

# PERMIAN BASIN ROYALTY TRUST FINANCIAL STATEMENTS

## CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	SEPTEMBER 30, 2011	DECEMBER 31, 2010
	(Unaudited)	
<b>ASSETS</b>		
Cash and Short-term Investments .....	\$ 2,320,176	\$ 4,580,923
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,064,649 and \$10,004,009 at September 30, 2011 and December 31, 2010, respectively).....	910,567	971,207
<b>TOTAL ASSETS</b> .....	<b>\$ 3,230,743</b>	<b>\$ 5,552,130</b>
<b>LIABILITIES AND TRUST CORPUS</b>		
Distribution Payable to Unit Holders .....	\$ 2,320,176	\$ 4,580,923
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	910,567	971,207
<b>TOTAL LIABILITIES AND TRUST CORPUS</b> .....	<b>\$ 3,230,743</b>	<b>\$ 5,552,130</b>

## CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	THREE MONTHS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
	2011	2010	2011	2010
Royalty Income.....	\$14,879,902	\$16,016,241	\$50,076,877	\$ 50,969,184
Interest Income.....	157	420	521	808
	<b>14,880,059</b>	16,016,661	<b>50,077,398</b>	50,969,992
General and Administrative Expenditures .....	(150,178)	(124,056)	(992,629)	(987,391)
Distributable Income.....	<b>\$14,729,881</b>	\$15,892,605	<b>\$49,084,769</b>	\$ 49,982,601
Distributable Income per Unit (46,608,796 Units) .	<b>\$ .32</b>	\$ .34	<b>\$ 1.05</b>	\$ 1.07

## CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	NINE MONTHS ENDED SEPT. 30,	
	2011	2010
Trust Corpus, Beginning of Period.....	\$ 971,207	\$ 1,079,986
Amortization of Net Overriding Royalty Interests.....	(60,640)	(84,532)
Distributable Income.....	49,084,769	49,982,601
Distributions Declared.....	(49,084,769)	(49,982,601)
Trust Corpus, End of Period.....	<b>\$ 910,567</b>	\$ 995,454
Distributions per Unit.....	<b>\$ 1.05</b>	\$ 1.07

# PERMIAN BASIN ROYALTY TRUST

**3<sup>rd</sup>**  
Quarter Report  
**2011**



## TO UNIT HOLDERS:

For the quarter ended September 30, 2011 royalty income received by the Trust amounted to \$14,879,902 compared to royalty income of \$16,016,241 during the third quarter of 2010. The decrease in royalty income is primarily attributable to the withholding of \$4,068,067 of proceeds by ConocoPhillips related to a claimed overpayment for prior periods with respect to the Waddell Ranch properties as well as decreases in both oil and gas production, offset by increases in both oil and gas prices.

Interest income for the quarter ended September 30, 2011, was \$157 compared to \$420 during the third quarter of 2010. The decrease in interest income is primarily attributable to lower interest rates. General and administrative expenses during the third quarter of 2011 amounted to \$150,178 compared to \$124,056 during the third quarter of 2010. The increase in general and administrative expenses can be primarily attributed to timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended September 30, 2011 of \$14,729,881 or \$.32 per Unit of beneficial interest. Distributions of \$.148472, \$.117780 and \$.049779 per Unit were made to Unit holders of record as of July 29, 2011, August 31, 2011 and September 30, 2011, respectively. For the third quarter of 2010, distributable income was \$15,892,605, or \$.340979 per Unit of beneficial interest.

Royalty income for the Trust for the third quarter of the calendar year is associated with actual oil and gas production for the period of May, June and July of 2011 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:

<b>THIRD QUARTER</b>	<b>2011</b>	<b>2010</b>
<b>ROYALTIES</b>		
Oil sales (Bbls) .....	125,747	168,282
Gas sales (Mcf) .....	413,816	763,886
<b>PRODUCT FROM WHICH THE ROYALTIES WERE CARVED:</b>		
<i>Oil:</i>		
Total oil sales (Bbls) .....	191,190	256,478
Average per day (Bbls) .....	2,078	2,788
Average price per Bbl .....	\$ 94.11	\$ 69.56
<i>Gas:</i>		
Total gas sales (Mcf) .....	742,437	1,318,837
Average per day (Mcf) .....	8,070	14,335
Average price per Mcf .....	\$ 8.52	\$ 6.45

The average received price of oil increased to an average price per barrel of \$94.11 per Bbl in the third quarter of 2011 compared to \$69.56 per Bbl in the third quarter of 2010 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 30, 2011, the oil from the Waddell Ranch properties was being sold under a competitive bid to a third party. The average price of gas increased from \$6.45 per Mcf in the third quarter of 2010 to \$8.52 per Mcf in the third quarter of 2011 due to change in overall market variables.

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

Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2010) for the applicable period in 2011 compared to 2010.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2011 totaled \$2.5 million as compared to \$366,440 to the Trust for the third quarter of 2010. ConocoPhillips has informed the Trustee that the 2011 capital expenditures budget has been revised to \$23 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2010 was \$12.0 million. Through the third quarter of 2011, capital expenditures of \$17.9 million (gross) have been expended.

The Trustee has been advised that there were 0 wells completed and 0 wells in progress, and 11 workover wells completed and 9 workover wells in progress, during the three months ended September 30, 2011 as compared to 0 wells completed and 11 wells in progress, and 2 workover wells completed and 13 workover wells in progress for the three months ended September 30, 2010 on the Waddell Ranch properties. There were 0 facility projects completed and 18 projects in progress for the third quarter of 2011.

Lease operating expenses and property taxes totaled \$5.1 million for the third quarter of 2011, compared to \$4.7 million in the third quarter of 2010 on the Waddell Ranch properties. This increase is primarily attributable to increased costs of services.

**NINE MONTHS ENDED SEPTEMBER 30, 2011**  
For the nine months ended September 30, 2011,

royalty income received by the Trust amounted to \$50,076,877 compared to royalty income of \$50,969,184 for the nine months ended September 30, 2010. The decrease in royalty income is primarily due to the withholding of \$4,068,067 of proceeds by ConocoPhillips related to a claimed overpayment for prior periods with respect to the Waddell Ranch properties partially offset by an increase in oil and gas prices in the first nine months of 2011, compared to the first nine months in 2010. Interest income for the nine months ended September 30, 2011 was \$521 compared to \$808 for the nine months ended September 30, 2010. The decrease in interest income is attributable primarily to significantly lowered interest rates. General and administrative expenses for the nine months ended September 30, 2011 were \$992,629. During the nine months ended September 30, 2010, general and administrative expenses were \$987,391. The increase in general and administrative expenses is primarily due to increased Unit holder reporting and other professional expenses.

These transactions resulted in distributable income for the nine months ended September 30, 2011 of \$49,084,769, or \$1.05, per Unit. For the nine months ended September 30, 2010, distributable income was \$49,982,601, or \$1.07, per Unit.

**Bank of America, N.A., Trustee**  
By:



**Ron E. Hooper**  
Senior Vice President