allocated	Cost Depletion Allowed or Allowable in Prior Years	Basis Allocated Less Cost Depletion Allowed or Allowable in Prior Years	Cost Depletion Factor	Cost Depletion
Waddell Ranch – Oil	x		=	=		x	=
Waddell Ranch – Gas	x		=	=		x	=
Royalty Properties	x		=	=		x	=
Total			=	=		=	=

B. If you *sold or acquired* the Units during the year, your cost depletion for the portion of the year that you held the Units would be calculated as follows:

	Original Basis (NOTE 1)	Basis Allocation Factors (NOTE 2)	Basis Allocated	Cost Depletion Allowed or Allowable in Prior Years	Basis Allocated Less Cost Depletion Allowed or Allowable in Prior Years	Partial Year Cost Depletion Factor (NOTE 3)	Cost Depletion
Waddell Ranch – Oil	x		=	=		x	=
Waddell Ranch – Gas	x		=	=		x	=
Royalty Properties	x		=	=		x	=
Total			=	=		=	=

(Notes 1, 2 and 3 are contained in the Specific Instructions for the Cost Depletion Worksheet.)

## Specific Instructions for Cost Depletion Worksheet

**Note 1:** The original basis of your Units must be determined from your records and generally will be the amount paid for the Units including broker's commissions or the fair market value of such Units on the date they were distributed (November 3, 1980). However, there could be other taxable events which cause the original basis to be revised. For example, the original basis of Units passing through an estate will be changed to reflect the fair market value of the Units on date of death. Please consult your tax adviser concerning your original basis. The original basis should be entered in each blank of the first column of the Cost Depletion Worksheet.

**Note 2:** There are three basis allocation factors for the Permian Basin Royalty Trust because the Trust has three separate properties for depletion purposes. The Waddell Ranch and Royalty Properties are separate and distinct properties for tax purposes. Each property is depleting at a different rate. There are two different basis allocation factors for the Waddell Ranch because there are two different minerals—oil and gas. Each mineral has significant value and each mineral is depleting at a different rate.

The following basis allocation factors are to be used only in the year Units are purchased or acquired. Once the basis allocation factor is applied to the original basis of the Units acquired (cost or other basis), generally, the basis allocation is not changed again. By multiplying the original basis of the Units acquired by the basis allocation factors, a Unit holder has computed the portion of his original basis applicable to each depletable Royalty held by the Trust which will be depleted over the remaining productive life of that property.

Royalties	Purchase Dates								
	3/90-2/91	3/91-2/92	3/92-2/93	3/93-2/94	3/94-2/95	3/95-2/96	3/96-2/97	3/97-2/98	3/98-2/99
Waddell Ranch—Oil	.431257	.470732	.400585	.445910	.370861	.439193	.462933	.413676	.357948
Waddell Ranch—Gas	.150358	.199595	.223342	.230089	.295248	.218702	.208031	.327439	.248759
Royalty Properties	.418365	.329673	.376073	.323101	.333891	.342105	.329036	.258885	.393293

Royalties	Purchase Dates								
	3/99-2/00	3/00-2/01	3/01-2/02	3/02-2/03	3/03-2/04	3/04-2/05	3/05-2/06	3/06-2/07	3/07-12/07
Waddell Ranch—Oil	.357948	.376662	.382276	.317757	.326370	.319633	0.303084	0.294110	0.291568
Waddell Ranch—Gas	.248759	.272278	.318977	.297549	.318960	.305469	0.316912	0.309450	0.308062
Royalty Properties	.393293	.351160	.298746	.384693	.354660	.375602	0.380002	0.396440	0.400370

Royalties	Purchase Dates
	1/08-12/08
Waddell Ranch—Oil	0.329649
Waddell Ranch—Gas	0.302271
Royalty Properties	0.368080

**Note 3:** When Units are acquired, sold or exchanged during the year, the cost depletion factor for each Royalty is calculated using *one* of the following procedures:

(a) **UNITS ACQUIRED PRIOR TO 2008 AND SOLD DURING 2008.**

Example: A Unit holder acquired Units prior to 2008 that he sold in May 2008. To calculate his cost depletion for each of the three Royalties for 2008, the Unit holder would use the cost depletion factor for January through April 2008 for such Royalty obtained from Table V, VI and/or VII. For example, using Table V (Waddell Ranch—Oil) the factor would be 0.047986. The factor would be 0.058661 from Table VI (Waddell Ranch—Gas) and 0.023822 from Table VII (Royalty Properties).

(b) **UNITS ACQUIRED AND SOLD DURING 2008.**

Example: A Unit holder acquired Units in July 2008 and sold them in September 2008. To calculate her cost depletion for each of the three Royalties for 2008, the Unit holder would use the cost depletion factor for July through August 2008 for such Royalty obtained from Table V, VI and/or VII. For example, using Table V (Waddell Ranch—Oil) the factor would be 0.021727. The factor would be 0.025184 from Table VI (Waddell Ranch—Gas) and 0.011450 from Table VII (Royalty Properties).

(c) **UNITS ACQUIRED DURING 2008 AND STILL OWNED AT THE END OF 2008.**

Example: A Unit holder acquired Units in March 2008 and still owned them at the end of the year. To calculate his cost depletion for each of the three Royalties for 2008, the Unit holder would use the cost depletion factor for March 2008 through December 2008 for such Royalty obtained from Table V, VI and/or VII. For example, using Table V (Waddell Ranch—Oil) the factor would be 0.096121. The factor would be 0.119085 from Table VI (Waddell Ranch—Gas) and 0.059391 from Table VII (Royalty Properties).

