PERMIAN BASIN ROYALTY TRUST
Form 10-Q
November 08, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period ended September 30, 2005

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission file number 1-8033
PERMIAN BASIN ROYALTY TRUST
(Exact Name of Registrant as Specified in the Permian Basin Royalty Trust Indenture)

Texas	75-6280532
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

Bank of America, N.A.
Trust Department
901 Main Street
Dallas, Texas 75202
(Address of Principal Executive Offices; Zip Code)
(214) 209-2400
(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
Yes þ No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

Number of Units of beneficial interest of the Trust outstanding at November 1, 2005: 46,608,796.

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PERMIAN BASIN ROYALTY TRUST

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

The condensed financial statements included herein have been prepared by Bank of America, N.A. as Trustee for the Permian Basin Royalty Trust, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to such rules and regulations, although the Trustee believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Trust s latest annual report on Form 10-K. In the opinion of the Trustee, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the assets, liabilities and trust corpus of the Permian Basin Royalty Trust at September 30, 2005, and the distributable income and changes in trust corpus for the three-month and nine-month periods ended September 30, 2005 and 2004 have been included. The distributable income for such interim periods is not necessarily indicative of the distributable income for the full year.

Deloitte & Touche LLP, an independent registered public accounting firm, has made a limited review of the condensed financial statements as of September 30, 2005 and for the three-month and nine-month periods ended September 30, 2005 and 2004 as stated in their report included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Unit Holders of Permian Basin Royalty Trust and
Bank of America, N.A., Trustee

We have reviewed the accompanying condensed statement of assets, liabilities and trust corpus of Permian Basin Royalty Trust as of September 30, 2005, and the related condensed statements of distributable income for the three-month and nine-month periods ended September 30, 2005 and 2004 and changes in trust corpus for the three-month and nine-month periods ended September 30, 2005 and 2004. These condensed financial statements are the responsibility of the Trustee.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1 to the condensed financial statements, these condensed financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed financial statements for them to be in conformity with the basis of accounting described in Note 1.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets, liabilities and trust corpus of Permian Basin Royalty Trust as of December 31, 2004, and the related statements of distributable income and changes in trust corpus for the year then ended (not presented herein); and in our report dated March 14, 2005, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed statement of assets, liabilities and trust corpus as of December 31, 2004, is fairly stated, in all material respects, in relation to the statement of assets, liabilities and trust corpus from which it has been derived.

/s/ Deloitte & Touche LLP
Dallas, Texas
November 7, 2005

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PERMIAN BASIN ROYALTY TRUST
CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2005 (Unaudited)	December 31, 2004 (Unaudited)
ASSETS		
Cash and short-term investments	$ 6,090,764	$ 5,429,145
Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of $9,315,330 and $9,179,949 at September 30, 2005 and December 31, 2004, respectively)	1,659,886	1,795,267
TOTAL ASSETS	$ 7,750,650	$ 7,224,412
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit holders	$ 6,090,764	$ 5,429,145
Commitments and contingencies Trust corpus 46,608,796 Units of beneficial interest authorized and outstanding	1,659,886	1,795,267
TOTAL LIABILITIES AND TRUST CORPUS	$ 7,750,650	$ 7,224,412

The accompanying notes to condensed financial statements are an integral part of these statements.

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PERMIAN BASIN ROYALTY TRUST
CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	THREE MONTHS ENDED September 30		NINE MONTHS ENDED September 30	
	2005	2004	2005	2004
Royalty income	$ 15,989,323	$ 11,647,036	$ 42,266,409	$ 29,899,365
Interest income	13,777	4,185	36,821	10,837
	16,003,100	11,651,221	42,303,230	29,910,202
General and administrative expenditures	(112,337)	(84,828)	(648,236)	(412,929)
Distributable income	$ 15,890,763	$ 11,566,393	$ 41,654,994	$ 29,497,273
Distributable income per Unit (46,608,796 Units)	$ .340939	$ .248159	$ .893715	$ .632869

The accompanying notes to condensed financial statements are an integral part of these statements.

