SUMMIT FINANCIAL GROUP INC
Form 4/A
July 23, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
George Georgette R.

(Last) (First) (Middle)

PO BOX 8523

(Street)

CHARLESTON, WV 25303

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SUMMIT FINANCIAL GROUP INC [SMMF]

3. Date of Earliest Transaction (Month/Day/Year)
10/31/2011

4. If Amendment, Date Original Filed(Month/Day/Year)
11/02/2011

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and A Underlying Se (Instr. 3 and 4

	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)				
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Subscription Rights (right to buy)	$ 500	10/31/2011		X			118 (2)	07/01/2011	10/31/2011	Preferred Stock
8% Non-Cumulative Convertible Preferred Stock, Series 2011	$ 4	10/31/2011		P		118 (2)		03/01/2012 (1)	06/01/2021	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
George Georgette R. PO BOX 8523 CHARLESTON, WV 25303	X			

Signatures

Teresa D. Ely, Lmtd POA Attorney-in-Fact	07/23/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The 2009 Series Preferred Stock and 2011 Series Preferred Stock may be converted at the holder's option on any dividend payment date.

(2) On November 2, 2011, the reporting person filed a Form 4 reporting the acquisition of 100 shares of 2011 Preferred Stock by 401(k) Plan FBO Spouse. The correct number of shares of Preferred Stock acquired was 118, which are convertible into 14,750 shares of Common Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Other Regulation

The petroleum industry is also subject to compliance with various other federal, state and local regulations and laws, including, but not limited to, occupational safety, resource conservation and equal employment opportunity. The Trustee does not believe that compliance with these laws by the operating parties will have any material adverse effect on Unit holders.

Item 3. *Legal Proceedings*

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 4. *Mine Safety Disclosures*

This Item is not applicable to the Trust.

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PART II

Item 5. ***Market for Units of the Trust, Related Security Holder Matters and Trust Purchases of Units***
Units of Beneficial Interest

Units of Beneficial Interest (Units) of the Trust are traded on the New York Stock Exchange with the symbol PBT. Quarterly high and low sales prices and the aggregate amount of monthly distributions paid each quarter during the Trust s two most recent years were as follows:

2016	Sales Price High	Sales Price Low	Distributions Paid
First Quarter	$ 6.55	$ 4.20	$ .049459
Second Quarter	7.54	5.91	.078591
Third Quarter	7.47	6.10	.133962
Fourth Quarter	8.50	6.66	.153115
Total for 2016			$ 0.415127

2015	High	Low	Distributions Paid
First Quarter	$ 10.66	$ 7.60	$ .089768
Second Quarter	9.79	7.95	.075927
Third Quarter	8.13	5.99	.117872
Fourth Quarter	7.79	4.82	.061163
Total for 2015			$ .344730

Approximately 1,025 Unit holders of record held the 46,608,796 Units of the Trust at December 31, 2016.

The Trust has no equity compensation plans and has not repurchased any Units during the period covered by this report.

Item 6. ***Selected Financial Data***

	For the Year Ended December 31, 2016	2015	2014	2013	2012
Royalty income	$ 21,087,908	$ 17,795,462	$ 49,010,648	$ 41,746,191	$ 55,131,010
Distributable income	$ 19,348,835	$ 16,049,702	$ 47,717,493	$ 40,519,731	$ 53,982,501
Distributable income per Unit	$ 0.42	$ 0.34	$ 1.02	$ .87	$ 1.16
Distributions per Unit	$ 0.42	$ 0.34	$ 1.02	$ .87	$ 1.16

Total assets, December 31	$ 4,398,723	$ 2,145,443	$ 2,828,267	$ 3,917,570	$ 3,399,942

Computation of Royalty Income Received by the Trust

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 percentages of net profits are 75% and 95% in the cases of the Waddell Ranch properties and the Texas Royalty properties, respectively. Royalty income received by the Trust for the five years ended December 31, 2016, was computed as shown in the table on the next page.

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Year Ended December 31,								
2016		2015		2014		2013		
Waddell Ranch roperties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties	Waddell Ranch Properties	Texas Royalty Properties	V P
23,228,208	$ 11,392,255	$ 44,755,071	$ 16,961,554	$ 75,992,426	$ 30,875,566	$ 69,680,486	$ 31,616,260	$ 6
7,317,646	1,334,390	14,226,102	2,133,924	21,629,550	3,887,441	13,104,312	3,809,522	2
	0	(732,097)		2,766,256	0	5,415,627	0	
30,545,854	12,726,645	58,249,076	19,095,478	100,388,232	34,763,007	88,200,425	35,425,782	8
1,030,578	370,941	1,956,811	602,682	3,299,182	1,230,687	2,941,805	1,178,972	
338,599	61,814	586,809	110,141	1,084,324	180,361	11,587	204,770	
(349,817)	0	(656,236)	0	666,994	0	848,017	0	
12,980,419	1,451,483	26,438,272	1,947,322	29,375,066	1,922,064	26,123,405	2,234,558	2
2,162,579	0	27,014,225	0	40,426,331	0	42,903,501	0	
16,162,358	$ 1,884,238	$ 55,339,881	$ 2,660,145	74,851,897	3,333,112	72,828,315	3,618,300	5
14,383,496	$ 10,842,407	$ 2,909,195	$ 16,435,333	$ 25,536,335	$ 31,429,895	$ 15,372,110	$ 31,807,482	$ 3
75%	95%	75%	95%	75%	95%	75%	95%	
10,787,622	$ 10,300,286	$ 2,181,896	$ 15,613,566	$ 19,152,250	$ 29,858,400	$ 11,529,083	$ 30,217,108	$ 2

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operation***
Trustee s Discussion and Analysis for the Three-Year Period Ended December 31, 2016

Liquidity and Capital Resources

As stipulated in the Trust Agreement, the Trust is intended to be passive in nature and the Trustee does not have any control over or any responsibility relating to the operation of the Underlying Properties. The Trustee has powers to collect and distribute proceeds received by the Trust and pay Trust liabilities and expenses and its actions have been limited to those activities. 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. As a result, other than such borrowings, if any, the Trust has no source of liquidity or capital resources other than the Royalties.