## Permian Basin Royalty Trust

Table V

### 2008 Cost Depletion Factors – Waddell Ranch – Oil (Cumulative)

For a Unit acquired or record during the month of	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.013228	0.027106	0.038071	0.047986	0.058579	0.067989	0.078362	0.089716	0.098185	0.108684	0.116502	0.123227
FEBRUARY		0.013878	0.024843	0.034758	0.045351	0.054761	0.065134	0.076488	0.084957	0.095456	0.103274	0.109999
MARCH			0.010965	0.020880	0.031473	0.040883	0.051256	0.062610	0.071079	0.081578	0.089396	0.096121
APRIL				0.009915	0.020508	0.029918	0.040291	0.051645	0.060114	0.070613	0.078431	0.085156
MAY					0.010593	0.020003	0.030376	0.041730	0.050199	0.060698	0.068516	0.075241
JUNE						0.009410	0.019783	0.031137	0.039606	0.050105	0.057923	0.064648
JULY							0.010373	0.021727	0.030196	0.040695	0.048513	0.055238
AUGUST								0.011354	0.019823	0.030322	0.038140	0.044865
SEPTEMBER									0.008469	0.018968	0.026786	0.033511
OCTOBER										0.010499	0.018317	0.025092
NOVEMBER											0.007818	0.014543
DECEMBER												0.006725

Table VI

### 2008 Cost Depletion Factors – Waddell Ranch – Gas (Cumulative)

For a Unit acquired or record during the month of	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.015451	0.033178	0.045846	0.058661	0.071925	0.084249	0.095405	0.109433	0.122704	0.136510	0.143449	0.152263
FEBRUARY		0.017727	0.030395	0.043210	0.056474	0.068798	0.079954	0.093982	0.107253	0.121059	0.127998	0.136812
MARCH			0.012668	0.025483	0.038747	0.051071	0.062227	0.076255	0.089526	0.103332	0.110271	0.119085
APRIL				0.012815	0.026079	0.038403	0.049559	0.063587	0.076858	0.090664	0.097603	0.106417
MAY					0.013264	0.025588	0.036744	0.050772	0.064043	0.077849	0.084788	0.093602
JUNE						0.012324	0.023480	0.037508	0.050779	0.064585	0.071524	0.080338
JULY							0.011156	0.025184	0.038455	0.052261	0.059200	0.068014
AUGUST								0.014028	0.027299	0.041105	0.048044	0.056858
SEPTEMBER									0.013271	0.027077	0.034016	0.042830
OCTOBER										0.013806	0.020745	0.029559
NOVEMBER											0.006939	0.015753
DECEMBER												0.008814

Table VII

### 2008 Cost Depletion Factors – Royalty Properties (Cumulative)

For a Unit acquired or record during the month of	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.005990	0.012038	0.018063	0.023822	0.030030	0.036588	0.041348	0.048038	0.053703	0.059586	0.065403	0.071429
FEBRUARY		0.006048	0.012073	0.017832	0.024040	0.030598	0.035358	0.042048	0.047713	0.053596	0.059413	0.065439
MARCH			0.006025	0.011784	0.017992	0.024550	0.029310	0.036000	0.041665	0.047548	0.053365	0.059391
APRIL				0.005759	0.011967	0.018525	0.023285	0.029975	0.035640	0.041523	0.047340	0.053366
MAY					0.006208	0.012766	0.017526	0.024216	0.029881	0.035764	0.041581	0.047607
JUNE						0.006558	0.011318	0.018008	0.023673	0.029556	0.035373	0.041399
JULY							0.004760	0.011450	0.017115	0.022998	0.028815	0.034841
AUGUST								0.006690	0.012355	0.018238	0.024055	0.030081
SEPTEMBER									0.005665	0.011548	0.017365	0.023391
OCTOBER										0.005883	0.011700	0.017726
NOVEMBER											0.005817	0.011843
DECEMBER												0.006026

**Table VIII**  
**2008 Percentage Depletion Factors**  
**(Cumulative \$ per Unit)**

For a Unit acquired or record during the month of \_\_\_\_\_ And the last cash distribution on such Unit was attributable to the monthly record date for the month of: \_\_\_\_\_

	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.029387	0.060050	0.089239	0.117391	0.149314	0.181332	0.218386	0.262467	0.301485	0.337989	0.361957	0.379431
FEBRUARY	_____	0.030662	0.059852	0.088004	0.119927	0.151945	0.188999	0.233080	0.272098	0.308602	0.332570	0.350043
MARCH	_____	_____	0.029189	0.057342	0.089265	0.121282	0.158336	0.202418	0.241435	0.277939	0.301907	0.319381
APRIL	_____	_____	_____	0.028152	0.060075	0.092093	0.129147	0.173228	0.212246	0.248750	0.272718	0.290192
MAY	_____	_____	_____	_____	0.031923	0.063941	0.100995	0.145076	0.184094	0.220598	0.244566	0.262039
JUNE	_____	_____	_____	_____	_____	0.032018	0.069072	0.113153	0.152171	0.188675	0.212643	0.230116
JULY	_____	_____	_____	_____	_____	_____	0.037054	0.081135	0.120153	0.156657	0.180625	0.198098
AUGUST	_____	_____	_____	_____	_____	_____	_____	0.044081	0.083099	0.119603	0.143571	0.161045
SEPTEMBER	_____	_____	_____	_____	_____	_____	_____	_____	0.039018	0.075522	0.099490	0.116963
OCTOBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.036504	0.060472	0.077945
NOVEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.023968	0.041442
DECEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.017474



# Permian Basin Royalty Trust

TAX INFORMATION  
2008

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