Permian Basin Royalty Trust

Second Quarter Report 2004

To Unit Holders

For the quarter ended June 30, 2004, royalty income received by the Trust amounted to $9,045,654 compared to royalty income of $8,569,350 during the second quarter of 2003. The increase in royalty income is primarily attributable to significant increases in both oil and gas prices.

Interest income for the quarter ended June 30, 2004, was $3,154 compared to $3,400 during the second quarter of 2003. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the second quarter of 2004 amounted to $144,076 compared to $147,705 during the first quarter of 2003. The decrease in general and administrative expenses can be primarily attributed to the timing of payment of year-end expenses.

These transactions resulted in distributable income for the quarter ended June 30, 2004, of $8,904,732, or $.19 per Unit of beneficial interest. Distributions of $.059152, $.068610 and $.063289 per Unit were made to Unit holders of record as of April 30, 2004, May 28, 2004, and June 30, 2004, respectively. For the second quarter of 2003, distributable income was $8,425,045 or $.18 per Unit of beneficial interest.

Royalty income for the Trust for the second quarter of the calendar year is associated with actual oil and gas production for the period of February, March and April of 2004 from the properties from which the Trust's net overriding royalty interests ("Royalties") were carved. Oil and gas sales attributable to the Royalties and the properties from which the Royalties were carved are as follows:

Second Quarter	2004	2003
Royalties		
Oil Sales (Bbls)	**175,475**	171,432
Gas Sales (Mcf)	**711,703**	751,109
Properties From Which The Royalties Were Carved		
Oil:		
Total Oil Sales (Bbls)	**298,568**	300,535
Average Per Day (Bbls)	**3,317**	3,377
Average Price Per Bbl	**$33.89**	$29.09
Gas:		
Total Gas Sales (Mcf)	**1,426,463**	1,533,308
Average Per Day (Mcf)	**15,850**	17,228
Average Price Per Mcf	**$4.98**	$5.30

The posted price of oil increased to an average price per barrel of $33.89 per Bbl in the second quarter of 2004 compared to $29.09 per Bbl in the second quarter of 2003. The Trustee has been advised by Burlington Resources Oil & Gas Company LLP ("BROG") that for the period of

August 1, 1993, through June 30, 2004, the oil from the Waddell Ranch properties was being sold under a competitive bid to a third party. The average price of gas decreased from $5.30 per Mcf in the second quarter of 2003 to $4.98 per Mcf in the second quarter of 2004 due to change in overall market variables.

Since the oil and gas sales attributable to the Royalties are based on an allocation formula that is dependent on such factors as price and cost (including capital expenditures), the production amounts in the Royalties section of the above table do not provide a meaningful comparison. Oil and gas sales volumes from the Underlying Properties decreased for the applicable period in 2004 compared to 2003.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2004 totaled $2,680,000 as compared to $2,589,000 for the second quarter of 2003. BROG has informed the Trustee that the 2004 capital expenditures budget has been revised to $13.2 million for the Waddell Ranch. The total amount of capital expenditures for 2003 was $9.1 million. Through the second quarter of 2004, capital expenditures of $2.7 million have been expended.

The Trustee has been advised that there were no wells completed and 4 wells in progress and 31 work-over wells in progress during the three months ended June 30, 2004, as compared to no wells completed or in progress and 11 work-over wells completed and 46 work-over wells in progress for the three months ended June 30, 2003, on the Waddell Ranch properties.

Lease operating expense and property taxes totaled $2.4 million for the second quarter of 2004, compared to $2.6 million in the second quarter of 2003 on the Waddell Ranch properties. This decrease is primarily attributable to reduced maintenance costs for the quarter in 2004.

Bank of America, N.A., Trustee

By:

Ron E. Hooper
Senior Vice President
August 31, 2004

Permian Basin Royalty Trust

Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2004 (Unaudited)	December 31, 2003
Assets		
Cash and Short-term Investments	**$ 2,949,832**	$ 2,873,975
Net Overriding Royalty Interests in Producing Oil and Gas Properties (Net of Accumulated Amortization of $9,072,646 and $8,983,622 at June 30, 2004, and December 31, 2003, respectively)	**1,902,570**	1,991,594
	$ 4,852,402	$ 4,865,569
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	**$ 2,949,832**	$ 2,873,975
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	**1,902,570**	1,991,594
	$ 4,852,402	$ 4,865,569

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Royalty Income	**$ 9,045,654**	$ 8,569,350	**$ 18,252,328**	$ 15,552,724
Interest Income	**3,154**	3,400	**6,652**	6,935
	9,048,808	8,572,750	**18,258,980**	15,559,659
General and Administrative Expenditures	**(144,076)**	(147,705)	**(328,101)**	(365,133)
Distributable Income	**$ 8,904,732**	$ 8,425,045	**$ 17,930,879**	$ 15,194,526
Distributable Income per Unit (46,608,796 Units)	**$ .19**	$ .18	**$ .38**	$ .33

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

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Trust Corpus, Beginning of Period	**$ 1,947,308**	$ 2,129,927	**$ 1,991,594**	$ 2,172,393
Amortization of Net Overriding Royalty Interests	**(44,738)**	(44,260)	**(89,024)**	(86,726)
Distributable Income	**8,904,732**	8,425,045	**17,930,879**	15,194,526
Distributions Declared	**(8,904,732)**	(8,425,045)	**(17,930,879)**	(15,194,526)
Total Trust Corpus, End of Period	**$ 1,902,570**	$ 2,085,667	**$ 1,902,570**	$ 2,085,667
Distributions per Unit	**$ .19**	$ .18	**$ .38**	$ .33

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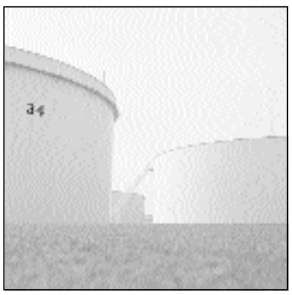

Permian Basin Royalty Trust

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