Results of Operations

Royalty income received by the Trust for the three-year period ended December 31, 2016, is reported in the following table:

	Year Ended December 31,		
Royalties	**2016**	**2015**	**2014**
Total Revenue	$ 21,087,908	$ 17,795,462	$ 49,010,648
	100%	100%	100%
Oil Revenue	16,870,326	14,058,415	41,428,218
	80%	79%	84%
Gas Revenue	4,217,582	3,737,047	7,852,430
	20%	21%	16%
Total Revenue/Unit	$ .452444	$ .381805	$ 1.051532

Royalty income of the Trust for the calendar year is associated with actual oil and gas production for the period November of the prior year through October of the current year. Oil and gas sales for 2016, 2015 and 2014 for the Royalties and the Underlying Properties, excluding portions attributable to the adjustments discussed hereafter, are presented in the following table:

	Year Ended December 31,		
Royalties	**2016**	**2015**	**2014**
Oil Sales (Bbls)	490,431	344,795	496,193
Gas Sales (Mcf)	1,590,681	650,465	1,064,269
Underlying Properties			
Oil			
Total Oil Sales (Bbls)	871,290	1,217,339	1,184,247
Average Per Day (Bbls)	2,381	3,335	3,245
Average Price/Bbl	$ 39.73	$ 51.61	$ 90.24
Gas			
Total Gas Sales (Mcf)	3,764,922	5,601,666	3,886,365
Average Per Day (Mcf)	10,287	15,347	10,648

Average Price/Mcf	$	2.29	$	4.15	$	6.57

The average price of oil decreased to $39.73 per barrel in 2016, down from $51.61 per barrel in 2015. The average price of oil in 2014 was $90.24 per barrel. In addition, the average price of gas decreased from $4.15 per Mcf in 2015 to $2.29 per Mcf in 2016. The average price of gas in 2014 was $6.57 per Mcf. Oil prices have decreased primarily because of world market conditions. Oil prices are expected to remain volatile. Gas liquids values remain stronger and keep the prices of gas stronger.

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Subsequent to December 31, 2016, the price of both oil and gas continued to fluctuate, giving rise to a correlating adjustment of the respective standardized measure of discounted future net cash flows. As of February 21, 2017, NYMEX posted oil prices were approximately $54.06 per barrel, which compared to the posted price of $42.75 per barrel, used to calculate the worth of future net revenue of the Trust s proved developed reserves, would result in a larger standardized measure of discounted future net cash flows for oil. As of February 21, 2017, NYMEX posted gas prices were $2.56 per million British thermal units. The use of such price, as compared to the posted price of $2.46 per million British thermal units, used to calculate the future net revenue of the Trust s proved developed reserves would result in a larger standardized measure of discounted future net cash flows for gas.

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), production amounts do not necessarily provide a meaningful comparison. For the underlying properties total oil production decreased approximately 28% from 2015 to 2016 primarily due to the previous year s natural decline of wells. For the underlying properties total gas production decreased approximately 33% from 2015 to 2016 primarily due to a natural decline of wells.

On May 2, 2011, ConocoPhillips, as the parent company of BROG, the operator of the Waddell Ranch properties, notified the Trustee that as a result of inaccuracies in ConocoPhillips accounting and record keeping relating to the Trust s interest in proceeds from the gas plant production since January 2007, ConocoPhillips overpaid the Trust approximately $5.9 million initially. ConocoPhillips withheld $4.5 million from the proceeds for 2011 pending completions to the corrections of the accounting procedures. Beginning with the October 2012 distribution, previously withheld proceeds of $4.5 million were reimbursed by ConocoPhillips to the Trust ($4.0 million and $0.5 million in 2013 and 2012, respectively). ConocoPhillips has adjusted the monthly royalty payments to the Trust since October 2012 by the related reimbursed amounts to reflect ConocoPhillips ongoing correction of past and current production and royalty allocations and the payment of the previously withheld proceeds. These adjustments were completed in the first quarter of 2015. The Trust s reported royalty income for the years ended December 31, 2016, 2015 and 2014 was not significantly impacted by these offsetting amounts. At this time, the Trustee considers all corrections and adjustment to be accurate and fairly performed.

Total capital expenditures in 2016 used in the net overriding royalty calculation were approximately $2.2 million (gross) compared to $7.2 million (gross) in 2015 and $57.1 million (gross) in 2014. The operator of the Waddell Ranch properties has informed the Trustee that, in order to halt the production decline curve and to exploit the remaining potential of the Trust s assets more fully, a more aggressive, robust capital expenditure budget will be necessary in the future and is being pursued.

In 2015, there were 12 recompletion wells completed and 22 wells permanently plugged on the Waddell Ranch properties. Actual costs for this program in 2015 approximated $41.1 million (gross). This cost is for the development program and base facilities. The new drills and recompletions, on average, provided a total of an additional 2,922 BOEPD to the exit rate or 1,588 BOEPD annualized average. In 2016, there were no new drill wells and no recompletions.

Texas law requires all temporarily abandoned wells to be either worked over and recompleted to functional status or permanently plugged and abandoned within a five year time frame. The Waddell Ranch properties contain over 700 such temporarily abandoned wells. In 2016, there were 0 recompletion wells completed and 71 wells permanently plugged on the Waddell Ranch properties. Actual costs for this program in 2016 approximated $4.5 million (gross). This cost is for the development program and base facilities. The new drills and recompletions, on average, provided a total of an additional 0 BOEPD to the exit rate or 0 BOEPD annualized average as of December 2016. Production reported is gross.

There were 0 gross (0 net) drill wells completed on the Waddell Ranch properties during 2016. At December 31, 2016, there were 0 drill wells and 0 workovers in progress on the Waddell Ranch properties.

The operator has advised the Trustee that the proposed budget for 2017 will be $3.2 million (gross) and $1.5 million (net). The 2016 budget will include amounts to be spent on no vertical wells, no wells to be worked over and completed, additional facilities and infrastructure improvements and the completion of projects begun in 2016, spending about $3.2 million on this.

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In 2016, lease operating expense and property taxes on the Waddell Ranch properties amounted to approximately $12,980,420. In 2015, lease operating expense and property taxes on the Waddell Ranch properties amounted to approximately $26.4 million. In 2014, lease operating expense and property taxes on the Waddell Ranch properties amounted to approximately $29.4 million.

