

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 001-35333

PERMIANVILLE ROYALTY TRUST

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-6259461

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

The Bank of New York Mellon Trust Company, N.A., Trustee

601 Travis Street

16th Floor

Houston, Texas

(Address of principal executive offices)

77002

(Zip Code)

1-512-236-6555

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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, a 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.

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

As of November 9, 2018, 33,000,000 units of beneficial interest in Permianville Royalty Trust were outstanding.

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GLOSSARY OF CERTAIN OIL AND NATURAL GAS TERMS

The following are definitions of significant terms used in this report.

Bbl—One barrel of 42 U.S. gallons liquid volume, used herein in reference to crude oil and other liquid hydrocarbons.

Boe—One barrel of oil equivalent, computed on an approximate energy equivalent basis that one Bbl of crude oil equals approximately six Mcf of natural gas.

Btu—A British Thermal Unit, a common unit of energy measurement.

Completion—The installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Differential—The difference between a benchmark price of oil and natural gas, such as the NYMEX crude oil spot, and the wellhead price received.

Field—An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

GAAP—Accounting principles generally accepted in the United States of America.

Gross acres or gross wells—The total acres or wells, as the case may be, in which a working interest is owned.

MBbl—One thousand barrels of crude oil or condensate.

MBoe—One thousand barrels of oil equivalent.

Mcf—One thousand cubic feet of natural gas.

MBoe—One million barrels of oil equivalent.

MMcf—One million cubic feet of natural gas.

Net acres or net wells—The sum of the fractional working interests owned in gross acres or wells, as the case may be.

Net profits interest—A nonoperating interest that creates a share in gross production from an operating or working interest in oil and natural gas properties. The share is measured by net profits from the sale of production after deducting costs associated with that production.

NYMEX—New York Mercantile Exchange.

NYSE—New York Stock Exchange.

Plugging and abandonment—Activities to remove production equipment and seal off a well at the end of a well's economic life.

Reservoir—A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Working interest—The right granted to the lessee of a property to explore for and to produce and own oil, natural gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements.*PERMIANVILLE ROYALTY TRUST
Statements of Assets, Liabilities, and Trust Corpus

	September 30, 2018 <u>(unaudited)</u>	December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 789,620	\$ 366,773
Net profits interest in oil and natural gas properties, net	84,682,427	93,733,160
Total assets	<u>\$ 85,472,047</u>	<u>\$ 94,099,933</u>
LIABILITIES AND TRUST CORPUS		
Trust corpus (33,000,000 units issued and outstanding)	\$ 85,472,047	\$ 94,099,933
Total liabilities and Trust corpus	<u>\$ 85,472,047</u>	<u>\$ 94,099,933</u>

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

PERMIANVILLE ROYALTY TRUST
Statements of Distributable Income
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Income from net profits interest	\$ 4,939,863	\$ 1,549,611	\$ 12,046,143	\$ 7,473,700
Income from sale of net profits interest on undeveloped acreage	751,732	—	751,732	—
Interest and investment income	1,770	794	5,605	1,626
General and administrative expenses	(173,015)	(138,691)	(784,532)	(538,740)
Cash reserves withheld for Trust expenses	(730,500)	(237,112)	(422,847)	(262,930)
Distributable income	<u>\$ 4,789,850</u>	<u>\$ 1,174,602</u>	<u>\$ 11,596,101</u>	<u>\$ 6,673,656</u>
Distributable income per unit (33,000,000 units)	<u>\$ 0.145147</u>	<u>\$ 0.035594</u>	<u>\$ 0.351397</u>	<u>\$ 0.202232</u>

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

PERMIANVILLE ROYALTY TRUST
Statements of Changes in Trust Corpus
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trust corpus, beginning of period	\$ 87,295,654	\$ 99,965,281	\$ 94,099,933	\$ 107,324,542
Cash reserves withheld for Trust expenses	730,500	237,112	422,847	262,930
Distributable income	4,789,850	1,174,602	11,596,101	6,673,656
Distributions to unitholders	(4,789,850)	(1,174,602)	(11,596,101)	(6,673,656)
Amortization of net profits interest	(2,554,107)	(3,609,009)	(9,050,733)	(10,994,088)
Trust corpus, end of period	<u>\$ 85,472,047</u>	<u>\$ 96,593,384</u>	<u>\$ 85,472,047</u>	<u>\$ 96,593,384</u>

