

Permian Basin Royalty Trust

TAX INFORMATION 2009

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 26, 2010

IMPORTANT TAX INFORMATION

TO UNIT HOLDERS:

We enclose the following material which provides Unit holders with some of the information necessary to compute the 2009 Federal income tax consequences of owning Units:

- (a) Grantor Trust Schedule A for 2009.
- (b) Instructions for Schedules A and B-1 through B-12.
- (c) Supplemental Tax Tables and Worksheet.

Unit holders are encouraged to read all of the enclosed material very carefully and to retain it as part of their tax records. The information and instructions contained herein are designed to assist Unit holders who are U.S. citizens in complying with their Federal and state income tax reporting requirements and should not be construed as advice to any specific Unit holder. Unit holders should also consult any IRS Forms 1099 and written tax statements issued by certain middlemen (discussed in more detail on page 5) that hold Trust Units on your behalf. Each Unit holder should consult the Unit holder's own tax adviser regarding all tax compliance matters relating to his Units.

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, 2009

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>
WADDELL RANCH PROPERTIES – TEXAS						
1. Oil	\$0.319637	\$0.011470	0.308167	0.107505	0.246094	0.005853 BBLs
2. Gas	0.177193	0.009774	0.167419	0.118352	0.268410	0.038819 MCF
3. Total Oil and Gas for Year	<u>0.496830</u>	<u>0.021244</u>	<u>0.475586</u>			
ROYALTY PROPERTIES – TEXAS						
1. Oil	0.312032	0.011142	0.300890			0.005948 BBLs
2. Gas	0.063067	0.003688	0.059379			0.009883 MCF
3. Total Oil and Gas for year	<u>0.375099</u>	<u>0.014830</u>	<u>0.360269</u>	0.061349	0.485496	
TOTAL FOR YEAR	<u>\$0.871929</u>	<u>\$0.036074</u>	<u>\$0.835855</u> A		<u>1.000000</u>	

PART II
OTHER INCOME AND EXPENSE PER UNIT

<u>Item</u>	
1. Interest Income	\$0.000061 B
2. Administrative Expense	\$0.027150 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)	\$0.808766
2. Reconciling Items	—
3. Cash Distribution Per Unit	<u>\$0.808766</u>

* For information regarding basis allocation, see 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, 2010 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 2009 and Schedule B-1 for 2010. 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, and accordingly, Schedules B-1 through B-12 are not included herein. 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 2009, it is suggested that the items of income and deduction computed from the appropriate schedules be reported in the following manner:

Item	Form 1040
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 2009, 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. U.S. Trust, Bank of America Private Wealth Management, EIN: 56-0906609, 901 Main Street, Suite 1700, P.O. Box 830650, Dallas, Texas 75202, (877) 228-5085, trustee@pbtpermianbasintrust.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. 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 2009 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 Subsection (b) of this Paragraph 2. 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 16) should be used to compute such Unit holder's depletion deduction.

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 “natural gas sold under a fixed contract” 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 2009. Unit holders who use Part B should obtain their cost depletion factors for their applicable period of ownership in 2009 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.

For your convenience, a simple cost depletion calculator is now available on the Permian Basin Royalty Trust website at: www.pbt-permianbasintrust.com.

3. Reconciliation of Net Income and Cash Distributions. The difference, if any, 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. In 2009, there were no increases or decreases to the cash reserve maintained by the Trust, and thus, there were no Reconciling Items for 2009.

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. 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. 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 advisers 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 2009. Unit holders who have a taxable year end 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, 2009, and sells these Units on November 10, 2009. 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.

Description	Table	Per Unit	×	Units	=	Amount
Gross Royalty Income	I	0.447946	×	1,000	=	\$ 447.95
Severance Tax	II	0.018940	×	1,000	=	18.94
Interest Income	III	0.000009	×	1,000	=	0.01
Administration Expense	IV	0.013437	×	1,000	=	13.44

