

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2018 <i>(Unaudited)</i>	December 31, 2017
Assets		
Cash and Short-term Investments.....	\$ 3,104,519	\$ 3,421,419
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,479,889 and \$10,446,173 at June 30, 2018 and December 31, 2017, respectively)	495,327	529,043
TOTAL ASSETS	\$ 3,599,846	\$ 3,950,462
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 2,054,519	\$ 2,371,419
Reserves for Expenses	1,050,000	1,050,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	495,327	529,043
TOTAL LIABILITIES AND TRUST CORPUS	\$ 3,599,846	\$ 3,950,462

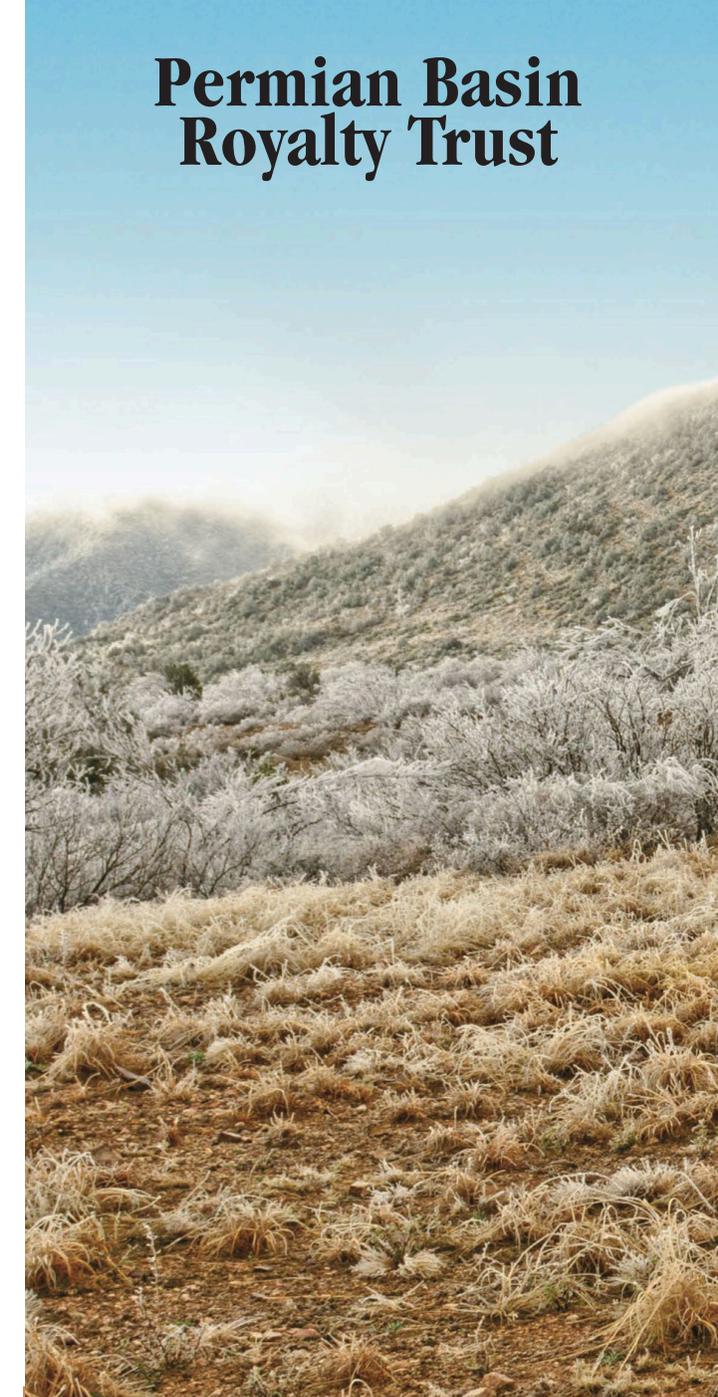
Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Royalty Income.....	\$ 7,623,122	\$ 7,473,738	\$ 17,342,427	\$ 17,025,961
Interest Income.....	6,754	3,056	12,230	5,338
	7,629,876	7,476,794	17,354,657	17,031,299
General and Administrative Expenditures.....	(581,462)	(504,997)	(995,312)	(870,454)
Distributable Income.....	\$ 7,048,414	\$ 6,971,797	\$ 16,359,345	\$ 16,160,845
Distributable Income per Unit (46,608,796 Units) .	\$.15	\$.15	\$.35	\$.35

Condensed Statements of Change in Trust Corpus (Unaudited)