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

PERMIANVILLE ROYALTY TRUST
NOTES TO FINANCIAL STATEMENTS
(unaudited)

1. TRUST ORGANIZATION AND PROVISIONS

Permianville Royalty Trust (the “Trust”), previously known as Enduro Royalty Trust, is a Delaware statutory trust formed in May 2011 pursuant to a trust agreement (the “Trust Agreement”) among Enduro Resource Partners LLC (“Enduro”), as trustor, The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), as trustee, and Wilmington Trust Company (the “Delaware Trustee”), as Delaware Trustee. As previously disclosed in July 2018, Enduro entered into a purchase and sale agreement with COERT Holdings 1 LLC (“COERT” or the “Sponsor”) for the properties in which the Trust holds a net profits interest and all of the outstanding units of beneficial interest in the Trust owned by Enduro, and on August 31, 2018, the parties closed the transaction. In connection with the transaction, COERT assumed all of Enduro’s obligations under the Trust Agreement and other instruments to which Enduro and the Trustee are parties.

The Trust was created to acquire and hold for the benefit of the Trust unitholders a net profits interest representing the right to receive 80% of the net profits from the sale of oil and natural gas production from certain properties in the states of Texas, Louisiana and New Mexico held by Enduro as of the date of the conveyance of the net profits interest to the Trust (the “Net Profits Interest”). The properties in which the Trust holds the Net Profits Interest are referred to as the “Underlying Properties.”

In connection with the closing of the initial public offering in November 2011, Enduro contributed the Net Profits Interest to the Trust in exchange for 33,000,000 units of beneficial interest in the Trust (the “Trust Units”). Through the initial public offering in 2011 and a secondary offering in 2013, Enduro sold a total of 24,400,000 Trust Units. As of September 30, 2018, the Sponsor owned 8,600,000 Trust Units, or 26% of the issued and outstanding Trust Units.

The Net Profits Interest is passive in nature and neither the Trust nor the Trustee has any management control over or responsibility for costs relating to the operation of the Underlying Properties. The Amended and Restated Trust Agreement provides, among other provisions, that:

- the Trust’s business activities are limited to owning the Net Profits Interest and any activity reasonably related to such ownership, including activities required or permitted by the terms of the Conveyance of Net Profits Interest, dated effective as of July 1, 2011 (as supplemented and amended to date, the “Conveyance”). As a result, the Trust is not permitted to acquire other oil and natural gas properties or net profits interests or otherwise to engage in activities beyond those necessary for the conservation and protection of the Net Profits Interest;
- the Trust may dispose of all or any material part of the assets of the Trust (including the sale of the Net Profits Interest) if approved by at least 75% of the outstanding Trust Units;
- the Sponsor may sell a divided or undivided portion of its interests in the Underlying Properties, free from and unburdened by the Net Profits Interest, if approved by at least 50% of the outstanding Trust Units at a meeting of Trust unitholders;
- the Trustee will make monthly cash distributions to unitholders (Note 5);
- the Trustee may create a cash reserve to pay for future liabilities of the Trust;
- the Trustee may authorize the Trust to borrow money to pay administrative or incidental expenses of the Trust that exceed its cash on hand and available reserves. No further distributions will be made to Trust unitholders until such amounts borrowed are repaid; and
- the Trust is not subject to any pre-set termination provisions based on a maximum volume of oil or natural gas to be produced or the passage of time. The Trust will dissolve upon the earliest to occur of the following:
 - the Trust, upon approval of the holders of at least 75% of the outstanding Trust Units, sells the Net Profits Interest;
 - the annual cash proceeds received by the Trust attributable to the Net Profits Interest are less than \$2 million for each of any two consecutive years;
 - the holders of at least 75% of the outstanding Trust Units vote in favor of dissolution; or
 - the Trust is judicially dissolved.

PERMIANVILLE ROYALTY TRUST
NOTES TO FINANCIAL STATEMENTS - Continued
(unaudited)

2. BASIS OF PRESENTATION

The accompanying Statement of Assets, Liabilities and Trust Corpus as of December 31, 2017, which has been derived from audited financial statements, and the unaudited interim financial statements as of September 30, 2018 and for the three- and nine-months ended September 30, 2018 and 2017 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Trust’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Annual Report on Form 10-K”).

