Permian Basin Royalty Trust

2021

Annual Report & Form 10-K

The Trust

The Permian Basin Royalty Trust's (the "Trust") principal assets are comprised of a 75% net overriding royalty interest carved out by Southland Royalty Company ("Southland") from its fee mineral interest in the Waddell Ranch properties in Crane County, Texas ("Waddell Ranch properties"), and a 95% net overriding royalty interest carved out by Southland from its major producing royalty properties in Texas ("Texas Royalty properties"). The interests out of which the Trust's net overriding royalty interests were carved were in all cases less than 100%. The Trust's net overriding royalty interests represent burdens against the properties in favor of the Trust without regard to ownership of the properties from which the overriding royalty interests were carved. The net overriding royalties above are collectively referred to as the "Royalties." The properties and interests from which the Royalties were carved and which the Royalties now burden are collectively referred to as the "Underlying Properties."

Previous ownership of the Waddell Ranch properties were as follows: In 1985, Southland Royalty became a wholly-owned subsidiary of Burlington Northern Inc. ("BNI"). In 1988, BNI transferred its ownership to Burlington Resources Inc. ("BRI") which in turn became a wholly-owned indirect subsidiary, Meridian Oil Inc.(MOI), which was the parent company of Southland Royalty. Effective January 1, 1996, Southland Royalty was merged with and into MOI. As a result of this merger, the separate corporate existence of Southland Royalty ceased and MOI survived and succeeded to the ownership of all of the assets of Southland Royalty and assumed all of its rights, powers, privileges, liabilities and obligations. Effective July 11, 1996, MOI changed its name to Burlington Resources Oil & Gas Company, now Burlington Oil & Gas Company LP ("BROG"). Further, BROG notified the Trust that, on February 14, 1997, the Texas Royalty properties that are subject to the Net Overriding Royalty Conveyance dated November 1, 1980 (the "Texas Royalty Conveyance"), were sold to Riverhill Energy Corporation of Midland, Texas. Effective March 31, 2006, ConocoPhillips acquired BRI pursuant to a merger between BRI and a wholly-owned subsidiary of ConocoPhillips. As a result of this acquisition, BRI and BROG are both wholly-owned subsidiaries of ConocoPhillips.

BROG notified the Trust, that on November 1, 2019, the Waddell Ranch properties (as defined herein on page 11) that are subject to the Net Overriding Royalty Conveyance (Permian Basin Royalty Trust – Waddell Ranch) dated November 1, 1980 (the "Waddell Ranch Conveyance"), were sold to Blackbeard Operating, LLC ("Blackbeard") of Fort Worth, Texas. Blackbeard became the operator effective as of April 1, 2020.

Units of Beneficial Interest

Units of Beneficial Interest ("Units") of the Trust are traded on the New York Stock Exchange with the symbol PBT. Quarterly high and low sales prices and the aggregate amount of monthly distributions paid each quarter during the Trust's two most recent years were as follows:

	Sales Price		Distributions
2021	**High**	**Low**	**Paid**
First Quarter	$ 4.70	$ 3.30	$ .039472
Second Quarter	5.60	3.73	.057030
Third Quarter	5.75	4.64	.064028
Fourth Quarter	9.85	5.64	.069509
Total for 2021			$ 0.230042

2020	**High**	**Low**	**Paid**
First Quarter	$ 3.81	$ 2.82	$ .127230
Second Quarter	3.67	3.15	.041366
Third Quarter	3.42	2.28	.026919
Fourth Quarter	2.28	3.42	.039599
Total for 2020			$ 0.235113

Approximately 796 Unit holders of record held the 46,608,796 Units of the Trust at March 1, 2022.
The Trust has no equity compensation plans and has not repurchased any Units during the period covered by this report.

Selected Financial Data

	For the Year Ended December 31,				
	2021	**2020**	**2019**	**2018**	**2017**
Royalty income	**$ 11,805,514**	$ 12,040,318	$ 20,487,433	$ 32,088,282	$ 30,559,527
Distributable income	**$ 10,721,775**	$ 10,958,618	$ 19,421,131	$ 30,789,460	$ 29,325,416
Distributable income per Unit	**$ 0.23**	$ 0.24	$ 0.42	$ 0.66	$ 0.63
Distributions per Unit	**$ 0.23**	$ 0.24	$ 0.42	$ 0.66	$ 0.63
Total assets, December 31	**$ 2,601,215**	$ 2,108,325	$ 3,287,777	$ 3,994,193	$ 3,950,462

To Unit Holders:

We are pleased to present the 2021 Annual Report of the Permian Basin Royalty Trust. The report includes a copy of the Trust's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") for the year ended December 31, 2021.

The Form 10-K contains important information concerning the Underlying Properties, as defined below, including the oil and gas reserves attributable to the 75% net profit royalty interest in the Waddell Ranch properties and 95% net profit royalty interest in the Texas Royalty Properties owned by the Trust. Production figures provided in this letter and in the Trustee's Discussion and Analysis are based on information provided by Burlington Resources Oil & Gas Company LP ("BROG"), the current owner of the Underlying Properties and the successor, through a series of assignments and mergers, to Southland Royalty Company ("Southland") and Riverhill Energy. As of April 1, 2020, Blackbeard Operating are now owners of the Waddell Ranch Properties.

The Trust was established in November 1980 by Southland. Pursuant to the Indenture that governs the operations of the Trust, Southland conveyed to the Trust a 75% net profit royalty interest in the Waddell Ranch properties and 95% net profit royalty interest in the Texas Royalty Properties (the "Royalty"), carved out of Southland Royalty's oil and gas leasehold and royalty interests (the "Underlying Properties") in properties in Texas.

The Royalty constitutes the principal asset of the Trust. Under the Indenture governing the Trust, the function of Simmons Bank, as Trustee, is to collect the net proceeds attributable to the Royalty ("Royalty Income"), to pay all expenses and charges of the Trust, and then distribute the remaining available income to the Unit holders. Income distributed to Unit holders in 2021 was $10,721,775 or $0.23 per Unit. Distributable income for 2020 consisted of Royalty Income of $12,040,318 plus interest income of $9,603 less administrative expenses of $1,041,303.

Royalty income of the Trust for the calendar year is associated with actual oil and gas production for the period November of the prior year through October of the current year. Oil and gas production for 2021, 2020 and 2019 generated by the Royalties and the Underlying Properties, excluding portions attributable to the adjustments discussed hereafter, are presented in the following table:

	Year Ended December 31,		
Royalties	**2021**	**2020**	**2019**
Oil Sales (Bbls)	967,106	435,319	360,606
Gas Sales (Mcf)	3,876,648	1,437,362	858,009
Underlying Properties			
Oil			
Total Oil Sales (Bbls)	1,249,350	831,141	871,513
Average Per Day (Bbls)	3,423	2,277	2,388
Average Price/Bbl	$ 63.34	$ 39.51	$ 51.74
Gas			
Total Gas Sales(Mcf)	5,143,426	3,520,515	3,346,916
Average Per Day (Mcf)	14,092	9,645	9,170
Average Price/Mcf	$ 3.53	$ 1.47	$ 2.64

The average price of oil increased to $63.34 per barrel in 2021, up from $39.51 per barrel in 2020. The average price of oil in 2019 was $51.74 per barrel. In addition, the average price of gas increased from $1.47 per Mcf in 2020 to $3.43 per Mcf in 2021. The average price of gas in 2019 was $2.64 per Mcf. Oil prices have increased primarily because of world market conditions. Oil prices are expected to remain volatile. Gas liquids values remain stronger and keep the prices of gas stronger. Blackbeard, after assuming the role of operation of the Waddell Ranch Properties, immediately instituted a workover of specific wells, which cause the Trust not to receive any royalty income from the Waddell Properties in 2021.

Subsequent to December 31, 2021, the price of both oil and gas continued to fluctuate, giving rise to a correlating adjustment of the respective standardized measure of discounted future net cash flows. As of March 15, 2022, NYMEX posted oil prices were approximately $96.44 per barrel, which compared to the posted price of $66.56 per barrel, used to calculate the worth of future net revenue of the Trust's proved developed reserves, would result in a larger standardized measure of discounted future net cash flows for oil. As of March 15, 2022, NYMEX posted gas prices were $4.46 per million British thermal units. The use of such price, as compared to the posted price of $3.65 per million British thermal units, used to calculate the future net revenue of the Trust's proved developed reserves would result in a larger standardized measure of discounted future net cash flows for gas.

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), production amounts do not necessarily provide a meaningful comparison. For the underlying properties total oil production increased by

To Unit Holders: Continued

approximately 50% from 2020 to 2021 primarily due to additional production on Waddell due to new drilling. For the underlying properties total gas production increased approximately 46% from 2020 to 2021 primarily due to the new drilling and updated gas plant facility.

Total capital expenditures in 2021 used in the net overriding royalty calculation were approximately $66.6 million (gross) compared to $10.3 million (gross) in 2020 and $3.3 million (gross) in 2019. The operator of the Waddell Ranch properties has informed the Trustee that, in order to halt the production decline curve and to exploit the remaining potential of the Trust's assets more fully, a more aggressive, robust capital expenditure budget will be necessary in the future and is being pursued.

In 2020, there were 3 recompletion wells completed and 21 wells permanently plugged on the Waddell Ranch properties. Actual costs for this program in 2020 approximated $10.3 million (gross). This cost is for the development program and base facilities. In 2021, there were 28 new drill wells and 47 recompletion.

Texas law requires all temporarily abandoned wells to be either worked over and recompleted to functional status or permanently plugged and abandoned within a five year time frame. The Waddell Ranch properties contain over 700 such temporarily abandoned wells. In 2021, there were 47 recompletion wells completed and 20 wells permanently plugged on the Waddell Ranch properties.

There were 79 gross (20 net) drill wells completed on the Waddell Ranch properties during 2021. At December 31, 2020, there were 4 drill wells and 3 workover in progress on the Waddell Ranch properties.

Blackbeard has advised the Trustee that the proposed budget for 2022 will be $245 million (gross) and $92 (net). The 2022 budget will include amounts to be spent on 34 (net) vertical wells, targeting the "WolfBone" formations, 13 (net) horizontal wells targeting the Sandhills and McKnight formations, along with various other recompleted wells prospects to be worked over and completed, and also amounts to be spent on additional facilities and infrastructure improvements and the completion of projects begun in 2021. Because the wide volatility of the pricing for both oil and gas in the current market, Blackbeard could not make any accurate projections as to the anticipated revenue streams or production levels of both the 2021 and projected 2022 budget projects.

In 2021, lease operating expense and property taxes on the Waddell Ranch properties amounted to approximately $23 million, compared to approximately $19.6 million in 2020 and approximately $23.4 million in 2019.

The Trustee has been advised by the operator that since June 2006, the oil from the Waddell Ranch has been marketed by the operator by soliciting bids from third parties on an outright sale basis of production listed in bid packages.

During 2021, the monthly royalty receipts were invested by the Trustee in cash and cash equivalents until the monthly distribution date, and earned interest totaled $5,112. Interest income for 2020 and 2019 was $9,603 and $23,000, respectively.

General and administrative expenses in 2021 were $1,088,851 compared to $1,041,303 in 2020 and $1,089,302 in 2019, primarily due to audit of properties and other professional services. The reserve for administrative expenses for any potentially extraordinary events and/or expenses was $1,100,000 as of December 31, 2021 and 2020. Total reserves for expenses for the years ended December 31, 2021, 2020 and 2019 was $0, $50,000 and $0, respectively.

Please visit our Web site at www.pbt-permian.com to access news releases, reports, Commission filings and tax information.

Simmons Bank, Trustee
By:

Ron E. Hooper
Senior Vice President,
Royalty Trust Management

April 15, 2022

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-8033

PERMIAN BASIN ROYALTY TRUST

(Exact Name of Registrant as Specified in the Permian Basin Royalty Trust Indenture)

Texas	**75-6280532**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

Royalty Trust Management
Simmons Bank
2911 Turtle Creek Boulevard
Suite 850
Dallas, Texas 75219
(Address of Principal Executive Offices; Zip Code)

(855) 588-7839
(Registrant's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Units of Beneficial Interest	PBT	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $261,941,434.

At March 1, 2022, there were 46,608,796 Units of Beneficial Interest of the Trust outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

FORWARD LOOKING INFORMATION

Certain information included in this report contains, and other materials filed or to be filed by the Trust with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Trust) may contain or include, forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such forward looking statements may be or may concern, among other things, capital expenditures, drilling activity, development activities, production efforts and volumes, hydrocarbon prices and the results thereof, and regulatory matters. Although the Trustee believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are subject to numerous risks and uncertainties and the Trustee can give no assurance that they will prove correct. There are many factors, none of which are within the Trustee's control, that may cause such expectations not to be realized, including, among other things, factors such as actual oil and gas prices and the recoverability of reserves, capital expenditures, general economic conditions, actions and policies of petroleum-producing nations and other changes in the domestic and international energy markets and the factors identified under Item 1A, "Risk Factors." Such forward looking statements generally are accompanied by words such as "estimate," "expect," "predict," "anticipate," "goal," "should," "assume," "believe," or other words that convey the uncertainty of future events or outcomes.

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PART I

Item 1. Business

The Permian Basin Royalty Trust (the “Trust”) is an express trust created under the laws of the state of Texas by the Permian Basin Royalty Trust Indenture (the “Trust Indenture”) entered into on November 3, 1980, between Southland Royalty Company (“Southland Royalty”) and The First National Bank of Fort Worth, as Trustee. Simmons Bank, an Arkansas state-chartered bank (“Simmons Bank”), is now the Trustee of the Trust. The principal office of the Trust (sometimes referred to herein as the “Registrant”) is located at 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas (telephone number (855) 588-7839).

On January 9, 2014, Bank of America N.A. (as successor to The First National Bank of Fort Worth) gave notice to Unit holders that it would be resigning as trustee of the Trust subject to certain conditions that included the appointment of Southwest Bank as successor trustee. At a Special Meeting of Trust Unit holders, the Unit holders approved the appointment of Southwest Bank as successor trustee of the Trust once the resignation of Bank of America N.A. took effect and also approved certain amendments to the Trust Indenture. The effective date of Bank of America N.A.’s resignation and the effective date of Southwest Bank’s appointment as successor trustee was August 29, 2014.

Effective October 19, 2017, Simmons First National Corporation (“SFNC”) completed its acquisition of First Texas BHC, Inc., the parent company of Southwest Bank. SFNC is the parent company of Simmons Bank. SFNC merged Southwest Bank with Simmons Bank effective February 20, 2018. The defined term “Trustee” as used herein shall refer to Bank of America N.A. for periods prior to August 29, 2014, and shall refer to Southwest Bank for periods from August 29, 2014 through February 19, 2018 and shall refer to Simmons Bank for periods on and after February 20, 2018.

On November 4, 2021, Simmons Bank announced that it has entered into an agreement with Argent Trust Company, a Tennessee chartered trust company (“Argent”), pursuant to which Simmons Bank will be resigning as trustee of the Trust and will nominate Argent as successor trustee of the Trust. The Trustee’s resignation as trustee, and Argent’s appointment as successor trustee, are subject to certain conditions set forth in the agreement, including approval by the Unit holders of the Trust and of certain other trusts of which Simmons Bank acts as trustee (or a court) of (i) Argent’s appointment as successor trustee and (ii) any amendments to the indenture of the Trust and the trust agreements and indentures of the other trusts necessary to permit Argent to serve as successor trustee.

On October 23, 1980, the stockholders of Southland Royalty approved and authorized that company’s conveyance of net overriding royalty interests (equivalent to net profits interests) to the Trust for the benefit of the stockholders of Southland Royalty of record at the close of business on the date of the conveyance consisting of a 75% net overriding royalty interest carved out of that company’s fee mineral interests in the Waddell Ranch properties in Crane County, Texas and a 95% net overriding royalty interest carved out of that company’s major producing royalty properties in Texas. The conveyance of these interests (the “Royalties”) was made on November 3, 1980, effective as to production from and after November 1, 1980 at 7:00 a.m. The properties and interests from which the Royalties were carved and which the Royalties now burden are collectively referred to herein as the “Underlying Properties.” The Underlying Properties are more particularly described under “Item 2. Properties” herein.

The function of the Trustee is to collect the income attributable to the Royalties, to pay all expenses and charges of the Trust, and then to distribute the remaining available income to the Unit holders. The Trust is not empowered to carry on any business activity and has no employees, all administrative functions being performed by the Trustee.

The Royalties constitute the principal asset of the Trust and the beneficial interests in the Royalties are divided into that number of Units of Beneficial Interest (the “Units”) of the Trust equal to the number of shares of the common stock of

Southland Royalty outstanding as of the close of business on November 3, 1980. Each stockholder of Southland Royalty of record at the close of business on November 3, 1980, received one Unit for each share of the common stock of Southland Royalty then held.

In 1985, Southland Royalty became a wholly-owned subsidiary of Burlington Northern Inc. ("BNI"). In 1988, BNI transferred its natural resource operations to Burlington Resources Inc. ("BRI") as a result of which Southland Royalty became a wholly-owned indirect subsidiary of BRI. As a result of this transfer, Meridian Oil Inc., a Delaware corporation ("MOI"), which was the parent company of Southland Royalty, became a wholly owned direct subsidiary of BRI. Effective January 1, 1996, Southland Royalty was merged with and into MOI. As a result of this merger, the separate corporate existence of Southland Royalty ceased and MOI survived and succeeded to the ownership of all of the assets of Southland Royalty and assumed all of its rights, powers, privileges, liabilities and obligations. Effective July 11, 1996, MOI changed its name to Burlington Resources Oil & Gas Company, now Burlington Oil & Gas Company LP ("BROG"). Any reference to BROG hereafter for periods prior to the occurrence of the aforementioned name change or merger should, as applicable, be construed to be a reference to MOI or Southland Royalty. Further, BROG notified the Trust that, on February 14, 1997, the Texas Royalty properties (as defined herein on page 10) that are subject to the Net Overriding Royalty Conveyance dated November 1, 1980 (the "Texas Royalty Conveyance"), were sold to Riverhill Energy Corporation ("Riverhill Energy") of Midland, Texas. Effective March 31, 2006, ConocoPhillips acquired BRI pursuant to a merger between BRI and a wholly-owned subsidiary of ConocoPhillips. As a result of this acquisition, BRI and BROG are both wholly-owned subsidiaries of ConocoPhillips.

