

REFINITIV

# DELTA REPORT

## 10-Q

PBT - PERMIAN BASIN ROYALTY TRU

10-Q - AUGUST 08, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

**TOTAL DELTAS** 228

|   |     |
|---|-----|
|  CHANGES   | 68  |
|  DELETIONS | 57  |
|  ADDITIONS | 103 |

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024** **June 30, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period to \_\_\_\_\_

Commission File Number: 001-08033

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**PERMIAN BASIN ROYALTY TRUST**

(Exact name of registrant as Specified in the Permian Basin Trust Indenture)

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Texas

75-6280532

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

Argent Trust Company  
3838 Oak Lawn Ave, Suite 1720  
Dallas, Texas 75219

(Address of Principal Executive Offices; Zip Code)

**(855) 588-7839**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Trading

Name of each exchange

| Title of each class          | Symbol(s) | Name of each exchange on which registered |
|------------------------------|-----------|---|
| Units of Beneficial Interest | PBT       | New York Stock Exchange                   |

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

|   |  |
|---|--|
| Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/>         |
| Non-accelerated filer <input type="checkbox"/>              | Smaller reporting company <input type="checkbox"/> |
|   | Emerging growth company <input type="checkbox"/>   |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of units of beneficial interest outstanding at **May 1, 2024** **August 8, 2024**: 46,608,796

## PERMIAN BASIN ROYALTY TRUST

### PART I - FINANCIAL INFORMATION

#### Item 1. Financial Statements

The condensed financial statements included herein have been prepared by Argent Trust Company as Trustee for the Permian Basin Royalty Trust (the "Trust"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Effective December 30, 2022, Argent Trust Company (the "Trustee") became the new trustee for the Trust. 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 interim financial statements and notes thereto 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 Trust as of **March 31, 2024** **June 30, 2024**, and the distributable income and the changes in trust corpus for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023, have been included. The distributable income for such interim periods is not necessarily indicative of the distributable income for the full year. Unless specified otherwise, all amounts included herein are presented in US dollars.

The condensed interim financial statements as of the **three months** **three-month and six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023, included herein, have been reviewed by Weaver and Tidwell, L.L.P., an independent registered public accounting firm, as stated in their report appearing herein.

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#### Report of Independent Registered Public Accounting Firm

To the Unit Holders of Permian Basin Royalty Trust  
and Argent Trust Company, Trustee  
Dallas, Texas

##### **Results of Review of Interim Financial Statements**

We have reviewed the accompanying condensed statements of assets, liabilities and trust corpus of Permian Basin Royalty Trust (the "Trust") as of **March 31, 2024**, **June 30, 2024** and the related condensed statements of distributable income and changes in trust corpus for the **three month** **three-month and six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023, and the related notes (collectively referred to as the "condensed" "condensed" interim financial statements" "statements" or "interim" "interim financial information" "information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial statements for them to be in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note 2 to the condensed interim financial statements, these condensed interim financial statements were 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.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the statement of assets, liabilities, and trust corpus as of December 31, 2023, 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 February 29, 2024 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, 2023, is fairly stated, in all material respects, in relation to the statement of assets, liabilities, and trust corpus from which it has been derived.

**Basis for Review Results**

These condensed interim financial statements are the responsibility of the Trustee. We conducted our reviews in accordance with the standards of the PCAOB. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, 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.

*/s/*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas

May 9, August 8, 2024

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**PERMIAN BASIN ROYALTY TRUST**

**CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS**

| <u>ASSETS</u>   | March 31,    |              | June 30,     |              |
|---|--------------|--------------|--------------|--------------|
|   | 2024         | December 31, | 2024         | December 31, |
|   | (Unaudited)  | 2023         | (Unaudited)  | 2023         |
| Cash and short-term investments   | \$ 3,027,056 | \$ 6,051,350 | \$ 6,668,079 | \$ 6,051,350 |
| Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,765,591 and \$10,753,742 at March 31, 2024 and December 31, 2023, respectively) | \$ 209,625   | \$ 221,474   |              |              |

|  |                     |                     |
|--|---------------------|---------------------|
| Net overriding royalty interests in producing oil and gas properties (net of accumulated amortization of \$10,777,591 and \$10,753,742 at June 30, 2024 and December 31, 2023, respectively) | \$ 197,625          | 221,474             |
| <b>TOTAL ASSETS</b>  | <b>\$ 3,236,681</b> | <b>\$ 6,272,824</b> |
| <b>LIABILITIES AND TRUST CORPUS</b>  |                     |                     |
| Distribution payable to Unit holders   | \$ 1,927,056        | \$ 4,951,350        |
| Commitments and reserves for contingencies (Note 6)  | 1,100,000           | 1,100,000           |
| Funds received for future distributions (Note 6)   |                     | \$ 2,177,289        |
| Commitments and reserves for contingencies (Note 7)  |                     | 1,100,000           |
| Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding  | 209,625             | 221,474             |
| <b>TOTAL LIABILITIES AND TRUST CORPUS</b>  | <b>\$ 3,236,681</b> | <b>\$ 6,272,824</b> |

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

## PERMIAN BASIN ROYALTY TRUST

### CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

|   | Three Months        |                     | Three Months        |                     | Three Months  |               | Three Months  |               |
|---|---------------------|---------------------|---------------------|---------------------|---------------|---------------|---------------|---------------|
|   | Ended               |                     | Ended               |                     | Ended         |               | Ended         |               |
|   | March 31, 2024      | March 31, 2023      | March 31, 2024      | March 31, 2023      | June 30, 2024 | June 30, 2024 | June 30, 2023 | June 30, 2023 |
| Royalty income                          | \$ 6,005,642        | \$ 5,206,602        | \$ 8,803,389        | \$ 6,074,170        |               |               |               |               |
| Interest income                         | 39,048              | 14,107              | 29,106              | 22,964              |               |               |               |               |
|   | 6,044,690           | 5,220,709           | 8,832,495           | 6,097,134           |               |               |               |               |
| General and administrative expenditures | (552,484)           | (480,094)           | (395,807)           | (335,992)           |               |               |               |               |
| Distributable income                    | <u>\$ 5,492,206</u> | <u>\$ 4,740,615</u> | <u>\$ 8,436,688</u> | <u>\$ 5,761,142</u> |               |               |               |               |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Distributable income per Unit (46,608,796 Units) | \$ <u>0.12</u> | \$ <u>0.10</u> | \$ <u>0.18</u> | \$ <u>0.12</u> |
|--|----------------|----------------|----------------|----------------|