In the opinion of the Trustee, the accompanying unaudited financial statements reflect all adjustments, consisting only of normal, recurring accrual adjustments, that are necessary for a fair presentation of the interim periods presented and include all the disclosures necessary to make the information presented not misleading. These interim results are not necessarily indicative of results for a full year.

The preparation of financial statements requires the Trustee to make estimates and assumptions that affect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Although the Trustee believes that these estimates are reasonable, actual results could differ from those estimates.

The Trust uses the modified cash basis of accounting to report Trust receipts of income from the Net Profits Interest and payments of expenses incurred. The Net Profits Interest represents the right to receive revenues (oil and natural gas sales), less direct operating expenses (lease operating expenses and production and property taxes) and development expenses of the Underlying Properties, multiplied by 80%. Cash distributions of the Trust are made based on the amount of cash received by the Trust pursuant to terms of the Conveyance creating the Net Profits Interest.

Under the terms of the Conveyance, the monthly Net Profits Interest calculation includes oil and natural gas revenues received during the relevant month. Monthly operating expenses and capital expenditures represent estimated incurred expenses and, as a result, represent accrued expenses as well as expenses paid during the period.

The financial statements of the Trust are prepared on the following basis:

- (a) Income from Net Profits Interest is recorded when distributions are received by the Trust;
- (b) Distributions to Trust unitholders are recorded when paid by the Trust;
- (c) Trust general and administrative expenses (which includes the Trustee’s fees as well as accounting, engineering, legal, and other professional fees) are recorded when paid;
- (d) Cash reserves for Trust expenses may be established by the Trustee for certain future expenditures that would not be recorded as contingent liabilities under accounting principles generally accepted in the United States of America (“GAAP”);
- (e) Amortization of the Net Profits Interest in oil and natural gas properties is calculated on a unit-of-production basis and is charged directly to the Trust corpus; and
- (f) The Net Profits Interest in oil and natural gas properties is periodically assessed whenever events or circumstances indicate that the aggregate value may have been impaired below its total capitalized cost based on the Underlying Properties. If an impairment loss is indicated by the carrying amount of the assets exceeding the sum of the undiscounted expected future net cash flows of the Net Profits Interest, then an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value determined using discounted cash flows.

The financial statements of the Trust differ from financial statements prepared in accordance with GAAP because revenues are not accrued in the month of production; certain cash reserves may be established for contingencies which would not be accrued in financial statements prepared in accordance with GAAP; general and administrative expenses are recorded when paid instead of when incurred; and amortization of the net profits interest calculated on a unit-of-production basis is charged directly to trust corpus instead of as an expense. While these statements differ from financial statements prepared in accordance with GAAP, the modified cash basis of reporting revenues, expenses, and distributions is considered to be the most meaningful because monthly distributions to the Trust unitholders are based on net cash receipts.

This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. SEC as specified by Staff Accounting Bulletin Topic 12:E, *Financial Statements of Royalty Trusts*.

PERMIANVILLE ROYALTY TRUST
NOTES TO FINANCIAL STATEMENTS - Continued
(unaudited)

New Accounting Pronouncements

As the Trust's financial statements are prepared on the modified cash basis, most accounting pronouncements are not applicable to the Trust's financial statements. No new accounting pronouncements have been adopted or issued that would impact the financial statements of the Trust.

3. NET PROFITS INTEREST IN OIL AND NATURAL GAS PROPERTIES

The Net Profits Interest in oil and natural gas properties was recorded at its fair value on the date of conveyance. Amortization of the Net Profits Interest in oil and natural gas properties is calculated on a unit-of-production basis based on the Underlying Properties' production and reserves. As the Trust uses the modified cash basis of accounting, amortization is recognized only in those months in which income from net profits interest exceeds capital expenditures. The reserves upon which the amortization rate is based are quantity estimates that are subject to numerous uncertainties inherent in the estimation of proved reserves. The volumes considered to be commercially recoverable fluctuate with changes in commodity prices and operating costs. These estimates are expected to change as additional information becomes available in the future. Downward revisions in proved reserves may result in an increased rate of amortization. Amortization is charged directly to the Trust corpus balance and does not affect the distributable income of the Trust. Accumulated amortization as of September 30, 2018 and December 31, 2017 was \$272,408,731 and \$263,357,998, respectively.