BROG notified the Trust, that on November 1, 2019, the Waddell Ranch properties (as defined herein on page 10) that are subject to the Net Overriding Royalty Conveyance (Permian Basin Royalty Trust — Waddell Ranch) dated November 1, 1980 (the ''Waddell Ranch Conveyance"), were sold to Blackbeard Operating, LLC ("Blackbeard") of Fort Worth, Texas. Blackbeard became the operator effective as of April 1, 2020.

The term "net proceeds" is used in the above described conveyance and means the excess of "gross proceeds" received by the owner of the Underlying Properties during a particular period over "production costs" for such period. "Gross proceeds" means the amount received by the owner of the Underlying Properties from the sale of the production attributable to the Underlying Properties, subject to certain adjustments. "Production costs" means, generally, costs incurred on an accrual basis in operating the Underlying Properties, including both capital and non-capital costs; for example, development drilling, production and processing costs, applicable taxes, and operating charges. If production costs exceed gross proceeds in any month, the excess is recovered out of future gross proceeds prior to the making of further payment to the Trust, but the Trust is not liable for any production costs or liabilities attributable to these properties and interests or the minerals produced therefrom. If at any time the Trust receives more than the amount due from the Royalties, it shall not be obligated to return such overpayment, but the amounts payable to it for any subsequent period shall be reduced by such overpaid amount, plus interest, at a rate specified in the conveyance.

To the extent it has the legal right to do so, the owner of the Underlying Properties is responsible for marketing the production from such properties and interests, either under existing sales contracts or under future arrangements at the best prices and on the best terms it shall deem reasonably obtainable in the circumstances. The owner of the Underlying Properties also has the obligation to maintain books and records sufficient to determine the amounts payable to the Trustee. The owner of the Underlying Properties, however, can sell its interests in the Underlying Properties.

Proceeds from production in the first month are generally received by Blackbeard in the second month, the net proceeds attributable to the Royalties are paid by Blackbeard to the Trustee in the third month and distribution by the Trustee to the Unit holders is made in the fourth month. The identity of Unit holders entitled to a distribution will generally be determined as of the last business day of each calendar month (the "monthly record date"). The amount of each monthly distribution will generally be determined and announced ten days before the monthly record date. Unit holders of record as of the monthly record date will be entitled to receive the calculated monthly distribution amount for each month on or before ten business days after the monthly record date. The aggregate monthly distribution amount is the excess of (i) net revenues from the Trust properties, plus any decrease in cash reserves previously established for contingent liabilities and any other cash receipts of the Trust over (ii) the expenses and payments of liabilities of the Trust plus any net increase in cash reserves for contingent liabilities.

Cash held by the Trustee as a reserve for liabilities or contingencies (which reserves may be established by the Trustee in its discretion) or pending distribution is placed, at the Trustee's discretion, in obligations issued by (or unconditionally guaranteed by) the United States or any agency thereof, repurchase agreements secured by obligations issued by the United States or any agency thereof, certificates of deposit of banks having a capital surplus and undivided profits in excess of $50,000,000, or other interest bearing accounts in FDIC-insured state or national banks, including the Trustee, so long as the entire amount in such account is at all times fully insured by the FDIC, subject, in each case, to certain other qualifying conditions.

The income to the Trust attributable to the Royalties is not subject in material respects to seasonal factors nor in any manner related to or dependent upon patents, licenses, franchises or concessions. The Trust conducts no research activities. The Trust has no employees since all administrative functions are performed by the Trustee.

Blackbeard, as the current operator, has advised the Trustee that it believes that comparable revenues could be obtained in the event of a change in purchasers of production.

Website/SEC Filings

Our Internet address is www.pbt-permian.com. You can review, free of charge, the filings the Trust has made with respect to its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. We shall post these reports to our Internet address as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC.

Widely Held Fixed Investment Trust Reporting Information

Some 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 customer in street name, collectively referred to herein as "middlemen"). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust ("WHFIT") for U.S. federal income tax purposes. Simmons Bank, EIN: 71-0162300, 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas 75219, telephone number (855) 588-7839, email address trustee@pbt-permian.com, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. Tax information is also posted by the Trustee at www.pbt-permian.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 Forms 1099 and certain written tax statements. Unit 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.

Item 1A. Risk Factors

Crude oil and natural gas prices are volatile and fluctuate in response to a number of factors; Lower prices could reduce the net proceeds payable to the Trust and Trust distributions.

The Trust's income and monthly distributions are heavily influenced by commodity prices. Commodity prices may fluctuate widely in response to (i) relatively minor changes in the supply of and demand for oil and natural gas, (ii) market uncertainty and (iii) a variety of additional factors that are beyond the Trustee's control. Recently, there has been volatility in oil and natural gas prices due in part to significantly decreased demand as a result of the novel coronavirus (“COVID-19”) pandemic beginning in 2020, followed by increasing prices in 2021 and the first quarter of 2022. A combination of these factors resulted in the price of oil falling below zero to $(37.63) per barrel of oil on April 20, 2020, recovering the following day to $10.01 per barrel of oil. As of March 15, 2022, the price of oil was $96.44. It is uncertain how the war in Ukraine and resulting sanctions against Russia will affect oil prices in the coming months. Factors that may impact future commodity prices, including the price of oil and natural gas, include but are not limited to:

- political conditions in major oil producing regions, especially in the Middle East and Russia;
- worldwide economic and geopolitical conditions;
- weather conditions;
- trade barriers;
- public health concerns, such as COVID-19;
- the supply and price of domestic and foreign crude oil or natural gas;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the proximity to, and capacity of, transportation facilities;
- the effect of worldwide energy conservation measures; and
- the nature and extent of governmental regulation and taxation.

Although the Trustee cannot predict the occurrence of events that may affect future commodity prices or the degree to which these prices will be affected, gas royalty income for a given period generally relates to production three months prior to the period and crude oil royalty income for a given period generally relates to production two months prior to the period and will generally approximate current market prices in the geographic region of the production at the time of production. When crude oil and natural gas prices decline, the Trust is affected in two ways. First, distributable income from the Underlying Properties is reduced. Second, exploration and development activity by operators on the Underlying Properties may decline as some projects may become uneconomic and are either delayed or eliminated. It is impossible to predict future crude oil and natural gas price movements, and this reduces the predictability of future cash distributions to Unit holders.

Increased production and development costs attributable to the Royalties will result in decreased Trust distributions unless revenues also increase.

Production and development costs attributable to the Royalties are deducted in the calculation of the Trust’s share of net proceeds. Accordingly, higher or lower production and development costs will directly decrease or increase the amount received by the Trust from the Royalties. Production and development costs are impacted by increases in commodity prices, both directly, through commodity price dependent costs, such as electricity, and indirectly, as a result of demand driven increases in costs of oilfield goods and services. For example, the costs of electricity that will be included in production and development costs deducted in calculating the Trust’s share of 2022 net proceeds could increase compared to the electrical costs incurred during 2021 if higher fuel surcharges are charged by the third party electricity provider in response to any increased costs of natural gas consumed to generate the electricity. These increased costs could reduce the Trust’s share of 2022 net proceeds below the level that would exist if such costs remained at the level experienced in 2021. Similarly, new or changes to existing laws or regulations with which the Underlying Properties must comply, including environmental regulations or regulation of injection and disposal wells in connection with concerns regarding seismic activity, could result in increased production or development costs. If production and development costs attributable to the Royalties exceed the gross proceeds related to production from the Underlying Properties, the Trust will not receive net proceeds until future proceeds from production exceed the total of the excess costs plus accrued interest during the deficit period. Development activities may not generate sufficient additional proceeds to repay the costs.

Trust reserve estimates depend on many assumptions that may prove to be inaccurate, which could cause both estimated reserves and estimated future net revenues to be too high, leading to write-downs of estimated reserves.

The value of the Units will depend upon, among other things, the reserves attributable to the Royalties from the Underlying Properties. The calculations of proved reserves and estimating reserves is inherently uncertain. In addition, the estimates of future net revenues are based upon various assumptions regarding future production levels, prices and costs that may prove to be incorrect over time.

The accuracy of any reserve estimate is a function of the quality of available data, engineering interpretation and judgment and the assumptions used regarding the quantities of recoverable crude oil and natural gas and the future prices of crude oil and natural gas. Petroleum engineers consider many factors and make many assumptions in estimating reserves. Those factors and assumptions include:

- historical production from the area compared with production rates from similar producing areas;
- the effects of governmental regulation;
- assumptions about future commodity prices, production and development costs, taxes, and capital expenditures;
- the availability of enhanced recovery techniques; and
- relationships with landowners, working interest partners, pipeline companies and others.

Changes in any of these factors and assumptions can materially change reserve and future net revenue estimates. The Trust's estimate of reserves and future net revenues is further complicated because the Trust holds an interest in net overriding royalties and does not own a specific percentage of the crude oil or natural gas reserves. Ultimately, actual production, revenues and expenditures for the Underlying Properties, and therefore actual net proceeds payable to the Trust, will vary from estimates and those variations could be material. Results of drilling, testing and production after the date of those estimates may require substantial downward revisions or write-downs of reserves.

The assets of the Trust are depleting assets and, if the operators developing the Underlying Properties do not perform additional development projects, the assets may deplete faster than expected. Eventually, the assets of the Trust will cease to produce in commercial quantities and the Trust will cease to receive proceeds from such assets. In addition, a reduction in depletion tax benefits may reduce the market value of the Units.

The net proceeds payable to the Trust are derived from the sale of depleting assets. The reduction in proved reserve quantities is a common measure of depletion. Future maintenance and development projects on the Underlying Properties will affect the quantity of proved reserves and can offset the reduction in proved reserves. The timing and size of these projects will depend on the market prices of crude oil and natural gas. If the operators developing the Underlying Properties do not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently expected by the Trust.

Because the net proceeds payable to the Trust are derived from the sale of depleting assets, the portion of distributions to Unit holders attributable to depletion may be considered a return of capital as opposed to a return on investment. Distributions that are a return of capital will ultimately diminish the depletion tax benefits available to the Unit holders, which could reduce the market value of the Units over time. Eventually, the Royalties will cease to produce in commercial quantities and the Trust will, therefore, cease to receive any distributions of net proceeds therefrom.

Government action, policies or regulations designed to discourage production of, reduce demand for, or promote alternatives to oil and natural gas could impact the price of oil and natural gas produced on the Underlying Properties, directly as intended or through unintended consequences.

Governments around the world are considering actions intended to reduce greenhouse gas emissions by decreasing both the supply of and the demand for oil and natural gas products or promote alternatives. These include the adoption of cap and trade regimes, carbon taxes, trade tariffs, minimum renewable usage requirements, restrictive permitting, increased mileage and other efficiency standards, mandates for sales of electric vehicles, mandates for use of specific fuels or technologies, and other incentives or mandates designed to support transitioning to lower-emission energy sources. Political and other actors and their agents also increasingly seek to advance climate change objectives indirectly, such as by seeking to reduce the availability or increase the cost of financing and investment in the oil and gas sector. Depending on how policies are formulated and applied, such policies could impact the ability and costs of the operators of the Underlying Properties supply products, demand for their products, or the competitiveness of hydrocarbon-based products, which in turn, could reduce royalty income to the Trust Any policy that increases the costs for operators of the Underlying Properties or decreased market prices could have a material impact on the distributable income of the Trust.

Trustee may be subject to attempted cybersecurity disruptions from a variety of sources including state-sponsored actors.

The Trustee maintains robust cybersecurity protocols including, but not limited to technological capabilities that prevent and detect disruptions; computer workstations and programs protected with passwords and passphrases, as well as employee training throughout the year on banking regulations and cybersecurity followed up by testing of that knowledge. Other, non-technical protocols include securing of documents and work areas that could contain person, non-public information. If the measures taken to protect against cybersecurity disruptions prove to be insufficient or if proprietary data is otherwise not protected, the Trustee, or customer, employees, or third parties could be adversely affected. The Trust is also exposed to potential harm from cybersecurity events that may affect the operations of third-parties, including suppliers, service providers (including providers of cloud-hosting services for our data or applications), and customers. Cybersecurity disruptions could cause physical harm to people or the environment, damage or destroy assets; compromise business systems; result in proprietary information being altered, lost, or stolen; result in employee, customer, or third-party information being compromised; or otherwise disrupt business operations. The Trust could incur significant costs to remedy the effects of a major cybersecurity disruption in addition to costs in connection with resulting regulatory actions, litigations, or reputational harm.

Future royalty income may be subject to risks relating to the creditworthiness of third parties.

The Trust does not lend money and has limited ability to borrow money, which the Trustee believes limits the Trust's risk from credit markets. The Trust's future royalty income, however, may be subject to risks relating to the creditworthiness of the operators of the Underlying Properties and other purchasers of the crude oil and natural gas produced from the Underlying Properties, as well as risks associated with fluctuations in the price of crude oil and natural gas.

The market price for the Units may not reflect the value of the royalty interests held by the Trust.

The public trading price for the Units tends to be tied to the recent and expected levels of cash distribution on the Units. The amounts available for distribution by the Trust vary in response to numerous factors outside the control of the

Trust, including prevailing prices for crude oil and natural gas produced from the Royalties. The market price is not necessarily indicative of the value that the Trust would realize if it sold those Royalties to a third party buyer. In addition, such market price is not necessarily reflective of the fact that since the assets of the Trust are depleting assets, a portion of each cash distribution paid on the Units should be considered by investors as a return of capital, with the remainder being considered as a return on investment. There is no guarantee that distributions made to a Unit holder over the life of these depleting assets will equal or exceed the purchase price paid by the Unit holder.

Operational risks and hazards associated with the development of the Underlying Properties may decrease Trust distributions.

There are operational risks and hazards associated with the production and transportation of crude oil and natural gas, including without limitation natural disasters, blowouts, explosions, fires, leakage of crude oil or natural gas, releases of other hazardous materials, mechanical failures, cratering, and pollution. Any of these or similar occurrences could result in the interruption or cessation of operations, personal injury or loss of life, property damage, damage to productive formations or equipment, or damage to the environment or natural resources, or cleanup obligations. The operation of oil and gas properties is also subject to various laws and regulations. Non-compliance with such laws and regulations could subject the operator to additional costs, sanctions or liabilities. The uninsured costs resulting from any of these or similar occurrences could be deducted as a cost of production in calculating the net proceeds payable to the Trust and would therefore reduce Trust distributions by the amount of such uninsured costs.

As of December 31, 2021, oil and gas production from the Waddell Ranch properties is processed through a single facility, future distributions from those properties may be particularly susceptible to such risks. A partial or complete shut down of operations at that facility could disrupt the flow of royalty payments to the Trust and, accordingly, the Trust's distributions to its Unit holders. In addition, although Blackbeard is the current operator of record of the properties burdened by the Waddell Ranch overriding royalty interests, none of the Trustee, the Unit holders or Blackbeard, as the current operator, has an operating interest in the properties burdened by the Texas Royalty properties' (as defined herein on page 10) overriding royalty interests. As a result, these parties are not in a position to eliminate or mitigate the above or similar occurrences with respect to such properties and may not become aware of such occurrences prior to any reduction in Trust distributions which may result therefrom.

Increased concerns about climate change and environmental sustainability.

There is considerable debate as to the environmental effects of greenhouse gas emissions and associated consequences affecting global climate, oceans, and ecosystems. We are not in a position to validate or repudiate the existence of climate change or various aspects of the scientific debate. However, if climate change is occurring, it could have an impact on the operation of the Underlying Properties. Underlying Properties in areas with limited water availability may be impacted if droughts become more frequent or severe. Similarly, more extreme weather events such as ice storms or extended periods of freezing temperatures could disrupt operation and production of the Underlying Properties. Changes in climate or weather may hinder exploration and production activities or increase or decrease the cost of production of oil and natural gas resources and consequently affect demand. Changes in climate or weather may also affect consumer demand for energy or alter the overall energy mix. However, we are not in a position to predict the precise effects of climate change on energy markets or the physical effects of climate change. We are providing this disclosure based on publicly available information on the matter.

Finally, it should be noted that, recently, activists concerned about the potential effects of climate change have directed their attention at sources of funding for fossil-fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. In addition, spurred by increasing concerns regarding climate change, the oil and gas industry faces growing demand for corporate transparency and a demonstrated commitment to sustainability goals. Environmental, social, and governance ("ESG") goals and programs, which typically include extralegal targets related to environmental stewardship, social responsibility, and corporate governance, have become an increasing focus of investors and shareholders across the industry. While reporting on ESG metrics remains voluntary, access to capital and investors is likely to favor companies with robust ESG programs in place. Ultimately, these initiatives could make it more difficult for companies, including the companies that operate the Underlying Properties, to secure funding for exploration and production activities. Notwithstanding potential risks related to climate change, the International Energy Agency ("IEA") estimates that global energy demand will continue to rise and will not peak until after 2040 and that oil and natural gas will continue to represent a substantial percentage of global energy use over that time. However, for the first time, the IEA's World Energy Outlook for 2021 estimated that aggregate fossil fuel demand will slow to a plateau in the 2030s and fall slightly by 2050.

Terrorism and continued hostilities in the Middle East could decrease Trust distributions or the market price of the Units.

Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as the military or other actions taken in response, cause instability in the global financial and energy markets. Terrorism and sustained military campaigns could adversely affect Trust distributions or the market price of the Units in unpredictable ways, including through the disruption of fuel supplies and markets, increased volatility in crude oil and natural gas prices, or the possibility that the infrastructure on which the operators developing the Underlying Properties rely could be a direct target or an indirect casualty of an act of terror.

Unit holders and the Trustee have no influence over the operations on, or future development of, the Underlying Properties.

Neither the Trustee nor the Unit holders can influence or control the operations on, or future development of, the Underlying Properties. The failure of an operator to conduct its operations, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations, including environmental laws and regulations, in a proper manner could have an adverse effect on the net proceeds payable to the Trust. The current operators developing the Underlying Properties are under no obligation to continue operations on the Underlying Properties. Neither the Trustee nor the Unit holders have the right to replace an operator.

The operators developing the Texas Royalty properties have no duty to protect the interests of the Unit holders and do not have sole discretion regarding development activities on the Underlying Properties.

Under the terms of a typical operating agreement relating to oil and gas properties, the operator owes a duty to working interest owners to conduct its operations on the properties in a good and workmanlike manner and in accordance with its best judgment of what a prudent operator would do under the same or similar circumstances. Blackbeard is currently the operator of record of the Waddell Ranch overriding royalty interests and in such capacity owes the Trust a contractual duty under the conveyance agreement for that overriding royalty interest to operate the Waddell Ranch properties in good faith and in accordance with a prudent operator standard. The operators of the properties burdened by the Texas Royalty properties' overriding royalty interests, however, have no contractual or fiduciary duty to protect the interests of the Trust or the Unit holders other than indirectly through its duty of prudent operations to the unaffiliated owners of the working interests in those properties.