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PERMIAN BASIN ROYALTY TRUST
CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	THREE MONTHS ENDED September 30		NINE MONTHS ENDED September 30	
	2005	2004	2005	2004
Trust corpus, beginning of period	$ 1,705,706	$ 1,902,570	$ 1,795,267	$ 1,991,594
Amortization of net overriding royalty interests	(45,820)	(50,489)	(135,381)	(139,513)
Distributable income	15,890,763	11,566,393	41,654,994	29,497,273
Distributions declared	(15,890,763)	(11,566,393)	(41,654,994)	(29,497,273)
Total Trust Corpus, end of period	$ 1,659,886	$ 1,852,081	$ 1,659,886	$ 1,852,081
Distributions per unit	$ .340939	$ .248159	$ .893715	$ .632869

The accompanying notes to condensed financial statements are an integral part of these statements.

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PERMIAN BASIN ROYALTY TRUST
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
1. BASIS OF ACCOUNTING

The Permian Basin Royalty Trust (Trust) was established as of November 1, 1980. The net overriding royalties conveyed to the Trust include: (1) a 75% net overriding royalty carved out of Southland Royalty Company s fee mineral interests in the Waddell Ranch in Crane County, Texas (the Waddell Ranch properties); and (2) a 95% net overriding royalty carved out of Southland Royalty Company s major producing royalty interests in Texas (the Texas Royalty properties). The net overriding royalty for the Texas Royalty properties is subject to the provisions of the lease agreements under which such royalties were created. The financial statements of the Trust are prepared on the following basis:

Royalty income recorded for a month is the amount computed and paid to Bank of America, N.A. (Trustee) as Trustee for the Trust by the interest owners: Burlington Resources Oil & Gas Company LP (BROG) for the Waddell Ranch properties and Riverhill Energy Corporation (Riverhill Energy), formerly a wholly owned subsidiary of Riverhill Capital Corporation (Riverhill Capital) and formerly an affiliate of Coastal Management Corporation (CMC), for the Texas Royalty properties. Schlumberger Technology Corporation (STC) conducts all field, technical and accounting operations on behalf of BROG with regard to the Waddell Ranch properties. Riverhill Energy currently conducts the accounting operations for the Texas Royalty properties. Royalty income consists of the amounts received by the owners of the interest burdened by the net overriding royalty interests (Royalties) from the sale of production less accrued production costs, development and drilling costs, applicable taxes, operating charges, and other costs and deductions multiplied by 75% in the case of the Waddell Ranch properties and 95% in the case of the Texas Royalty properties.

As was previously reported, in February 1997, BROG sold its interest in the Texas Royalty properties to Riverhill Energy.

The Trustee has been advised that in the first quarter of 1998, STC acquired all of the shares of stock of Riverhill Capital. Prior to such acquisition by STC, CMC and Riverhill Energy were wholly-owned subsidiaries of Riverhill Capital. The Trustee has further been advised that in connection with STC s acquisition of Riverhill Capital, the shareholders of Riverhill Capital acquired ownership of all of the shares of stock of Riverhill Energy. Thus, the ownership in the Texas Royalty properties referenced above remained in Riverhill Energy, the stock ownership of which was acquired by the former shareholders of Riverhill Capital.

Trust expenses recorded are based on liabilities paid and cash reserves established out of cash received or borrowed funds for liabilities and contingencies.

Distributions to Unit holders are recorded when declared by the Trustee.

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Royalty income is computed separately for each of the conveyances under which the Royalties were conveyed to the Trust. If monthly costs exceed revenues for any conveyance (excess costs), such excess cannot reduce royalty income from other conveyances, but is carried forward with accrued interest to be recovered from future net proceeds of that conveyance.

The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) because revenues are not accrued in the month of production and certain cash reserves may be established for contingencies which would not be accrued in financial statements. Amortization of the Royalties calculated on a unit-of-production basis is charged directly to trust corpus. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

2. FEDERAL INCOME TAXES

For Federal income tax purposes, the Trust constitutes a fixed investment trust which is taxed as a grantor trust. A grantor trust is not subject to tax at the trust level. The Unit holders are considered to own the Trust s income and principal as though no trust were in existence. The income of the Trust is deemed to have been received or accrued by each Unit holder at the time such income is received or accrued by the Trust and not when distributed by the Trust.

The Royalties constitute economic interests in oil and gas properties for Federal income tax purposes. Unit holders must report their share of the revenues from the Royalties as ordinary income from oil and gas royalties and are entitled to claim depletion with respect to such income.