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

|  | Six Months Ended |            | Six Months Ended |            |
|--|------------------|------------|------------------|------------|
|  | June 30, 2024    |            | June 30, 2023    |            |
|  | \$               |            | \$               |            |
| Royalty income                                   | \$               | 14,809,031 | \$               | 11,280,772 |
| Interest income                                  |                  | 68,153     |                  | 37,071     |
|  |                  | 14,877,184 |                  | 11,317,843 |
| General and administrative expenditures          |                  | (948,290)  |                  | (816,086)  |
| Distributable income                             | \$               | 13,928,894 | \$               | 10,501,757 |
| Distributable income per Unit (46,608,796 Units) | \$               | 0.30       | \$               | 0.23       |

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

## PERMIAN BASIN ROYALTY TRUST

### CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

|  | Three Months Ended |             | Three Months Ended |             | Three Months Ended |             | Three Months Ended |             |
|--|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|  | March 31, 2024     |             | March 31, 2023     |             | June 30, 2024      |             | June 30, 2023      |             |
|  | \$                 |             | \$                 |             | \$                 |             | \$                 |             |
| Trust corpus, beginning of period                | \$                 | 221,474     | \$                 | 279,433     | \$                 | 209,625     | \$                 | 239,433     |
| Amortization of net overriding royalty interests |                    | (11,849)    |                    | (40,000)    |                    | (12,000)    |                    | (40,000)    |
| Distributable income                             |                    | 5,492,206   |                    | 4,740,615   |                    | 8,436,688   |                    | 5,761,142   |
| Distributions declared                           |                    | (5,492,206) |                    | (4,740,615) |                    | (8,436,688) |                    | (5,761,142) |
| Total Trust Corpus, end of period                | \$                 | 209,625     | \$                 | 239,433     | \$                 | 197,625     | \$                 | 199,433     |
| Distributions per Unit                           | \$                 | 0.12        | \$                 | 0.10        | \$                 | 0.18        | \$                 | 0.12        |

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

|  | Six Months Ended | Six Months Ended |
|--|------------------|------------------|
|--|------------------|------------------|

|  | June 30, 2024    | June 30, 2023    |
|--|------------------|------------------|
| Trust corpus, beginning of period                | \$ 221,474       | \$ 279,433       |
| Amortization of net overriding royalty interests | (23,849)         | (80,000)         |
| Distributable income                             | 13,928,894       | 10,501,757       |
| Distributions declared                           | (13,928,894)     | (10,501,757)     |
| Total Trust Corpus, end of period                | <hr/> \$ 197,625 | <hr/> \$ 199,433 |
| Distributions per Unit                           | <hr/> \$ 0.30    | <hr/> \$ 0.23    |

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

## PERMIAN BASIN ROYALTY TRUST

### NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

#### 1. TRUST ORGANIZATION AND PROVISIONS

The Permian Basin Royalty Trust (“Trust”) was established as of November 1, 1980. Argent Trust Company (“Trustee”) is Trustee for the Trust. The net overriding royalties conveyed to the Trust include (1) a 75% net overriding royalty in Southland Royalty Company’s fee mineral interest 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 properties 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 net overriding royalties above are collectively referred to as the “Royalties.”

On November 3, 1980, Units of Beneficial Interest (“Units”) in the Trust were distributed to the Trustee for the benefit of Southland Royalty Company’s shareholders of record as of November 3, 1980, who received one Unit in the Trust for each share of Southland Royalty Company common stock held. The Units are traded on the New York Stock Exchange.

Burlington Resources Oil & Gas Company LP (“BROG”), a subsidiary of ConocoPhillips, was the interest owner 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”), was the interest owner for the Texas Royalty properties. In February 1997, BROG sold its interest in the Texas Royalty properties to Riverhill Energy. Riverhill Energy currently conducts all field, technical and accounting operations for the Texas Royalty Properties. BROG notified the Trust that on November 1, 2019, the Waddell Ranch properties that are subject to the Net Overriding Royalty Conveyance (Permian Basin Royalty Trust-Waddell Ranch) dated November 1, 1980, were sold to Blackbeard Operating, LLC (“Blackbeard”) of Fort Worth, Texas. Blackbeard became the operator effective as of April 1, 2020.

The Trustee was advised that in the first quarter of 1998, Schlumberger Technology Corporation (“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 was further 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.

On January 9, 2014, Bank of America N.A. (as successor to The First National Bank of Fort Worth) gave notice to Unit holders that it would be resigning as trustee of the Trust subject to certain conditions that included the appointment of Southwest Bank as successor trustee. At a Special Meeting of Trust Unit holders, the Unit holders approved the appointment of Southwest Bank as successor trustee of the Trust once the resignation of Bank of America N.A. took effect and also approved certain amendments to the Trust Indenture. The effective date of Bank of America N.A.'s resignation and the effective date of Southwest Bank's appointment as successor trustee was August 29, 2014. Effective October 19, 2017, Simmons First National Corporation ("SFNC") completed its acquisition of First Texas BHC, Inc., the parent company of Southwest Bank. SFNC is the parent company of Simmons Bank. SFNC merged Southwest Bank with Simmons Bank effective February 20, 2018.

On November 4, 2021, Simmons Bank announced that it had entered into an agreement with Argent Trust Company, a Tennessee chartered trust company ("Argent"), pursuant to which Simmons Bank would be resigning as trustee of the Trust and would nominate Argent as successor trustee of the Trust. The effective date of Simmons Bank's resignation and Argent's appointment as successor trustee was December 30, 2022. The defined term "Trustee" as used herein shall refer to Bank of America N.A. for periods prior to August 29, 2014, shall refer to Southwest Bank for periods from August 29, 2014 through February 19, 2018, shall refer to Simmons Bank for periods from February 20, 2018 through December 29, 2022, and shall refer to Argent for periods on and after December 30, 2022.

The terms of the Trust Indenture provide, among other things, that:

- the Trust shall not engage in any business or commercial activity of any kind or acquire any assets other than those initially conveyed to the Trust;
- the Trustee may not sell all or any part of the Royalties unless approved by holders of 75% of all Units outstanding in which case the sale must be for cash and the proceeds promptly distributed;
- the Trustee may establish a cash reserve for the payment of any liability which is contingent or uncertain in amount;

- the Trustee is authorized to borrow funds to pay liabilities of the Trust; and
- the Trustee will make monthly cash distributions to Unit holders (see Note 3).