In addition, even if an operator, including Blackbeard in the current case of the Waddell Ranch properties (as defined herein on page 10), concludes that a particular development operation is prudent on a property, it may be unable to undertake such activity unless it is approved by the requisite approval of the working interest owners of such properties (typically the owners of at least a majority of the working interests). Even if the Trust concludes that such activities in respect of any of its overriding royalty interests would be in its best interests, it has no right to cause those activities to be undertaken.

The operator developing any Underlying Property may transfer its interest in the property without the consent of the Trust or the Unit holders.

Any operator developing any of the Underlying Properties may at any time transfer all or part of its interest in the Underlying Properties to another party. Neither the Trust nor the Unit holders are entitled to vote on any transfer of the properties underlying the Royalties, and the Trust will not receive any proceeds of any such transfer. Following any transfer, the transferred property will continue to be subject to the Royalties, but the net proceeds from the transferred property will be calculated separately and paid by the transferee. The transferee will be responsible for all of the transferor's obligations relating to calculating, reporting and paying to the Trust the Royalties from the transferred property, and the transferor will have no continuing obligation to the Trust for that property.

The operator developing any Underlying Property may abandon the property, thereby terminating the Royalties payable to the Trust.

The operators developing the Underlying Properties, or any transferee thereof, may abandon any well or property without the consent of the Trust or the Unit holders if they reasonably believe that the well or property can no longer produce in commercially economic quantities. This could result in the termination of the Royalties relating to the abandoned well or property.

The Royalties can be sold and the Trust would be terminated.

The Trustee must sell the Royalties if the holders of 75% or more of the Units approve the sale or vote to terminate the Trust. The Trustee must also sell the Royalties if they fail to generate net revenue for the Trust of at least $1,000,000 per year over any consecutive two-year period. Sale of all of the Royalties will terminate the Trust. The net proceeds of any sale will be distributed to the Unit holders. The sale of the remaining Royalties and the termination of the Trust will be taxable events to the Unit holders. Generally, a Unit holder will realize gain or loss equal to the difference between the amount realized on the sale and termination of the Trust and his adjusted basis in such Units. Gain or loss realized by a Unit holder who is not a dealer with respect to such Units and who has a holding period for the Units of more than one year will be treated as long-term capital gain or loss except to the extent of any depletion recapture amount, which must be treated as ordinary income. Other federal and state tax issues concerning the Trust are discussed under Note 4 and Note 7 to the Trust's financial statements, which are included herein. Each Unit holder should consult his own tax advisor regarding Trust tax compliance matters, including federal and state tax implications concerning the sale of the Royalties and the termination of the Trust.

Unit holders have limited voting rights and have limited ability to enforce the Trust's rights against the current or future operators developing the Underlying Properties.

The voting rights of a Unit holder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of Unit holders or for an annual or other periodic re-election of the Trustee.

The Trust indenture and related trust law permit the Trustee and the Trust to sue Blackbeard, Riverhill Energy Corporation or any other future operators developing the Underlying Properties to compel them to fulfill the terms of the conveyance of the Royalties. If the Trustee does not take appropriate action to enforce provisions of the conveyance, the recourse of the Unit holders would likely be limited to bringing a lawsuit against the Trustee to compel the Trustee to take specified actions. Unit holders probably would not be able to sue Blackbeard, Riverhill Energy Corporation or any other future operators developing the Underlying Properties.

Financial information of the Trust is not prepared in accordance with GAAP.

The financial statements of the Trust are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States ("GAAP"). Although this basis of accounting is permitted for royalty trusts by the U.S. Securities and Exchange Commission the ("SEC"), the financial statements of the Trust differ from GAAP financial statements mainly because revenues are not accrued in the month of production and cash reserves may be established which would not be accrued in GAAP financial statements. Further, Trust expenses are recorded when paid and not in the month they were incurred.

The limited liability of the Unit holders is uncertain.

The Unit holders are not protected from the liabilities of the Trust to the same extent that a shareholder would be protected from a corporation's liabilities. The structure of the Trust does not include the interposition of a limited liability entity such as a corporation or limited partnership which would provide further limited liability protection to Unit holders. While the Trustee is liable for any excess liabilities incurred if the Trustee fails to insure that such liabilities are to be satisfied only out of Trust assets, under the laws of Texas, which are unsettled on this point, a holder of Units may be jointly and severally liable for any liability of the Trust if the satisfaction of such liability was not contractually limited to the assets of the Trust and the assets of the Trust and the Trustee are not adequate to satisfy such liability. As a result, Unit holders may be exposed to personal liability.

The tax treatment of an investment in Trust Units could be affected by recent and potential legislative changes, possibly on a retroactive basis.

U.S. federal tax reform legislation known as the Tax Cuts and Jobs Act (the "TCJA") was enacted December 22, 2017, and made significant changes to the federal income tax rules applicable to both individuals and entities, including changes to the effective tax rate on a Unit holder's allocable share of certain income from the Trust. The TCJA is complex and lacks administrative guidance in certain areas, thus, Unit holders should consult their tax advisor regarding the TCJA and its effect on an investment in Trust Units. In addition, President Biden's administration has generally proposed repealing fossil fuel tax subsidies, which could impact certain tax benefits available to Trust Unit holders.

Any modification to the U.S. federal income tax laws or interpretations thereof (including administrative guidance relating to the TCJA) may be applied retroactively and could adversely affect the Trust's business, financial condition or results of operations. The Trust is unable to predict whether any changes or other proposals will ultimately be enacted, or whether any adverse interpretations will be issued. Any such changes or interpretations could negatively impact the value of an investment in the Trust Units.

The recent spread of COVID-19, or the novel coronavirus, and the measures taken to mitigate the impact of the COVID-19 pandemic, are likely adversely affecting the business and operations of the operators of the Waddell Ranch properties and the Texas Royalty properties, which in turn could have an adverse effect on trust distributions.

Demand for oil and gas, and the business and operations of the operators of the properties underlying the net profits interests, had and may in the future be adversely impacted by the different variants of the COVID-19 pandemic and measures being taken to mitigate its impact. As past coronavirus outbreaks and government responses escalated and de-escalated regionally and sporadically, the extent of the impact on domestic sales of crude oil and natural gas remains unknown. The industry experienced a sharp and rapid decline in the demand for crude oil and natural gas as the U.S. and global economy in 2020, and commodity prices, were negatively impacted as economic activity was curtailed in response to the COVID-19 pandemic, as well as due to other geopolitical factors. At this time, the full extent to which COVID-19 will negatively impact the global economy and the oil and gas industry is uncertain, but pandemics or other significant public health events will most likely have a material adverse effect on the operators' business and financial condition which would likely have an adverse effect on trust distributions.

Item 1B. Unresolved Staff Comments

The Trust has not received any written comments from the Securities and Exchange Commission staff regarding its periodic or current reports under the Act not less than 180 days before December 31, 2021, which comments remain unresolved.

Item 2. Properties

The net overriding royalties conveyed to the Trust (the “Royalties”) include: (1) a 75% net overriding royalty carved out of Southland Royalty’s fee mineral interests in the Waddell Ranch in Crane County, Texas (the “Waddell Ranch properties”); and (2) a 95% net overriding royalty carved out of Southland Royalty’s major producing royalty interests in Texas (the “Texas Royalty properties”). The interests out of which the Trust’s net overriding royalty interests were carved were in all cases less than 100%. The Trust’s net overriding royalty interests represent burdens against the properties in favor of the Trust without regard to ownership of the properties from which the overriding royalty interests were carved. The net overriding royalty for the Texas Royalty properties is subject to the provisions of the lease agreements under which such royalties were created. References below to “net” wells and acres are to the interests of the owner of the Underlying Properties (from which the Royalties were carved) in the “gross” wells and acres.

A production index for oil and gas properties is the number of years derived by dividing remaining reserves by current production. The production index for the Trust properties based on the reserve report prepared by independent petroleum engineers as of December 31, 2021, is approximately 7-8 years.

The following information under this Item 2 is based upon data and information, including audited computation statements, furnished to the Trustee by Blackbeard, the owner of the Waddell Ranch properties and BROG, the former owner of the Waddell Ranch properties, and Riverhill Energy, the owner of the Texas Royalty properties.

PRODUCING ACREAGE, WELLS AND DRILLING

Waddell Ranch Properties. The net profits/overriding royalty interest in the Waddell Ranch properties is the largest asset of the Trust. The mineral interests in the Waddell Ranch, from which such net royalty interests are carved, vary from 37.5% (Trust net interest) to 50% (Trust net interest) in 78,715 gross (34,205 net) producing acres. A majority of the proved reserves are attributable to six fields: Dune, Sand Hills (Judkins), Sand Hills (McKnight), Sand Hills (Tubb), University-Waddell (Devonian) and Waddell. At December 31, 2021, the Waddell Ranch properties contained 775 gross (268 net) productive oil wells, 107 gross 38 net) productive gas wells and 152 gross (50 net) injection wells.

As of April 1, 2020, Blackbeard Operating, LLC (“Blackbeard”) became operator of record of the Waddell Ranch properties. All field, technical and accounting operations have been contracted by agreements between the working interest owners and Schlumberger Integrated Project Management (“IPM”) and Riverhill Capital Corporation (“Riverhill Capital”), but remain under the direction of Blackbeard, as of December 31, 2021.

Six major fields on the Waddell Ranch properties account for more than 80% of the total production. In the six fields, there are 12 producing zones ranging in depth from 2,800 to 10,600 feet. Most prolific of these zones are the Grayburg and San Andres, which produce from depths between 2,800 and 3,400 feet. Also productive from the San Andres are the Sand Hills (Judkins) gas field and the Sand Hills (McKnight) oil field, the Dune (Grayburg/San Andres) oil field, and the Waddell (Grayburg/San Andres) oil field.

The Dune and Waddell oil fields are productive from both the Grayburg and San Andres formations. The Sand Hills (Tubb) oil fields produce from the Tubb formation at depths averaging 4,300 feet, and the University Waddell (Devonian) oil field is productive from the Devonian formation between 8,400 and 9,200 feet.

The Waddell Ranch properties are mature producing properties, and all of the major oil fields are currently being waterflooded for the purpose of facilitating enhanced recovery. Proved reserves and estimated future net revenues attributable to the properties are included in the reserve reports summarized below. The owner of the Underlying Properties for Waddell Ranch does not own the full working interest in any of the tracts constituting the Waddell Ranch properties and, therefore, implementation of any development programs will require approvals of other working interest holders as well as the owner of the Underlying Properties. In addition, implementation of any development programs will be dependent upon oil and gas prices currently being received and anticipated to be received in the future. There were 79 gross (30 net) drill wells completed on the Waddell Ranch properties during 2021. At December 31, 2021, there were 11 drill wells and 11 workover in progress on the Waddell Ranch properties. There were 16 gross (6 net) drill wells completed on the Waddell Ranch properties during 2020. At December 31, 2020, there were 4 drill wells and 3 workover in progress on the Waddell Ranch properties. There were 3 gross (0 net) drill wells completed on the Waddell Ranch properties during 2019. At December 31, 2019, there were 0 drill wells and 0 workover in progress on the Waddell Ranch properties.

Blackbeard has advised the Trustee that the total amount of capital expenditures for 2021 with regard to the Waddell Ranch properties totaled $154 million (gross). Capital expenditures include the cost of remedial and maintenance activities. The amount spent on remedial and maintenance activities is approximately $5 million of the amount expended by Blackbeard in 2021.

Blackbeard has advised the Trustee that the capital expenditures budget for 2022 totals approximately $245 million (gross) ($92 million net to the Trust), of which approximately $19 million (gross) is attributable to facilities. Accordingly, there is a 59% increase in capital expenditures expected for 2022 as compared with the 2021 capital expenditures. There are expected to be 125 (gross) new drill wells and 120 (gross) recompletions in 2022 as compared to 79 (gross) new drill wells and 110 (gross) recompletion in 2021.

The Trustee has been advised that, effective November 1, 2019, BROG sold its interests in the Waddell Ranch properties to Blackbeard. In conjunction with the transfer and assignment of the Waddell Ranch properties, BROG also assigned to Blackbeard all of its rights, title and interest in and to the Net Overriding Royalty Conveyance (Permian Basin Royalty Trust - Waddell Ranch) dated November 1, 1980. BROG handled all operations and accounting on behalf of Blackbeard until March 31, 2020.

Texas Royalty Properties. The Texas Royalty properties consist of royalty interests in mature producing oil fields, such as Yates, Wasson, Sand Hills, East Texas, Kelly-Snyder, Panhandle Regular, N. Cowden, Todd, Keystone, Kermit, McElroy, Howard-Glasscock, Seminole and others located in 33 counties across Texas. The Texas Royalty properties consist of approximately 125 separate royalty interests containing approximately 303,000 gross (approximately 51,000 net) producing acres. Approximately 39% of the future net revenues discounted at 10% attributable to Texas Royalty properties are located in the Wasson and Yates fields. Detailed information concerning the number of wells on royalty properties is not generally available to the owners of royalty interests. Consequently, an accurate count of the number of wells located on the Texas Royalty properties cannot readily be obtained.

In February 1997, BROG sold its interests in the Texas Royalty properties that are subject to the Net Overriding Royalty Conveyance to the Trust dated effective November 1, 1980 (“Texas Royalty Conveyance”) to Riverhill Energy Corporation (“Riverhill Energy”), which was then a wholly-owned subsidiary of Riverhill Capital and an affiliate of Coastal Management Corporation (“CMC”). At the time of such sale, Riverhill Capital was a privately owned Texas corporation with offices in Bryan and Midland, Texas. The Trustee was informed by BROG that, as required by the Texas Royalty Conveyance, Riverhill Energy succeeded to all of the requirements upon, and the responsibilities of BROG under, the Texas Royalty Conveyance with regard to the Texas Royalty properties. BROG and Riverhill Energy further advised the Trustee that all accounting operations pertaining to the Texas Royalty properties were being performed by Riverhill Energy.

The Trustee has been advised that, effective April 1, 1998, Schlumberger Technology Corporation (“STC”) acquired all of the shares of stock of Riverhill Capital. Prior to the acquisition by STC, CMC and Riverhill Energy were wholly-owned subsidiaries of Riverhill Capital. The Trustee has further been advised, in accordance with the STC acquisition of Riverhill Capital, the shareholders of Riverhill Capital acquired ownership of all shares of stock of Riverhill Energy. Effective January 1, 2001 CMC merged into STC. Thus, the ownership in the Texas Royalty properties remained in Riverhill Energy.

The Trustee has been advised that as of May 1, 2000, the accounting operations pertaining to the Texas Royalty properties were transferred from STC to Riverhill Energy. As of January 1, 2012, ConocoPhillips assumed all field, technical and accounting operations, on behalf of BROG, with regard to the Waddell Ranch properties. ConocoPhillips currently provides summary reporting of monthly results for the Waddell Ranch properties.

Well Count and Acreage Summary. The following table shows as of December 31, 2021, the gross and net producing wells and acres for the Blackbeard interests on the Waddell Ranch. The net wells and acres are determined by multiplying the gross wells or acres by the Blackbeard interests owner's working interest in the wells or acres as of December 31, 2021. Similar information is not available for the Riverhill Energy interests. There is no undeveloped acreage on the Waddell Ranch properties.

	NUMBER OF WELLS		ACRES	
	Gross	Net	Gross	Net
Blackbeard Interests	1,015	346	78,715	34,205

OIL AND GAS PRODUCTION

The Trust recognizes production during the month in which the related distribution is received. Production of oil and gas attributable to the Royalties and the Underlying Properties, the related average sales prices and the average production cost per unit of production attributable to the Underlying Properties for the three years ended December 31, 2021, excluding portions attributable to the adjustments discussed below, were as follows:

	Waddell Ranch Properties			Texas Royalty Properties			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Royalties:									
Production									
Oil (barrels)	775,230	219,634	132,972	191,876	215,685	227,634	967,106	435,319	360,606
Gas (Mcf)	3,754,386	1,282,070	632,770	122,262	155,292	225,239	3,876,648	1,437,362	858,009
Underlying Properties:									
Production									
Oil (barrels)	1,033,640	583,386	612,146	215,710	247,755	259,367	1,249,350	831,141	871,513
Gas (Mcf)	5,005,848	3,341,590	3,092,465	137,578	178,925	254,457	5,143,426	3,520,515	3,346,922
Average Sales Price									
Oil/barrel	$ 64.17	$ 39.02	$ 52.02	$ 59.34	$ 40.74	$ 51.38	$ 63.34	$ 39.51	$ 51.74
Gas/Mcf	$ 3.45	$ 1.37	$ 2.77	$ 6.59	$ 3.33	$ 4.60	$ 3.53	$ 1.47	$ 2.64
Average Production Cost Oil/Gas									
BOE	$ 17.71	$ 32.92	$ 25.19	$ 5.36	$ 4.27	$ 5.40	$ 16.01	$ 26.54	$ 21.01

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), production amounts do not necessarily provide a meaningful comparison.

Waddell Ranch properties lease operating expense for 2021 was $23.0 million (gross). The lease operating expense increased from $19.6 million in 2020 primarily because of increasing activity and facilities maintenance. Waddell Ranch lifting cost on a barrel of oil equivalent (BOE) basis was $17.71/bbl as compared to $32.92 in 2020 and $25.19 in 2019.

PRICING INFORMATION

Reference is made to the caption entitled “Regulation” for information as to federal regulation of prices of natural gas. The following paragraphs provide information regarding sales of oil and gas from the Waddell Ranch properties. As a royalty owner, Riverhill Energy is not furnished detailed information regarding sales of oil and gas from the Texas Royalty properties.

Oil. The Trustee has been advised by the operator that since June 2006, the oil from the Waddell Ranch has been marketed by the operator by soliciting bids from third parties on an outright sale basis of production listed in bid packages.

Gas. The gas produced from the Waddell Ranch properties is processed through a natural gas processing plant and sold at the tailgate of the plant. Plant products are marketed by Burlington Resources Trading Inc., an indirect subsidiary of BRI. The processor of the gas (Warren Petroleum Company, L.P.) receives 15% of the liquids and residue gas as a fee for gathering, compression, treating and processing the gas.