The Trustee has been advised by BROG that since June 2006, the oil from the Waddell Ranch has been marketed by ConocoPhillips by soliciting bids from third parties on an outright sale basis of production listed in bid packages.

During 2016, the monthly royalty receipts were invested by the Trustee until the monthly distribution date, and earned interest totaled $2,643. Interest income for 2015 and 2014 was $103 and $263, respectively.

General and administrative expenses in 2016 were $1,191,716 compared to $1,245,863 in 2015 and $1,293,418 in 2014, primarily due to reduced legal expenses and other professional services. The reserve for administrative expenses for any potentially extraordinary events and/or expenses was $500,000 as of December 31, 2015, and was increased by $50,000 each month until a reserve of $1,050,000 was reached at December 31, 2016, as the volatile energy markets continued to create possibilities of extraordinary events and scenarios.

Distributable income for 2016 was $19,348,835 or $0. 415133 per Unit.

Distributable income for 2015 was $16,049,702 or $0.344349 per Unit.

Distributable income for 2014 was $47,717,493 or $1.023781 per Unit.

Results of the Fourth Quarters of 2016 and 2015

Royalty income received by the Trust for the fourth quarter of 2016 amounted to $7,383,205 or $0.15845 per Unit. For the fourth quarter of 2015, the Trust received royalty income of $3,161,145 or $.06782 per Unit. Interest income for the fourth quarter of 2016 amounted to $1,531 compared to $28 for the fourth quarter of 2015. The increase in interest income can be attributed primarily to an increase of funds available. Total general and administrative expenses was $250,067 for the fourth quarter of 2016 compared to $310,408 for the fourth quarter of 2015. The decrease in expenses primarily related to a decrease in the reserve for administrative expenses of $50,000 for the quarter. The reserve for administrative expenses for any potentially extraordinary events and/or expenses was $500,000 as of December 31, 2015, and was increased by $50,000 each month until a reserve of $1,050,000 was reached, as the volatile energy markets continued to create possibilities of extraordinary events and scenarios.

Royalty income for the Trust for the fourth quarter is associated with actual oil and gas production during August through October from the Underlying Properties. Oil and gas sales attributable to the Royalties and the Underlying Properties for the quarter and the comparable period for 2015 are as follows:

	Fourth Quarter	
	2016	**2015**
Royalties		
Oil Sales (Bbls)	152,703	74,708
Gas Sales (Mcf)	563,963	97,090
Underlying Properties		
Total Oil Sales (Bbls)	276,973	296,298

Average Per Day (Bbls)	3,011	3,221
Average Price/Bbls	$ 42.24	$ 44.28
Total Gas Sales (Mcf)	1,274,098	1,371,399
Average Per Day (Mcf)	13,831	14,907
Average Price/Mcf	$ 2.86	$ 4.38

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The posted price of oil decreased for the fourth quarter of 2016 compared to the fourth quarter of 2015, resulting in an average price per barrel of $42.24 compared to $44.28 in the same period of 2015. The average price of gas decreased for the fourth quarter of 2016 compared to the same period in 2015, resulting in an average price per Mcf of $2.86 compared to $4.38 in the fourth quarter of 2015.

The Trustee has been advised that oil sales decreased in the fourth quarter of 2016 compared to the same period in 2015 primarily due to market pricing. Gas sales from the Underlying Properties decreased in the fourth quarter of 2016 compared to the same period in 2015 due to pricing pressure from over supply.

The Trust has been advised that no wells were drilled and completed during the three months ended December 31, 2016, and there were no wells in progress.

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.

Impairment

The Trustee routinely reviews its royalty interests in oil and gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust s royalty interests may not be recoverable, an impairment will be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows. There was no impairment of the assets as of December 31, 2016.

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.

1. 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 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.

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.

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 costs cannot reduce royalty income from other conveyances, but is carried forward with accrued interest to be recovered from future net proceeds of that conveyance.

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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 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 SEC as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

2. Revenue Recognition

Revenues from 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 from crude oil and natural gas produced for the twelve-month period ended October 31st in that calendar year.

3. Reserve Disclosure

Independent petroleum engineers estimate the net proved reserves attributable to the Royalty Interests. Estimates of future net revenues from proved reserves have been prepared using average 12-month oil and gas prices, determined as an unweighted arithmetic average of the first-day-of-the-month benchmark price for each month within the 12-month period preceding the end of the most recent fiscal year, unless prices are defined by contractual arrangements. The standardized measure of discounted future net cash flows is achieved by using a discount rate of 10% a year to reflect the timing of future cash flows relating to proved oil and gas reserves. The reserves actually recovered and the timing of production may be substantially different from the reserve estimates 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 market conditions change.

Detailed information concerning the number of wells on royalty properties is not generally available to the owner of royalty interests. Consequently, the Registrant does not have information that would be disclosed by a company with oil and gas operations, such as an accurate account of the number of wells located on its royalty properties, the number of exploratory or development wells drilled on its royalty properties during the periods presented by this report, or the number of wells in process or other present activities on its royalty properties, and the Registrant cannot readily obtain such information.

4. 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.

New Accounting Pronouncements

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

Off-Balance Sheet Arrangements.

As stipulated in the Trust Agreement, the Trust is intended to be passive in nature and the Trustee does not have any control over or any responsibility relating to the operation of the Underlying Properties. The Trustee has powers to collect and distribute proceeds received by the Trust and pay Trust liabilities and expenses and its actions have been limited to those activities. Therefore, the Trust has not engaged in any off-balance sheet arrangements.

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Tabular Disclosure of Contractual Obligations.

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 Years**
Distribution payable to Unit holders	$ 4,749,902	$ 4,749,902	$ 0	$ 0	$ 0
Total	$ 4,749,902	$ 4,749,902	$ 0	$ 0	$ 0

Item 7A. ***Quantitative and Qualitative 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.