## 2. ACCOUNTING POLICIES

### Basis of Accounting

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 the Trustee on behalf of the Trust by the interest owners. Royalty income consists of the amounts received and available for distribution by the owners of the interest burdened by the 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. Royalty income for the quarter ended

June 30, 2024, for the Waddell Ranch properties includes only the cash received for April and May, since the cash received in June was not disclosed to the Trustee by the NYSE notification deadline and therefore not distributed until subsequent to the end of the quarter, consistent with the policy above.

- Trust expenses, consisting principally of routine general and administrative costs, 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.
- Funds received for future distributions in the Condensed Statement of Assets, Liabilities and Trust Corpus reflects the proceeds from Royalties on the Waddell Ranch properties that Blackbeard wires to the Trust after the deadline to notify the NYSE of the current month distribution has passed. Funds received on June 26, 2024, in the amount of \$2,177,289 were held for future distribution as of June 30, 2024, and subsequently included in the July 2024 distribution calculation.

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, expenses are recorded when paid and certain cash reserves may be established for contingencies which would not be accrued in financial statements prepared in accordance with GAAP. 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*.

#### *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 reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting periods. Actual results may differ from such 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.

#### *Distributable Income Per Unit*

Basic distributable income per Unit is computed by dividing distributable income by the weighted average of Units outstanding. Distributable income per Unit assuming dilution is computed by dividing distributable income by the weighted average number of Units and equivalent Units outstanding. The Trust had no equivalent Units outstanding for any period presented. Therefore, basic distributable income per Unit and distributable income per Unit assuming dilution are the same.

#### *New Accounting Pronouncements*

There are no new accounting pronouncements that are expected to have significant impact on the Trust's financial statements.

### **3. NET OVERRIDING ROYALTY INTERESTS AND DISTRIBUTION TO UNIT HOLDERS**

The amounts to be distributed to Unit holders ("Monthly Distribution Amounts") are determined on a monthly basis. The Monthly Distribution Amount is an amount equal to the sum of cash received by the Trustee during a calendar month attributable to the Royalties, any reduction in cash reserves and any other cash receipts of the Trust, including interest, reduced by the sum of liabilities paid and any increase in cash reserves. If the Monthly Distribution Amount for any monthly period is a negative number, then the distribution will be zero for such month. To the extent the distribution amount is a negative number, that amount will be carried forward and deducted from future monthly distributions until the cumulative distribution calculation becomes a positive number, at which time a distribution will be made. Unit holders of record will be entitled to receive the calculated Monthly Distribution Amount for each month on or before 10 business days after the monthly record date, which is generally the last business day of each calendar month.

The cash received by the Trustee consists of the amounts received by owners of the interest burdened by the Royalties from the sale of production less the sum of applicable taxes, accrued production costs, development and drilling costs, 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.

Notwithstanding requests from the Trustee to Blackbeard, the operator of the Waddell Ranch properties, and the fact that Blackbeard has provided this information on a monthly basis since Argent Trust Company has become Trustee of the Trust, Blackbeard has refused to provide the Trustee information necessary to calculate the net proceeds as of the announcement date for monthly distributions starting in May 2024. As a result of Blackbeard's failure to provide this information by the NYSE notification date for the monthly distribution, in accordance with the Trust indenture, if Royalty income is received from the Waddell Ranch properties on or prior to the record date, it will be included in the following month's distribution, rather than the current month's distribution. The Royalty income received from Blackbeard after the NYSE notification deadline is included as a liability on the Condensed Statement of Assets, Liabilities, and Trust Corpus titled, "Funds received for future distributions."

### **4. FEDERAL INCOME TAXES**

For federal income tax purposes, the Trust constitutes a fixed investment trust that is taxed as a grantor trust. A grantor trust is not subject to federal income tax at the trust level. The Unit holders are considered for federal income tax purposes 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. If the Trust borrows funds to pay liabilities of the Trust, as contemplated in the Trust Indenture, tax-exempt Unit holders could be required to recognize unrelated business taxable income.

### **5. STATE TAX CONSIDERATIONS**

All revenues from the Trust are from sources within Texas, which does not impose an individual income tax. Texas imposes a franchise tax at a rate of 0.75% on gross revenues less certain deductions, as specifically set forth in the Texas franchise tax statutes. Entities subject to the Texas franchise tax generally include trusts and most other types of entities that provide limited liability protection, unless otherwise exempt. Trusts that receive at least 90% of their federal gross income from certain passive sources, including royalties from mineral properties and other non-operated mineral interest income, and do not receive more than 10% of their income from operating an active trade or

business, generally are exempt from the Texas franchise tax as "passive entities." The Trust has been and expects to continue to be exempt from Texas franchise tax as a passive entity. Because the Trust should be exempt from Texas franchise tax at the Trust level as a passive entity, each Unit holder that is a taxable entity under the Texas franchise tax generally will be required to include its portion of Trust revenues in its own Texas franchise tax computation. This revenue is sourced to Texas under provisions of the Texas Administrative Code providing that such income is sourced according to the principal place of business of the Trust, which is Texas.

Unit holders should consult their tax advisors regarding state tax requirements, if any, applicable to such Unit holder's ownership of Trust units.

## **6. FUNDS RECEIVED FOR FUTURE DISTRIBUTIONS**

Funds received for future distributions in the Condensed Statement of Assets, Liabilities and Trust Corpus reflects the proceeds from Royalties on the Waddell Ranch properties that Blackbeard wires to the Trust after the deadline to notify the NYSE of the current month distribution has passed. Funds received on June 26, 2024, in the amount of \$2,177,289 were held for future distribution as of June 30, 2024, and subsequently included in the July 2024 distribution calculation

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## **6.7. COMMITMENTS AND CONTINGENCIES**

Contingencies related to the Underlying Properties 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 maintains an expense reserve, which reserve is currently \$1,100,000, that allows the Trustee to pay obligations of the Trust in the event there is not sufficient Royalty income to pay such expenses.

## **7. 8. SUBSEQUENT EVENTS**

Subsequent to March 31, 2024 June 30, 2024, the Trust declared a distribution on April 19, 2024 July 19, 2024, of \$0.088214 \$0.070169 per Unit payable on May 14, 2024 August 14, 2024 to unitholders of record on April 30, 2024 July 31, 2024. This distribution included funds received from Blackbeard on June 26, 2024 in the amount of \$2,177,289, which have been presented as a liability on the Condensed Statement of Assets, Liabilities and Trust Corpus, titled "Funds received for future distributions".