OIL AND GAS RESERVES

The following are definitions adopted by the SEC and the Financial Accounting Standards Board which are applicable to terms used within this Item:

"Proved oil and gas reserves" are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons ("LKH") as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil ("HKO") elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

"Developed oil and gas reserves" are reserves of any category that can be expected to be recovered (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

"Estimated future net revenues" are computed by applying average prices during the 12-month period prior to fiscal year-end determined as an unweighted arithmetic average of the first-day-of-the-month benchmark price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves, and assuming continuation of existing economic conditions. “Estimated future net revenues” are sometimes referred to herein as estimated future net cash flows.

“Present value of estimated future net revenues” is computed using the estimated future net revenues and a discount factor of 10%.

“Reserves” are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“Undeveloped oil and gas reserves” are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in 17 CFR 210.4-10(a)(2), or by other evidence using reliable technology establishing reasonable certainty.

The process of estimating oil and gas reserves is complex and requires significant judgment. As a result, the Trustee has developed internal policies and controls for estimating reserves. As described above, the Trust does not have information that would be available to a company with oil and gas operations because detailed information is not generally available to owners of royalty interests. The Trustee gathers production information (which information is net to the Trust’s interests in the Underlying Properties) and provides such information to Cawley, Gillespie & Associates, Inc., who extrapolates from such information estimates of the reserves attributable to the Underlying Properties based on its expertise in the oil and gas fields where the Underlying Properties are situated, as well as publicly available information. The Trust’s policies regarding reserve estimates require proved reserves to be in compliance with the SEC definitions and guidance.

The independent petroleum engineers’ reports as to the proved oil and gas reserves attributable to the Royalties conveyed to the Trust were prepared by Cawley, Gillespie & Associates, Inc. Cawley, Gillespie & Associates, Inc., whose firm registration number is F-693, was founded in 1961 and is nationally recognized in the evaluation of oil and natural gas properties. The technical person at Cawley, Gillespie & Associates, Inc. primarily responsible for overseeing the reserves estimates with respect to the Trust is Zane Meekins. Mr. Meekins has been a practicing petroleum engineering consultant since 1989 with over 34 years of practice experience in petroleum engineering, and is a registered professional engineer in the State of Texas (License No. 71055). Mr. Meekins graduated from Texas A&M University in 1987, *Summa Cum Laude*, with a B.S. degree in Petroleum Engineering. Both Cawley, Gillespie & Associates, Inc. and Mr. Meekins have indicated that they meet or exceed all requirements set forth in Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

Cawley, Gillespie & Associates, Inc.'s reports are attached as exhibits to this Form 10-K. The following table presents a reconciliation of proved reserve quantities from January 1, 2019 through December 31, 2021 (in thousands):

	Waddell Ranch Properties		Texas Royalty Properties		Total	
	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)
January 1, 2019	1,077	5,722	3,184	2,182	4,261	7,904
Extensions, discoveries, and other additions	5	18	–	–	5	18
Revisions of previous estimates	(29)	(1,412)	153	(266)	124	(1,678)
Production	(133)	(633)	(228)	(225)	(361)	(858)
December 31, 2019	920	3,695	3,109	1,691	4,029	5,386
Extensions, discoveries, and other additions	615	1,327	–	–	615	1,327
Revisions of previous estimates	155	1,060	87	62	242	1,122
Production	(220)	(1,282)	(216)	(155)	(436)	(1,437)
December 31, 2020	1,470	4,800	2,980	1,598	4,450	6,398
Extensions, discoveries, and other additions	1,309	2,123	–	–	1,309	2,123
Revisions of previous estimates	1,982	6,611	(151)	9	1,831	6,620
Production	(775)	(3,754)	(192)	(122)	(967)	(3,877)
December 31, 2021	3,986	9,780	2,637	1,485	6,623	11,264

Estimated quantities of proved reserves and net cash flow as of December 31, 2021 are as follows:

	Waddell Ranch Properties			
	Oil (Mstb)	Gas (Mcf)	Net Cash Flow, M$	10% Disc. Cash Flow, M$
Proved Developed Producing	2,677	7,657	$205,149	$137,084
Proved Developed Non-Producing	165	442	$ 12,504	$ 5,875
Proved Developed	2,842	8,099	$217,652	$142,959
Proved Undeveloped	1,144	1,681	$ 79,529	$ 45,369
Total Proved	3,986	9,780	$297,182	$188,329

	Texas Royalty Properties			
	Oil (Mstb)	Gas (Mcf)	Net Cash Flow, M$	10% Disc. Cash Flow, M$
Proved Developed Producing	2,637	1,485	$167,968	$71,528
Proved Developed	2,637	1, 485	$167,968	$71,528
Total Proved	2,637	1,485	$167,968	$71,528

	Total Waddell Ranch Plus Texas Royalty Properties			
	Oil (Mstb)	Gas (Mcf)	Net Cash Flow, M$	10% Disc. Cash Flow, M$
Proved Developed Producing	5,314	9,141	$373,116	$208,611
Proved Developed Non-Producing	165	442	$ 12,504	$ 5,875
Proved Developed	5,479	9,584	$385,620	$214,486
Proved Undeveloped	1,144	1,681	$ 79,529	$ 45,369
Total Proved	6,623	11,265	$465,149	$259,855

Estimated quantities of proved developed reserves of oil and gas as of the dates indicated were as follows (in thousands):

Proved Developed Reserves:	Oil (Barrels)	Gas (Mcf)
January 1, 2019	4,261	7,904
December 31, 2019	4,029	5,386
December 31, 2020	4,450	6,398
December 31, 2021	6,623	11,264

The SEC requires supplemental disclosures for oil and gas producers based on a standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities. Under this disclosure, future cash inflows are computed by applying the average prices during the 12-month period prior to fiscal year-end, determined as an unweighted arithmetic average of the first-day-of-the-month benchmark price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. Future price changes are only considered to the extent provided by contractual arrangements in existence at year end. The standardized measure of discounted future net cash flows is achieved by using a discount rate of 10% a year to reflect the timing of future cash flows relating to proved oil and gas reserves.

Estimates of proved oil and gas reserves are by their very nature imprecise. Estimates of future net revenue attributable to proved reserves are sensitive to the unpredictable prices of oil and gas and other variables.

The 2021, 2020 and 2019 change in the standardized measure of discounted future net cash revenues related to future royalty income from proved reserves attributable to the Royalties discounted at 10% is as follows (in thousands):

	Waddell Ranch Properties			Texas Royalty Properties			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
January 1	$ 33,852	$ 34,239	$ 54,226	$ 46,239	$ 68,516	$ 85,142	$ 80,091	$102,755	$139,368
Extensions, discoveries, and other additions	51,245	10,240	16	–	–	–	51,245	10,240	16
Accretion of discount	3,385	3,424	5,408	4,624	6,852		8,009	10,276	13,922
Revisions of previous estimates and other	99,847	(11,039)	(17,146)	32,470	(20,101)	(12,917)	132,317	(31,140)	(30,063)
Royalty income	–	(3,012)	(8,265)	(11,806)	(9,028)	(12,223)	(11,806)	(12,040)	(20,488)
December 31	$188,329	$ 33,852	$ 34,239	$ 71,527	$ 46,239	$ 68,516	$259,856	$ 80,091	$102,755

Average oil and gas prices of $66.56 per barrel and $3.65 per Mcf were used to determine the estimated future net revenues from the Waddell Ranch properties and the Texas Royalty properties, respectively, at December 31, 2021. The upward revisions of both reserves and discounted future net cash flows for the Waddell Ranch properties are primarily due to stronger pricing for oil and by stronger gas pricing. The Texas Royalty properties are revised upward due to stronger pricing for oil.

Average oil and gas prices of $39.57 per barrel and $2.00 per Mcf were used to determine the estimated future net revenues from the Waddell Ranch properties and the Texas Royalty properties, respectively, at December 31, 2020. The downward revisions of both reserves and discounted future net cash flows for the Waddell Ranch properties are primarily due to weaker pricing for oil and by weaker gas pricing. The Texas Royalty properties are revised downward due to weaker pricing for oil.

Average oil and gas prices of $55.69 per barrel and $2.58 per Mcf were used to determine the estimated future net revenues from the Waddell Ranch properties and the Texas Royalty properties, respectively, at December 31, 2019. The downward revisions of both reserves and discounted future net cash flows for the Waddell Ranch properties are primarily due to weaker pricing for oil and by weaker gas pricing. The Texas Royalty properties are revised downward due to weaker pricing for oil.

The following presents estimated future net revenue and the present value of estimated future net revenue attributable to the Royalties, for each of the years ended December 31, 2021, 2020 and 2019 (in thousands):

	2021		2020		2019	
	Estimated Future Net Revenue	**Present Value at 10%**	**Estimated Future Net Revenue**	**Present Value at 10%**	**Estimated Future Net Revenue**	**Present Value at 10%**
Total Proved						
Waddell Ranch properties	$297,181	$188,329	$ 61,731	$33,852	$ 51,879	$ 34,239
Texas Royalty properties	167,968	71,527	108,715	46,239	159,684	68,516
Total	$465,149	$259,856	$170,446	$80,091	$211,563	$102,755

Reserve quantities and revenues shown in the preceding tables for the Royalties were estimated from projections of reserves and revenue attributable to the combined Blackbeard, River Hill Energy and Trust interests in the Waddell Ranch properties and Texas Royalty properties. Reserve quantities attributable to the Royalties were estimated by allocating to the Royalties a portion of the total estimated net reserve quantities of the interests, based upon gross revenue less production taxes. Because the reserve quantities attributable to the Royalties are estimated using an allocation of the reserves, any changes in prices or costs will result in changes in the estimated reserve quantities allocated to the Royalties. Therefore, the reserve quantities estimated will vary if different future price and cost assumptions occur.

Proved reserve quantities are estimates based on information available at the time of preparation and such estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production of those reserves may be substantially different from the original estimate. Moreover, the present values shown above should not be considered as the market values of such oil and gas reserves or the costs that would be incurred to acquire equivalent reserves. A market value determination would include many additional factors.

Detailed information concerning the number of wells on royalty properties is not generally available to the owner of royalty interests. Consequently, the Registrant does not have information that would be disclosed by a company with oil and gas operations, such as an accurate account of the number of wells located on the above royalty properties, the number of exploratory or development wells drilled on the above royalty properties during the periods presented by this report, or the number of wells in process or other present activities on the above royalty properties, and the Registrant cannot readily obtain such information.

REGULATION

Many aspects of the production, pricing, transportation and marketing of crude oil and natural gas are regulated by federal and state agencies. Legislation affecting the oil and gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden on affected members of the industry.

Exploration and production operations are subject to various types of regulation at the federal, tribal, state and local levels. Such regulation includes requiring permits for the drilling and production of wells, maintaining bonding requirements in order to drill or operate wells, and regulating the location of wells, the method of drilling and casing wells, controlling and remediating pollution from exploration and production activities, proper handling and disposal of waste generated from exploration and production operations, the surface use and restoration of properties upon which wells are drilled and the plugging and abandonment of wells. Natural gas and oil operations are also subject to various conservation laws and regulations that regulate the size of drilling and spacing units or proration units and the density of wells which may be drilled and unitization or pooling of oil and gas properties. In addition, state conservation laws establish maximum allowable production from natural gas and oil wells, generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. The effect of these regulations is to limit the amounts of natural gas and oil that can be produced, potentially to raise prices, and to limit the number of wells or the locations which can be drilled.

Federal Natural Gas Regulation

The Federal Energy Regulatory Commission (the “FERC”) is primarily responsible for federal regulation of natural gas. The interstate transportation and sale for resale of natural gas is subject to federal governmental regulation, including regulation of transportation and storage tariffs and various other matters, by the FERC. On August 8, 2005, Congress enacted the Energy Policy Act of 2005. The Energy Policy Act, among other things, amended the Natural Gas Act to prohibit market manipulation by any entity, to direct the FERC to facilitate market transparency in the market for sale or transportation of physical natural gas in interstate commerce, and to significantly increase the penalties for violations of the Natural Gas Act, the Natural Gas Policy Act of 1978, or the FERC rules, regulations or orders thereunder. Wellhead sales of domestic natural gas are not subject to regulation. Consequently, sales of natural gas may be made at market prices, subject to applicable contract provisions.

Sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation remain subject to extensive federal and state regulation. Several major regulatory changes have been implemented by Congress and the FERC from 1985 to the present that affect the economics of natural gas production, transportation, and sales. In addition, the FERC continues to promulgate revisions to various aspects of the rules and regulations affecting those segments of the natural gas industry, most notably interstate natural gas transmission companies, that remain subject to the FERC’s jurisdiction. These initiatives may also affect the intrastate transportation of gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry and these initiatives generally reflect more light-handed regulation of the natural gas industry. The ultimate impact of the rules and regulations issued by the FERC since 1985 cannot be predicted. In addition, many aspects of these regulatory developments have not become final but are still pending judicial decisions and final decisions by the FERC.

New proposals and proceedings that might affect the natural gas industry are considered from time to time by Congress, the FERC, state regulatory bodies and the courts. The Trust cannot predict when or if any such proposals might become effective, or their effect, if any, on the Trust. The natural gas industry historically has been very heavily regulated; therefore, there is no assurance that the less stringent regulatory approach recently pursued by the FERC and Congress will continue.

Sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at market prices. Crude oil prices are affected by a variety of factors. Since domestic crude price controls were lifted in 1981, the principal factors influencing the prices received by producers of domestic crude oil have been the pricing and production of the members of the Organization of Petroleum Export Countries (“OPEC”).

On December 19, 2007, President Bush signed into law the Energy Independence & Security Act of 2007 (PL 110 140). The EISA, among other things, prohibits market manipulation by any person in connection with the purchase or sale of crude oil, gasoline or petroleum distillates at wholesale in contravention of such rules and regulations that the Federal Trade Commission may prescribe, directs the Federal Trade Commission to enforce the regulations, and establishes penalties for violations thereunder.

State Regulation

The various states regulate the production and sale of oil and natural gas, including imposing requirements for obtaining drilling permits, the method of developing new fields, the spacing and operation of wells and the prevention of waste of oil and gas resources. The rates of production may be regulated and the maximum daily production allowables from both oil and gas wells may be established on a market demand or conservation basis, or both.

Local Regulation

Drilling for and production and transportation of crude oil and natural gas are also regulated by local authorities. Local laws may include land use regulations, permitting requirements, and noise and traffic ordinances. Such regulation could increase drilling and production costs or create delays in development and production of the Underlying Properties.

Environmental Regulation

Companies in the oil and gas industry are subject to stringent and complex federal, tribal, state and local laws and regulations governing the health and safety aspects of oil and gas operations, the management and discharge of materials into the environment, or otherwise relating to environmental protection. Those laws and regulations may impose numerous obligations that are applicable to the operations of the Underlying Properties, including the acquisition of a permit before conducting drilling, production or underground injection activities; the restriction on the types, quantities and concentrations of materials that can be emitted or released into the environment; the limitation or prohibition of drilling or other construction or operational activities on certain lands lying within wilderness, wetlands, endangered or threatened species habitat, and other protected areas; the installation of emission monitoring and/or pollution control equipment; the reporting of the types and quantities of various substances that are stored, processed, released, or disposed of in connection with operation of the Underlying Properties; the remediation of pollution from current or former operations, such as cleanup of releases, pit closure, removal of surface equipment and plugging of abandoned wells; the planning and preparedness for spill and emergency response activities; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution resulting from operations including waste generation, air emissions, water discharges and current and historical waste disposal practices. Failure to comply with these laws and regulations may result in the assessment of administrative, civil or criminal penalties; the imposition of investigatory or remedial obligations; and the issuance of injunctions limiting or preventing some or all of the operations. Under certain environmental laws and regulations, the operators of the Underlying Properties could also be subject to joint and several, strict liability for the removal or remediation of previously released materials or property contamination, in either case, whether at a drill site or a waste disposal facility, regardless of whether the operators were responsible for the release or contamination or if the operations were in compliance with all applicable laws at the time those actions were taken.

In addition, climate change is the subject of an important public policy debate and the basis for new legislation proposed by the United States Congress and certain states. President Biden has set ambitious goals related to mitigating climate change, including at least a 50 per cent reduction from 2005 levels in economy-wide net greenhouse gas pollution by 2030. Some states have also adopted climate change statutes and regulations. The United States Environmental Protection Agency (the "EPA") has promulgated greenhouse gas monitoring and reporting regulations that, since 2011, have required annual reporting of carbon dioxide, methane and nitrous oxide emissions from certain sources in the oil and natural gas industry sector, including in the onshore oil and natural gas production segment.

Beyond measuring and reporting, the EPA issued an "Endangerment Finding" under Section 202(a) of the Clean Air Act, concluding that greenhouse gas pollution threatens the public health and welfare of future generations. The EPA indicated that it will use data collected through the reporting rules to decide whether to promulgate future greenhouse gas emission limits. On August 16, 2012, the EPA issued a final rule, known as New Source Performance Standards ("NSPS") Subpart OOOO, that established new source performance standards for volatile organic compounds ("VOC(s)") and sulfur dioxide, an air toxics standard for major sources of oil and natural gas production, and an air toxics standard for major sources of natural gas transmission and storage. The rule required that, starting January 1, 2015, all hydraulically fractured or refractured natural gas wells be completed using reduced emission ("green") completion technology, which significantly reduces VOC emissions. Limiting emissions of VOCs will have the co-benefit of also limiting methane, a greenhouse gas. These regulations also include requirements applicable to storage tanks and other equipment in the affected oil and natural gas industry segments. On May 12, 2016, the EPA issued a final rule, known as NSPS Subpart OOOOa, establishing additional standards for the reduction of methane, VOCs, and other emissions from new and existing sources in the oil and gas sector. Among other requirements, these new standards extended green completion requirements to new hydraulically fractured or refractured oil wells. And rulemaking concerning regulation of greenhouse gas and other emissions from the oil and natural gas industry continues: in October 2018, the EPA released proposed revisions to some of the 2016 requirements, including reducing the required frequency of fugitive emissions monitoring at well sites and compressor stations. EPA published two new rules on September 14 and 15, 2020 that remove the transmission and storage sectors of the oil and gas industry from regulation under the NSPS and rescind methane specific standards for the production and processing segments of the industry. However, in June 2021, Congress partially overturned that rollback. Furthermore, in November 2021, EPA issued a proposed rule, known as OOOOb, which would update, strengthen, and expand the NSPS Subpart OOOOa regulations for methane and VOC emissions from new, modified, and reconstructed sources, and a proposed rule, known as OOOOc, that includes emissions guidelines to assist states in the development of plans to regulate methane emissions from certain existing sources. Although the bulk of the 2012 and 2016 standards are currently in effect, future implementation and the ultimate scope of the VOC and methane emissions standards for the oil and gas production, transmission, and storage industry segments are uncertain at this time as a result of ongoing rulemakings and expected legal challenges.