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Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Unit Holders of Permian Basin Royalty Trust and

Southwest Bank, Trustee

We have audited the accompanying statements of assets, liabilities, and trust corpus of the Permian Basin Royalty Trust (the Trust) as of December 31, 2016, and the related statements of distributable income and changes in trust corpus for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and trust corpus of the Trust as of December 31, 2016 and the distributable income and changes in trust corpus for the year then ended, on the basis of accounting described in Note 2.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Trust s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework 2013* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO), and our report dated March 10, 2017 expressed an adverse opinion on the Trust s internal control over financial reporting because of a material weakness.

/s/ WEAVER AND TIDWELL, L.L.P.

Dallas, TX

March 10, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Unit Holders of Permian Basin Royalty Trust and

Southwest Bank, Trustee

Dallas, Texas

We have audited the accompanying statements of assets, liabilities, and trust corpus of Permian Basin Royalty Trust (the Trust) as of December 31, 2015, and the related statements of distributable income and changes in trust corpus for each of the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, such financial statements present fairly, in all material respects, the assets, liabilities and trust corpus of the Trust at December 31, 2015, and the distributable income and changes in trust corpus for the years ended December 31, 2015 and 2014, on the basis of accounting described in Note 2.

/s/ DELOITTE & TOUCHE LLP

Dallas, TX

March 15, 2016

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PERMIAN BASIN ROYALTY TRUST

FINANCIAL STATEMENTS

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	December 31, 2016	December 31, 2015
ASSETS		
Cash and Short-term Investments	$ 3,795,604	$ 1,464,757
Net Overriding Royalty Interests in Producing Oil and Gas Properties Net (Notes 2 and 3)	603,119	680,686
Total	$ 4,398,723	$ 2,145,443
LIABILITIES AND TRUST CORPUS		
Distribution Payable to Unit Holders	$ 2,745,604	$ 964,757
Commitments and Reserve for Contingencies (Note 8)	1,050,000	500,000
Total Liabilities	$ 3,795,604	$ 1,464,757
Trust Corpus 46,608,796 Units of Beneficial Interest Authorized and Outstanding	603,119	680,686
Total	$ 4,398,723	$ 2,145,443

STATEMENTS OF DISTRIBUTABLE INCOME

	For the years ended December 31, 2016	2015	2014
Royalty Income (Notes 2 and 3)	$ 21,087,908	$ 17,795,462	$ 49,010,648
Interest Income	2,643	103	263
	21,090,551	17,795,565	49,010,911
General and Administrative Expenditures	1,191,716	1,245,863	1,293,418
Reserve for Expenses	550,000	500,000	
Total Expenditures	1,741,716	1,745,863	1,293,418
Distributable Income	$ 19,348,835	$ 16,049,702	$ 47,717,493
Distributable Income per Unit (46,608,796 Units)	$ .42	$ .34	$ 1.02
Distributions per Unit	$ .42	$ .34	$ 1.02

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

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STATEMENTS OF CHANGES IN TRUST CORPUS

	For the years ended December 31, 2016	2015	2014
Trust Corpus, Beginning of Year	$ 680,686	$ 722,947	$ 780,872
Amortization of Net Overriding Royalty Interests (Notes 2 and 3)	(77,567)	(42,261)	(57,925)
Distributable Income	19,348,835	16,049,702	47,717,493
Distributions Declared	(19,348,835)	(16,049,702)	(47,717,493)
Trust Corpus, End of Year	$ 603,119	$ 680,686	$ 722,947

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

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NOTES TO FINANCIAL STATEMENTS

1. Trust Organization and Provisions

The Permian Basin Royalty Trust (Trust) was established as of November 1, 1980. Southwest Bank (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, is 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), is the interest owner for the Texas Royalty properties. BROG currently 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.

In February 1997, BROG sold its interest in the Texas Royalty properties to Riverhill Energy.

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. The defined term Trustee as used herein shall refer to Bank of America N.A. for periods prior to August 29, 2014, and shall refer to Southwest Bank for periods on or after August 29, 2014.

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).

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2. Accounting Policies

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 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.

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.

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 costs 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 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.

Impairment

The Trustee routinely reviews its royalty interests in oil and gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust s royalty interests may not be recoverable, an impairment will be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows. There was no impairment of the assets as of December 31, 2016.

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.

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New Accounting Pronouncements

There are no new accounting pronouncements that are expected to have a 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.

The initial carrying value of the Royalties ($10,975,216) represented Southland Royalty Company s historical net book value at the date of the transfer to the Trust. Accumulated amortization as of December 31, 2016 and 2015 was $10,372,097 and $10,294,530, respectively.

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

Some Trust Units are held by middlemen, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a customer in street name, collectively referred to herein as middlemen). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust (WHFIT) for U.S. federal income tax purposes. Southwest Bank, EIN: 75-1105980, 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas 75219, telephone number (855) 588-7839, email address trustee@pbt-permian.com, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. Tax information is also posted by the Trustee at www.pbt-permian.com. Notwithstanding the foregoing, the middlemen holding Trust Units on behalf of Unit holders, and not the Trustee of the Trust, are solely responsible for complying with the information reporting requirements under the U.S. Treasury Regulations with respect to such Trust Units, including the issuance of IRS Forms 1099 and certain written tax statements. Unit holders whose Trust Units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the Trust Units.

Because the Trust is a grantor trust for federal tax purposes, each Unit holder is taxed directly on his proportionate share of income, deductions and credits of the Trust consistent with each such Unit holder s taxable year and method of accounting and without regard to the taxable year or method of accounting employed by the Trust. The income of the Trust consists primarily of a specified share of the proceeds from the sale of oil and gas produced from the Underlying Properties. During 2016, the Trust also earned interest income on funds held for distribution and the cash reserve maintained for the payment of contingent and future obligations of the Trust.

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The deductions of the Trust consist of severance taxes and administrative expenses. In addition, each Unit holder is entitled to depletion deductions because the Royalties constitute economic interests in oil and gas properties for federal income tax purposes. Each Unit holder is entitled to amortize the cost of the Units through cost depletion over the life of the Royalties or, if greater, through percentage depletion equal to 15 percent of gross income. Unlike cost depletion, percentage depletion is not limited to a Unit holder s depletable tax basis in the Units. Rather, a Unit holder is entitled to a percentage depletion deduction as long as the applicable Underlying Properties generate gross income. Percentage depletion is allowed on proven properties acquired after October 11, 1990. For Units acquired after such date, Unit holders would normally compute both percentage depletion and cost depletion from each property and claim the larger amount as a deduction on their income tax returns. The Trustee has estimated the cost depletion for January through December 2016, and it appears that percentage depletion will exceed cost depletion for some of the Unit holders.