The Trust has on file technical advice memoranda confirming the tax treatment described above.

The classification of the Trust s income for purposes of the passive loss rules may be important to a Unit holder. Royalty income generally is treated as portfolio income and does not offset passive losses.

Unit holders should consult their tax advisors for further information.

3. SUBSEQUENT EVENTS

Subsequent to September 30, 2005, the Trust declared a distribution on October 21, 2005 of $.136926 payable on November 15, 2005, to Unit holders of record on October 31, 2005.

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Item 2. Trustee s Discussion and Analysis

Forward Looking Information

Certain information included in this report contains, and other materials filed or to be filed by the Trust with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Trust) may contain or include, forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such forward looking statements may be or may concern, among other things, capital expenditures, drilling activity, development activities, production efforts and volumes, hydrocarbon prices and the results thereof, and regulatory matters. Although the Trustee believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are subject to numerous risks and uncertainties and the Trustee can give no assurance that they will prove correct. There are many factors, none of which is within the Trustee s control, that may cause such expectations not to be realized, including, among other things, factors such as actual oil and gas prices and the recoverability of reserves, capital expenditures, general economic conditions, actions and policies of petroleum-producing nations and other changes in the domestic and international energy markets. Such forward looking statements generally are accompanied by words such as estimate, expect, predict, anticipate, goal, shou assume, believe, or other words that convey the uncertainty of future events or outcomes.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

For the quarter ended September 30, 2005 royalty income received by the Trust amounted to $15,989,323 compared to royalty income of $11,647,036 during the third quarter of 2004. The increase in royalty income is primarily attributable to significant increases in both oil and gas prices.

Interest income for the quarter ended September 30, 2005, was $13,777 compared to $4,185 during the third quarter of 2004. The increase in interest income is primarily attributable to higher interest rates and more funds available for investment. General and administrative expenses during the third quarter of 2005 amounted to $112,337 compared to $84,828 during the third quarter of 2004. The increase in general and administrative expenses can be primarily attributed to increased costs associated with Sarbanes-Oxley compliance.

These transactions resulted in distributable income for the quarter ended September 30, 2005 of $15,890,763 or $.340939 per Unit of beneficial interest. Distributions of $.099822, $.110437 and $.130678 per Unit were made to Unit holders of record as of July 29, 2005, August 31, 2005 and September 30, 2005, respectively. For the third quarter of 2004, distributable income was $11,566,393, or $.248159 per Unit of beneficial interest.

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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 2005 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	
	2005	2004
Royalties:		
Oil sales (Bbls)	215,618	198,032
Gas sales (Mcf)	957,711	849,226
Product Sales From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	327,081	319,176
Average per day (Bbls)	3,555	3,496
Average price per Bbl	$ 49.38	$ 36.74
Gas:		
Total gas sales (Mcf)	1,612,808	1,535,078
Average per day (Mcf)	17,531	16,686
Average price per Mcf	$ 6.34	$ 5.82

The posted price of oil increased to an average price per barrel of $49.38 per Bbl in the third quarter of 2005, compared to $36.74 per Bbl in the third quarter of 2004. The Trustee has been advised by BROG that for the period of August 1, 1993, through September 30, 2005, 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 $5.82 per Mcf in the third quarter of 2004 to $6.34 per Mcf in the third quarter of 2005. This increase is primarily attributable to a significant increase in gas prices during the year of 2005.

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 and gas volumes from the Underlying Properties (as defined in the Trust s Annual Report on Form 10-K for the year ended December 31, 2004) increased for the applicable period in 2005 compared to 2004.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the third quarter of 2005 totaled $1,789,545 as compared to $2,685,591 for the third quarter of 2004. BROG has informed the Trustee that the 2005 capital expenditures budget were revised to $14.3 million for the Waddell Ranch properties of which, $7.2 million were the Trust s portion. Through the third quarter of 2005, capital expenditures of $7.049 million for the Trust s portion have been expended, essentially completing the capital expenditure budget for 2005. The total amount of capital expenditures for 2004 was $13.2 million.