Congress and various states, including Texas, have proposed or adopted legislation regulating or requiring disclosure of the chemicals in the hydraulic fracturing fluid that is used in the drilling operation. Texas requires oil and gas operators to disclose the chemicals on the Frac Focus website. Hydraulic fracturing has historically been regulated by state oil and natural gas commissions. The EPA, however, has asserted federal regulatory authority over certain hydraulic fracturing activities involving diesel under the Safe Drinking Water Act (the "SDWA"). The EPA has issued permitting guidance for oil and natural gas hydraulic fracturing activities using diesel fuels. Under the guidance, EPA defined the term "diesel" to include five categories of oils, including some such as kerosene, that are not traditionally considered to be diesel.

The Federal Water Pollution Control Act, also known as the Clean Water Act ("CWA"), and analogous state laws impose restrictions and strict controls on the discharge of pollutants, including produced waters and other oil and natural gas wastes, into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by EPA or the relevant state agency. The CWA also prohibits the discharge of dredge and fill material in regulated waters, including wetlands, unless authorized by a permit issued by the U.S. Army Corps of Engineers. In May 2015, EPA and the U.S. Army Corps of Engineers jointly announced a final rule defining the "Waters of the United States" ("WOTUS") which are protected under the CWA. The rule, which would have made additional waters expressly Waters of the United States and therefore subject to the jurisdiction of the CWA, rather than subject to a case-specific evaluation, was stayed by the U.S. Court of Appeals for the Sixth Circuit before it took effect. The WOTUS Rule and its subsequent repeal in September 2019 have been heavily litigated, resulting in the rule taking effect at times in some states but not others. Meanwhile, in December 2018, the EPA and the U.S. Army Corps of Engineers issued a proposed rule to revise the definition of "Waters of the United States." The rule, known as the Navigable Waters Protection Rule, became effective on June 22, 2020 and narrowed the WOTUS definition, excluding, for example, streams that flow only after precipitation and wetlands without a direct surface connection to traditional navigable waters. Litigation by parties opposing the rule again quickly followed, including a challenge in the U.S. District Court for the District of Colorado, which resulted in a statewide stay of the rule on June 19, 2020. The stay was subsequently lifted by the

Tenth Circuit in March, 2021. However, on August 30, 2021, the U.S. District Court for the District of Arizona issued an order vacating and remanding the Navigable Waters Protection Rule. In response, EPA and the U.S. Army Corps of Engineers issued a joint statement indicating that the agencies are halting implementation of the Navigable Waters Protection Rule, and are reverting back to the pre-2015 definition of "waters of the United States." On November 18, 2021, EPA and the U.S. Army Corps of Engineers released a pre-publication version of their proposed rule to reinstate the pre-2015 definition of "waters of the United States," updated to reflect consideration of Supreme Court Decisions, including the "significant nexus" standard articulated in *Rapanos v. U.S.*, 547 U.S. 715 (2006). This proposed rule was published in the Federal Register on December 7, 2021. In June 2021, EPA and the U.S. Army Corps of Engineers also announced their intent to issue a second rule that further refines the definition of WOTUS and builds upon the current regulatory framework. Furthermore, on January 24, 2022, the U.S. Supreme Court agreed to hear a case to determine the propriety of the "significant nexus" standard, which could impact the scope of the definition of WOTUS. *Sackett v. Env't Prot. Agency*, No. 21-454, 142 S. Ct. 896 (2022). Regardless, the applicable WOTUS definition affects what CWA permitting or other regulatory obligations may be triggered during development and operation of the Underlying Properties, and changes to the WOTUS definition could cause delays in development and/or increase the cost of development and operation of the Underlying Properties.

Spill prevention, control, and countermeasure ("SPCC") regulations promulgated under the CWA and later amended by the Oil Pollution Act of 1990 impose obligations and liabilities related to the prevention of oil spills and damages resulting from such spills into or threatening waters of the United States or adjoining shorelines. For example, operators of certain oil and natural gas facilities that store oil in more than threshold quantities, the release of which could reasonably be expected to reach jurisdictional waters, must develop, implement, and maintain SPCC Plans. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "superfund" law, imposes liability, regardless of fault or the legality of the original conduct, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the current or previous owner and operator of a site where a hazardous substance has been disposed and persons who disposed or arranged for the disposal of a hazardous substance at a site, or transported a hazardous substance to a site for disposal. CERCLA also authorizes the EPA and, in some cases, private parties to take actions in response to threats to the public health or the environment and to seek recovery from such responsible classes of persons of the costs of such an action. In the course of operations, the working interest owner and/or the operator of the Underlying Properties may have generated and may generate wastes that may fall within CERCLA's definition of "hazardous substances". The operator of the Underlying Properties or the working interest owners may be responsible under CERCLA for all or part of the costs to clean up sites at which such substances have been disposed. Although the Trust is not the operator of any of the Underlying Properties, or the owner of any working interest, its ownership of royalty interests could cause it to be responsible for all or part of such costs to the extent CERCLA imposes responsibility on such parties as "owners."

The Underlying Properties have produced oil and/or gas for many years and, in connection with that production, managed waste, such as drilling fluids and produced water, that is subject to regulation under environmental laws. Although the Trust has no knowledge of the procedures followed by the operators of the Underlying Properties in this regard, hydrocarbons or other solid or hazardous wastes may have been or may be disposed or released on, under, or from the Underlying Properties by the current or previous operators or may have been disposed offsite of the Underlying Properties. Federal, state and local laws and regulations applicable to oil and gas-related wastes and properties have become increasingly more stringent. Failure to comply with these laws and regulations may result in the assessment of administrative, civil or criminal penalties, the imposition of investigatory, ongoing monitoring, or remedial obligations, and/or the issuance of injunctions limiting or preventing some or all of the operations. Under these laws, removal or remediation of current releases of such materials or of previously disposed wastes or property contamination at a drill site or a waste disposal facility could be required by a governmental authority regardless of whether the operators of the Underlying Properties were responsible for the release or contamination or if the operations were in compliance with all applicable laws at the time those actions were taken.

The federal Safe Drinking Water Act ("SDWA") and the Underground Injection Control ("UIC") program promulgated under the SDWA and state programs regulate the drilling and operation of salt water disposal wells. EPA directly administers the UIC program in some states and in others administration is delegated to the state. Permits must be obtained before drilling salt water disposal wells, and casing integrity monitoring must be conducted periodically to ensure that the disposed waters are not leaking into groundwater. In addition, because some states have become concerned that the injection or disposal of produced water could, under certain circumstances, trigger or contribute to earthquakes, they have adopted or are considering additional regulations regarding such disposal methods. Changes in regulations or the inability to obtain permits for new disposal wells in the future may affect the ability of the operators of the Underlying Properties to dispose of produced water and ultimately increase the cost of operation of the Underlying Properties or delay production schedules. For example, in 2014, the Railroad Commission of Texas ("RRC") published a final rule governing permitting or re-permitting of disposal wells that would require, among other things, the submission of information on seismic events occurring within a specified radius of the disposal well location, as well as logs, geologic cross sections and structure maps relating to the disposal area in question. If the permittee or an applicant of a disposal well permit fails to demonstrate that the injected fluids are confined to the disposal zone or if scientific data indicates such a disposal well is likely to be or determined to be contributing to seismic activity, then the RRC may deny, modify, suspend or terminate the permit application or existing operating permit for that well. Furthermore, in response to a number of earthquakes in recent years in the Midland Basin, in September 2021 the RRC announced that it will not issue any new saltwater disposal ("SWD") well permits in an area known as the Gardendale Seismic Response Area ("SRA"), and will require existing SWD wells in that area to reduce their maximum daily injection rate to 10,000 barrels per day per well. The RRC anticipates these measures will be in place for at least a year. In December 2021, the RRC went on to suspend all well activity in deep formations in the Gardendale SRA, effectively terminating 33 disposal well permits. And in October 2021 and January 2022, respectively, the RRC identified two additional SRAs: the Northern Culberson-Reeves SRA and the Stanton SRA. As of March 1, 2022, operators in the Northern Culberson-Reeves SRA have implemented a seismic response plan, which includes expanded data collection efforts, contingency responses for future seismicity, and scheduled checkpoint updates with RRC staff. Operators in the Stanton SRA were given 90 days to develop a response plan, at which point the RRC is prepared to implement its own plan in the absence of a coordinated industry response.

In addition, several cases have in recent years put a spotlight on the issue of whether injection wells may be regulated under the CWA if a direct hydrological connection to a jurisdictional surface water can be established. The split among federal circuit courts of appeals that decided these cases engendered two petitions for writ of certiorari to the United States Supreme Court in August 2018, one of which was granted in February 2019. Oral arguments were presented to the Supreme Court in November 2019. EPA has also brought attention to the reach of the CWA's jurisdiction in such instances by issuing a request for comment in February 2018 regarding the applicability of the CWA permitting program to discharges into groundwater with a direct hydrological connection to jurisdictional surface water, which hydrological connections should be considered "direct," and whether such discharges would be better addressed through other federal or state programs. In a statement issued by EPA in April 2019, the Agency concluded that the CWA should not be interpreted to require permits for discharges of pollutants that reach surface waters via groundwater. However, in April 2020, the Supreme Court issued a ruling in the case, County of Maui, *Hawaii v. Hawaii Wildlife Fund*, holding that discharges into groundwater may be regulated under the CWA if the discharge is the "functional equivalent" of a direct discharge into navigable waters. On January 14, 2021, EPA issued a draft on the ruling, which emphasized that discharges to groundwater are not necessarily the "functional equivalent" of a direct discharged based solely on proximity to jurisdictional waters. However, on September 16, 2021, EPA rescinded its January 14, 2021 guidance. If in the future CWA permitting is required for saltwater injection wells, as a result of the Supreme Court's ruling in County of Maui, *Hawaii v. Hawaii Wildlife Fund*, the costs of permitting and compliance for injection well operations by the companies that operate the Underlying Properties could increase.

Various state and federal statutes prohibit certain actions that adversely affect endangered or threatened species and their habitat, migratory birds and their habitat, wetlands, and natural resources. These statutes include the Endangered Species Act, the Migratory Bird Treaty Act, the Bald and Golden Eagle Protection Act, the CWA, and CERCLA. The United States Fish and Wildlife Service ("USFWS") may designate critical habitat and suitable habitat areas that it believes are necessary for the survival of threatened or endangered species. A critical habitat or suitable habitat designation could result in further material restrictions to federal land use and private land use and could delay or prohibit land access or development. Where takings of, or harm to, species or damages to wetlands, habitat or natural resources occur or may occur, government entities or at times private parties may act to restrict or prevent oil and gas exploration or production activities or seek damages for harm to species, habitat or natural resources resulting from drilling or construction or production activities, including, for example, for releases of oil, wastes, hazardous substances or other regulated materials, and may seek natural resources damages and, in some cases, criminal penalties.

The Underlying Properties and operation thereof are subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. In addition to the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of CERCLA, the general duty clause and Risk Management Planning regulations promulgated under section 112(r) of the Clean Air Act, and similar state statutes may also require disclosure of information about hazardous materials used, produced or otherwise managed during operation of the Underlying Properties. Some of these laws also require the development of risk management plans for certain facilities to prevent accidental releases of pollutants.

The Trustee is unable to predict the total impact of the current and potential regulations upon the operators of the Underlying Properties, but it is possible that the operators of the Underlying Properties could face operational delays, increases in the operating costs to comply with climate change or any other environmental legislation or regulation, or decreases in the completion of new oil and natural gas wells, each of which could reduce net proceeds payable to the Trust and Trust distributions.

Other Regulation

The petroleum industry is also subject to compliance with various other federal, tribal, state, and local regulations and laws, including, but not limited to, occupational safety, resource conservation and equal employment opportunity. The Trustee does not believe that compliance with these laws by the operating parties will have any material adverse effect on Unit holders.

Item 3. *Legal Proceedings*

There are no material pending legal proceedings to which the Trust is a party or of which any of its property is the subject.

Item 4. *Mine Safety Disclosures*

This Item is not applicable to the Trust.

PART II

Item 5. *Market for Units of the Trust, Related Security Holder Matters and Trust Purchases of Units*

Units of Beneficial Interest

Units of Beneficial Interest ("Units") of the Trust are traded on the New York Stock Exchange with the symbol PBT.

Approximately 796 Unit holders of record held the 46,608,796 Units of the Trust at March 1, 2022.

The Trust has no equity compensation plans and has not repurchased any Units during the period covered by this report.

Item 6. *Selected Financial Data*

REMOVED AND RESERVED.

Computation of Royalty Income Received by the Trust

The Trust's royalty income is computed as a percentage of the net profit from the operation of the properties in which the Trust owns net overriding royalty interests. The percentages of net profits are 75% and 95% in the cases of the Waddell Ranch properties and the Texas Royalty properties, respectively. Royalty income received by the Trust for the five years ended December 31, 2021, was computed as shown in the table on the next page.

	Year Ended December 31,									
	2021		2020		2019		2018		2017	
Gross Proceeds of Sales From the Underlying Properties:	Waddell Ranch Properties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties
Oil Proceeds	$66,328,817	$12,799,649	$22,745,332	$10,093,604	$31,769,427	$13,325,221	$36,421,905	$ 15,564,348	$31,631,883	$12,932,547
Gas Proceeds	17,259,346	906,335	4,584,768	595,961	7,655,763	1,169,754	12,159,109	1,851,602	12,007,971	1,644,306
Other	9,423,956	–	8,583,304(1)	–	–	–	119,048	–	56,767	–
Total	93,012,119	13,705,984	35,913,404	10,689,565	39,425,195	14,494,975	48,700,056	17,416,030	43,696,621	14,576,853
Less:										
Severance Tax										
Oil	3,057,598	380,409	1,056,855	414,326	1,457,033	489,096	1,625,842	567,246	1,409,979	452,689
Gas	194,140	48,894	164,243	32,666	269,932	36,693	442,098	88,054	273,048	75,623
Other	173,640	–	726,596	–	–	–	–	–	–	–
Lease Operating Expense and Property Tax Oil and Gas	23,026,783	849,824	19,635,387	738,915	23,371,924	1,103,052	23,134,903	962,575	16,402,257	639,920
Capital Expenditures	66,559,957	–	10,314,532	–	3,306,832	–	729,665	1,617,536	1,849,553	–
Total	$93,012,118	$ 1,279,127	$31,897,613	$ 1,185,907	$28,405,719	$ 1,628,841	$25,932,508	$ 1,613,275	$19,934,837	$ 1,168,232
Net Profits	$ 0	$12,426,857	$ 4,015,791	$ 9,503,658	$11,019,476	$12,866,134	$22,767,854	$ 15,820,755	$23,761,784	$13,408,621
Net Overriding Royalty Interest	75%	95%	75%	95%	75%	95%	75%	95%	75%	95%
Total Royalty Income for Distribution	$ 0	$11,805,514	$ 3,011,843	$ 9,028,475	$ 8,264,606	$12,222,827	$17,075,666	$ 15,012, 624	$17,821,338	$12,738,189

(1) Due to the NPI deficit, the Waddell Ranch properties did not contribute to Royalty income from June 1, 2021 through December 31, 2021. As of December 31, 2021, the cumulative NPI deficit is $13,203,497 for the underlying property (at 75%). The NPI deficit must be recovered from future proceeds of the Waddell properties prior to any other proceeds being paid to the trust.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operation*

Trustee's Discussion and Analysis for the Three-Year Period Ended December 31, 2021

Liquidity and Capital Resources

As stipulated in the Trust Agreement, the Trust is intended to be passive in nature and the Trustee does not have any control over or any responsibility relating to the operation of the Underlying Properties. The Trustee has powers to collect and distribute proceeds received by the Trust and pay Trust liabilities and expenses and its actions have been limited to those activities. The Trust is a passive entity and other than the Trust's ability to periodically borrow money as necessary to pay expenses, liabilities and obligations of the Trust that cannot be paid out of cash held by the Trust, the Trust is prohibited from engaging in borrowing transactions. As a result, other than such borrowings, if any, the Trust has no source of liquidity or capital resources other than the Royalties.

Results of Operations

Royalty income received by the Trust for the three-year period ended December 31, 2021, is reported in the following table:

Royalties	Year Ended December 31, 2021	2020	2019
Total Revenue	$11,805,514	$12,040,318	$20,487,433
	100%	100%	100%
Oil Revenue	9,562,466	10,354,672	17,209,443
	81%	86%	84%
Gas Revenue	2,243,048	1,685,646	3,277,990
	19%	14%	16%
Total Revenue/Unit	$ .253289	$ .258327	$ .439562

Royalty income of the Trust for the calendar year is associated with actual oil and gas production for the period November of the prior year through October of the current year. Oil and gas production for 2021, 2020 and 2019 generated by the Royalties and the Underlying Properties, excluding portions attributable to the adjustments discussed hereafter, are presented in the following table:

Royalties	Year Ended December 31, 2021	2020	2019
Oil Sales (Bbls)	967,106	435,319	360,606
Gas Sales (Mcf)	3,876,648	1,437,362	858,009
Underlying Properties			
Oil			
Total Oil Sales (Bbls)	1,249,350	831,141	871,513
Average Per Day (Bbls)	3,423	2,277	2,388
Average Price/Bbl	$ 63.34	$ 39.51	$ 51.74
Gas			
Total Gas Sales (Mcf)	5,143,426	3,520,515	3,346,916
Average Per Day (Mcf)	14,092	9,645	9,170
Average Price/Mcf	$ 3.53	$ 1.47	$ 2.64

The average price of oil increased to $63.34 per barrel in 2021, up from $39.51 per barrel in 2020. The average price of oil in 2019 was $51.74 per barrel. In addition, the average price of gas increased from $1.47 per Mcf in 2020 to $3.43 per Mcf in 2021. The average price of gas in 2019 was $2.64 per Mcf. Oil prices have increased primarily because of world market conditions. Oil prices are expected to remain volatile. Gas liquids values remain stronger and keep the prices of gas stronger. Blackbeard, after assuming the role of operation of the Waddell Ranch Properties, immediately instituted a workover of specific wells, which cause the Trust not to receive any royalty income from the Waddell Properties in 2021.