If a taxpayer disposes of any Section 1254 property (certain oil, gas, geothermal or other mineral property), and if the adjusted basis of such property includes adjustments for deductions for depletion under Section 611 of the Internal Revenue Code (the Code), the taxpayer generally must recapture the amount deducted for depletion as ordinary income (to the extent of gain realized on the disposition of the property). This depletion recapture rule applies to any disposition of property that was placed in service by the taxpayer after December 31, 1986. Detailed rules set forth in Sections 1.1254-1 through 1.1254-6 of the U.S. Treasury Regulations govern dispositions of property after March 13, 1995. The Internal Revenue Service likely will take the position that a Unit holder who purchases a Unit subsequent to December 31, 1986 must recapture depletion upon the disposition of that Unit.

Individuals may incur expenses in connection with the acquisition or maintenance of Trust Units. These expenses may be deductible as miscellaneous itemized deductions only to the extent that such expenses exceed 2 percent of the individual s adjusted gross income.

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. Therefore, in general, it appears that Unit holders should not consider the taxable income from the Trust to be passive income in determining net passive income or loss. Unit holders should consult their tax advisors for further information.

Unit holders of record will continue to receive an individualized tax information letter for each of the quarters ending March 31, June 30 and September 30, 2016, and for the year ending December 31, 2016. Unit holders owning Units in nominee may obtain monthly tax information from the Trustee upon request. See discussion above regarding certain reporting requirements imposed upon middlemen under U.S. Treasury Regulations because the Trust is considered a WHIFT for federal income tax purposes.

Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 39.6%, and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, gains from the sale or exchange of certain investment assets held for more than one year) and qualified dividends of individuals is 20%. Such marginal tax rates may be effectively increased by up to 1.2% due to the phaseout of personal exemptions and the limitations on itemized deductions. The highest marginal U.S. federal income tax rate applicable to corporations is 35%, and such rate applies to both ordinary income and capital gains.

Section 1411 of the Code imposes a 3.8% Medicare tax on certain investment income earned by individuals, estates, and trusts for taxable years beginning after December 31, 2012. For these purposes, investment income generally will include a Unit holder s allocable share of the Trust s interest and royalty income plus the gain recognized from a sale of Trust Units. In the case of an individual, the tax is imposed on the lesser of (i) the individual s net investment income from all investments, or (ii) the amount by which the individual s modified adjusted gross income exceeds specified threshold levels depending on such individual s federal income tax filing status. In the case of an estate or trust, the tax is imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

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The Tax consequences to a Unit holder of the ownership and sale of Units will depend in part on the Unit holder s tax circumstances. Unit holders should consult their tax advisors about the federal tax consequences relating to owning the Units in the Trust.

Pursuant to the Foreign Account Tax Compliance Act (commonly referred to as FATCA), distributions from the Trust to foreign financial institutions and certain other non-financial foreign entities may be subject to U.S. withholding taxes. Specifically, certain withholdable payments (including certain royalties, interest and other gains or income from U.S. sources) made to a foreign financial institution or non-financial foreign entity will generally be subject to the withholding tax unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

The Treasury Department has issued guidance providing that the FATCA withholding rules described above generally will only apply to qualifying payments made after June 30, 2014. Foreign Unit holders are encouraged to consult their own tax advisors regarding the possible implications of these withholding provisions on their investment in Trust Units.

5. Proved Oil and Gas Reserves (Unaudited)

Reserve Quantities

Information regarding estimates of the proved oil and gas reserves attributable to the Trust are based on reports prepared by Cawley, Gillespie & Associates, Inc., independent petroleum engineering consultants. Estimates were prepared in accordance with the guidelines established by the FASB and the Securities and Exchange Commission. Certain information required by this guidance is not presented because that information is not applicable to the Trust due to its passive nature.

Oil and gas reserve quantities (all located in the United States) are estimates based on information available at the time of their preparation. Such estimates are subject to change as additional information becomes available. Reserves actually recovered, and the timing of the production of those reserves, may differ substantially from original estimates. The following schedule presents changes in the Trust s total proved reserves (in thousands):

	Total	
	Oil (Bbls)	**Gas (Mcf)**
January 1, 2014	6,122	14,339
Extensions, discoveries, and other additions	216	1048
Revisions of previous estimates	(509)	(1,279)
Production	(453)	(931)
December 31, 2014	5,376	13,177
Extensions, discoveries, and other additions	65	201
Revisions of previous estimates	(486)	(3,682)
Production	(345)	(650)

December 31, 2015	4,610	9,046
Extensions, discoveries, and other additions	85	152
Revisions of previous estimates	164	518
Production	(404)	(1,198)
December 31, 2016	4,455	8,518

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Estimated quantities of proved developed reserves of oil and gas as of the dates indicated were as follows (in thousands):

	Oil (Barrels)	Gas (Mcf)
Proved Developed Reserves:		
January 1, 2014	5,769	13,177
December 31, 2014	5,160	12,129
December 31, 2015	4,610	9,046
December 31, 2016	4,455	8,518

Disclosure of a Standardized Measure of Discounted Future Net Cash Flows

The following is a summary of a standardized measure (in thousands) of discounted future net cash flows related to the Trust s total proved oil and gas reserve quantities. Information presented is based upon valuation of proved reserves by using discounted cash flows based upon average oil and gas prices ($42.75 per bbl and $2.46 per Mcf, respectively) during the 12-month period prior to the fiscal year-end, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions and severance and ad valorem taxes, if any, and economic conditions, discounted at the required rate of 10 percent. As the Trust is not subject to taxation at the trust level, no provision for income taxes has been made in the following disclosure. Trust prices may differ from posted NYMEX prices due to differences in product quality and property location. The impact of changes in current prices on reserves could vary significantly from year to year. Accordingly, the information presented below should not be viewed as an estimate of the fair market value of the Trust s oil and gas properties nor should it be viewed as indicative of any trends.

