

Permian Basin Royalty Trust Financial Statements

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2017 <i>(Unaudited)</i>	December 31, 2016
Assets		
Cash and Short-term Investments.....	\$ 2,924,931	\$ 3,795,604
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,424,467 and \$10,372,097 at September 30, 2017 and December 31, 2016, respectively)	550,749	603,119
TOTAL ASSETS	\$ 3,475,680	\$ 4,398,723
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 1,874,931	\$ 2,745,604
Reserves for Expenses.....	1,050,000	1,050,000
Trust Corpus – 46,608,796 Units of Beneficial Interest		
Authorized and Outstanding.....	550,749	603,119
TOTAL LIABILITIES AND TRUST CORPUS	\$ 3,475,680	\$ 4,398,723

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2017	2016	2017	2016
Royalty Income	\$ 6,095,517	\$ 6,554,901	\$ 23,121,478	\$ 13,704,703
Interest Income.....	3,270	796	8,608	1,112
	6,098,787	6,555,697	23,130,086	13,705,815
Reserves for Expenses.....	—	(150,000)	—	(450,000)
General and Administrative Expenditures	(198,472)	(161,802)	(1,068,926)	(1,041,649)
Distributable Income	\$ 5,900,315	\$ 6,243,895	\$ 22,061,160	\$ 12,214,166
Distributable Income per Unit (46,608,796 Units).	\$.13	\$.13	\$.47	\$.26

Condensed Statements of Change in Trust Corpus (Unaudited)

	Nine Months Ended Sept. 30,	
	2017	2016
Trust Corpus, Beginning of Period	\$ 603,119	\$ 680,686
Amortization of Net Overriding Royalty Interests.....	(52,370)	(36,988)
Distributable Income	22,061,160	12,214,166
Distributions Declared.....	(22,061,160)	(12,214,166)
Trust Corpus, End of Period	\$ 550,749	\$ 643,698
Distributions per Unit	\$.47	\$.26

**PERMIAN BASIN
ROYALTY TRUST**

3rd
Quarter Report

2017

To Unit Holders:

For the quarter ended September 30, 2017, royalty income received by the Trust amounted to \$6,095,517 compared to royalty income of \$6,554,901 during the third quarter of 2016. The decrease in royalty income is primarily attributable to a decrease in oil and gas production of both oil and gas but offset by an increase in both oil and gas prices for the quarter ending September 30, 2017, as compared to the quarter ended September 30, 2016. Average oil and gas prices were \$43.72 and \$3.11 for the quarter ending September 30, 2017 compared to \$42.94 and \$2.01 for the quarter ended September 30, 2016.

Interest income for the quarter ended September 30, 2017, was \$3,270 compared to \$796 during the third quarter of 2017. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment, primarily the reserve of \$1,050,000 in the Trust account. Total expenses during the third quarter of 2017 amounted to \$198,472 compared to \$311,802 during the third quarter of 2016. The decrease in total expenses can be primarily attributed to decreased expense for professional services and no additional reserve for expenses.

These transactions resulted in distributable income for the quarter ended September 30, 2017, of \$5,900,315 or \$.13 per Unit of beneficial interest. Distributions of \$0.040754, \$0.045610 and \$0.040226 per Unit were made to Unit holders of record as of July 31, 2017, August 31, 2017, and September 29, 2017, respectively. For the third quarter of 2016, distributable income was \$6,243,895 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 2017 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	2017	2016
ROYALTIES:		
Oil sales (Bbls)	120,217	142,066
Gas sales (Mcf)	419,229	564,577
PROPERTIES FROM WHICH THE ROYALTIES WERE CARVED:		
<i>Oil:</i>		
Total oil sales (Bbls)	236,214	282,433
Average per day (Bbls)	2,568	3,070
Average price per Bbl	\$ 43.72	\$ 42.94
<i>Gas:</i>		
Total gas sales (Mcf)	1,074,084	1,477,878
Average per day (Mcf)	11,675	16,064
Average price per Mcf	\$ 3.11	\$ 2.01

The average received price of oil increased to an average price per barrel of \$43.72 per Bbl in the third quarter of 2017, compared to \$42.94 per Bbl in the third quarter of 2016 due to worldwide market variables. The Trustee has been advised by ConocoPhillips that for the period of August 1, 1993, through September 30, 2017, 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 \$2.01 per Mcf in the third quarter of 2016 to \$3.11 per Mcf in the third quarter of 2017 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, 2016) for the applicable period in 2017 compared to 2016.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2017 totaled \$572,000 as compared to \$851,000 for the third quarter of 2016. ConocoPhillips has informed the Trustee that the 2017 capital expenditures budget has been approved at \$3.2 million (gross) for the Waddell Ranch properties. The total amount of capital expenditures for 2016 with regard to the Waddell Ranch properties totaled \$11.55 million (gross).

Lease operating expenses and property taxes totaled \$5 million (gross) for the third quarter of 2017, compared to \$5.1 million (gross) for the same period in 2016 on the Waddell Ranch properties due to decreased maintenance work and reduction of property taxes.

Nine Months Ended September 30, 2017

For the nine months ended September 30, 2017, royalty income received by the Trust amounted to \$23,121,478 compared to royalty income of \$13,704,703 for the nine months ended September 30, 2016. 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 offset by a decline in both oil and gas production for the nine months ending September 30, 2017, as compared to the nine months ended September 30, 2016. Average oil and gas prices were \$45.72 and \$3.14 for the nine months ending September 30, 2017 compared to \$36.57 and \$1.97 for the nine months ended September 30, 2016.

Interest income for the nine months ended September 30, 2017, was \$8,608 compared to \$1,112 during the nine months ended September 30, 2016. The increase in interest income is primarily attributable to substantially increased amounts of funds available for investment, including the reserve for expense. Total expenses during the nine months ending September 30, 2017, amounted to \$1,068,926 compared to \$1,491,649 during the nine months ended September 30, 2016. The decrease in total expenses can be primarily attributed to decreased expense for professional services and no additional reserve for expenses.

These transactions resulted in distributable income for the nine months ended September 30, 2017 of \$22,061,160, or \$.47 per Unit. For the nine months ended September 30, 2016, distributable income was \$12,214,166, or \$.26 per Unit.

Effective October 19, 2017, Simmons First National Corporation ("SFNC") completed its acquisition of First Texas BHC, Inc., the parent company of Southwest Bank, the Trustee of the Trust. SFNC is the parent of Simmons Bank. SFNC has announced that it intends to operate Southwest Bank as a separate bank subsidiary for an interim period, after which it intends to merge it into Simmons Bank.

Southwest Bank, Trustee

By:



Ron E. Hooper
Senior Vice President,
Royalty Trust Management