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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, **litigation, information to be received by operators of the Waddell Ranch properties or Texas Royalty properties**, 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 are 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," "should," "assume," "believe," or other words that convey the uncertainty of future events or outcomes.

### Commodity Prices

The Trust's income and monthly distributions are heavily influenced by commodity prices. Commodity prices may fluctuate widely in response to (i) relatively minor changes in the supply of and demand for oil and natural gas, (ii) market uncertainty and (iii) a variety of additional factors that are beyond the Trustee's control. Recently, there has been volatility in oil and natural gas prices due in part to geopolitical conditions in Eastern Europe and the Middle East. The price of oil and gas remained soft from the first quarter through the beginning of the third quarter of 2023 due to continued lower demand resulting from higher than normal inflation and an oversupply of the commodities. In the **latter part** **first half** of the **third quarter of 2023, 2024**, the price of oil and gas began to increase, due **mainly** to **tensions in the Middle East and OPEC cutting oil production and colder weather during the winter months**. As of **May 6, 2024** **July 29, 2024** the price of oil was **\$80.10** **\$77.27** per barrel. It is uncertain how the war in Ukraine, resulting sanctions against Russia, conflict between Israel and Hamas, and Israel and Iran, and OPEC production will affect oil prices in the coming months. Factors that may impact future commodity prices, including the price of oil and natural gas, include but are not limited to:

- political conditions in major oil producing regions, especially in the Middle East and Eastern Europe, including the conflicts between Russia and Ukraine, Israel and Hamas and Israel and Iran; **Hamas**;
- worldwide economic and geopolitical conditions;
- weather conditions;
- trade barriers;
- public health concerns, such as COVID 19;
- the supply and price of domestic and foreign crude oil or natural gas;
- the level of consumer demand;
- the price and availability of alternative fuels;

- the proximity to, and capacity of, transportation facilities;
- the effect of worldwide energy conservation measures and governmental policies and regulatory incentives for investment in non-fossil fuel energy sources; and
- the nature and extent of governmental regulation and taxation.

Although the Trustee cannot predict the occurrence of events that may affect future commodity prices or the degree to which these prices will be affected, gas royalty income for a given period generally relates to production three months prior to the period and crude oil royalty income for a given period generally relates to production two months prior to the period and will generally approximate current market prices in the geographic region of the production at the time of production. When crude oil and natural gas prices decline, the Trust is affected in two ways. First, distributable income from the Royalty Properties is reduced. Second, exploration and development activity by operators on the Royalty Properties may decline as some projects may become uneconomic and are either delayed or eliminated. It is impossible to predict future crude oil and natural gas price movements, and this reduces the predictability of future cash distributions to Unit holders.

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**Three Months Ended March 31, 2024 June 30, 2024 Compared to Three Months Ended March 31, 2023 June 30, 2023**

For the quarter ended March 31, 2024 June 30, 2024, royalty income received by the Trust amounted to \$6,005,642 \$8,803,389 compared to royalty income of \$5,206,602 \$6,074,170 during the first second quarter of 2023. For the Texas Royalty Properties, the average oil and gas prices were \$78.00 and \$10.04, respectively, for the quarter ended June 30, 2024 compared to \$73.05 and \$4.53 for the quarter ended June 30, 2023. Production information was not provided by Blackbeard such that pricing of oil and gas for the Waddell Ranch properties could not be calculated. The Trustee believes that the higher royalty income reported in the three months ended June 30, 2024 compared to the same time period in 2023 may be attributable to the deficit position of the Waddell Ranch properties during a portion of the second quarter of 2023, whereas no deficit position existed during the second quarter of 2024. The increase in royalty income is primarily attributable was partially offset by \$2,177,289 of net proceeds being delayed until distribution declared in the third quarter of 2024 due to an increase Blackbeard's refusal to provide information regarding monthly net proceeds in oil and gas production. Average oil and gas prices were \$73.17 and \$2.05, respectively, time for the quarter ending March 31, 2024 compared to \$77.63 and \$3.19 for the quarter ended March 31, 2023. monthly distribution announcement.

Interest income for the quarter ended March 31, 2024 June 30, 2024 was \$39,048 \$29,106 compared to \$14,107 \$22,964 during the first second quarter of 2023. The increase in interest income is primarily attributable to increased amounts of funds available for investment. Total expenses during the first second quarter of 2024 amounted to \$552,484 \$395,806 compared to \$480,094 \$335,992 during the first second quarter of 2023. The increase in total expenses can be primarily attributed to increased expense for professional services, printing expenses and the timing of payment of expenses.

These transactions resulted in distributable income for the quarter ended March 31, 2024 June 30, 2024 of \$5,492,206 \$8,436,688 or \$0.12 \$0.18 per Unit of beneficial interest. Distributions of \$0.031031, \$0.045460 \$0.088214, \$0.020052 and \$0.041340 \$0.072743 per Unit were made to Unit holders of record as of January 31, 2024 April 30, 2024.

February 29, 2024 May 31, 2024, and March 28, 2024 June 28, 2024, respectively. For the first second quarter of 2023, distributable income was \$4,740,615 \$5,761,142 or \$0.10 \$0.12 per Unit of beneficial interest.

Royalty Notwithstanding requests from the Trustee to Blackbeard Operating, LLC ("Blackbeard"), the operator of the Waddell Ranch properties, Blackbeard has refused to provide the Trustee information necessary to calculate the net proceeds as of the NYSE notification date for the monthly distributions beginning May 2024 such that royalty income for the Trust for the first second quarter of the calendar year is associated with actual oil and gas production for February and March 2024 for the period Waddell Ranch properties from which "Royalties" were carved. Royalty income for the Trust for the second quarter of November the calendar year for the Texas Royalty properties is associated with actual oil and December 2023 gas production from February through April 2024.

Beginning in May 2024, Blackbeard has also refused to provide monthly production, product sales, capital expenditure, and January 2024 from development information for the Waddell Ranch properties from which the Trust's Royalties are carved, information Blackbeard has previously provided on a monthly basis since Argent Trust Company has become Trustee of the Trust.