The Trustee has been advised that there were 2 wells completed and no wells in progress and 13 workover wells completed during the three months ended September 30, 2005 as

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compared to 3 wells completed, no wells in progress, and 4 workover wells in progress for the three months ended September 30, 2004 on the Waddell Ranch properties. There were 6 facility projects completed and no projects in progress for the third quarter of 2005.

Lease operating expense and property taxes totaled $3.1 million for the third quarter of 2005, compared to $2.2 million in the third quarter of 2004 on the Waddell Ranch properties. This increase is primarily attributable to higher electrical costs on the Waddell Ranch properties.

Nine Months Ended September 30, 2005 and 2004

For the nine months ended September 30, 2005, royalty income received by the Trust amounted to $42,266,409 compared to royalty income of $29,899,365 for the nine months ended September 30, 2004. The increase in royalty income is primarily due to an increase in both oil and gas prices in the first nine months of 2005 compared to the first nine months in 2004. Interest income for the nine months ended September 30, 2005 was $36,821 compared to $10,837 for the nine months ended September 30, 2004. The increase in interest income is primarily attributable to higher interest rates. General and administrative expenses for the nine months ended September 30, 2005 were $648,236. During the nine months ended September 30, 2004, general and administrative expenses were $412,929. The increase in general and administrative expenses is primarily due to substantial costs of compliance with Sarbanes Oxley.

These transactions resulted in distributable income for the nine months ended September 30, 2005 of $41,654,994, or $.893715 per Unit. For the nine months ended September 30, 2004, distributable income was $29,497,273, or $.632869 per Unit.

Royalty income for the Trust for the nine months ended September 30, 2005 is associated with actual oil and gas production for the nine month period November 2004 through July 2005 from the properties from which the Royalties were carved. Oil and gas production attributable to the Royalties and the properties from which the Royalties were carved are as follows:

	First Nine Months	
	2005	**2004**
Royalties:		
Oil sales (Bbls)	605,204	556,209
Gas sales (Mcf)	2,617,686	2,250,966
Properties From Which The Royalties Were Carved:		
Oil:		
Total oil sales (Bbls)	948,722	899,708
Average per day (Bbls)	3,475	3,284
Average price per Bbl	$ 45.47	$ 33.58
Gas:		
Total gas sales (Mcf)	4,632,853	4,445,109
Average per day (Mcf)	16,970	16,223
Average price per Mcf	$ 6.38	$ 5.23

The average price of oil increased during the nine months ended September 30, 2005 to $45.47 per barrel compared to $33.58 per barrel for the same period in 2004. The increase in the

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average price of oil is primarily due to increased demand in 2005, caused by a worldwide market demand. The increase in the average price of gas from $5.23 per Mcf for the nine months ended September 30, 2004 to $6.38 per Mcf for the nine months ended September 30, 2005 is primarily the result of an increase in the spot prices of natural gas.

Since the oil and gas sales volumes 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. The oil and gas sales volumes from the properties from which the Royalties are carved have remained relatively constant for the applicable period of 2005 compared to 2004.

Capital expenditures for the Waddell Ranch properties for the nine months ended September 30, 2005 totaled $7.049 million compared to $6.0 million for the same period in 2004. BROG has previously advised the Trust that the remaining 2005 capital expenditures budget for the Waddell Ranch properties is $7.00 million.

The Trust has been advised that 6 gross and 3 net productive wells were drilled and completed on the Waddell Ranch properties during the nine months ended September 30, 2005 and 4 gross and 1 net productive oil wells were drilled and completed on the Waddell Ranch properties during the nine months ended September 30, 2004.

Lease operating expense and property taxes totaled $8.7 million in 2005 compared to $7.0 million in 2004. The increase in lease operating expense is primarily attributable to increased electrical costs on the Waddell Ranch properties.