The Net Profits Interest is periodically assessed for impairment whenever events or circumstances indicate that the current fair value based on expected future cash flows of the Underlying Properties may be less than the carrying value of the Net Profits Interest. While the Trust did not record an impairment during the nine months ended September 30, 2018 or 2017, future downward revisions in actual production volumes relative to current forecasts, higher than expected operating costs, or lower than anticipated commodity prices could result in recognition of impairment in future periods.

4. INCOME TAXES

Federal Income Taxes

For federal income tax purposes, the Trust is a grantor trust and therefore is not subject to tax at the trust level. Trust unitholders are treated as owning a direct interest in the assets of the Trust, and each Trust unitholder is taxed directly on his or her pro rata share of the income and gain attributable to the assets of the Trust and entitled to claim his or her pro rata share of the deductions and expenses attributable to the assets of the Trust. The income of the Trust is deemed to have been received or accrued by each unitholder at the time such income is received or accrued by the Trust rather than when distributed by the Trust.

The deductions of the Trust consist of severance taxes and administrative expenses. In addition, each unitholder is entitled to depletion deductions because the Net Profits Interest constitutes "economic interests" in oil and natural gas properties for federal income tax purposes. Each unitholder is entitled to amortize the cost of the Trust Units through cost depletion over the life of the Net Profits Interest or, if greater, through percentage depletion. Unlike cost depletion, percentage depletion is not limited to a unitholder's depletable tax basis in the Trust Units. Rather, a unitholder could be entitled to percentage depletion as long as the applicable Underlying Properties generate gross income.

Some Trust Units are held by a middleman, 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 custodian in street name). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust ("WHFIT") for U.S. federal income tax purposes. The Bank of New York Mellon Trust Company, N.A., 601 Travis, 16th Floor, Houston, Texas 77002, telephone number (512) 236-6545, 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.permianvilleroyaltytrust.com. Notwithstanding the foregoing, the middlemen holding units on behalf of unitholders, 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 units, including the issuance of IRS Forms 1099 and certain written tax statements. Unitholders whose 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.

The tax consequences to a unitholder of ownership of Trust Units will depend in part on the unitholder's tax circumstances. Unitholders should consult their tax advisors about the federal tax consequences relating to owning the Trust Units.

PERMIANVILLE ROYALTY TRUST
NOTES TO FINANCIAL STATEMENTS - Continued
(unaudited)

State Taxes

The Trust's revenues are from sources in the states of Louisiana, New Mexico and Texas. Because it distributes all of its net income to unitholders, the Trust is not taxed at the trust level in Louisiana or New Mexico. Although the Trust does not owe tax, the Trustee is required to file a return with Louisiana reflecting the income and deductions of the Trust attributable to properties located in that state. Texas does not impose a state income tax, so the Trust's income is not subject to income tax at the trust level in Texas. Louisiana and New Mexico presently have income taxes which tax income of nonresidents from real property located within that state. Louisiana and New Mexico also impose a corporate income tax which may apply to unitholders organized as corporations.

Texas imposes a franchise tax at a rate of 0.75% on gross revenues less certain deductions for returns originally due on or after January 1, 2016, as specifically set forth in the Texas franchise tax statutes. Entities subject to tax generally include trusts 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 income from other non-operating mineral interests, 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." Although the Trust is intended to be exempt from Texas franchise tax at the trust level as a passive entity, each unitholder that is considered a taxable entity under the Texas franchise tax would generally be required to include its portion of Trust net income in its own Texas franchise tax computation.

Each unitholder should consult his or her own tax advisor regarding state tax requirements, if any, applicable to such person's ownership of Trust Units.

5. DISTRIBUTIONS TO UNITHOLDERS

Each month, the Trustee determines the amount of funds available for distribution to the Trust unitholders. Available funds are the excess cash, if any, received by the Trust from the Net Profits Interest and other sources (such as interest earned on any amounts reserved by the Trustee) that month, over the Trust's liabilities for that month, subject to adjustments for changes made by the Trustee during the month in any cash reserves established for future liabilities of the Trust. Distributions are made to the holders of Trust Units as of the applicable record date (generally the last business day of each calendar month) and are payable on or before the 10th business day after the record date.