December 31,	2016	2015	2014
Future net cash inflows	$ 188,269	$ 237,703	$ 538,738
Discount of future net cash flows @ 10%	(90,192)	(111,598)	(236,456)
Standardized measure of discounted future net cash inflows	$ 98,077	$ 126,105	$ 302,282

The change in the standardized measure of discounted future net cash flows for the years ended December 31, 2016, 2015 and 2014 is as follows (in thousands):

		Total	
	2016	2015	2014
January 1	$ 126,105	$ 302,282	$ 333,638
Extensions, discoveries, and other additions	1,347	0	12,519
Accretion of discount	12,610	30,229	33,364
Revisions of previous estimates and other	(20,898)	(188,610)	(30,296)
Royalty income	(21,087)	(17,796)	(49,011)

December 31	$ 98,077	$ 126,105	$ 302,282

Royalty Income in the above table differs from the actual cash basis Royalty Income received by the Trust due to the net negative impact of the NPI allocation from the Waddell Ranch properties of approximately $384,796 during the year.

Subsequent to December 31, 2016, the price of both oil and gas continued to fluctuate, giving rise to a correlating adjustment of the respective standardized measure of discounted future net cash flows. As of February 21, 2017, NYMEX posted oil prices were approximately $54.06 per barrel, which compared to the posted price of $42.75 per barrel, used to calculate the worth of future net revenue of the Trust s proved developed reserves, would result in a larger standardized measure of discounted future net cash flows for oil. As of February 21, 2017, NYMEX posted gas prices were $2.56 per

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million British thermal units. The use of such price, as compared to the posted price of $2.46 per million British thermal units, used to calculate the future net revenue of the Trust s proved developed reserves would result in a larger standardized measure of discounted future net cash flows for gas.

6. Quarterly Schedule of Distributable Income (Unaudited)

The following is a summary of the unaudited quarterly schedule of distributable income for the two years ended December 31, 2016 (in thousands, except per Unit amounts):

2016	**Royalty Income**	**Distributable Income**	**Distributable Income and Distribution Per Unit**
First Quarter	$ 2,770,036	$ 2,305,286	$ .049459
Second Quarter	4,379,766	3,664,985	.078591
Third Quarter	6,554,901	6,243,895	.133962
Fourth Quarter	7,383,205	7,134,669	.153115
Total	$ 21,087,908	$ 19,348,835	$ 0.415127

2015	**Royalty Income**	**Distributable Income**	**Distributable Income and Distribution Per Unit**
First Quarter	$ 4,630,106	$ 4,184,044	$ .089768
Second Quarter	4,121,910	3,520,969	.075927
Third Quarter	5,882,301	5,493,920	.117872
Fourth Quarter	3,161,145	2,850,769	.061163
Total	$ 17,795,462	$ 16,049,702	$ .344730

7. State Tax Considerations

All revenues from the Trust are from sources within Texas, which has no 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 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 designated 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 considered a taxable entity under the Texas franchise tax will generally 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 Trust tax compliance matters.

8. Commitments and 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.

On May 2, 2011, ConocoPhillips, as the parent company of BROG, the operator of the Waddell Ranch properties, notified the Trustee that as a result of inaccuracies in ConocoPhillips accounting and record keeping relating to the Trust s

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interest in proceeds from the gas plant production since January 2007, ConocoPhillips overpaid the Trust approximately $5.9 million initially. ConocoPhillips withheld $4.5 million from the proceeds for 2011 pending completions to the corrections of the accounting procedures. Beginning with the October 2012 distribution, previously withheld proceeds of $4.5 million were reimbursed by ConocoPhillips to the Trust ($4.0 million and $0.5 million in 2013 and 2012, respectively). ConocoPhillips has adjusted the monthly royalty payments to the Trust since October 2012 by the related reimbursed amounts to reflect ConocoPhillips ongoing correction of past and current production and royalty allocations and the payment of the previously withheld proceeds. These adjustments were completed in the first quarter of 2015. The Trust s reported royalty income for the years ended December 31, 2016, 2015 and 2014 was not significantly impacted by these offsetting amounts. The Trustee is continuing to evaluate the matter. In conclusion, the Trustee found the calculations and subsequent adjustments to be as accurate as can be determined.

9. Subsequent Events

Subsequent to December 31, 2016, the Trust declared the following distributions:

Monthly Record Date	Payment Date	Distribution per Unit
January 31, 2017	February 14, 2017	$ .048012
February 28, 2017	March 14, 2017	$ .101910

10. Restatement of Unaudited Condensed Interim Financial Statements

On February 27, 2017, the Trustee concluded that the Condensed Statement of Assets, Liabilities and Trust Corpus for the nine-month period ended September 30, 2016, that was previously included in the Trust s Quarterly Report on Form 10-Q filed on November 9, 2016 should be restated. This restatement corrected the following errors in the original Condensed Statement of Assets, Liabilities and Trust Corpus: the Reserve for Expenses amount of $950,000 (the Cash Reserve Amount) was incorrectly omitted from both the Cash and short-term investments amount and the Distribution payable to Unit holders amount, resulting in the Total Assets and Total Liabilities and Trust Corpus amounts being reduced by the Cash Reserve Amount. The restatement did not impact Statement of Distributable Income or Statement of Changes in Trust Corpus.

This restatement resulted in certain adjustments to our Condensed Statement of Assets, Liabilities and Trust Corpus which are illustrated below.

	As of September 30, 2016		
	As Previously Reported	Adjustment	As Restated
Condensed Statement of Assets, Liabilities and Trust Corpus:			
Assets:			
Cash and short term investments	$ 2,139,686	$ 950,000	$ 3,089,686

Net overriding royalty interests in oil and gas properties	643,698		643,698
Total assets	$ 2,783,384	$ 950,000	$ 3,733,384
Liabilities and Trust Corpus:			
Distributions Payable to Unit holders	$ 1,189,686	$ 950,000	$ 2,139,686
Reserve for Expenses	950,000		950,000
Trust Corpus	643,698		643,698
Total liabilities and Trust Corpus	$ 2,783,384	$ 950,000	$ 3,733,384

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Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

The Trust determined not to retain Deloitte & Touche LLP as its independent registered public accounting firm, effective as of June 1, 2016, and engaged Weaver and Tidwell, L.L.P. as its new independent registered public accounting firm effective as of June 1, 2016. The decision to change accountants was recommended and approved by the Trustee.

