

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2020 <i>(Unaudited)</i>	December 31, 2019
Assets		
Cash and short-term Investments	\$ 1,184,812	\$ 2,862,570
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,573,036 and \$10,550,709 at June 30, 2020 and December 31, 2019, respectively)	402,180	424,507
TOTAL ASSETS	\$ 1,586,992	\$ 3,287,077
Liabilities and Trust Corpus		
Distribution payable to Unit Holders.....	\$ 84,812	\$ 1,812,570
Commitments and reserves for contingencies.....	1,100,000	1,050,000
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding.....	402,180	424,507
TOTAL LIABILITIES AND TRUST CORPUS	\$ 1,586,992	\$ 3,287,077

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Royalty income	\$ 2,446,502	\$ 4,767,067	\$ 8,701,011	\$ 9,297,512
Interest income	2,423	4,263	6,784	11,421
	<u>2,448,925</u>	<u>4,771,330</u>	<u>8,707,795</u>	<u>9,308,933</u>
Reserve for expenses	(50,000)	—	(50,000)	—
General and administrative expenditures	(470,893)	(456,419)	(799,756)	(757,550)
Distributable income	<u>\$ 1,928,032</u>	<u>\$ 4,314,911</u>	<u>\$ 7,858,039</u>	<u>\$ 8,551,383</u>
Distributable income per Unit (46,608,796 Units)	<u>\$.04</u>	<u>\$.09</u>	<u>\$.17</u>	<u>\$.18</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Trust Corpus, beginning of period	\$ 411,429	\$ 457,731	\$ 424,507	\$ 467,580
Amortization of net overriding royalty interests...	(9,249)	(9,373)	(22,327)	(19,222)
Distributable income	1,928,032	4,314,911	7,858,039	8,551,383
Distributions declared	(1,928,032)	(4,314,911)	(7,858,039)	(8,551,383)
Trust Corpus, end of period	<u>\$ 402,180</u>	<u>\$ 458,358</u>	<u>\$ 402,180</u>	<u>\$ 458,358</u>
Distributions per Unit.....	<u>\$.04</u>	<u>\$.09</u>	<u>\$.17</u>	<u>\$.18</u>

Permian Basin Royalty Trust

2nd
Quarter Report
2020



To Unit Holders:

For the quarter ended June 30, 2020, royalty income received by the Trust amounted to \$2,446,502 compared to royalty income of \$4,767,067 during the second quarter of 2019. The decrease in royalty income is primarily attributable to a decrease in oil and gas pricing, a decrease in oil and gas production due to Blackbeard, after assuming the role of operator of the Waddell Ranch properties, immediately instituting a workover of specific wells, which caused the Trust not to receive any royalty income from the Waddell Ranch properties in June of 2020. Average oil and gas prices were \$32.31 and \$0.80, respectively, for the quarter ending June 30, 2019, compared to \$54.90 and \$2.72 for the quarter ended June 30, 2019.

Interest income for the quarter ended June 30, 2020, was \$2,423 compared to \$4,263 during the second quarter of 2019. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the second quarter of 2020 amounted to \$520,893 compared to \$456,419 during the second quarter of 2019. The increase in total expenses can be primarily attributed to increased expense for professional services, the timing of payment of expenses, and increase in reserve for expenses of \$50,000.

These transactions resulted in distributable income for the quarter ended June 30, 2020, of \$1,928,032 or \$0.04 per Unit of beneficial interest. Distributions of \$0.023048, \$0.016499 and \$0.001819 per Unit were made to Unit holders of record as of April 30, 2020, May 29, 2020, and June 30, 2019, respectively. For the second quarter of 2019, distributable income was \$4,314,911 or \$0.09 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 2020 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	2020	2019
Royalties:		
Oil sales (Bbls)	76,817	79,772
Gas sales (Mcf)	183,189	192,130
Properties From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	205,387	209,185
Average per day (Bbls)	2,257	2,299
Average price per Bbl	\$ 32.21	\$ 54.90
Gas:		
Total gas sales (Mcf)	862,083	849,009
Average per day (Mcf)	9,473	9,330
Average price per Mcf	\$ 0.80	\$ 2.72

The average received price of oil decreased to an average price per barrel of \$32.21 per Bbl in the second quarter of 2020, compared to \$54.90 per Bbl in the second quarter of 2019 due to worldwide market variables. The Trustee has been advised by the operator of the Waddell Ranch properties that for the period of August 1, 1993 through June 30, 2020, 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 \$2.72 per Mcf in the second quarter of 2019 to \$0.80 per Mcf in the second quarter of 2020 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 increased from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2019) for the applicable period in 2020 compared to 2019.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the second quarter of 2020 totaled \$706,723 as compared to \$1,667,431 for the second quarter of 2019. ConocoPhillips has previously informed the Trustee that the 2020 capital expenditures budget has been approved at \$1.35 million (gross) for the Waddell Ranch properties. The foregoing capital expenditures budget has been revised since Blackbeard assumed the role of operator of the Waddell Ranch properties on April 1, 2020. Blackbeard's 2020 budget for the remainder of the year will be approximately \$7 million for drilling and completion, \$3 million for recompletions, plug and abandonments, and infrastructure of facilities. The additional expenditures should occur later in the year. The total amount of capital expenditures for 2019 with regard to the Waddell Ranch properties totaled \$1.35 million (gross).

The Trustee has been advised that there were 29 workover wells completed, 0 new wells completed, 0 new wells in progress and 73 workover wells in progress during the three months ended June 30, 2020, as compared to no workover wells completed, no new wells completed, no new wells in progress and no workover wells in progress for the three months ended June 30, 2019, on the Waddell Ranch properties. There were various facility projects in progress for the second quarter of 2020.

Lease operating expenses and property taxes totaled \$5.2 million (gross) for the first quarter of 2020, compared to \$6.3 million (gross) for the same period in 2019 on the Waddell Ranch properties due to decreased maintenance work.

Six Months Ended June 30, 2020

For the six months ended June 30, 2020, royalty income received by the Trust amounted to \$8,701,011 compared to royalty income of \$9,297,512 for the six months ended June 30, 2019. The decrease in royalty income is primarily attributable to a decrease in oil pricing, a decrease in oil and gas production, also by a decrease in the price of oil and gas for the six months ending June 30, 2020, as compared to the six months ended June 30, 2019. Average oil and gas prices were \$45.51 and \$1.22, respectively, for the six months ending June 30, 2020 compared to \$49.61 and \$3.08 for the six months ended June 30, 2019.

Interest income for the six months ended June 30, 2020, was \$6,784 compared to \$11,421 during the six months ended June 30, 2019. The decrease in interest income is primarily attributable to substantially decreased amounts of funds available for investment. Total expenses during the six months ending June 30, 2020, amounted to \$849,756 compared to \$757,550 during the six months ended June 30, 2019. The increase in total expenses can be primarily attributed to increased expense for professional services the timing of payment of expenses, and increase in reserve for expenses of \$50,000.

These transactions resulted in distributable income for the six months ended June 30, 2020 of \$7,858,039, or \$0.17 per Unit. For the six months ended June 30, 2019, distributable income was \$8,551,383, or \$0.18 per Unit.

Simmons Bank, Trustee

By:

Ron E. Hooper
Senior Vice President,
Royalty Trust Management