The following table provides information regarding the Trust's distributions paid during the periods indicated:

Declaration Date	Record Date	Payment Date	Distribution per Unit
Nine Months Ended September 30, 2018:			
December 18, 2017	December 29, 2017	January 16, 2018	\$ 0.016359
January 19, 2018	January 31, 2018	February 14, 2018	\$ 0.018433
February 16, 2018	February 28, 2018	March 14, 2018	\$ 0.037125
March 19, 2018	March 29, 2018	April 13, 2018	\$ 0.040499
April 20, 2018	April 30, 2018	May 14, 2018	\$ 0.059578
May 18, 2018	May 31, 2018	June 14, 2018	\$ 0.034256
June 19, 2018	June 29, 2018	July 16, 2018	\$ 0.058200
July 20, 2018	July 31, 2018	August 14, 2018	\$ 0.043178
August 21, 2018	August 31, 2018	September 17, 2018	\$ 0.043769
Year to Date - 2018			\$ 0.351397
Nine Months Ended September 30, 2017:			
December 19, 2016	December 30, 2016	January 17, 2017	\$ 0.013980
January 20, 2017	January 31, 2017	February 14, 2017	\$ 0.036205
February 17, 2017	February 28, 2017	March 14, 2017	\$ 0.017331
March 21, 2017	March 31, 2017	April 14, 2017	\$ 0.040901
April 18, 2017	April 28, 2017	May 12, 2017	\$ 0.035220
May 19, 2017	May 31, 2017	June 14, 2017	\$ 0.023001
June 20, 2017	June 30, 2017	July 17, 2017	\$ 0.015040
July 21, 2017	July 31, 2017	August 14, 2017	\$ 0.011227
August 21, 2017	August 31, 2017	September 15, 2017	\$ 0.009327
Year to Date - 2017			\$ 0.202232

PERMIANVILLE ROYALTY TRUST
NOTES TO FINANCIAL STATEMENTS - Continued
(unaudited)

6. DEVELOPMENT EXPENSE RESERVE

During 2016, Enduro established a reserve of \$850,000 from the calculated net profits interest for approved 2016 development expenses, which was held by Enduro. During the year ended December 31, 2016, there were no development expenses applied against the reserve, and, as a result of lower than anticipated capital expenditures, Enduro released \$750,000 of the reserve during 2016, which increased the income from net profits interest. During the first three months of 2017, Enduro released the remaining \$100,000 of the reserve. As of September 30, 2018, there is no longer any remaining reserve.

7. TRUSTEE FEES

Under the terms of the Trust Agreement, the Trust pays an administrative fee of \$200,000 per year to the Trustee and an annual fee of \$2,000 to the Delaware Trustee. During each of the three- and nine-months ended September 30, 2018 and 2017, the Trust paid \$50,000 and \$150,000, respectively, to the Trustee pursuant to the terms of the Trust Agreement. The Trust paid \$2,010 to the Delaware Trustee during the nine months ended September 30, 2018. The Trust paid a total of \$2,000 to the Delaware Trustee during the nine months ended September 30, 2017.

8. 2017 DIVESTITURE PROPERTIES HOLD BACK AMOUNT

In September 2017, Enduro completed the sale of certain properties in the Permian Basin. In connection with the sale, Enduro withheld \$750,000 (the "Holdback Amount") from the net proceeds allocable to the Trust to cover possible indemnification obligations under the related purchase and sale agreements arising within 25 months of the closing of the transactions, or by the end of October 2019 (the "Indemnification Term"). In connection with the August 2018 sale transaction with COERT, Enduro released the Holdback Amount to the Trustee on September 4, 2018. The Trustee intends to retain the Holdback Amount for the remainder of the Indemnification Term, which will end in October 2019. The Trustee may elect to continue to retain all or a portion of the Holdback Amount beyond the expiration of the Indemnification Term as a cash reserve for future liabilities of the Trust.

9. PERMIAN BASIN OPERATOR ADJUSTMENT

As previously disclosed, Enduro received a letter in July 2015 from one of its operators in the Permian Basin pertaining to 480,000 Mcf of natural gas for which the operator had paid Enduro on the Underlying Properties but for which Enduro had only produced 240,000 Mcf. Subsequently, the operator and Enduro agreed that the value of the overpaid production, totaling \$1.1 million to the Underlying Properties, would be recouped with proceeds from future production.

During the recoupment period, which began during the second quarter of 2016, Enduro will not receive any revenue payments, and future distribution calculations will not include any volumes or revenues from any of the operator's properties, until the \$1.1 million is fully recovered.

For the nine months ended September 30, 2018, these properties would have contributed approximately 2,100 Bbls, amounting to \$137,500 in oil receipts, and 130,500 Mcf, amounting to \$460,500 in natural gas receipts. After deducting \$236,000 in revenue deductions for taxes and transportation expenses, a total of \$362,000 was withheld by the operator for the nine months ended September 30, 2018.