On July 29, 2024, Blackbeard provided the Trustee a quarterly statement showing the computation of net overriding royalty interests ("Royalties") proceeds to the Trust for each month of the quarter ended June 30, 2024. However, no production volumes or pricing were carved provided, information Blackbeard has previously provided monthly since Argent Trust Company has become Trustee of the Trust. As a result, oil and gas pricing and average daily production is unable to be calculated for the Waddell Ranch properties. Oil and gas sales attributable to the Royalties and the properties from which the Royalties were carved are as follows:

| Royalties:  | Three Months Ended March 31, |           |      |            | Three Months Ended June 30, |            |            |            |
|---|------------------------------|-----------|------|------------|-----------------------------|------------|------------|------------|
|   | 2024                         |           | 2023 |            | 2024                        |            | 2023       |            |
|   |                              |           |      |            | WADDELL                     |            |            |            |
|   |                              |           |      |            | RANCH                       | TEXAS      | WADDELL    | TEXAS      |
|   |                              |           |      | PROPERTIES |                             | ROYALTY    | PROPERTIES | ROYALTY    |
|   |                              |           |      | (1)        |                             | PROPERTIES | PROPERTIES | PROPERTIES |
| <b>Royalties</b>  |                              |           |      |            |                             |            |            |            |
| Oil sales (Bbls)  | 606,955                      | 519,492   | —    | —          | 44,060                      | 503,617    | 48,805     |            |
| Gas sales (Mcf)   | 3,226,052                    | 2,829,662 | —    | —          | 21,782                      | 2,757,996  | 60,643     |            |
| <b>Properties From Which The Royalties Were Carved:</b> |                              |           |      |            |                             |            |            |            |
| Oil:  |                              |           |      |            |                             |            |            |            |
| Total oil sales (Bbls)                                  | 799,806                      | 676,790   | —    | —          | 49,394                      | 671,489    | 54,545     |            |
| Average per day (Bbls)                                  | 8,789                        | 7,520     |      |            | 543                         | 7,379      | 599        |            |
| Average price per Bbl                                   | \$ 73.17                     | \$ 77.63  |      |            | \$ 78.00                    | \$ 73.78   | \$ 73.05   |            |
| Gas:  |                              |           |      |            |                             |            |            |            |
| Total gas sales (Mcf)                                   | 4,296,765                    | 3,754,816 | —    | —          | 24,426                      | 3,677,328  | 67,855     |            |

|                       |         |         |   |          |         |         |
|-----------------------|---------|---------|---|----------|---------|---------|
| Average per day (Mcf) | 47,217  | 41,720  | — | 268      | 40,410  | 746     |
| Average price per Mcf | \$ 2.05 | \$ 3.19 |   | \$ 10.04 | \$ 2.07 | \$ 4.53 |

The (1) Information not made available by Blackbeard

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For the Texas Royalty Properties, the average received price of oil decreased increased to an average price of \$73.17 \$78.00 per Bbl in the first second quarter of 2024, compared to \$77.63 \$73.05 per Bbl in the first second quarter of 2023 due to worldwide market variables. The average price of gas (including natural gas liquids) decreased for the Texas Royalty properties increased from \$3.19 \$4.53 per Mcf in the first second quarter of 2023 to \$2.05 \$10.04 per Mcf in the first second quarter of 2024 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 always provide a meaningful comparison. However, for the Texas Royalty Properties, both oil and gas sales volumes increased decreased from the Underlying Properties (as defined in the Trust's Annual Report on Form 10-K for the year ended December 31, 2023) for the applicable period in 2024 compared to 2023. Production information was not provided by Blackbeard for the Waddell Ranch properties.

Capital Blackbeard advised the Trustee that capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties during the first second quarter of 2024 totaled \$28.4 million \$15.6 million (gross) as compared to \$35.2 million \$29.7 million (gross) for the first second quarter of 2023. The three months ended June 30, 2024, for the Waddell Ranch properties includes April and May expenditures only, since the cash received in June was not disclosed to the Trustee by the NYSE notification deadline and therefore not distributed until subsequent to the end of the quarter.

Blackbeard has previously informed the Trustee that the 2024 capital expenditures budget has not been finalized; however, Blackbeard provided the Trustee with a preliminary capital expenditures budget of approximately \$301.4 million (gross), \$106.1 million (net) for the Waddell Ranch properties. The total amount of capital expenditures for 2023 with regard to the Waddell Ranch Properties totaled \$135.3 million (net).

The Trustee has been advised that there were 8.7 workover wells completed, 6.0 new wells completed, 5.3 new wells in progress and 8.7 workover wells in progress during the three months ended March 31, 2024, as compared to 6.8 (net to the Trust) workover wells completed and 11.3 new wells completed, 10.9 new wells in progress, and 8.0 workover wells in progress Development information for the three months ended March 31, 2023 on the Waddell Ranch properties. properties such as well completions, workovers, remedial activities, and plugging and abandonment, was not provided by Blackbeard. This information has previously been provided monthly since Argent Trust Company has become Trustee of the Trust.

LeaseBlackbeard advised the Trustee that lease operating expenses and property taxes totaled \$22.8 million \$14.7 million (gross) for the first second quarter of 2024, compared to \$16.4 million \$16.2 million (gross) for the same period in 2023 on the Waddell Ranch properties. The quarter ended June 30, 2024, for the Waddell Ranch properties includes April and May expenses only, since the cash received in June was not disclosed to the Trustee by the NYSE notification deadline and therefore not distributed until subsequent to the end of the quarter.

## **Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023**

For the six months ended June 30, 2024, royalty income received by the Trust amounted to \$14,809,031 compared to royalty income of \$11,280,772 for the six months ended June 30, 2023. For the Texas Royalty Properties, the average received price of oil decreased to an average of \$76.53 per Bbl in the first half of 2024 from \$76.61 per Bbl in the first half of 2023. The average received price of gas increased from \$5.02 per Mcf in the first half of 2023 to \$9.35 per Mcf for the first half of 2024. Production information was not provided by Blackbeard such that pricing of oil and gas for the Waddell Ranch properties could not be calculated. The Trustee believes that the higher royalty income reported in the six months ended June 30, 2024 compared to the same time period in 2023 may be attributable to the deficit position of the Waddell Ranch properties during a portion of the first six months of 2023, whereas no deficit position existed during the first six months of 2024. The increase in royalty income was partially offset by \$2,177,289 of net proceeds being delayed until distribution declared in the third quarter of 2024 due to Blackbeard's refusal to provide information regarding monthly net proceeds in time for the monthly distribution announcement.