Subsequent to December 31, 2021, the price of both oil and gas continued to fluctuate, giving rise to a correlating adjustment of the respective standardized measure of discounted future net cash flows. As of March 15, 2022, NYMEX posted oil prices were approximately $96.44 per barrel, which compared to the posted price of $66.56 per barrel, used to calculate the worth of future net revenue of the Trust's proved developed reserves, would result in a larger standardized measure of discounted future net cash flows for oil. As of March 15, 2022, NYMEX posted gas prices were $4.46 per million British thermal units. The use of such price, as compared to the posted price of $3.65 per million British thermal units, used to calculate the future net revenue of the Trust's proved developed reserves would result in a larger standardized measure of discounted future net cash flows for gas.

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), production amounts do not necessarily provide a meaningful comparison. For the underlying properties total oil production increased by approximately 50% from 2020 to 2021 primarily due to additional production on Waddell due to new drilling. For the underlying properties total gas production increased approximately 46% from 2020 to 2021 primarily due to the new drilling and updated gas plant facility.

Total capital expenditures in 2021 used in the net overriding royalty calculation were approximately $66.6 million (gross) compared to $10.3 million (gross) in 2020 and $3.3 million (gross) in 2019. The operator of the Waddell Ranch properties has informed the Trustee that, in order to halt the production decline curve and to exploit the remaining potential of the Trust's assets more fully, a more aggressive, robust capital expenditure budget will be necessary in the future and is being pursued.

In 2020, there were 3 recompletion wells completed and 21 wells permanently plugged on the Waddell Ranch properties. Actual costs for this program in 2020 approximated $10.3 million (gross). This cost is for the development program and base facilities. In 2021, there were 28 new drill wells and 47 recompletion.

Texas law requires all temporarily abandoned wells to be either worked over and recompleted to functional status or permanently plugged and abandoned within a five year time frame. The Waddell Ranch properties contain over 700 such temporarily abandoned wells. In 2021, there were 47 recompletion wells completed and 20 wells permanently plugged on the Waddell Ranch properties.

There were 79 gross (20 net) drill wells completed on the Waddell Ranch properties during 2021. At December 31, 2020, there were 4 drill wells and 3 workover in progress on the Waddell Ranch properties.

Blackbeard has advised the Trustee that the proposed budget for 2022 will be $245 million (gross) and $92 (net). The 2022 budget will include amounts to be spent on 34 (net) vertical wells, targeting the "WolfBone" formations, 13 (net) horizontal wells targeting the Sandhills and McKnight formations, along with various other recompleted wells prospects to be worked over and completed, and also amounts to be spent on additional facilities and infrastructure improvements and the completion of projects begun in 2021. Because the wide volatility of the pricing for both oil and gas in the current market, Blackbeard could not make any accurate projections as to the anticipated revenue streams or production levels of both the 2021 and projected 2022 budget projects.

In 2021, lease operating expense and property taxes on the Waddell Ranch properties amounted to approximately $23 million, compared to approximately $19.6 million in 2020 and approximately $23.4 million in 2019.

The Trustee has been advised by the operator that since June 2006, the oil from the Waddell Ranch has been marketed by the operator by soliciting bids from third parties on an outright sale basis of production listed in bid packages.

During 2021, the monthly royalty receipts were invested by the Trustee in cash and cash equivalents until the monthly distribution date, and earned interest totaled $5,112. Interest income for 2020 and 2019 was $9,603 and $23,000, respectively.

General and administrative expenses in 2021 were $1,088,851 compared to $1,041,303 in 2020 and $1,089,302 in 2019, primarily due to audit of properties and other professional services. The reserve for administrative expenses for any potentially extraordinary events and/or expenses was $1,100,000 as of December 31, 2021 and 2020. Total reserves for expenses for the years ended December 31, 2021, 2020 and 2019 was $0, $50,000 and $0, respectively.

Distributable income for 2021 was $10,721,775 or $0.23 per Unit.

Distributable income for 2020 was $10,958,618 or $0.24 per Unit.

Distributable income for 2019 was $19,421,131 or $0.42 per Unit.

Results of the Fourth Quarters of 2021 and 2020

Royalty income received by the Trust for the fourth quarter of 2021 amounted to $3,396,125 or $0.07 per Unit. For the fourth quarter of 2020, the Trust received royalty income of $1,980,417 or $0.04 per Unit. Interest income for the fourth quarter of 2021 amounted to $1,253 compared to $1,539 for the fourth quarter of 2020. The increase in interest income can be attributed primarily to an increase of funds available. Total general and administrative expenses was $157,516 for the fourth quarter of 2021 compared to $135,434 for the fourth quarter of 2020. The increase in expenses primarily related to timing of payments of legal and auditor expenses.

Royalty income for the Trust for the fourth quarter is associated with actual oil and gas production during August through October from the Underlying Properties. Oil and gas production attributable to the Underlying Properties for the quarter and the comparable period for 2020 are as follows:

	Fourth Quarter	
	2021	**2020**
Royalties		
Oil Sales (Bbls)	319,411	162,468
Gas Sales (Mcf)	1,230,035	712,623
Underlying Properties		
Total Oil Sales (Bbls)	415,951	208,736
Average Per Day (Bbls)	4,521	2,269
Average Price/Bbls	$ 72.44	$ 37.91
Total Gas Sales (Mcf)	1,633,976	944,236
Average Per Day (Mcf)	17,761	10,263
Average Price/Mcf	$ 4.85	$ 2.14

The posted price of oil increased for the fourth quarter of 2021 compared to the fourth quarter of 2020, resulting in an average price per barrel of $72.44 compared to $37.91 in the same period of 2020. The average price of gas increased for the fourth quarter of 2021 compared to the same period in 2020, resulting in an average price per Mcf of $4.85 compared to $2.14 in the fourth quarter of 2020.

The Trustee has been advised that oil and gas production increased in the fourth quarter of 2021 compared to the same period in 2020 primarily due to additional drilling.

The Trust has been advised that 22.6 wells were drilled and completed during the three months ended December 31, 2021, and there were 8.2 wells in progress.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting periods. Actual results may differ from such estimates.

Impairment

The Trustee routinely reviews its royalty interests in oil and gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust's royalty interests may not be recoverable, an impairment will be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows. There was no impairment of the assets as of December 31, 2021.

Critical Accounting Policies and Estimates

The Trust's financial statements reflect the selection and application of accounting policies that require the Trust to make significant estimates and assumptions. The following are some of the more critical judgment areas in the application of accounting policies that currently affect the Trust's financial condition and results of operations.

1. Basis of Accounting

The financial statements of the Trust are prepared on the following basis:

- Royalty income recorded for a month is the amount computed and paid to the Trustee on behalf of the Trust by the interest owners. Royalty income consists of the amounts received by the owners of the interest burdened by the Royalties from the sale of production less accrued production costs, development and drilling costs, applicable taxes, operating charges and other costs and deductions multiplied by 75% in the case of the Waddell Ranch properties and 95% in the case of the Texas Royalty properties.
- Trust expenses, consisting principally of routine general and administrative costs, recorded are based on liabilities paid and cash reserves established out of cash received or borrowed funds for liabilities and contingencies.
- Distributions to Unit holders are recorded when declared by the Trustee.
- Royalty income is computed separately for each of the conveyances under which the Royalties were conveyed to the Trust. If monthly costs exceed revenues for any conveyance ("excess costs"), such excess costs cannot reduce royalty income from other conveyances, but is carried forward with accrued interest to be recovered from future net proceeds of that conveyance.

The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") because revenues are not accrued in the month of production and certain cash reserves may be established for contingencies which would not be accrued in financial statements prepared in accordance with GAAP. Amortization of the Royalties calculated on a unit-of-production basis is charged directly to trust corpus. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the SEC as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

2. Royalty Income

Revenues from Royalty Interests are recognized in the period in which amounts are received by the Trust. Royalty income received by the Trust in a given calendar year will generally reflect the proceeds from crude oil and natural gas produced for the twelve-month period ended October 31st in that calendar year.

3. Reserve Disclosure

Independent petroleum engineers estimate the net proved reserves attributable to the Royalty Interests. Estimates of future net revenues from proved reserves have been prepared using average 12-month oil and gas prices, determined as an unweighted arithmetic average of the first-day-of-the-month benchmark price for each month within the 12-month period preceding the end of the most recent fiscal year, unless prices are defined by contractual arrangements. The standardized measure of discounted future net cash flows is achieved by using a discount rate of 10% a year to reflect the timing of future cash flows relating to proved oil and gas reserves. The reserves actually recovered and the timing of production may be substantially different from the reserve estimates and related costs. Numerous uncertainties are inherent in estimating volumes and the value of proved reserves and in projecting future production rates and the timing of development of non-producing reserves. Such reserve estimates are subject to change as market conditions change.

Detailed information concerning the number of wells on royalty properties is not generally available to the owner of royalty interests. Consequently, the Registrant does not have information that would be disclosed by a company with oil and gas operations, such as an accurate account of the number of wells located on its royalty properties, the number of exploratory or development wells drilled on its royalty properties during the periods presented by this report, or the number of wells in process or other present activities on its royalty properties, and the Registrant cannot readily obtain such information.

4. Contingencies

Contingencies related to the Underlying Properties that are unfavorably resolved would generally be reflected by the Trust as reductions to future royalty income payments to the Trust with corresponding reductions to cash distributions to Unit holders.

New Accounting Pronouncements

There are no new pronouncements that are expected to have a significant impact on the Trust's financial statements.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

The Trust is a passive entity and other than the Trust's ability to periodically borrow money as necessary to pay expenses, liabilities and obligations of the Trust that cannot be paid out of cash held by the Trust, the Trust is prohibited from engaging in borrowing transactions. The amount of any such borrowings is unlikely to be material to the Trust. The Trust periodically holds short-term investments acquired with funds held by the Trust pending distribution to Unit holders and funds held in reserve for the payment of Trust expenses and liabilities. Because of the short-term nature of these borrowings and investments and certain limitations upon the types of such investments which may be held by the Trust, the Trustee believes that the Trust is not subject to any material interest rate risk. The Trust does not engage in transactions in foreign currencies which could expose the Trust or Unit holders to any foreign currency related market risk. The Trust invests in no derivative financial instruments and has no foreign operations or long-term debt instruments.

Item 8. *Financial Statements and Supplementary Data*

All financial statement schedules are omitted as they are inapplicable or the required information has been included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Unit Holders of Permian Basin Royalty Trust and Simmons Bank, Trustee

Opinion on the Financial Statements

We have audited the accompanying statements of assets, liabilities and trust corpus of the Permian Basin Royalty Trust (the Trust) as of December 31, 2021 and 2020, and the related statements of distributable income and changes in trust corpus for each of the three years in the period ended December 31, 2021 and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities, and trust corpus of the Trust as of December 31, 2021 and 2020, and the distributable income and changes in trust corpus for each of the three years in the period ended December 31, 2021, in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, these financial statements were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ WEAVER AND TIDWELL, L.L.P.

We have served as the Trust's auditor since 2016.

Dallas, Texas
March 30, 2022

PERMIAN BASIN ROYALTY TRUST
FINANCIAL STATEMENTS

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	December 31, 2021	December 31, 2020
ASSETS		
Cash and Short-term Investments	$2,248,527	$1,725,449
Net Overriding Royalty Interests in Producing Oil and Gas Properties — Net (Notes 2 and 3)	352,688	382,876
Total	$2,601,215	$2,108,325
LIABILITIES AND TRUST CORPUS		
Distribution Payable to Unit Holders	$1,148,527	$ 625,449
Commitments and Reserve for Contingencies (Note 8)	1,100,000	1,100,000
Total Liabilities	$2,248,527	$1,725,449
Trust Corpus — 46,608,796 Units of Beneficial Interest Authorized and Outstanding	352,688	382,876
Total	$2,601,215	$2,108,325

STATEMENTS OF DISTRIBUTABLE INCOME

	For the years ended December 31, 2021	2020	2019
Royalty Income (Notes 2 and 3)	$11,805,514	$12,040,318	$20,487,433
Interest Income	5,112	9,603	23,000
Total Income	11,810,626	12,049,921	20,510,433
Reserve for Expenses	—	50,000	—
General and Administrative Expenditures	1,088,851	1,041,303	1,089,302
Total Expenditures	1,088,851	1,091,303	1,089,302
Distributable Income	$10,721,775	$10,958,618	$19,421,131
Distributable Income per Unit (46,608,796 Units)	$ .23	$ .24	$ .42
Distributions per Unit	$ .23	$ .24	$ .42

The accompanying notes to financial statements are an integral part of these statements.

STATEMENTS OF CHANGES IN TRUST CORPUS

	For the years ended December 31,		
	2021	2020	2019
Trust Corpus, Beginning of Year	$ 382,876	$ 424,507	$ 467,580
Amortization of Net Overriding Royalty Interests (Notes 2 and 3)	(30,188)	(41,631)	(43,073)
Distributable Income	10,721,775	10,958,618	19,421,131
Distributions Declared	(10,721,775)	(10,958,618)	(19,421,131)
Trust Corpus, End of Year	$ 352,688	$ 382,876	$ 424,507

The accompanying notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. Trust Organization and Provisions

The Permian Basin Royalty Trust ("Trust") was established as of November 1, 1980. Simmons Bank ("Trustee") is Trustee for the Trust. The net overriding royalties conveyed to the Trust include (1) a 75% net overriding royalty in Southland Royalty Company's fee mineral interest in the Waddell Ranch in Crane County, Texas (the "Waddell Ranch properties") and (2) a 95% net overriding royalty carved out of Southland Royalty Company's major producing royalty properties in Texas (the "Texas Royalty properties"). The net overriding royalty for the Texas Royalty properties is subject to the provisions of the lease agreements under which such royalties were created. The net overriding royalties above are collectively referred to as the "Royalties."

On November 3, 1980, Units of Beneficial Interest ("Units") in the Trust were distributed to the Trustee for the benefit of Southland Royalty Company's shareholders of record as of November 3, 1980, who received one Unit in the Trust for each share of Southland Royalty Company common stock held. The Units are traded on the New York Stock Exchange.

Burlington Resources Oil & Gas Company LP ("BROG"), a subsidiary of ConocoPhillips, was the interest owner for the Waddell Ranch properties through November 1, 2019 and Riverhill Energy Corporation ("Riverhill Energy"), formerly a wholly owned subsidiary of Riverhill Capital Corporation ("Riverhill Capital") and formerly an affiliate of Coastal Management Corporation ("CMC"), is the interest owner for the Texas Royalty properties. BROG currently conducts all field, technical and accounting operations on behalf of BROG with regard to the Waddell Ranch properties. Riverhill Energy currently conducts the accounting operations for the Texas Royalty properties.

In February 1997, BROG sold its interest in the Texas Royalty properties to Riverhill Energy.

The Trustee was advised that in the first quarter of 1998, Schlumberger Technology Corporation ("STC") acquired all of the shares of stock of Riverhill Capital. Prior to such acquisition by STC, CMC and Riverhill Energy were wholly owned subsidiaries of Riverhill Capital. The Trustee was further advised that in connection with STC's acquisition of Riverhill Capital, the shareholders of Riverhill Capital acquired ownership of all of the shares of stock of Riverhill Energy. Thus, the ownership in the Texas Royalty properties referenced above remained in Riverhill Energy, the stock ownership of which was acquired by the former shareholders of Riverhill Capital.

BROG notified the Trust, that on November 1, 2019, the Waddell Ranch properties (as defined herein on page 10) that are subject to the Net Overriding Royalty Conveyance (Permian Basin Royalty Trust - Waddell Ranch) dated November 1, 1980 (the ''Waddell Ranch Conveyance"), were sold to Blackbeard Operating, LLC ("Blackbeard") of Fort Worth, Texas. Blackbeard became the operator effective as of April 1, 2020.

On January 9, 2014, Bank of America N.A. (as successor to The First National Bank of Fort Worth) gave notice to Unit holders that it would be resigning as trustee of the Trust subject to certain conditions that included the appointment of Southwest Bank as successor trustee. At a Special Meeting of Trust Unit holders, the Unit holders approved the appointment of Southwest Bank as successor trustee of the Trust once the resignation of Bank of America N.A. took effect and also approved certain amendments to the Trust Indenture. The effective date of Bank of America N.A.'s resignation and the effective date of Southwest Bank's appointment as successor trustee was August 29, 2014. Effective October 19, 2017, Simmons First National Corporation ("SFNC") completed its acquisition of First Texas BHC, Inc., the parent company of Southwest Bank. SFNC is the parent company of Simmons Bank. SFNC merged Southwest Bank with Simmons Bank effective February 20, 2018. The defined term "Trustee" as used herein shall refer to Bank of America N.A. for periods prior to August 29, 2014, and shall refer to Southwest Bank for periods from August 29, 2014 through February 19, 2018 and shall refer to Simmons Bank for periods on and after February 20, 2018.

On November 4, 2021, Simmons Bank announced that it has entered into an agreement with Argent Trust Company, a Tennessee chartered trust company ("Argent"), pursuant to which Simmons Bank will be resigning as trustee of the Trust and will nominate Argent as successor trustee of the Trust. The Trustee's resignation as trustee, and Argent's appointment as successor trustee, are subject to certain conditions set forth in the agreement, including approval by the Unit holders of the Trust and of certain other trusts of which Simmons Bank acts as trustee (or a court) of (i) Argent's appointment as successor trustee and (ii) any amendments to the indenture of the Trust and the trust agreements and indentures of the other trusts necessary to permit Argent to serve as successor trustee.

The terms of the Trust Indenture provide, among other things, that:

- the Trust shall not engage in any business or commercial activity of any kind or acquire any assets other than those initially conveyed to the Trust;
- the Trustee may not sell all or any part of the Royalties unless approved by holders of 75% of all Units outstanding in which case the sale must be for cash and the proceeds promptly distributed;
- the Trustee may establish a cash reserve for the payment of any liability which is contingent or uncertain in amount;
- the Trustee is authorized to borrow funds to pay liabilities of the Trust; and
- the Trustee will make monthly cash distributions to Unit holders (see Note 3).

2. Accounting Policies

The financial statements of the Trust are prepared on the following basis:

- Royalty income recorded for a month is the amount computed and paid to the Trustee on behalf of the Trust by the interest owners. Royalty income consists of the amounts received by the owners of the interest burdened by the Royalties from the sale of production less accrued production costs, development and drilling costs, applicable taxes, operating charges and other costs and deductions multiplied by 75% in the case of the Waddell Ranch properties and 95% in the case of the Texas Royalty properties.
- Trust expenses, consisting principally of routine general and administrative costs, recorded are based on liabilities paid and cash reserves established out of cash received or borrowed funds for liabilities and contingencies.
- Distributions to Unit holders are recorded when declared by the Trustee.
- Royalty income is computed separately for each of the conveyances under which the Royalties were conveyed to the Trust. If monthly costs exceed revenues for any conveyance ("excess costs"), such excess costs cannot reduce royalty income from other conveyances, but is carried forward with accrued interest to be recovered from future net proceeds of that conveyance.