The reports of Deloitte on the Trust s financial statements as of and for the years ended December 31, 2015 and 2014 did not contain an adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended December 31, 2015 and 2014, and in the subsequent interim period through the June 1, 2016 effective date of the change, there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte, would have caused them to make a reference to the subject matter of the disagreements in connection with their report. In addition, there were no reportable events of the kind defined in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

Item 9A. *Controls and Procedures.*

Disclosure 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 Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934, as amended. Based on such evaluation, the Trustee concluded that the Trust s disclosure controls and procedures were not 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, as amended, is accumulated and communicated to the Trustee to allow timely decisions regarding required disclosure, because of the material weakness in our internal control over financial reporting, as discussed below, that resulted in errors in our unaudited Condensed Statement of Assets, Liabilities and Trust Corpus as of September 30, 2016, which were subsequently corrected, as reflected in Note 10 of the Trust s financial statements that are included herein.

Notwithstanding this material weakness in financial statement reporting, the Trustee has concluded that the financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, the assets, liabilities and trust corpus of the Trust at December 31, 2016 and December 31, 2015 and the distributable income and changes in trust corpus for each of the three fiscal years in the period ended December 31, 2016 in conformity with the modified cash basis accounting described in Note 2 of the Trust s financial statements that are included herein.

Trustee s Report on Internal Control Over Financial Reporting

The Trustee is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Securities and Exchange Act of 1934, as amended. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with the modified cash basis of accounting. The Trustee conducted an evaluation of the effectiveness of the Trust s internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Trustee s evaluation under the framework in Internal Control-Integrated Framework 2013, the Trustee concluded that the Trust s internal control over financial reporting was not effective as of

December 31, 2016, because of the material weakness described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Trust s annual or interim financial statements will not be prevented or detected on a timely basis.

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The Trust did not maintain effective controls over the reporting in its financial statements of certain account balances. Specifically, our review procedures over the reporting and reconciliation of a cash reserve account and distributions payable was not effective.

This control deficiency resulted in an understatement of the cash and short term investments and, in conjunction, understated the amount of total assets, distributions payable to unit holders, and total liabilities and trust corpus on the Condensed Statement of Assets, Liabilities and Trust Corpus as of September 30, 2016. These errors to cash and distributions payable did not reflect any changes in performance of the assets underlying the Trust nor to the stability of the Trust for the three and nine months ended September 30, 2016. The errors were subsequently corrected, as reflected in Note 10 of the Trust s financial statements that are included herein.

While these errors did not impact distributable income for the quarters ended September 30, 2016 and December 30, 2016, this control deficiency could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, the Trustee has determined that this control deficiency represents a material weakness.

The independent registered public accounting firm of Weaver and Tidwell, LLP, as auditors of the statements of assets, liabilities, and trust corpus, and the related statements of distributable income and changes in trust corpus for the year ended December 31, 2016, has issued an audit report on the Trust s internal control over financial reporting, which is included herein.

Remediation Plans

The Trustee is in the process of developing and implementing remediation plans in response to the identified material weakness described above. These plans include the implementation of additional controls and procedures to address the recording and reconciliations surrounding cash, distributions payable, and financial statement review process. These additional controls will include an additional level of review of account reconciliations and financial statements by a qualified employee. These new controls and procedures will be tested as we apply the financial reporting controls going forward. Until the remediation steps set forth above have been tested by the Trustee and concluded to be operating effectively, the material weakness described above will continue to exist.

Changes in Internal Control over Financial Reporting

There has not been any change in the Trust s internal control over financial reporting during the fourth quarter of 2016 that has materially affected, or is reasonably likely to materially affect, the Trust s internal control over financial reporting.

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.

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REPORT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

Unit Holders of Permian Basin Royalty Trust and

Southwest Bank, Trustee

We have audited the internal control over financial reporting of Permian Basin Royalty Trust (the Trust) as of December 31, 2016, based on criteria established in *Internal Control Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Trustee is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the Trustee s Report on Internal Control Over Financial Reporting on Item 9A. Our responsibility is to express an opinion on the Trust s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A Trust s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Trust s modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and is described in Note 2 to the Trust s financial statements. A Trust s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Trust; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with its modified cash basis of accounting, and that receipts and expenditures of the Trust are being made only in accordance with authorizations of the Trustee; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Trust s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Trust s annual or interim financial statements will not be prevented, or detected and corrected on a timely basis. The following material weakness has been identified and included in management s assessment. Management identified a material weakness in internal control over financial reporting relating to the design and operating effectiveness of reporting and reconciliation controls relating to cash reserve account and distribution payables that are relevant to the preparation of the Trust s financial statements and system of internal control over financial reporting. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the Trust as of and for the year ended December 31, 2016, and this report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Trust has not maintained effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of assets, liabilities and Trust corpus as of December 31, 2016 and the related statements of distributable income and changes in Trust corpus of the Permian Basin Royalty Trust for the year ended December 31, 2016, which financial statements have been prepared on the modified cash basis of accounting as described in Note 2 to such financial statements, and our report dated March 10, 2017 expressed an unqualified opinion thereon.

/s/ Weaver and Tidwell, L.L.P.

Dallas, TX

March 10, 2017

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Item 9B. ***Other Information.***
None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

DIRECTORS AND OFFICERS

The Trust has no directors or executive officers. The Trustee is a corporate trustee which may be removed, with or without cause, at a meeting of the Unit holders, by the affirmative vote of the holders of a majority of all the Units then outstanding.

AUDIT COMMITTEE AND NOMINATING COMMITTEE

Because the Trust has no directors, it does not have an audit committee, an audit committee financial expert or a nominating committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange At of 1934, as amended, requires the Trust s directors, officers or beneficial owners of more than ten percent of a registered class of the Trust s equity securities to file reports of ownership and changes in ownership with the SEC and to furnish the Trust with copies of all such reports.

The Trust has no directors or officers and based solely on its review of the reports received by it, the Trust believes that during the fiscal year of 2016, no person who was a beneficial owner of more than ten percent the Trust s Units failed to file on a timely basis any report required by Section 16(a).

