

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2018 <i>(Unaudited)</i>	December 31, 2017
Assets		
Cash and Short-term Investments.....	\$ 3,604,578	\$ 3,421,419
Net Overriding Royalty Interests in Producing Oil and Gas		
Properties (Net of Accumulated Amortization of \$10,490,271 and \$10,446,173 at September 30, 2018 and December 31, 2017, Respectively)	484,945	529,043
TOTAL ASSETS	\$ 4,089,523	\$ 3,950,462
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders.....	\$ 2,554,578	\$ 2,371,419
Commitments and Reserves for Contingencies	1,050,000	1,050,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	484,945	529,043
TOTAL LIABILITIES AND TRUST CORPUS	\$ 4,089,523	\$ 3,950,462

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2018	2017	2018	2017
Royalty Income.....	\$ 7,236,350	\$ 6,095,517	\$ 24,578,777	\$ 23,121,478
Interest Income	6,994	3,270	19,224	8,608
	7,243,344	6,098,787	24,598,001	23,130,086
General and Administrative Expenditures.....	(186,501)	(198,472)	(1,181,813)	(1,068,926)
Distributable Income.....	\$ 7,056,843	\$ 5,900,315	\$ 23,416,188	\$ 22,061,160
Distributable Income per Unit (46,608,796 Units) .	\$.15	\$.13	\$.50	\$.47

Condensed Statements of Change in Trust Corpus (Unaudited)

	Nine Months Ended Sept. 30,	
	2018	2017
Trust Corpus, Beginning of Period	\$ 529,043	\$ 603,119
Amortization of Net Overriding Royalty Interests.....	(44,098)	(52,370)
Distributable Income.....	23,416,188	22,061,160
Distributions Declared.....	(23,416,188)	(22,061,160)
Trust Corpus, End of Period.....	\$ 484,945	\$ 550,749
Distributions per Unit	\$.50	\$.47

Permian Basin Royalty Trust



3rd
Quarter Report
2018

To Unit Holders:

For the quarter ended September 30, 2018, royalty income received by the Trust amounted to \$7,236,350 compared to royalty income of \$6,095,517 during the third quarter of 2017. The increase in royalty income is primarily attributable to an increase in oil and gas pricing offset by a decrease in production of oil and gas for the quarter ending September 30, 2018, as compared to the quarter ended September 30, 2017. Average oil and gas prices were \$60.19 and \$3.64 for the quarter ending September 30, 2018 compared to \$43.72 and \$3.11 for the quarter ended September 30, 2017.

Interest income for the quarter ended September 30, 2018, was \$6,994 compared to \$3,270 during the third quarter of 2017. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment. Total expenses during the third quarter of 2018 amounted to \$186,501 compared to \$198,472 during the third quarter of 2017. The decrease in total expenses can be primarily attributed to decreased expense for professional services.

These transactions resulted in distributable income for the quarter ended September 30, 2018, of \$7,056,843 or \$.15 per Unit of beneficial interest. Distributions of \$0.057454, \$0.039143 and \$0.054808 per Unit were made to Unit holders of record as of July 31, 2018, August 31, 2018, and September 28, 2018, respectively. For the third quarter of 2017, distributable income was \$5,900,315 or \$.13 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 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:

THIRD QUARTER	2018	2017
ROYALTIES:		
Oil sales (Bbls)	101,892	120,217
Gas sales (Mcf)	329,291	419,229
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	214,069	236,214
Average per day (Bbls)	2,327	2,568
Average price per Bbl	\$ 60.19	\$ 43.72
<i>Gas:</i>		
Total gas sales (Mcf)	969,476	1,074,084
Average per day (Mcf)	10,538	11,675
Average price per Mcf	\$ 3.54	\$ 3.11

The average received price of oil increased to an average price per barrel of \$60.19 per Bbl in the third quarter of 2018, compared to \$43.72 per Bbl in the third quarter of 2017 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 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) increased from \$3.11 per Mcf in the third quarter of 2017 to \$3.55 per Mcf in the third 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 third quarter of 2018 totaled \$5,200 as compared to \$572,000 for the third 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 0 workover wells completed, 0 new wells completed, 0 new wells in progress and 0 workover wells in progress during the three months ended September 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 September 30, 2017, on the Waddell Ranch properties. There were various facility projects in progress for the third quarter of 2018.

Lease operating expenses and property taxes totaled \$6.75 million (gross) for the third quarter of 2018, compared to \$5 million (gross) for the same period in 2017 on the Waddell Ranch properties due to increased maintenance work.

Nine Months Ended September 30, 2018

For the nine months ended September 30, 2018, royalty income received by the Trust amounted

to \$24,578,777 compared to royalty income of \$23,121,478 for the nine months ended September 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 nine months ending September 30, 2018, as compared to the nine months ended September 30, 2017. Average oil and gas prices were \$59.11 and \$3.51 for the nine months ending September 30, 2018 compared to \$45.72 and \$3.14 for the nine months ended September 30, 2017.

Interest income for the nine months ended September 30, 2018, was \$19,224 compared to \$8,608 during the nine months ended September 30, 2017. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment. Total expenses during the nine months ending September 30, 2018, amounted to \$1,181,813 compared to \$1,068,926 during the nine months ended September 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 nine months ended September 30, 2018 of \$23,416,188, or \$0.50 per Unit. For the nine months ended September 30, 2017, distributable income was \$22,061,160, or \$0.47 per Unit.

Simmons Bank, Trustee

By:



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