The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") because revenues are not accrued in the month of production expenses are recorded when paid and certain cash reserves may be established for contingencies which would not be accrued in financial statements prepared in accordance with GAAP. Amortization of the Royalties calculated on a unit-of-production basis is charged directly to trust corpus. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting periods. Actual results may differ from such estimates.

Impairment

The Trustee routinely reviews its royalty interests in oil and gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust's royalty interests may not be recoverable, an impairment will be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows. There was no impairment of the assets as of December 31, 2021.

Contingencies

Contingencies related to the Underlying Properties that are unfavorably resolved would generally be reflected by the Trust as reductions to future royalty income payments to the Trust with corresponding reductions to cash distributions to Unit holders.

Distributable Income Per Unit

Basic distributable income per Unit is computed by dividing distributable income by the weighted average of Units outstanding. Distributable income per Unit assuming dilution is computed by dividing distributable income by the weighted average number of Units and equivalent Units outstanding. The Trust had no equivalent Units outstanding for any period presented. Therefore, basic distributable income per Unit and distributable income per Unit assuming dilution are the same.

New Accounting Pronouncements

There are no new pronouncements that are expected to have a significant impact on the Trust's financial statements.

3. Net Overriding Royalty Interests and Distribution to Unit Holders

The amounts to be distributed to Unit holders ("Monthly Distribution Amounts") are determined on a monthly basis. The Monthly Distribution Amount is an amount equal to the sum of cash received by the Trustee during a calendar month attributable to the Royalties, any reduction in cash reserves and any other cash receipts of the Trust, including interest, reduced by the sum of liabilities paid and any increase in cash reserves. If the Monthly Distribution Amount for any monthly period is a negative number, then the distribution will be zero for such month. To the extent the distribution amount is a negative number, that amount will be carried forward and deducted from future monthly distributions until the cumulative distribution calculation becomes a positive number, at which time a distribution will be made. Unit holders of record will be entitled to receive the calculated Monthly Distribution Amount for each month on or before 10 business days after the monthly record date, which is generally the last business day of each calendar month.

The cash received by the Trustee consists of the amounts received by owners of the interest burdened by the Royalties from the sale of production less the sum of applicable taxes, accrued production costs, development and drilling costs, operating charges and other costs and deductions, multiplied by 75% in the case of the Waddell Ranch properties and 95% in the case of the Texas Royalty properties.

The initial carrying value of the Royalties ($10,975,216) represented Southland Royalty Company's historical net book value at the date of the transfer to the Trust. Accumulated amortization as of December 31, 2021 and 2020 was $10,622,528 and $10,592,340, respectively.

4. Federal Income Taxes

For federal income tax purposes, the Trust constitutes a fixed investment trust that is taxed as a grantor trust. A grantor trust is not subject to tax at the trust level. The Unit holders are considered to own the Trust's income and principal as though no trust were in existence. The income of the Trust is deemed to have been received or accrued by each Unit holder at the time such income is received or accrued by the Trust and not when distributed by the Trust. The Trust has on file technical advice memoranda confirming the tax treatment described above.

Some 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 customer in street name, collectively referred to herein as "middlemen"). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust ("WHFIT") for U.S. federal income tax purposes. Simmons Bank, EIN: 71-0162300, 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas 75219, telephone number (855) 588-7839, email address trustee@pbt-permian.com, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. Tax information is also posted by the Trustee at www.pbt-permian.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 Forms 1099 and certain written tax statements. Unit 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.

Because the Trust is a grantor trust for federal tax purposes, each Unit holder is taxed directly on his proportionate share of income, deductions and credits of the Trust consistent with each such Unit holder's taxable year and method of accounting and without regard to the taxable year or method of accounting employed by the Trust. The income of the Trust consists primarily of a specified share of the proceeds from the sale of oil and gas produced from the Underlying Properties. During 2021, the Trust also earned interest income on funds held for distribution and the cash reserve maintained for the payment of contingent and future obligations of the Trust.

The Trust generally allocates its items of income, gain, loss and deduction between transferors and transferees of the Units each month based upon the ownership of the Units on the monthly record date, instead of on the basis of the date a particular Unit is transferred. It is possible that the IRS could disagree with this allocation method and could assert that income and deductions of the Trust should be determined and allocated on a daily or prorated basis, which could require adjustments to the tax returns of the Unit holders affected by the issue and result in an increase in the administrative expense of the Trust in subsequent periods.

The deductions of the Trust consist of severance taxes and administrative expenses. In addition, each Unit holder is entitled to depletion deductions because the Royalties constitute "economic interests" in oil and gas properties for federal income tax purposes. Each Unit holder is entitled to amortize the cost of the Units through cost depletion over the life of the Royalties or, if greater, through percentage depletion equal to 15 percent of gross income, limited to 100% of the net income from such royalty. Unlike cost depletion, percentage depletion is not limited to a Unit holder's depletable tax basis in the Units. Rather, a Unit holder is entitled to a percentage depletion deduction as long as the applicable Underlying Properties generate gross income. Percentage depletion is allowed on proven properties acquired after October 11, 1990. For Units acquired after such date, Unit holders should compute both percentage depletion and cost depletion from each property and claim the larger amount as a deduction on their income tax returns.

Unit holders must maintain records of their adjusted basis in their Trust Units (generally his cost less prior depletion deductions), make adjustments for depletion deductions to such basis, and use the adjusted basis for the computation of gain or loss on the disposition of the Trust Units.

If a taxpayer disposes of any "Section 1254 property" (certain oil, gas, geothermal or other mineral property), and if the adjusted basis of such property includes adjustments for deductions for depletion under Section 611 of the Internal Revenue Code (the "Code"), the taxpayer generally must recapture the amount deducted for depletion as ordinary income (to the extent of gain realized on such disposition). This depletion recapture rule applies to any disposition of property that was placed in service by the taxpayer after December 31, 1986. Detailed rules set forth in Sections 1.1254-1 through

1.1254-6 of the U.S. Treasury Regulations govern dispositions of property after March 13, 1995. The Internal Revenue Service likely will take the position that a Unit holder who purchases a Unit subsequent to December 31, 1986 must recapture depletion upon the disposition of that Unit.

Individuals may incur expenses in connection with the acquisition or ownership of Trust Units. For tax years beginning before January 1, 2018 and after December 31, 2025, these expenses may be deductible as “miscellaneous itemized deductions” only to the extent that such expenses exceed 2 percent of the individual’s adjusted gross income. As a result of the TCJA, for tax years beginning after December 31, 2018 and before January 1, 2026, miscellaneous itemized deductions are not allowed.

The classification of the Trust’s income for purposes of the passive loss rules may be important to a Unit holder. Royalty income generally is treated as portfolio income and does not offset passive losses. Therefore, in general, 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 advisor for further information.

Unit holders of record will continue to receive an individualized tax information letter for each of the quarters ending March 31, June 30 and September 30, 2021, and for the year ending December 31, 2021. Unit holders owning Units in the name of a nominee may obtain monthly tax information from the Trustee upon request. See discussion above regarding certain reporting requirements imposed upon middlemen under U.S. Treasury Regulations because the Trust is considered a WHIFT for federal income tax purposes.

Under the TCJA, for tax years beginning after December 31, 2018 and before January 1, 2026, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 37%, and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, gains from the sale or exchange of certain investment assets held for more than one year) and qualified dividends of individuals is 20%. Under the TCJA, for such tax years, personal exemptions and miscellaneous itemized deductions are not allowed. For such tax years, the U.S. federal income tax rate applicable to corporations is 21%, and such rate applies to both ordinary income and capital gains.

Section 1411 of the Code imposes a 3.8% Medicare tax on certain investment income earned by individuals, estates, and trusts. For these purposes, investment income generally will include a Unit holder’s allocable share of the Trust’s interest and royalty income plus the gain recognized from a sale of Trust Units. In the case of an individual, the tax is imposed on the lesser of (i) the individual’s net investment income from all investments, or (ii) the amount by which the individual’s modified adjusted gross income exceeds specified threshold levels depending on such individual’s federal income tax filing status. In the case of an estate or trust, the tax is imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

The Tax consequences to a Unit holder of the acquisition, ownership or disposition of Units will depend in part on the Unit holder’s tax circumstances. Unit holders should consult their tax advisor regarding the federal tax consequences relating to acquiring, owning or disposing the Units in the Trust.

Pursuant to the Foreign Account Tax Compliance Act (commonly referred to as “FATCA”), distributions from the Trust to “foreign financial institutions” and certain other “non-financial foreign entities” may be subject to U.S. withholding taxes. Specifically, certain “withholdable payments” (including certain royalties, interest and other gains or income from U.S. sources) made to a foreign financial institution or non-financial foreign entity will generally be subject to the withholding tax unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

The Treasury Department issued guidance providing that the FATCA withholding rules described above generally apply to qualifying payments made after June 30, 2014. Foreign Unit holders are encouraged to consult their own tax advisors regarding the possible implications of these withholding provisions on their investment in Trust Units.

5. Proved Oil and Gas Reserves (Unaudited)

Reserve Quantities

Information regarding estimates of the proved oil and gas reserves attributable to the Trust are based on reports prepared by Cawley, Gillespie & Associates, Inc., independent petroleum engineering consultants. Estimates were prepared in accordance with the guidelines established by the FASB and the Securities and Exchange Commission. Certain information required by this guidance is not presented because that information is not applicable to the Trust due to its passive nature.

Oil and gas reserve quantities (all located in the United States) are estimates based on information available at the time of their preparation. Such estimates are subject to change as additional information becomes available. Reserves actually recovered, and the timing of the production of those reserves, may differ substantially from original estimates. The following schedule presents changes in the Trust's total proved reserves (in thousands):

	Total	
	Oil (Bbls)	Gas (Mcf)
January 1, 2019	4,261	7,904
Extensions, discoveries, and other additions	5	18
Revisions of previous estimates	124	(1,678)
Production	(361)	(858)
December 31, 2019	4,029	5,386
Extensions, discoveries, and other additions	615	1,327
Revisions of previous estimates	242	1,122
Production	(436)	(1,437)
December 31, 2020	4,450	6,398
Extensions, discoveries, and other additions	1,309	2,123
Revisions of previous estimates	1,831	6,620
Production	(967)	(3,877)
December 31, 2021	6,623	11,264

Estimated quantities of proved developed reserves of oil and gas as of the dates indicated were as follows (in thousands):

Proved Developed Reserves:	Oil (Barrels)	Gas (Mcf)
January 1, 2019	4,261	7,904
December 31, 2019	4,029	5,386
December 31, 2020	4,450	6,398
December 31, 2021	6,623	11,264

Disclosure of a Standardized Measure of Discounted Future Net Cash Flows

The following is a summary of a standardized measure (in thousands) of discounted future net cash flows related to the total proved oil and gas reserve quantities attributable to the Trust. Information presented is based upon valuation of proved reserves by using discounted cash flows based upon average oil and gas prices ($66.56 per bbl and $3.60 per Mcf, respectively) during the 12-month period prior to the fiscal year-end, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions and severance and ad valorem taxes, if any, and economic conditions, discounted at the required rate of 10 percent. As the Trust is not subject to taxation at the trust level, no provision for income taxes has been made in the following disclosure. Trust prices may differ from posted NYMEX prices due to differences in product quality and property location. The impact of changes in current prices on reserves could vary significantly from year to year. Accordingly, the information presented below should not be viewed as an estimate of the fair market value of the Trust's oil and gas properties nor should it be viewed as indicative of any trends.

December 31,	2021	2020	2019
Future net cash inflows	$ 465,149	$170,446	$ 211,563
Discount of future net cash flows @ 10%	(205,293)	(90,355)	(108,808)
Standardized measure of discounted future net cash inflows	$ 259,856	$ 80,091	$ 102,755

The change in the standardized measure of discounted future net cash flows for the years ended December 31, 2020, 2019 and 2018 is as follows (in thousands):

	Total		
	2021	2020	2019
January 1	$ 80,091	$102,755	$139,368
Extensions, discoveries, and other additions	51,245	10,240	16
Accretion of discount	8,009	10,276	13,922
Revisions of previous estimates and other	132,317	(31,140)	(30,063)
Royalty income	(11,806)	(12,040)	(20,488)
December 31	$259,856	$ 80,091	$102,755

Subsequent to December 31, 2021, the price of both oil and gas continued to fluctuate, giving rise to a correlating adjustment of the respective standardized measure of discounted future net cash flows. As of March 15, 2022, NYMEX posted oil prices were approximately $96.44 per barrel, which compared to the posted price of $66.56 per barrel, used to calculate the worth of future net revenue of the Trust's proved developed reserves, would result in a larger standardized measure of discounted future net cash flows for oil. As of March 15, 2022, NYMEX posted gas prices were $4.46 per million British thermal units. The use of such price, as compared to the posted price of $3.65 per million British thermal units, used to calculate the future net revenue of the Trust's proved developed reserves would result in a larger standardized measure of discounted future net cash flows for gas.

6. Quarterly Schedule of Distributable Income (Unaudited)

The following is a summary of the unaudited quarterly schedule of distributable income for the two years ended December 31, 2021 (in thousands, except per Unit amounts):

2021	Royalty Income	Distributable Income	Distributable Income and Distribution Per Unit
First Quarter	$ 2,124,157	$ 1,839,730	$.039472
Second Quarter	2,941,146	2,658,115	.057030
Third Quarter	3,344,086	2,984,263	.064028
Fourth Quarter	3,396,125	3,239,667	.069509
Total	$11,805,514	$10,721,775	$.230042

2020	Royalty Income	Distributable Income	Distributable Income and Distribution Per Unit
First Quarter	$ 6,254,509	$ 5,930,007	$ .127229
Second Quarter	2,446,502	1,928,093	.041366
Third Quarter	1,358,890	1,254,340	.026919
Fourth Quarter	1,980,417	1,846,239	.039599
Total	$12,040,318	$10,958,618	$0.235113

7. State Tax Considerations

All revenues from the Trust are from sources within Texas, which does not impose an individual income tax. Texas imposes a franchise tax at a rate of 0.75% on gross revenues less certain deductions, as specifically set forth in the Texas franchise tax statutes. Entities subject to tax generally include trusts and most other types of entities that provide limited liability protection, unless otherwise exempt. Trusts that receive at least 90% of their federal gross income from certain passive sources, including royalties from mineral properties and other non-operated mineral interest income, and do not receive more than 10% of their income from operating an active trade or business, generally are exempt from the Texas franchise tax as “passive entities.” The Trust has been and expects to continue to be exempt from Texas franchise tax as a passive entity. Because the Trust should be exempt from Texas franchise tax at the Trust level as a passive entity, each Unit holder that is a taxable entity under the Texas franchise tax generally will be required to include its portion of Trust revenues in its own Texas franchise tax computation. This revenue is sourced to Texas under provisions of the Texas Administrative Code providing that such income is sourced according to the principal place of business of the Trust, which is Texas.

Unit holders should consult their tax advisor regarding the possible state tax implications of owning Trust Units.

8. Commitments and Contingencies

Contingencies related to the Underlying Properties that are unfavorably resolved would generally be reflected by the Trust as reductions to future royalty income payments to the Trust with corresponding reductions to cash distributions to Unit holders.

9. Subsequent Events

Subsequent to December 31, 2021, the Trust declared the following distributions:

Monthly Record Date	Payment Date	Distribution per Unit
January 31, 2022	February 14, 2022	$.031614
February 28, 2022	March 14, 2022	$.029164
March 21, 2022	April 14, 2022	$.019331

* * * * *

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures.*

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Trustee carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934, as amended. Based on such evaluation, the Trustee concluded that the Trust's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Trustee to allow timely decisions regarding required disclosure.

In its evaluation of disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by Burlington Resources Oil & Gas Company, LP, the owner of the Waddell Ranch properties, and Riverhill Energy Corporation, the owner of the Texas Royalty properties.

Changes in Internal Control over Financial Reporting

There has not been any change in the Trust's internal control over financial reporting during the twelve months ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

Trustee's Report on Internal Control Over Financial Reporting

The Trustee is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Securities and Exchange Act of 1934, as amended. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with the modified cash basis of accounting. The Trustee conducted an evaluation of the effectiveness of the Trust's internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Trustee's evaluation under the framework in Internal Control-Integrated Framework 2013, the Trustee concluded that the Trust's internal control over financial reporting are effective as of December 31, 2021.

Item 9B. ***Other Information.***

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.***

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

DIRECTORS AND OFFICERS

The Trust has no directors or executive officers. The Trustee is a corporate trustee which may be removed, with or without cause, at a meeting of the Unit holders, by the affirmative vote of the holders of a majority of all the Units then outstanding.

AUDIT COMMITTEE AND NOMINATING COMMITTEE

Because the Trust has no directors, it does not have an audit committee, an audit committee financial expert or a nominating committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Trust's directors, officers or beneficial owners of more than ten percent of a registered class of the Trust's equity securities to file reports of ownership and changes in ownership with the SEC and to furnish the Trust with copies of all such reports.

The Trust has no directors or officers and based solely on its review of the reports received by it, the Trust believes that during the fiscal year of 2021, no person who was a beneficial owner of more than ten percent the Trust's Units failed to file on a timely basis any report required by Section 16(a).

STANDARDS OF CONDUCT

Because the Trust has no employees, it does not have a code of ethics. Employees of the Trustee, Simmons Bank, must comply with the bank's code of ethics which may be found at ir.simmonsbank.com/govdocs.

Item 11. *Executive Compensation*

During the years ended December 31, 2021, 2020 and 2019, the Trustee received total remuneration as follows:

Name of Individual or Number of Persons in Group	Cash Compensation	Year
Simmons Bank, Trustee	$108,653(1)	2021
Simmons Bank, Trustee	$104,613(1)	2020
Simmons Bank, Trustee	$106,119(1)	2019

(1) Under the Trust Indenture, the Trustee is entitled to an administrative fee for its administrative services, preparation of quarterly and annual statements with attention to tax and legal matters of: (i) 1/20 of 1% of the first $100 million and (ii) Trustee's standard hourly rate in excess of 300 hours annually. The administrative fee is subject to reduction by a credit for funds provision.