Permian Basin Royalty Trust

Table I

**2009 Gross Royalty 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:

	2009											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.089969	0.137111	0.172704	0.212370	0.268138	0.323409	0.402337	0.486181	0.557979	0.660316	0.748123	0.871929
FEBRUARY	_____	0.047142	0.082735	0.122401	0.178169	0.233440	0.312368	0.396212	0.468010	0.570347	0.658154	0.781960
MARCH	_____	_____	0.035593	0.075259	0.131027	0.186298	0.265226	0.349070	0.420868	0.523205	0.611012	0.734818
APRIL	_____	_____	_____	0.039666	0.095434	0.150705	0.229633	0.313477	0.385275	0.487612	0.575419	0.699225
MAY	_____	_____	_____	_____	0.055768	0.111039	0.189967	0.273811	0.345609	0.447946	0.535753	0.659559
JUNE	_____	_____	_____	_____	_____	0.055271	0.134199	0.218043	0.289841	0.392178	0.479985	0.603791
JULY	_____	_____	_____	_____	_____	_____	0.078928	0.162772	0.234570	0.336907	0.424714	0.548520
AUGUST	_____	_____	_____	_____	_____	_____	_____	0.083844	0.155642	0.257979	0.345786	0.469592
SEPTEMBER	_____	_____	_____	_____	_____	_____	_____	_____	0.071798	0.174135	0.261942	0.385748
OCTOBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.102337	0.190144	0.313950
NOVEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.087807	0.211613
DECEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.123806

Table II

**2009 Severance Tax
(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:

	2009											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.004171	0.005798	0.007212	0.008805	0.011180	0.013624	0.016973	0.020523	0.023579	0.027745	0.031405	0.036074
FEBRUARY	_____	0.001627	0.003041	0.004634	0.007009	0.009453	0.012802	0.016352	0.019408	0.023574	0.027234	0.031903
MARCH	_____	_____	0.001414	0.003007	0.005382	0.007826	0.011175	0.014725	0.017781	0.021947	0.025607	0.030276
APRIL	_____	_____	_____	0.001593	0.003968	0.006412	0.009761	0.013311	0.016367	0.020533	0.024193	0.028862
MAY	_____	_____	_____	_____	0.002375	0.004819	0.008168	0.011718	0.014774	0.018940	0.022600	0.027269
JUNE	_____	_____	_____	_____	_____	0.002444	0.005793	0.009343	0.012399	0.016565	0.020225	0.024894
JULY	_____	_____	_____	_____	_____	_____	0.003349	0.006899	0.009955	0.014121	0.017781	0.022450
AUGUST	_____	_____	_____	_____	_____	_____	_____	0.003550	0.006606	0.010772	0.014432	0.019101
SEPTEMBER	_____	_____	_____	_____	_____	_____	_____	_____	0.003056	0.007222	0.010882	0.015551
OCTOBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.004166	0.007826	0.012495
NOVEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.003660	0.008329
DECEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.004669

Permian Basin Royalty Trust

Table III

**2009 Interest Income
(Cumulative \$ per Unit)**

For a Unit acquired of record during the month of	2009											
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	0.000022	0.000038	0.000046	0.000049	0.000050	0.000052	0.000053	0.000055	0.000056	0.000058	0.000059	0.000061
FEBRUARY		0.000016	0.000024	0.000027	0.000028	0.000030	0.000031	0.000033	0.000034	0.000036	0.000037	0.000039
MARCH			0.000008	0.000011	0.000012	0.000014	0.000015	0.000017	0.000018	0.000020	0.000021	0.000023
APRIL				0.000003	0.000004	0.000006	0.000007	0.000009	0.000010	0.000012	0.000013	0.000015
MAY					0.000001	0.000003	0.000004	0.000006	0.000007	0.000009	0.000010	0.000012
JUNE						0.000002	0.000003	0.000005	0.000006	0.000008	0.000009	0.000011
JULY							0.000001	0.000003	0.000004	0.000006	0.000007	0.000009
AUGUST								0.000002	0.000003	0.000005	0.000006	0.000008
SEPTEMBER									0.000001	0.000003	0.000004	0.000006
OCTOBER										0.000002	0.000003	0.000005
NOVEMBER											0.000001	0.000003
DECEMBER												0.000002

Table IV

**2009 Trust Administration Expenses
(Cumulative \$ per Unit)**

For a Unit acquired of record during the month of	2009											
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	0.002958	0.004925	0.009492	0.010935	0.014156	0.019953	0.021022	0.021883	0.022862	0.024372	0.025652	0.027150
FEBRUARY		0.001967	0.006534	0.007977	0.011198	0.016995	0.018064	0.018925	0.019904	0.021414	0.022694	0.024192
MARCH			0.004567	0.006010	0.009231	0.015028	0.016097	0.016958	0.017937	0.019447	0.020727	0.022225
APRIL				0.001443	0.004664	0.010461	0.011530	0.012391	0.013370	0.014880	0.016160	0.017658
MAY					0.003221	0.009018	0.010087	0.010948	0.011927	0.013437	0.014717	0.016215
JUNE						0.005797	0.006866	0.007727	0.008706	0.010216	0.011496	0.012994
JULY							0.001069	0.001930	0.002909	0.004419	0.005699	0.007197
AUGUST								0.000861	0.001840	0.003350	0.004630	0.006128
SEPTEMBER									0.000979	0.002489	0.003769	0.005267
OCTOBER										0.001510	0.002790	0.004288
NOVEMBER											0.001280	0.002778
DECEMBER												0.001498