Calculation Of Royalty Income

The Trust s royalty income is computed as a percentage of the net profit from the operation of the properties in which the Trust owns net overriding royalty interests. These percentages of net profits are 75% and 95% in the case of the Waddell Ranch properties and the Texas Royalty properties, respectively. Royalty income received by the Trust for the three months ended September 30, 2005 and 2004, respectively, were computed as shown in the table below:

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	THREE MONTHS ENDED SEPTEMBER 30,			
	2005		2004	
	WADDELL RANCH PROPERTIES	TEXAS ROYALTY PROPERTIES	WADDELL RANCH PROPERTIES	TEXAS ROYALTY PROPERTIES
Gross proceeds of sales from the Underlying Properties				
Oil proceeds	$ 11,783,550	$ 4,369,141	$ 8,539,737	$ 3,186,730
Gas proceeds	9,047,274	1,180,180	7,916,495	1,011,491
Total	20,830,824	5,549,321	16,456,232	4,198,221
Less:				
Severance tax:				
Oil	483,590	168,686	364,217	120,328
Gas	571,626	76,621	439,973	71,200
Lease operating expense and property tax:				
Oil and gas	3,100,383	225,000	2,246,213	210,000
Capital expenditures	1,789,545		2,685,591	
Total	5,945,144	470,307	5,735,994	401,528
Net profits	14,885,680	5,079,014	10,720,238	3,796,693
Net overriding royalty interests	75%	95%	75%	95%
Royalty income	$ 11,164,260	$ 4,825,063	$ 8,040,178	$ 3,606,858

Gulf of Mexico Hurricanes

In late August and September 2005, hurricanes in the Gulf of Mexico disrupted a significant portion of U.S. oil and gas production, leading to higher prices. The duration of these higher prices cannot be predicted. These increased prices will affect distributions to Unit holders beginning with the November 2005 distribution. Even though the Trust has some properties located near the Gulf Coast of Texas, the Trustee believes that the effect on the Trust with respect to any disruption in production will be minimal, if at all.

Critical Accounting Policies and Estimates

The Trust s financial statements reflect the selection and application of accounting policies that require the Trust to make significant estimates and assumptions. The following are some of the more critical judgment areas in the application of accounting policies that currently affect the Trust s financial condition and results of operations.

Basis of Accounting

The financial statements of the Trust are prepared on a modified cash basis and are not intended to present financial positions and results of operations in conformity with accounting principles generally accepted in the United States of America (GAAP). Preparation of the Trust s financial statements on such basis includes the following:

Royalty income and interest income are recorded in the period in which amounts are received by the Trust rather than in the period of production and accrual, respectively.

General and administrative expenses recorded are based on liabilities paid and cash reserves established out of cash received.

Amortization of the royalty interests is calculated on a unit-of-production basis and charged directly to trust corpus when revenues are received.

Distributions to Unit holders are recorded when declared by the Trustee (see Note 1 to the Financial Statements).

The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America because royalty income is not accrued in the period of production, general and administrative expenses recorded are based on liabilities paid and cash reserves established rather than on accrual basis, and amortization of the royalty interests is not charged against operating results. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

Revenue Recognition

Revenues from the royalty interests are recognized in the period in which amounts are received by the Trust. Royalty income received by the Trust in a given calendar year will generally reflect the proceeds, on an entitlement basis, from natural gas produced and sold for the twelve-month period ended October 31st in that calendar year. Royalty income received by the Trust in the third quarter of 2005 generally reflects the proceeds associated with actual oil and gas production for the period of May, June and July 2005.

Reserve Disclosure

As of January 1, 2005, independent petroleum engineers estimated the net proved reserves attributable to the royalty interests. In accordance with Statement of Financial Standards No. 69, Disclosures About Oil and Gas Producing Activities, estimates of future net revenues from proved reserves have been prepared using year-end contractual gas prices and related costs. Numerous uncertainties are inherent in estimating volumes and the value of proved reserves and in projecting future production rates and the timing of development of non-producing reserves. Such reserve estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production may be substantially different from the reserves estimates.

Contingencies

Contingencies related to the Underlying Properties that are unfavorably resolved would generally be reflected by the Trust as reductions to future royalty income payments to the Trust with corresponding reductions to cash distributions to Unit holders. The Trustee is aware of no such items as of September 30, 2005.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting period. Actual results may differ from such estimates.

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Item 3. Qualitative and Quantative Disclosures About Market Risk

There have been no material changes in the Trust s market risk, as disclosed in the Trust s Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Trustee carried out an evaluation of the effectiveness of the design and operation of the Trust s disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Trustee concluded that the Trust s disclosure control and procedures are effective in timely alerting the Trustee to material information relating to the Trust required to be included in the Trust s periodic filings with the Securities and Exchange Commission. In its evaluation of disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by Burlington Resources Oil & Gas Company LP, the owner of the Waddell Ranch properties, and Riverhill Energy Corporation, the owner of the Texas Royalty properties. There has not been any change in the Trust s internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Trust s internal control over financial reporting.