	Six Months Ended June 30,	
	2018	2017
Trust Corpus, Beginning of Period.....	\$ 529,043	\$ 603,119
Amortization of Net Overriding Royalty Interests.....	(33,716)	(37,072)
Distributable Income.....	16,359,345	16,160,845
Distributions Declared.....	(16,359,345)	(16,160,845)
Trust Corpus, End of Period.....	\$ 495,327	\$ 566,047
Distributions per Unit.....	\$.35	\$.35

Permian Basin Royalty Trust



2nd

Quarter Report

2018

To Unit Holders:

For the quarter ended June 30, 2018, royalty income received by the Trust amounted to \$7,623,122 compared to royalty income of \$7,473,738 during the second quarter of 2017. The increase in royalty income is primarily attributable to a decrease in oil and gas production offset by an increase in price of oil for the quarter ending June 30, 2018, as compared to the quarter ended June 30, 2017. Average oil and gas prices were \$60.94 and \$3.12 for the quarter ending June 30, 2018, compared to \$47.14 and \$3.13 for the quarter ended June 30, 2017.

Interest income for the quarter ended June 30, 2018, was \$6,754 compared to \$3,056 during the second quarter of 2017. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment. Total expenses during the second quarter of 2018 amounted to \$581,462 compared to \$504,997 during the second quarter of 2017. The increase in total expenses can be primarily attributed to increased expense for professional services.

These transactions resulted in distributable income for the quarter ended June 30, 2018, of \$7,048,414 or \$0.15 per Unit of beneficial interest. Distributions of \$0.052172, \$0.054973 and \$0.044080 per Unit were made to Unit holders of record as of April 30, 2018, May 31, 2018, and June 29, 2018, respectively. For the second quarter of 2017, distributable income was \$6,971,797 or \$0.15 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 2018 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	2018	2017
ROYALTIES:		
Oil sales (Bbls)	109,771	138,456
Gas sales (Mcf)	363,560	490,380
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	223,399	238,581
Average per day (Bbls)	2,454	2,651
Average price per Bbl	\$ 60.94	\$ 47.14
<i>Gas:</i>		
Total gas sales (Mcf)	973,980	1,057,527
Average per day (Mcf)	10,703	11,570
Average price per Mcf	\$ 3.12	\$ 3.13

The average received price of oil increased to an average price per barrel of \$60.94 per Bbl in the second quarter of 2018, compared to \$47.14 per Bbl in the second quarter of 2017 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through June 30, 2018, the oil from the Waddell Ranch properties was being sold under a competitive bid to a third party. The average price of gas (including natural gas liquids) decreased from \$3.13 per Mcf in the second quarter of 2017 to \$3.12 per Mcf in the second quarter of 2018 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, 2017) for the applicable period in 2018 compared to 2017.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2018 totaled \$167,801 as compared to \$517,000 for the second quarter of 2017. ConocoPhillips has informed the Trustee that the 2018 capital expenditures budget has been approved at \$4.3 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2017 with regard to the Waddell Ranch properties totaled \$3.2 million (gross).

The Trustee has been advised that there were 2 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress during the three months ended June 30, 2018, as compared to 0 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress for the three months ended June 30, 2017, on the Waddell Ranch properties. There were various facility projects in progress for the second quarter of 2018.

Lease operating expenses and property taxes totaled \$6.3 million (gross) for the second quarter of 2018, compared to \$4.0 million (gross) for the same period in 2017 on the Waddell Ranch properties due to increased maintenance work.

Six Months Ended June 30, 2018

For the six months ended June 30, 2018, royalty income received by the Trust amounted to

\$17,342,427 compared to royalty income of \$17,025,961 for the six months ended June 30, 2017. The increase in royalty income is primarily attributable to a reduction of capital expenditures by the operator and an increase in oil and gas prices for the six months ending June 30, 2018, as compared to the six months ended June 30, 2017. Average oil and gas prices were \$58.60 and \$3.49 for the six months ending June 30, 2018 compared to \$46.69 and \$3.15 for the six months ended June 30, 2017.

Interest income for the six months ended June 30, 2018, was \$12,230 compared to \$5,338 during the six months ended June 30, 2017. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment. Total expenses during the six months ending June 30, 2018, amounted to \$995,312 compared to \$870,454 during the six months ended June 30, 2017. The increase in total expenses can be primarily attributed to increased expense for professional services.

These transactions resulted in distributable income for the six months ended June 30, 2018 of \$16,359,345, or \$0.35 per Unit. For the six months ended June 30, 2017, distributable income was \$16,160,845, or \$0.35 per Unit.

Simmons Bank, Trustee
By:



Ron E. Hooper
Senior Vice President,
Royalty Trust Management