Permian Basin Royalty Trust

2009 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 during 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	×		=		=		=		×	0.107505	=	
Waddell Ranch – Gas	×		=		=		=		×	0.118352	=	
Royalty Properties	×		=		=		=		×	0.061349	=	
										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	×	Cost Depletion Factor	=	Cost Depletion
Waddell Ranch – Oil	×		=		=		=		×		=	
Waddell Ranch – Gas	×		=		=		=		×		=	
Royalty Properties	×		=		=		=		×		=	
										Total		

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	1/09-12/09
Waddell Ranch—Oil	0.329649	0.246094
Waddell Ranch—Gas	0.302271	0.268410
Royalty Properties	0.368080	0.485496

For your convenience, a simple cost depletion calculator is now available on the Permian Basin Royalty Trust website at: www.pbt-permianbasintrust.com.

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 2009 AND SOLD DURING 2009.**

Example: A Unit holder acquired Units prior to 2009 that he sold in May 2009. To calculate his cost depletion for each of the three Royalties for 2009, the Unit holder would use the cost depletion factor for January through April 2009 for such Royalty obtained from Table V, VI and/or VII. For example, using Table V (Waddell Ranch—Oil) the factor would be 0.024219. The factor would be 0.027062 from Table VI (Waddell Ranch—Gas) and 0.019565 from Table VII (Royalty Properties).

(b) **UNITS ACQUIRED AND SOLD DURING 2009.**

Example: A Unit holder acquired Units in July 2009 and sold them in September 2009. To calculate her cost depletion for each of the three Royalties for 2009, the Unit holder would use the cost depletion factor for July through August 2009 for such Royalty obtained from Table V, VI and/or VII. For example, using Table V (Waddell Ranch—Oil) the factor would be 0.020439. The factor would be 0.024019 from Table VI (Waddell Ranch—Gas) and 0.010470 from Table VII (Royalty Properties).

(c) **UNITS ACQUIRED DURING 2009 AND STILL OWNED AT THE END OF 2009.**

Example: A Unit holder acquired Units in March 2009 and still owned them at the end of the year. To calculate his cost depletion for each of the three Royalties for 2009, the Unit holder would use the cost depletion factor for March 2009 through December 2009 for such Royalty obtained from Table V, VI and/or VII. For example, using Table V (Waddell Ranch—Oil) the factor would be 0.094005. The factor would be 0.102025 from Table VI (Waddell Ranch—Gas) and 0.051754 from Table VII (Royalty Properties).

Permian Basin Royalty Trust

Table V

2009 Cost Depletion Factors – Waddell Ranch – Oil (Cumulative)

For a Unit acquired or record during the month of	2009											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.007542	0.013500	0.017362	0.024219	0.034070	0.041725	0.052787	0.062164	0.069965	0.082637	0.092972	0.107505
FEBRUARY		0.005958	0.009820	0.016677	0.026528	0.034183	0.045245	0.054622	0.062423	0.075095	0.085430	0.099963
MARCH			0.003862	0.010719	0.020570	0.028225	0.039287	0.048664	0.056465	0.069137	0.079472	0.094005
APRIL				0.006857	0.016708	0.024363	0.035425	0.044802	0.052603	0.065275	0.075610	0.090143
MAY					0.009851	0.017506	0.028568	0.037945	0.045776	0.058418	0.068753	0.083286
JUNE						0.007655	0.018717	0.028094	0.035925	0.048567	0.058902	0.073435
JULY							0.011062	0.020439	0.028270	0.040912	0.051247	0.065780
AUGUST								0.009377	0.017208	0.029850	0.040185	0.054718
SEPTEMBER									0.007801	0.020473	0.030808	0.045341
OCTOBER										0.012672	0.023007	0.037540
NOVEMBER											0.010335	0.024868
DECEMBER												0.014533