Since the beginning of the recoupment period, in total these properties would have contributed approximately 12,210 Bbls, amounting to \$0.5 million in oil receipts, and 417,200 Mcf, amounting to \$1.2 million in natural gas receipts. After deducting \$0.6 million in revenue deductions for taxes and transportation expenses, a total of \$1.1 million has been withheld by the operator through September 30, 2018.

10. SUBSEQUENT EVENTS

Distributions Paid or Declared

On October 12, 2018, the distribution of \$0.038593 per unit, which was declared on September 18, 2018, was paid to Trust unitholders owning units as of September 28, 2018.

On October 19, 2018, the Trust declared a distribution of \$0.007100 per unit to unitholders of record as of October 31, 2018. The distribution is expected to be paid to unitholders on November 15, 2018.

Item 2. Trustee's Discussion and Analysis of Financial Condition and Results of Operations.

References to the "Trust" in this document refer to Permianville Royalty Trust, previously known as Enduro Royalty Trust, while references to "COERT" or the "Sponsor" in this document refer to COERT Holdings 1 LLC. References to "Enduro" in this document refer to Enduro Resource Partners LLC, the original sponsor of the Trust. The following review of the Trust's financial condition and results of operations should be read in conjunction with the financial statements and notes thereto, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Trust's 2017 Annual Report on Form 10-K. The Trust's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all other filings with the SEC are available on the SEC's website at www.sec.gov.

Forward-Looking Statements

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this Form 10-Q, including without limitation the statements under this "Trustee's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. Such statements may be influenced by factors that could cause actual outcomes and results to differ materially from those projected. No assurance can be given that such expectations will prove to have been correct. When used in this document, the words "believes," "expects," "anticipates," "intends" or similar expressions are intended to identify such forward-looking statements. The following important factors, in addition to those discussed elsewhere in this Form 10-Q, in the Trust's 2017 Annual Report on Form 10-K and the Trust's other filings with the SEC could affect the future results of the energy industry in general, and Enduro and the Trust in particular, and could cause actual results to differ materially from those expressed in such forward-looking statements:

- risks associated with the drilling and operation of oil and natural gas wells;
- the amount of future direct operating expenses and development expenses;
- the effect of existing and future laws and regulatory actions;
- the effect of changes in commodity prices or alternative fuel prices;
- the prohibition on the Trust's entry into any new hedging arrangements under the terms of the Conveyance;
- conditions in the capital markets;
- competition from others in the energy industry;
- uncertainty of estimates of oil and natural gas reserves and production; and
- cost inflation.

You should not place undue reliance on these forward-looking statements. All forward-looking statements speak only as of the date of this Form 10-Q. The Trust does not undertake any obligation to release publicly any revisions to the forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events, unless the securities laws require us to do so.

This Form 10-Q describes other important factors that could cause actual results to differ materially from expectations of the Sponsor and the Trust, including under the caption "Risk Factors." All forward-looking statements in this report and all subsequent written and oral forward-looking statements attributable to the Sponsor or the Trust or persons acting on behalf of the Sponsor or the Trust are expressly qualified in their entirety by such factors. The Trust assumes no obligation, and disclaims any duty, to update these forward-looking statements.

Overview

Permianville Royalty Trust, a statutory trust created in May 2011, completed its initial public offering in November 2011. The Trust's only asset and source of income is the Net Profits Interest, which entitles the Trust to receive 80% of the net profits from oil and natural gas production from the Underlying Properties. The Net Profits Interest is passive in nature and neither the Trust nor the Trustee has any management control over or responsibility for costs relating to the operation of the Underlying Properties. Additionally, third parties operate substantially all of the wells on the Underlying Properties and, therefore, the Sponsor is not in a position to control the timing of development efforts, associated costs, or the rate of production of the reserves.

As previously disclosed, in July 2018 Enduro entered into a purchase and sale agreement with COERT for the properties in which the Trust holds a net profits interest and all of the outstanding units of beneficial interest in the Trust owned by Enduro, and on August 31, 2018, the parties closed the transaction. In connection with the transaction, COERT assumed all of Enduro's obligations under the Amended and Restated Trust Agreement of the Trust and other instruments to which Enduro and the Trustee are parties.