COMPENSATION COMMITTEE

Because the Trust has no directors, it does not have a compensation committee or maintain any equity compensation plans, and the Trust has not engaged any consultants to provide advice or recommendations on the amount or form of compensation. The Trust does not have a principal executive officer or employees and therefore, the pay ratio disclosure is not applicable.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

(a) *Security Ownership of Certain Beneficial Owners*. Based solely on a review of statements filed with the SEC pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended, the following table sets forth all persons who are known to the Trustee to own beneficially more than 5% of the outstanding Units of the Trust as of December 31, 2021:

Name	Number of Units Owned(1)	Percent(2)
Loyd Powell(3)	3,372,195	7.235%
Gideon Powell(3)	1,287,004	2.76%
SoftVest, LP(4)	2,768,139	5.9%

(1) Unless otherwise indicated, all Units are held directly with sole voting and investment power.
(2) Based on 46,608,796 Units outstanding as of December 31, 2021.
(3) Based on Schedule 13G/A filed February 11, 2021, reporting ownership as of December 31, 2020, jointly and as a group by Loyd Powell and Gideon Powell. The address for each of Loyd Powell and Gideon Powell is P.O. Box 12208; Suite 1610, Dallas, Texas 75225.
(4) Based on Schedule 13G filed February 14, 2022 reporting ownership as of December 31, 2021, jointly by SoftVest Advisors, LLC, SoftVest, LP, and SoftVest GP I, LLC. The address for each of SoftVest Advisors, LLC, SoftVest, LP, and SoftVest GP I, LLC is 400 Pine Street, Suite 1010, Abilene, TX, 79601.

(b) *Security Ownership of Management*. The Trustee does not beneficially own any securities of the Trust.

(c) *Change In Control*. The Trustee knows of no arrangements which may subsequently result in a change in control of the Trust.

(d) *Securities Authorized for Issuance under Equity Compensation Plans.* The Trust has no equity compensation plans.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The Trust has no directors or executive officers. See Item 11 for the remuneration received by the Trustee during the years ended December 31, 2021, 2020 and 2019.

Item 14. Principal Accounting Fees and Services

Fees for services performed by Weaver and Tidwell, L.L.P. for the years ended December 31, 2021 and 2020 are:

Weaver and Tidwell, L.L.P.	2021	2020
Audit fees	$84,720	$94,000
Audit-related fees	–	–
Tax fees	–	–
All other fees	–	–
Total	$84,720	$94,000
Total	$84,720	$94,000

As referenced in Item 10 above, the Trust has no audit committee, and as a result, has no audit committee pre-approval policy with respect to fees paid to Weaver and Tidwell, L.L.P.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as a part of this Report:

1. *Financial Statements*

Included in Part II of this Report:

2. *Financial Statement Schedules*

Financial statement schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

3. *Exhibits*

Exhibit Number		Exhibit
(4)(a)	–	Permian Basin Amended and Restated Royalty Trust Indenture dated June 20, 2014, between Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) and The First National Bank of Fort Worth (now Simmons Bank), as Trustee, heretofore filed as Exhibit 4.1 to the Trust's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarterly period ended June 30, 2014, is incorporated herein by reference.*
(b)	–	Net Overriding Royalty Conveyance (Permian Basin Royalty Trust) from Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) to The First National Bank of Fort Worth (now Simmons Bank), as Trustee, dated November 3, 1980 (without Schedules), heretofore filed as Exhibit (4)(b) to the Trust's Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980, is incorporated herein by reference.* (P)
(c)	–	Net Overriding Royalty Conveyance (Permian Basin Royalty Trust – Waddell Ranch) from Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) to The First National Bank of Fort Worth (now Simmons Bank), as Trustee, dated November 3, 1980 (without Schedules), heretofore filed as Exhibit (4)(c) to the Trust's Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980, is incorporated herein by reference.* (P)
(10)(a)	–	Underwriting Agreement dated December 15, 2005 among the Permian Basin Royalty Trust, Burlington Resources, Inc., Burlington Resources Oil & Gas L.P. and Lehman Brothers Inc. and Wachovia Capital Markets, LLC as representatives of the several underwriters, heretofore filed as Exhibit 10.1 to the Trust's current report on Form 8-K to the Securities and Exchange Commission filed on December 19, 2005, is incorporated herein by reference.*
(b)	–	Underwriting Agreement dated August 2, 2005 among the Permian Basin Royalty Trust, Burlington Resources, Inc., Burlington Resources Oil & Gas L.P. and Goldman Sachs & Co. and Lehman Brothers Inc. as representatives of the several underwriters, heretofore filed as Exhibit 10.1 to the Trust's current report on Form 8-K to the Securities and Exchange Commission filed on August 8, 2005, is incorporated herein by reference.*

Exhibit Number		Exhibit
(c)	—	Underwriting Agreement dated August 17, 2006, among Permian Basin Royalty Trust, ConocoPhillips, Burlington Resources Oil & Gas Company LP and Lehman Brothers Inc. and Wachovia Capital Markets, LLC as representatives of the several underwriters heretofore filed as Exhibit 10.1 to the Trust's current report on Form 8-K to the Securities and Exchange Commission filed on August 22, 2006, is incorporated herein by reference.*
(d)	—	Registration Rights Agreement dated as of July 21, 2004 by and between Burlington Resources, Inc. and Bank of America, N.A., as trustee of Permian Basin Royalty Trust, heretofore filed as Exhibit 10.1 to the Trust's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarterly period ended June 30, 2004 is incorporated herein by reference.*
(23.1)	—	Consent of Cawley, Gillespie & Associates, Inc., reservoir engineer.**
(31.1)	—	Certification required by Rule 13a-14(a)/15d-14(a).**
(32.1)	—	Certification required by Rule 13a-14(b)/15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002.**
(99.1)	—	Report of Cawley, Gillespie & Associates, Inc., reservoir engineer.**

* A copy of this Exhibit is available to any Unit holder, at the actual cost of reproduction, upon written request to the Trustee, Simmons Bank, 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas 75219.

** Filed herewith.

(P) Paper exhibits.

SIGNATURE

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

SIMMONS BANK,
TRUSTEE FOR THE
PERMIAN BASIN ROYALTY TRUST

By: /s/ Ron E. Hooper

Ron E. Hooper
SVP Royalty Trust Management

Date: March 30, 2022

(The Trust has no directors or executive officers.)

Exhibit 99.1

CAWLEY, GILLESPIE & ASSOCIATES, INC.

PETROLEUM CONSULTANTS

13640 BRIARWICK DRIVE, SUITE 100
AUSTIN, TEXAS 78729-1707
512-249-7000

306 WEST SEVENTH STREET, SUITE 302
FORT WORTH, TEXAS 76102-4987
817- 336-2461
www.cgaus.com

1000 LOUISIANA STREET, SUITE 1900
HOUSTON,TEXAS 77002-5008
713-651-9944

February 21, 2022

Mr. Ron Hooper
Permian Basin Royalty Trust
2911 Turtle Creek Blvd., Suite 850
Dallas, Texas 75219

Re: Evaluation Summary
Permian Basin Royalty Trust Interests
Proved Reserves
As of December 31, 2021

Pursuant to the Rules and Regulations of the Securities and Exchange Commission for Reporting Corporate Reserves and Future Net Revenue

Dear Mr. Hooper:

As requested, we are submitting this report of the estimates of proved reserves and economics forecasts attributable to the Permian Basin Royalty Trust interests effective as of December 31, 2021, completed February 21, 2022 for the purpose of reporting corporate reserves and future net revenue. This report has been prepared for the Permian Basin Royalty Trust pursuant to the rules, regulations and guidelines of the Securities and Exchange Commission, Item 1202 (a) (8) of Regulation S-K, for reporting corporate reserves and future net revenue. We reviewed 100 percent of the total proved reserves of the Permian Basin Royalty Trust in connection with the preparation of this report. The proved reserves presented in this report constitute 100 percent of the proved reserves owned by the Permian Basin Royalty Trust, all of which are located in the United States.

Composite reserve estimates and economic forecasts for the proved reserves are summarized below:

			Texas Royalty Properties	***Waddell Ranch Properties***		
		Total Proved	Proved Developed Producing	Proved Developed Producing	Proved Developed Non-Producing	Proved Undeveloped
Net Reserves						
Oil/Condensate	- Mbbl	6,623.2	2,637.0	2,676.9	165.2	1,144.2
Gas	- MMcf	11,264.3	1,484.7	7,656.6	442.4	1,680.7
Net Revenue						
Oil/Condensate	- M$	425,896.5	166,873.0	173,944.3	10,732.3	74,346.8
Gas	- M$	59,479.6	8,106.5	40,220.5	2,323.8	8,828.9
Severance Taxes	- M$	20,226.8	7,011.7	9,016.3	552.4	3,646.3
Operating Income (BFIT)	- M$	465,149.4	167,967.8	205,148.6	12,503.8	79,529.3
Discounted at 10%	- M$	**259,856.2**	**71,527.6**	**137,083.7**	**5,875.5**	**45,369.4**

In accordance with the Securities and Exchange Commission guidelines, the future net cash flow, operating income (BFIT), has been discounted at an annual rate of 10% to determine its "present worth". The discounted value, "present worth", is indicative of the time value of money. The discounted value, "present worth", shown above should not be construed to represent an estimate of the fair market value by Cawley, Gillespie & Associates, Inc.

The Permian Basin Royalty Trust consists of the Waddell Ranch Properties located in Crane County, Texas, and the Texas Royalty Properties located in various counties in Texas.

As to the assumptions, methods and procedures used in connection with the preparation of this report, prices were forecast in accordance with Securities and Exchange Commission rules and guidelines. The prices are determined as an unweighted arithmetic average of the first-day-of-the-month benchmark price for each month of 2021. The 12-month average benchmark Henry Hub spot gas price of $3.60 per MMBtu and 12-month average benchmark WTI Cushing spot oil price of $66.56 per barrel were used. The oil and gas prices were held constant throughout the life of the properties. The prices were adjusted for gravity, quality, heating value, transportation and marketing. For the Texas Royalty Properties, the gas and oil prices were adjusted using differentials of +$1.86 per Mcf and -$3.28 per barrel, respectively. For the Waddell Ranch Properties, the gas and oil prices were adjusted using differentials of +$1.65 per Mcf and -$1.58 per barrel, respectively. Deductions were applied to the net gas volumes for fuel and shrinkage. For the Texas Royalty Properties, the adjusted volume-weighted average product prices over the life of the properties are $63.28 per barrel and $5.46 per MCF, respectively. For the Waddell Ranch Properties, the adjusted volume-weighted average product prices over the life of the properties are $64.98 per barrel and $5.25 per MCF, respectively.

For the Waddell Ranch Properties, operating expenses and capital costs were based on an analysis of data provided by Blackbeard Operating. Operating expenses include direct lease operating expenses and administrative overhead and were forecast as $4,500 per well per month and $5.50 per barrel of oil. Investments include drilling costs, work-over costs, production equipment and facilities costs. No operating expense or capital cost data is available for the Texas Royalty Properties since they are purely a royalty interest only. Based on an analysis of the Permian Basin Royalty Trust Monthly reports, severance taxes were forecast as 4.61% and 2.48% of oil and gas revenue, respectively, for the Waddell Ranch Properties. For the Texas Royalty Properties, severance taxes were forecast as 3.94% and 5.39% of oil and gas revenue, respectively. The ad valorem taxes were forecast as 1.22% and 6.20% for the Waddell Ranch Properties and the Texas Royalty Properties, respectively. Neither expenses nor investments were escalated. The cost of plugging and the salvage value of equipment have not been considered.

The reserves were estimated using the production performance, volumetric or analogy methods, or a combination of these methods. In each case, we used the method or combination of methods that we considered appropriate and necessary to establish the reserves and conclusions presented. Riverhill Energy Corporation supplied the royalty production data for the Texas Royalty Properties. For these properties, the proved producing reserves are forecast using the production performance, decline analysis method to an estimated final production rate equal to approximately one-tenth of the current production rate. The producing reserves for the Waddell Ranch Properties were estimated using the production performance or analogy methods or a combination of these methods. The non-producing reserves were estimated using the analogy or volumetric methods or a combination of these methods.

The reserve classifications conform to the definitions and criteria of the Securities and Exchange Commission. The reserves and economics are predicated on the regulatory agency classifications, rules, policies, laws, taxes and royalties in effect on the effective date except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. We are not aware of any legislative changes or restrictive actions that may possibly impact the reserves or economics as presented. Possible environmental liability related to the properties has not been investigated nor considered. The assumptions, data, methods and procedures as described are appropriate for the purpose of this report. All reserve estimates represent our best judgment based on data available at the time of preparation and assumptions as to future economic and regulatory conditions. Due to the inherent uncertainties of reserves estimates, future production rates, commodity prices, costs and expenses, it should be realized that the reserves actually recovered, the revenue received and the actual cost incurred could be more or less than the estimated amounts.

The reserve estimates were based on interpretations of factual data furnished by Blackbeard Operating, Riverhill Energy Corporation and the Permian Basin Royalty Trust. Liquid and gas price information, cost and expense history, subject wells and ownership were supplied by one or more of the above and were accepted as furnished. To some extent, information from public records has been used to check and/or supplement these data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. An on-site inspection of these properties has not been made nor have the wells been tested by Cawley, Gillespie & Associates, Inc. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report.

Cawley, Gillespie & Associates, Inc. is independent with respect to the Permian Basin Royalty Trust as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information promulgated by the Society of Petroleum Engineers. Neither Cawley, Gillespie & Associates, Inc. nor any of its employees has any interest in the subject properties. Neither the employment to make this study nor the compensation is contingent on the results of our work or the future performance of the subject properties. Cawley, Gillespie and Associates, Inc. is a Texas registered engineering firm, F-693, of professional engineers and geologists serving the oil and gas industry for over fifty years. This report was prepared by, or under the supervision of, J. Zane Meekins, a Texas registered professional engineer (License No. 71055).

Respectfully submitted,

Cawley, Gillespie & Assoc., Inc.

CAWLEY, GILLESPIE & ASSOCIATES, INC.
Texas Registered Engineering Firm F-693

J. Zane Meekins, P.E.
Executive Vice President

Permian Basin Royalty Trust

Simmons Bank
2911 Turtle Creek Blvd, Ste. 850
Dallas, TX 75219
1-855-588-7839
www.pbt-permian.com

Auditors

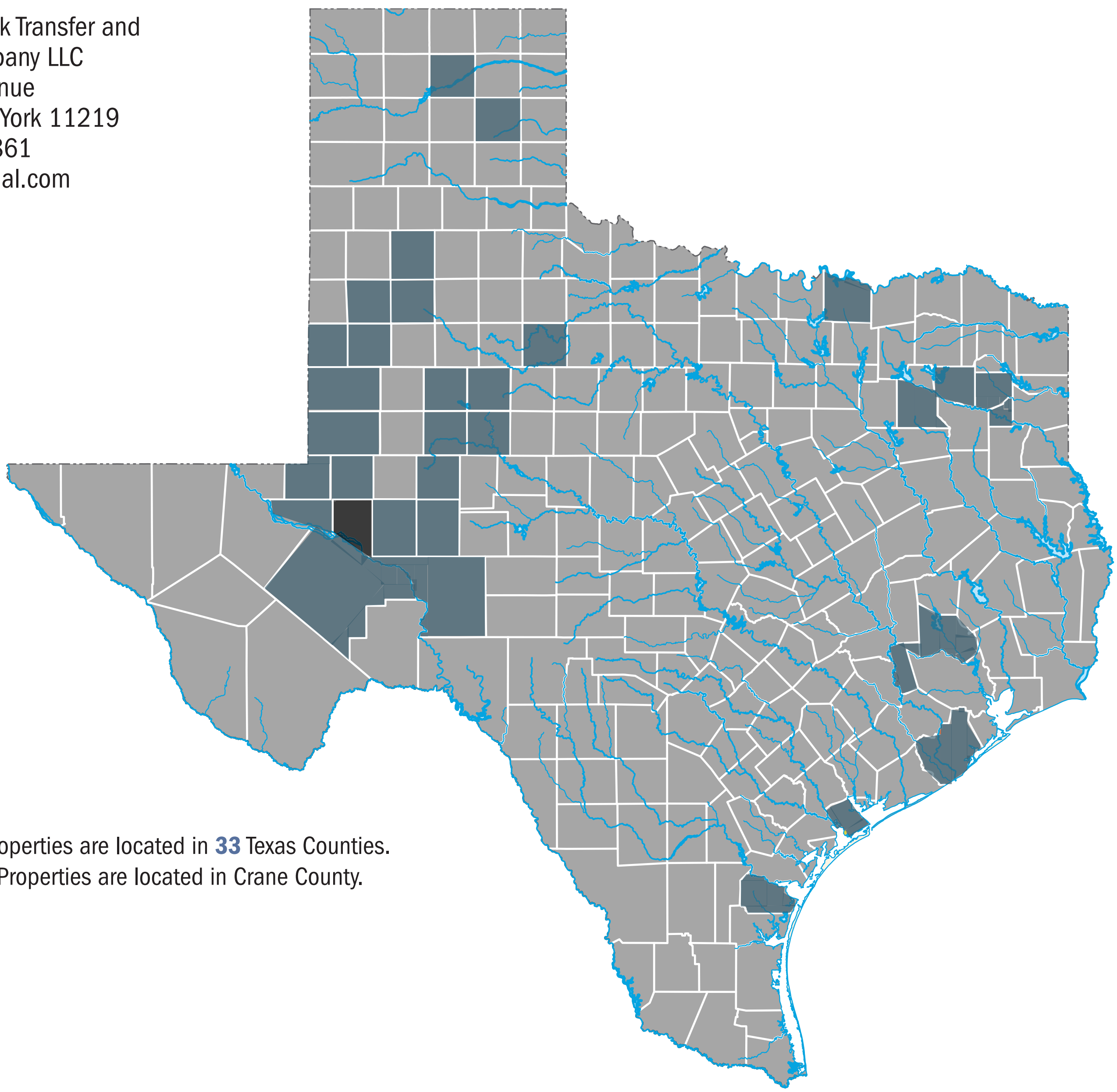
Weaver and Tidwell, L.L.P.
Dallas, Texas

Legal Counsel

Holland & Knight LLP
Dallas, Texas

Transfer Agent

American Stock Transfer and
Trust Company LLC
6201 15th Avenue
Brooklyn, New York 11219
1-800-358-5861
www.astfinancial.com



Texas Royalty Properties are located in **33** Texas Counties.
Waddell Ranch Properties are located in Crane County.

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