STANDARDS OF CONDUCT

Because the Trust has no employees, it does not have a code of ethics. Employees of the Trustee, Southwest Bank, must comply with the bank s standards of conduct, a copy of which will be provided to Unit holders, without charge, upon request made to Southwest Bank, Trustee, 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas 75219, Attention: Ron Hooper.

Item 11. ***Executive Compensation***
During the years ended December 31, 2016, 2015 and 2014, the Trustee received total remuneration as follows:

Name of Individual or Number of Persons in Group	Cash Compensation	Year
Southwest Bank, Trustee	$ 93,244(1)	2016
	$ 84,798(1)	2015

	$	30,755(1)	2014
Bank of America, N.A., Trustee	$	49,309(1)	2014

(1) Under the Trust Indenture, the Trustee is entitled to an administrative fee for its administrative services, preparation of quarterly and annual statements with attention to tax and legal matters of: (i) 1/20 of 1% of the first $100 million and (ii) Trustee s standard hourly rate in excess of 300 hours annually. The administrative fee is subject to reduction by a credit for funds provision.

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COMPENSATION COMMITTEE

Because the Trust has no directors, it does not have a compensation committee, and the Trust has not engaged any consultants to provide advice or recommendations on the amount or form of compensation.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

(a) *Security Ownership of Certain Beneficial Owners*. Based solely on a review of statements filed with the SEC pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended, the Trustee is not aware of any person owning beneficially more than 5% of the outstanding Units of the Trust as of December 31, 2016.

(b) *Security Ownership of Management*. The Trustee does not beneficially own any securities of the Trust.

(c) *Change In Control*. The Trustee knows of no arrangements which may subsequently result in a change in control of the Trust.

(d) *Securities Authorized for Issuance under Equity Compensation Plans.* The Trust has no equity compensation plans.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The Trust has no directors or executive officers. See Item 11 for the remuneration received by the Trustee during the years ended December 31, 2016, 2015 and 2014.

Item 14. ***Principal Accounting Fees and Services.***

Fees for services performed by Deloitte & Touche LLP for the years ended December 31, 2016 and 2015 and for services performed by Weaver and Tidwell, L.L.P. for the year ended December 31, 2016 are:

Deloitte & Touche LLP(1)	**2016**	**2015**
Audit fees	$ 74,500	$ 106,000
Audit-related fees		
Tax fees		
All other fees		
Total	$ 74,500	$ 106,000

Weaver and Tidwell, L.L.P.	**2016**	**2015**
Audit fees	$ 24,000	
Audit-related fees		
Tax fees		
All other fees		

Total	$ 24,000

(1) Deloitte & Touche LLP served as the Trust s independent public accounting firm through June 1, 2016, and was replaced by Weaver and Tidwell, L.L.P. effective on that date.

As referenced in Item 10 above, the Trust has no audit committee, and as a result, has no audit committee pre-approval policy with respect to fees paid to Deloitte & Touche LLP or Weaver and Tidwell, L.L.P.

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PART IV

Item 15. ***Exhibits, Financial Statement Schedules***
The following documents are filed as a part of this Report:

1. *Financial Statements*

Included in Part II of this Report:

Reports of Independent Registered Public Accounting Firm

Statements of Assets, Liabilities and Trust Corpus at December 31, 2016 and 2015

Statements of Distributable Income for Each of the Three Years in the Period Ended December 31, 2016

Statements of Changes in Trust Corpus for Each of the Three Years in the Period Ended December 31, 2016

Notes to Financial Statements

2. *Financial Statement Schedules*

Financial statement schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

3. *Exhibits*

Exhibit **Number**	**Exhibit**
(4)(a)	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 Southwest Bank), 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.*
(b)	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 Southwest Bank), 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.*
(c)	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 Southwest Bank), 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)(a)	Underwriting Agreement dated December 15, 2005 among the Permian Basin Royalty Trust, Burlington Resources, Inc., Burlington Resources Oil & Gas L.P. and Lehman Brothers Inc. and Wachovia Capital Markets, LLC as representatives of the several underwriters, heretofore filed as Exhibit 10.1 to the Trust s current report on Form 8-K to the Securities and Exchange Commission filed on December 19, 2005, is incorporated herein by reference.*
(b)	Underwriting Agreement dated August 2, 2005 among the Permian Basin Royalty Trust, Burlington Resources, Inc., Burlington Resources Oil & Gas L.P. and Goldman Sachs & Co. and Lehman Brothers Inc. as representatives of the several underwriters, heretofore filed as Exhibit 10.1 to the Trust s current report on Form 8-K to the Securities and Exchange Commission filed on August 8, 2005, is incorporated herein by reference.*

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Exhibit

Number	**Exhibit**
(c)	Underwriting Agreement dated August 17, 2006, among Permian Basin Royalty Trust, ConocoPhillips, Burlington Resources Oil & Gas Company LP and Lehman Brothers Inc. and Wachovia Capital Markets, LLC as representatives of the several underwriters heretofore filed as Exhibit 10.1 to the Trust s current report on Form 8-K to the Securities and Exchange Commission filed on August 22, 2006, is incorporated herein by reference.*
(d)	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.*
(23.1)	Consent of Cawley, Gillespie & Associates, Inc., reservoir engineer.**
(31.1)	Certification required by Rule 13a-14(a)/15d-14(a).**
(32.1)	Certification required by Rule 13a-14(b)/15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002.**
(99.1)	Report of Cawley, Gillespie & Associates, Inc., reservoir engineer.**

* A copy of this Exhibit is available to any Unit holder, at the actual cost of reproduction, upon written request to the Trustee, Southwest Bank, 2911 Turtle Creek Boulevard, Suite 850, Dallas, Texas 75219.

** Filed herewith.

Item 16. ***Form 10-K Summary***

None.

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SIGNATURE

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) 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.

SOUTHWEST BANK,

TRUSTEE FOR THE

PERMIAN BASIN ROYALTY TRUST

By: /s/ Ron E. Hooper
Ron E. Hooper

SVP Royalty Trust Management

Date: March 10, 2017

(The Trust has no directors or executive officers.)

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