Table VI

2009 Cost Depletion Factors – Waddell Ranch – Gas (Cumulative)

For a Unit acquired or record during the month of	2009											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.009380	0.016327	0.020365	0.027062	0.036837	0.045761	0.058812	0.069780	0.078602	0.092360	0.103561	0.118352
FEBRUARY		0.006947	0.010985	0.017682	0.027457	0.036381	0.049432	0.060400	0.069222	0.082980	0.094181	0.108972
MARCH			0.004038	0.010735	0.020510	0.029434	0.042485	0.053453	0.062275	0.076033	0.087234	0.102025
APRIL				0.006697	0.016472	0.025396	0.038447	0.049415	0.058237	0.071995	0.083196	0.097987
MAY					0.009775	0.018699	0.031750	0.042718	0.051540	0.065298	0.076499	0.091290
JUNE						0.008924	0.021975	0.032943	0.041765	0.055523	0.066724	0.081515
JULY							0.013051	0.024019	0.032841	0.046599	0.057800	0.072591
AUGUST								0.010968	0.019790	0.033548	0.044749	0.059540
SEPTEMBER									0.008822	0.022580	0.033781	0.048572
OCTOBER										0.013758	0.024959	0.039750
NOVEMBER											0.011201	0.025992
DECEMBER												0.014791

Table VII

2009 Cost Depletion Factors—Royalty Properties (Cumulative)

For a Unit acquired or record during the month of	2009											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.005961	0.009595	0.014707	0.019565	0.024912	0.030007	0.035308	0.040447	0.045802	0.050916	0.055979	0.061349
FEBRUARY		0.003634	0.008746	0.014604	0.018951	0.024046	0.029347	0.034486	0.039841	0.044955	0.050018	0.055388
MARCH			0.005112	0.009970	0.015317	0.020412	0.025713	0.030852	0.036207	0.041321	0.046384	0.051754
APRIL				0.004858	0.010205	0.015300	0.020601	0.025740	0.031095	0.036209	0.041272	0.046642
MAY					0.005347	0.010442	0.015743	0.020882	0.026237	0.031351	0.036414	0.041784
JUNE						0.005095	0.010396	0.015535	0.020890	0.026004	0.031067	0.036437
JULY							0.005301	0.010440	0.015795	0.020909	0.025972	0.031342
AUGUST								0.005169	0.010494	0.015608	0.020671	0.026041
SEPTEMBER									0.005325	0.010439	0.015502	0.020872
OCTOBER										0.005114	0.010177	0.015547
NOVEMBER											0.005063	0.010433
DECEMBER												0.005370

Table VIII
2009 Percentage Depletion Factors
(Cumulative)

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:

	2009											
	January	February	March	April	May	June	July	August	September	October	November	December
JANUARY	0.013495	0.020566	0.025905	0.031855	0.040220	0.048511	0.060350	0.072927	0.083697	0.099048	0.112219	0.130790
FEBRUARY	_____	0.007071	0.012410	0.018360	0.026725	0.035016	0.046855	0.059432	0.070202	0.085553	0.098724	0.117295
MARCH	_____	_____	0.005339	0.011289	0.019654	0.027945	0.039784	0.052361	0.063131	0.078482	0.091653	0.110224
APRIL	_____	_____	_____	0.005950	0.014315	0.022606	0.034445	0.047022	0.057792	0.073143	0.086314	0.104885
MAY	_____	_____	_____	_____	0.008365	0.016656	0.028495	0.041072	0.051842	0.067193	0.080364	0.098935
JUNE	_____	_____	_____	_____	_____	0.008291	0.020130	0.032707	0.043477	0.058828	0.071999	0.090570
JULY	_____	_____	_____	_____	_____	_____	0.011839	0.024416	0.035186	0.050537	0.063708	0.082279
AUGUST	_____	_____	_____	_____	_____	_____	_____	0.012577	0.023347	0.038698	0.051869	0.070440
SEPTEMBER	_____	_____	_____	_____	_____	_____	_____	_____	0.010770	0.026121	0.039292	0.057863
OCTOBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.015351	0.028522	0.047093
NOVEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.013171	0.031742
DECEMBER	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	0.018571

Permian Basin Royalty Trust

TAX INFORMATION
2009

Permian Basin Royalty Trust
901 Main Street, Suite 1700
Post Office Box 830650
Dallas, Texas 75283-0650
U.S. Trust, Bank of America Private Wealth Management, Trustee
1-877-228-5085 (toll-free)
www.pbt-permianbasintrust.com