The Trust is required to make monthly cash distributions of substantially all of its monthly cash receipts, after deducting the Trust's administrative expenses, to the holders of Trust Units as of the applicable record date (generally the last business day of each calendar month) on or before the 10th business day after the record date. The Net Profits Interest is entitled to a share of the profits from and after July 1, 2011 attributable to production occurring on or after June 1, 2011. The amount of Trust revenues and cash distributions to Trust unitholders depends on, among other things:

- oil and natural gas sales prices;
- volumes of oil and natural gas produced and sold attributable to the Underlying Properties;
- production and development costs;
- price differentials;
- potential reductions or suspensions of production;
- the amount and timing of Trust administrative expenses; and
- the establishment, increase, or decrease of reserves for approved development expenses or future liabilities of the Trust.

Generally, the Sponsor receives cash payment for oil production 30 to 60 days after it is produced and for natural gas production 60 to 90 days after it is produced.

Outlook

In 2017, development activity on the Underlying Properties was focused on the East Texas / North Louisiana area. Operators have enhanced completion technology on Haynesville wells, resulting in improved economics. Based on currently available information, the Sponsor anticipates 2018 capital expenditures to range from \$4 million to \$6 million attributable to the Underlying Properties, or \$3 million to \$5 million net to the Trust's 80% Net Profits Interest. In July 2018, Enduro, in consultation with the Sponsor before the sale transaction closed, elected to participate in three horizontal wells targeting the Permian Basin Wolfcamp B formation in Irion and Reagan Counties, Texas. The wells were spud in July 2018 with total estimated capital expenditures net to the Sponsor of approximately \$4.5 million, or \$3.6 million net to the Trust's 80% Net Profits Interest. First production from the wells is anticipated in the first quarter of 2019.

Results of Operations

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

The Trust's net profits income consists of monthly net profits attributable to the Net Profits Interest, which was determined as shown in the following table:

	Three Months Ended September 30,		Increase (Decrease)
	2018	2017	
Gross profits:			
Oil sales	\$ 10,751,886	\$ 8,499,560	26%
Natural gas sales	3,211,928	2,618,454	23%
Total	<u>13,963,814</u>	<u>11,118,014</u>	26%
Costs:			
Direct operating expenses:			
Lease operating expenses	5,531,000	6,058,000	(9)%
Compression, gathering and transportation	639,000	630,000	1%
Production, ad valorem and other taxes	1,121,000	834,000	34%
Development expenses	373,000	1,659,000	(78)%
Total	<u>7,664,000</u>	<u>9,181,000</u>	(17)%
Net profits	\$ 6,299,814	\$ 1,937,014	225%
Less: Net profits of divested properties included in prior period distributions	—	—	
Net profits after adjustments for divested properties	6,299,814	1,937,014	225%
Percentage allocable to Net Profits Interest	80%	80%	
Net profits allocable to Net Profits Interest	\$ 5,039,851	\$ 1,549,611	225%
Permianville Cash Reserve	(99,988)	—	
Income from Net Profits Interest	\$ 4,939,863	\$ 1,549,611	
Less: Trust general and administrative expenses and cash withheld for expenses	(150,013)	(375,009)	(60)%
Distributable income	<u>\$ 4,789,850</u>	<u>\$ 1,174,602</u>	308%

The following table displays oil and natural gas sales volumes and average prices from the Underlying Properties, representing the amounts included in the net profits calculation for distributions paid during the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Increase (Decrease)
	2018	2017	
Underlying Properties Production Volumes:			
Oil (Bbls)	173,661	182,069	(5)%
Natural Gas (Mcf)	1,190,642	959,308	24%
Combined (Boe)	372,101	341,954	9%
Average Prices:			
Oil - NYMEX (March - May) (\$/Bbl)	\$ 66.41	\$ 49.80	33%
Differential	\$ (4.50)	\$ (3.12)	44%
Oil prices realized (\$/Bbl)	<u>\$ 61.91</u>	<u>\$ 46.68</u>	33%
Natural gas - NYMEX (February - April) (\$/Mcf)	\$ 2.70	\$ 3.03	(11)%
Differential	\$ (0.00)	\$ (0.30)	(100)%
Natural gas prices realized (\$/Mcf)	<u>\$ 2.70</u>	<u>\$ 2.73</u>	(1)%

Income from Net Profits Interest for the three months ended September 30, 2018 is calculated from the following:

- oil sales primarily related to oil produced from the Underlying Properties from March 2018 through May 2018;
- natural gas sales primarily related to natural gas produced from the Underlying Properties from February 2018 through April 2018; and
- direct operating and development expenses primarily related to expenses incurred from April to June 2018.