Interest income for the six months ended June 30, 2024, was \$68,153 compared to \$37,071 during the six months ended June 30, 2023. The increase in interest income is primarily attributable to a substantial increase in the amounts of funds available for investment and the length of time of such investment due mainly to the fact that beginning in May 2024, funds received from Blackbeard were included in the following month's distribution calculation and held for investment for a longer period of time than was historically held. Total expenses during the six months ended June 30, 2024, amounted to \$948,290 compared to \$816,086 during the six months ended June 30, 2023. The increase in total expenses can be primarily attributed to increased maintenance work, expenses for professional services, printing costs and the timing of payment of expenses.

These transactions resulted in distributable income for the six months ended June 30, 2024 of \$13,928,894, or \$0.30 per Unit. For the six months ended June 30, 2023, distributable income was \$10,501,757 or \$0.23 per Unit.

Notwithstanding requests from the Trustee to Blackbeard, the operator of the Waddell Ranch properties, Blackbeard has refused to provide the Trustee information necessary to calculate the net proceeds as of the NYSE notification date for the monthly distributions beginning May 2024 such that royalty income for the Trust for the first half of the calendar year is associated with actual oil and gas production for November 2023 through March 2024 for the Waddell Ranch properties from which "Royalties" were carved. Royalty income for the Trust for the first half of the calendar year for the Texas Royalty properties is associated with actual oil and gas production from November 2023 through April 2024.

On July 29, 2024, Blackbeard provided the Trustee a quarterly statement showing the computation of net proceeds to the Trust for each month of the quarter ended June 30, 2024. However, no production volumes or pricing were provided, information Blackbeard has previously provided monthly since Argent Trust Company has become Trustee of the Trust. As a result, oil and gas pricing and

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average daily production is unable to be calculated for the Waddell Ranch properties. Oil and gas sales attributable to the Royalties and the properties from which the Royalties were carved are as follows:

Six Months Ended June 30,

|   | 2024                      |            | 2023       |            |
|---|---------------------------|------------|------------|------------|
|   | WADDELL                   | TEXAS      | WADDELL    | TEXAS      |
|   | RANCH                     | ROYALTY    | RANCH      | ROYALTY    |
|   | PROPERTIES <sup>(1)</sup> | PROPERTIES | PROPERTIES | PROPERTIES |
| <b>Royalties</b>                                |                           |            |            |            |
| Oil sales (Bbls)                                | —                         | 89,038     | 973,168    | 98,746     |
| Gas sales (Mcf)                                 | —                         | 43,600     | 5,531,298  | 117,003    |
| <b>Properties From Which The Royalties Were</b> |                           |            |            |            |
| <b>Carved:</b>                                  | —                         | —          |            |            |
| Oil:  |                           |            |            |            |
| Total oil sales (Bbls)                          | —                         | 99,898     | 1,292,809  | 110,015    |
| Average per day (Bbls)                          |                           | 549        | 7,143      | 608        |
| Average price per Bbl                           | \$                        | 76.53      | \$         | 75.52      |
|   |                           | \$         | \$         | \$         |
| Gas:  |                           |            |            |            |
| Total gas sales (Mcf)                           | —                         | 48,879     | 7,369,495  | 130,504    |
| Average per day (Mcf)                           | —                         | 269        | 40,715     | 721        |
| Average price per Mcf                           | \$                        | 9.35       | \$         | 2.61       |
|   |                           | \$         | \$         | \$         |

(1) Information not made available by Blackbeard

For the Texas Royalty Properties, the average received price of oil decreased to an average price of \$76.53 per Bbl in the first half of 2024, compared to \$76.61 per Bbl in the first half of 2023 due to worldwide market variables. The average price of gas (including natural gas liquids) for the Texas Royalty properties increased from \$5.02 per Mcf in the first half of 2023 to \$9.35 per Mcf in the first half of 2024 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. However, for the Texas Royalty Properties, both oil and gas sales volumes from the properties from which the Royalties are carved have decreased for the applicable period of 2024 compared to 2023.

Capital expenditures for drilling, remedial and maintenance activities on the Waddell Ranch properties for the six months ended June 30, 2024 totaled \$ 43.9 million (gross) compared to \$64.9 million (gross) to the Trust for the same period in 2023. The six months ended June 30, 2024, for the Waddell Ranch properties includes January through May expenditures only, since the cash received in June was not disclosed to the Trustee by the NYSE notification deadline and therefore not distributed until subsequent to the end of the quarter. Blackbeard previously informed the Trustee that the 2024 capital expenditures budget has not been finalized; however, Blackbeard provided the Trustee with a preliminary capital expenditures budget of approximately \$301.4 million (gross), \$106.1 million (net) for the Waddell Ranch properties.

Development information for the Waddell Ranch properties, such as well activity, completions, workovers, remedial activities, and plugging and abandonment, was not provided by Blackbeard. This information has previously been provided on a monthly basis since Argent Trust Company has become Trustee of the Trust.

Lease operating expenses and property taxes totaled \$37.5 million (gross) for the six months ended June 30, 2024, compared to \$32.3 million (gross) for the same period in 2023. The six months ended June 30, 2024, for the Waddell

Ranch properties includes January through May expenses and taxes, since the cash received in June was not disclosed to the Trustee by the NYSE notification deadline and therefore not distributed until subsequent to the end of the quarter.

### 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. The royalty income received and recorded by the Trust was determined by the operator as noted below. 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 and available for distribution by the Trust for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively, was computed as shown in the table below:

|  | Three Months Ended March 31, |                  |                          |                  |
|--|------------------------------|------------------|--------------------------|------------------|
|  | 2024                         |                  | 2023                     |                  |
|  | WADDELL                      | TEXAS            | WADDELL                  | TEXAS            |
|  | RANCH                        | ROYALTY          | RANCH                    | ROYALTY          |
|  | PROPERTIES                   | PROPERTIES       | PROPERTIES               | PROPERTIES       |
| Gross proceeds of sales from the Underlying Properties |                              |                  |                          |                  |
| Oil proceeds   | \$ 54,725,566                | \$ 3,796,343     | \$ 48,093,456            | \$ 4,444,019     |
| Gas proceeds   | 8,581,077                    | 211,803          | 11,643,448               | 348,353          |
| Other (adjustment)                                     | —                            | —                | (548,980) <sup>(1)</sup> | —                |
| Total  | <u>63,306,643</u>            | <u>4,008,146</u> | <u>60,285,884</u>        | <u>4,792,372</u> |
| Less:  |                              |                  |                          |                  |
| Severance tax:   |                              |                  |                          |                  |
| Oil  | 2,473,897                    | 153,038          | 2,192,055                | 178,697          |
| Gas  | 75,192                       | 4,680            | 464,549                  | 18,997           |
| Other  | 6,121,069                    | 31,784           | 4,842,697                | 23,981           |
| Lease operating expense and property tax:              |                              |                  |                          |                  |
| Oil and gas  | 22,788,576                   | 240,000          | 16,127,065               | 240,000          |
| Capital expenditures                                   | 28,373,337                   | —                | 35,202,932               | —                |
| Total  | <u>59,832,070</u>            | <u>429,502</u>   | <u>58,829,298</u>        | <u>461,675</u>   |
| Net profits  | <u>3,474,573</u>             | <u>3,578,644</u> | <u>1,456,586</u>         | <u>4,330,697</u> |
| Net overriding royalty interests                       | <u>75 %</u>                  | <u>95 %</u>      | <u>75 %</u>              | <u>95 %</u>      |
| Royalty income   | <u>\$ 2,605,929</u>          | <u>3,399,712</u> | <u>\$ 1,092,440</u>      | <u>4,114,162</u> |

|  | Three Months Ended June 30, |                  |                          |                  |
|--|-----------------------------|------------------|--------------------------|------------------|
|  | 2024                        |                  | 2023                     |                  |
|  | WADDELL                     |                  | WADDELL                  |                  |
|  | RANCH                       | TEXAS            | RANCH                    | TEXAS            |
|  | PROPERTIES                  | ROYALTY          | PROPERTIES               | ROYALTY          |
|  | (1)                         | PROPERTIES       | PROPERTIES               | PROPERTIES       |
| Gross proceeds of sales from the Underlying Properties |                             |                  |                          |                  |
| Oil proceeds   | \$ 38,486,468               | \$ 3,848,548     | \$ 49,542,609            | \$ 3,984,780     |
| Gas proceeds   | 4,811,189                   | 245,355          | 7,612,520                | 307,058          |
| Other (adjustment)                                     | —                           | —                | (548,977) <sup>(2)</sup> | —                |
| Total  | <u>43,297,657</u>           | <u>4,093,903</u> | <u>56,606,152</u>        | <u>4,291,838</u> |
| Less:  |                             |                  |                          |                  |
| Severance tax:   |                             |                  |                          |                  |
| Oil and gas  | 1,802,161 <sup>(3)</sup>    | 158,623          | 2,487,322                | 169,502          |
| Gathering and Transportation Costs                     | 4,178,629                   | 37,642           | 4,990,503                | 37,701           |
| Lease operating expense and property tax:              |                             |                  |                          |                  |
| Oil and gas  | 14,661,781                  | 240,000          | 16,214,860               | 240,000          |
| Capital expenditures                                   | 15,550,243                  | —                | 29,684,445               | —                |
| Total  | <u>36,192,814</u>           | <u>436,265</u>   | <u>53,377,130</u>        | <u>447,203</u>   |
| Net profits  | 7,104,843                   | 3,657,638        | 3,229,022                | 3,844,635        |
| Net overriding royalty interests                       | 75 %                        | 95 %             | 75 %                     | 95 %             |
| Royalty income   | <u>\$ 5,328,632</u>         | <u>3,474,756</u> | <u>\$ 2,421,767</u>      | <u>3,652,403</u> |

(1)

In March 2023, Royalty income for the Waddell Ranch properties in 2024 includes only April and May, as the funds for June 2024 were received after the deadline to report to the NYSE for the June 2024 distribution and therefore not distributed until subsequent to the end of the quarter.

(2) Due to a deficit position. As of March 31, 2023, the cumulative NPI deficit, was \$411,735 for the underlying property (at 75%). The NPI deficit had to be recovered from future proceeds of the Waddell Ranch properties prior did not contribute to any other proceeds being paid to the Trust.

Royalty income from March 2023 through April 2023

(3) Oil and gas severance taxes were not reported separately by Blackbeard.

#### Critical Accounting Policies and Estimates

A disclosure of critical accounting policies and the more significant judgments and estimates used in the preparation of the Trust's financial statements is included in Item 7 of the Trust's Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes to the critical accounting policies during the ~~three~~ six months ended March 31, 2024 June 30, 2024.

#### **Distributable Income Per Unit**

Basic distributable income per Unit is computed by dividing distributable income by the weighted average of Units outstanding. Distributable income per Unit assuming dilution is computed by dividing distributable income by the weighted average number of Units and equivalent Units outstanding. The Trust had no equivalent Units outstanding for any period presented. Therefore, basic distributable income per Unit and distributable income per Unit assuming dilution are the same.

#### **New Accounting Pronouncements**

There are no new accounting pronouncements that are expected to have significant impact on the Trust's financial statements.

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#### **Item 3. Qualitative and Quantitative Disclosures About Market Risk**

The Trust is a passive entity and other than the Trust's ability to periodically borrow money as necessary to pay expenses, liabilities and obligations of the Trust that cannot be paid out of cash held by the Trust, the Trust is prohibited from engaging in borrowing transactions. The amount of any such borrowings is unlikely to be material to the Trust. The Trust periodically holds short-term investments acquired with funds held by the Trust pending distribution to Unit holders and funds held in reserve for the payment of Trust expenses and liabilities. Because of the short-term nature of these borrowings and investments and certain limitations upon the types of such investments which may be held by the Trust, the Trustee believes that the Trust is not subject to any material interest rate risk. The Trust does not engage in transactions in foreign currencies which could expose the Trust or Unit holders to any foreign currency related market risk. The Trust invests in no derivative financial instruments and has no foreign operations or long- term debt instruments.