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PART II OTHER INFORMATION

Items 1 through 5.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

4.1 Permian Basin Royalty Trust Indenture dated November 3, 1980, between Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) and The First National Bank of Fort Worth (now Bank of America, N.A.), as Trustee, heretofore filed as Exhibit (4)(a) to the Trust s Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980 is incorporated herein by reference.

4.2 Net Overriding Royalty Conveyance (Permian Basin Royalty Trust) from Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) to The First National Bank of Fort Worth (now Bank of America, N.A.), as Trustee, dated November 3, 1980 (without Schedules), heretofore filed as Exhibit (4)(b) to the Trust s Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980 is incorporated herein by reference.

4.3 Net Overriding Royalty Conveyance (Permian Basin Royalty Trust Waddell Ranch) from Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) to The First National Bank of Fort Worth (now Bank of America, N.A.), as Trustee, dated November 3, 1980 (without Schedules), heretofore filed as Exhibit (4)(c) to the Trust s Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980 is incorporated herein by reference.

10.1 Registration Rights Agreement dated as of July 21, 2004 by and between Burlington Resources, Inc. and Bank of America, N.A., as trustee of Permian Basin Royalty Trust, heretofore filed as Exhibit 10.1 to the Trust s Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarterly period ended June 30, 2004 is incorporated herein by reference.

15.1 Awareness Letter of Deloitte & Touche LLP.

31.1 Certification by Ron E. Hooper, Senior Vice President and Trust Administrator of Bank of America, Trustee of Permian Basin Royalty Trust, dated November 8, 2005 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32.1 Certificate by Bank of America, Trustee of Permian Basin Royalty Trust, dated November 8, 2005 and submitted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

BANK OF AMERICA, N.A.,
TRUSTEE FOR THE
PERMIAN BASIN ROYALTY TRUST

By: /s/ RON E. HOOPER

Ron E. Hooper,
Senior Vice President and Trust Administrator
Bank of America, N.A.

Date: November 8, 2005

(The Trust has no directors or executive officers.)

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INDEX TO EXHIBITS

Exhibit Number	Exhibit
4.1	Permian Basin Royalty Trust Indenture dated November 3, 1980, between Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) and The First National Bank of Fort Worth (now Bank of America, N.A.), as Trustee, heretofore filed as Exhibit (4)(a) to the Trust s Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980 is incorporated herein by reference.*
4.2	Net Overriding Royalty Conveyance (Permian Basin Royalty Trust) from Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) to The First National Bank of Fort Worth (now Bank of America, N.A.), as Trustee, dated November 3, 1980 (without Schedules), heretofore filed as Exhibit (4)(b) to the Trust s Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980 is incorporated herein by reference.*
4.3	Net Overriding Royalty Conveyance (Permian Basin Royalty Trust Waddell Ranch) from Southland Royalty Company (now Burlington Resources Oil & Gas Company LP) to The First National Bank of Fort Worth (now Bank of America, N.A.), as Trustee, dated November 3, 1980 (without Schedules), heretofore filed as Exhibit (4)(c) to the Trust s Annual Report on Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 31, 1980 is incorporated herein by reference.*
10.1	Registration Rights Agreement dated as of July 21, 2004 by and between Burlington Resources, Inc. and Bank of America, N.A., as trustee of Permian Basin Royalty Trust, heretofore filed as Exhibit 10.1 to the Trust s Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarterly period ended June 30, 2004 is incorporated herein by reference.
15.1	Awareness Letter of Deloitte & Touche LLP.
31.1	Certification by Ron E. Hooper, Senior Vice President and Trust Administrator of Bank of America, Trustee of Permian Basin Royalty Trust, dated November 8, 2005 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate by Bank of America, Trustee of Permian Basin Royalty Trust, dated November 8, 2005 and submitted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

* A copy of this Exhibit is available to any Unit holder, at the actual cost of reproduction, upon written request to the Trustee, Bank of America, N.A., 901 Main Street, Dallas, Texas 75202.

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