#### **Item 4. Controls and Procedures**

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission issued an updated version of its Internal Control – Integrated Framework (the “2013 Framework”) which helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. As of the end of the period covered by this report, the Trustee

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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 on the criteria established in the 2013 Framework. Based upon that evaluation, the Trustee concluded that the Trust's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Trust in the reports

that it files or submits under the Securities Exchange Act of 1934 and are effective in ensuring that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Trustee to allow timely decisions regarding required disclosure. In its evaluation of disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by Blackbeard, 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**

### **Item 1. Legal Proceedings**

On December 18, 2023, the Trustee filed a complaint in the United States District Court for the Northern District of Texas against Blackbeard Operating, LLC ("Blackbeard"), the operator of the Waddell Ranch properties. Pursuant to the complaint, the Trustee sought to recover more than \$15 million in damages to the Trust resulting from overhead costs and other expenses the Trustee alleged were impermissibly deducted from royalty payments to the Trust. On March 5, 2024, the lawsuit against Blackbeard was voluntarily dismissed without prejudice. On May 8, 2024, the Trustee filed a petition in the District Court of Tarrant County, Texas against Blackbeard seeking to recover more than \$15 million in damages to the Trust resulting from overhead costs and other expenses the Trustee alleges were impermissibly deducted from royalty payments to the Trust, including among other things, incorrect overhead charges, application of overhead charges to non-producing wells, duplicate charges for services, materials, and utilities, as well as other expenses the Trustee alleges are ineligible charges. On June 10, 2024, Blackbeard filed its original answer and counterclaim to the lawsuit. Included in Blackbeard's original answer and counterclaim are requests for declaratory judgment by the court that it may deduct certain disputed overhead charges from Trust royalty payments and that it may limit information it provides to the Trust to quarterly statements of the net proceeds computation and inspection of books and record during normal business hours. The District Court of Tarrant County has set a preliminary trial date of April 21, 2025, 8:30 a.m., Central Time.

Except as described above, there are no material pending legal proceedings to which the Trust is a party or of which any of its property is the subject.

### **Item 1A. Risk Factors**

***Risk factors relating to Changes in the information historically made available to the Trustee by Blackbeard has delayed and may continue to delay Trust distributions and may cause a significant reduction in the proved reserves the Trust is able to disclose.***

Since May 2024, Blackbeard has refused to provide the Trustee information necessary to calculate the monthly net proceeds from the Waddell Ranch properties by the NYSE notification date for each monthly distribution, notwithstanding Blackbeard's historical practice of providing such information and requests from the Trustee to Blackbeard for such

information. As a result, distribution of net proceeds from the Waddell Ranch properties each month has been delayed by a month from the time such proceeds have historically been distributed to unitholders. In response to the Trust's lawsuit against Blackbeard in the District Court of Tarrant County Texas, Blackbeard has filed a counterclaim asking the court to limit the information it provides to the Trust are contained to quarterly statements of the net proceeds computation and inspection of books and record during normal business hours. If Blackbeard continues to limit the information provided to the Trustee, distributions to unitholders of net proceeds from the Waddell Ranch properties will likely continue to be delayed. Additionally, if Blackbeard does not provide the Trustee with a development plan for 2025 or future years, the Trust will be unable to disclose proved undeveloped reserves ("PUDs") in Item 1A its reserve report under SEC rules, which, subject to limited exceptions, permit PUDs to be disclosed only if they relate to wells scheduled to be drilled within five years after the date of disclosure. Without a development plan reflecting development of wells, the Trust will not be able to disclose PUDs from the Waddell Ranch properties, which would result in a significant reduction to the Trust's proved reserves. As of December 31, 2023, approximately 38% of the Trust's Annual Report on Form 10-K for proved oil reserves and approximately 27% of the fiscal year ended December 31, 2023. Except as set forth in such filing, no material change to such risk factors has occurred during the three months ended March 31, 2024. Trust's proved gas reserves were PUDs.

#### Items 2 through 4.

Not applicable.

#### Item 5. Other Information

The Trust does not have any directors or officers, and as a result, no such persons adopted or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement, as defined in Item 408(a) of Regulation S-K.

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#### Item 6. Exhibits

- 4.1 [Permian Basin Amended and Restated Royalty Trust Indenture dated June 20, 2014, between Southland Royalty Company \(now Burlington Resources Oil & Gas Company LP\) and The First National Bank of Fort Worth \(now Argent Trust Company\), as Trustee, heretofore filed as Exhibit 4.1 to the Trust's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarterly period ended June 30, 2014, is incorporated herein by reference. \\*](#)
  
- 4.2 [Amendment No. 1 to the Amended and Restated Royalty Trust Indenture of Permian Basin Royalty Trust, dated May 4, 2022, heretofore filed as Exhibit 4.1 to the Trust's Form 8-K to the Securities and Exchange Commission filed on May 6, 2022, is incorporated herein by reference. \\*](#)

4.3 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 Argent Trust Company), 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. \* (P)

4.4 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 Argent Trust Company), 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. \* (P)

31.1 [Certification by Jana Egeler, Vice President of Argent Trust Company, Trustee of Permian Basin Royalty Trust, dated May 9, 2024 August 8, 2024 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 Argent Trust Company, Trustee of Permian Basin Royalty Trust, dated May 9, 2024 August 8, 2024 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, Argent Trust Company, 3838 Oak Lawn Avenue, Suite 1720, Dallas, Texas 75219.

(P) Paper exhibits.

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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.

ARGENT TRUST COMPANY,  
TRUSTEE FOR THE  
PERMIAN BASIN ROYALTY TRUST

Date: May 9, 2024 August 8,  
2024

By: /s/ JANA EGELER

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Jana Egeler  
Vice President

(The Trust has no directors or executive Officers.)

**EXHIBIT 31.1****Certification Required by Rule 13a-14(a) or Rule 15d-14(a)**

I, Jana Egeler, certify that:

1. I have reviewed this report on Form 10-Q of Permian Basin Royalty Trust, for which Argent Trust Company, acts as Trustee;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, distributable income and changes in trust corpus of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), or for causing such controls and procedures to be established and maintained, for the registrant and I have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors:
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

In giving the certifications in paragraphs 4 and 5 above, I have relied to the extent I consider reasonable on information provided to me by Blackbeard Operating LLC and Riverhill Energy Corporation.

May 9, August 8, 2024

By: /s/ JANA EGELER

Jana Egeler,

Vice President

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**EXHIBIT 32.1**

**Certification Required by Rule 13a-14(b) or  
Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Permian Basin Royalty Trust (the "Trust") on Form 10-Q for the quarterly period ended **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, not in its individual capacity but solely as the trustee of the Trust, certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to its knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

ARGENT TRUST COMPANY, TRUSTEEFOR PERMIAN BASIN  
ROYALTY TRUST

May 9, August 8, 2024

By: /s/ JANA EGELER

Jana Egeler,

Vice President

Argent Trust Company

A signed original of this written statement required by Section 906 has been provided to Permian Basin Royalty Trust and will be retained by Permian Basin Royalty Trust and furnished to the Securities and Exchange Commission or its staff upon request.

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