Net profits attributable to the Underlying Properties for the three months ended September 30, 2018 were \$6.3 million compared to \$1.9 million for the three months ended September 30, 2017. The \$4.2 million increase was primarily due to the following items:

- Oil sales increased \$2.3 million due to higher realized prices, which caused oil sales to increase by \$2.6 million. This increase was offset by reduced sales volumes, which reduced oil sales by \$0.4 million. The average oil price received increased by 33%, primarily due to the increase in the average NYMEX oil price for the relevant production months. Oil sales volumes decreased 5% as a result of natural production declines.
- Natural gas sales increased \$0.6 million, due to increased realized sales volumes. The average natural gas price decreased 1% due to an 11% decrease in the average NYMEX natural gas price for the relevant production months. Volume increases were driven by the completion of and inclusion of production from development projects in the Elm Grove field of North Louisiana in the three months ended September 30, 2018.
- Lease operating expenses decreased \$0.5 million primarily due to a decrease in workover and maintenance activity.
- Production, ad valorem and other taxes increased \$0.3 million, a 34% increase over the 2017 period. This increase partially due to a 24% increase in produced gas sales. In addition, the 33% increase in average oil price received as described above caused an increase in total oil sales, which also increased the production taxes paid.
- Development expenses decreased \$1.3 million as a result of decreased capital projects in the Permian Basin.

For the three months ended September 30, 2018, the Trust withheld \$0.2 million and paid \$0.2 million for general and administrative expenses. Expenses paid during the period primarily consisted of fees for the preparation of the Trust's monthly press releases, attorney fees related to the sale to COERT, and Trustee fees.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

The Trust's net profits income consists of monthly net profits attributable to the Net Profits Interest, which was determined as shown in the following table:

	Nine Months Ended September 30,		Increase (Decrease)
	2018	2017	
Gross profits:			
Oil sales	\$ 34,804,901	\$ 26,299,622	32%
Natural gas sales	11,398,006	7,926,504	44%
Total	<u>46,202,907</u>	<u>34,226,126</u>	35%
Costs:			
Direct operating expenses:			
Lease operating expenses	22,075,000	17,576,000	26%
Compression, gathering and transportation	2,221,000	1,798,000	24%
Production, ad valorem and other taxes	3,738,000	2,411,000	55%
Development expenses	2,898,000	3,224,000	(10)%
Total	<u>30,932,000</u>	<u>25,009,000</u>	24%
Net profits	\$ 15,270,907	\$ 9,217,126	66%
Less: General and administrative expenses and other adjustments related to divestitures	(88,243)	—	100%
Net profits after adjustments for divested properties	15,182,664	9,217,126	65%
Percentage allocable to Net Profits Interest	80%	80%	
Net profits allocable to Net Profits Interest	\$ 12,146,131	\$ 7,373,700	(65)%
Permianville Cash Reserve	(99,988)	—	
Enduro reserve released for approved development expenses	—	100,000	
Income from Net Profits Interest	\$ 12,046,143	\$ 7,473,700	61%
Less: Trust general and administrative expenses and cash withheld for expenses	(450,042)	(800,044)	(44)%
Distributable income	<u>\$ 11,596,101</u>	<u>\$ 6,673,656</u>	74%

In 2017, there were two months in which direct operating and development expenses exceeded revenues, which resulted in negative net profits from the Underlying Properties for those periods. As a result, there were no distributions to Trust unitholders in November or December 2017, and the aggregate shortfall in net profits of \$526,709 was carried forward to be deducted from future net profits generated by the Underlying Properties. During the nine months ended September 30, 2018, net profits from the Underlying Properties were positive, and the aggregate shortfall was deducted from such net profits when calculating distributions paid during the first three quarters of 2018. Revenues and the associated direct operating and development expenses for the two shortfall months therefore are included in the calculation of distributable income detailed in the table above as well as the related sales volumes detailed below.

The following table displays oil and natural gas sales volumes and average prices from the Underlying Properties, representing the amounts included in the net profits calculation for distributions paid during the nine months ended September 30, 2018 and 2017:

	<u>Nine Months Ended September 30,</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
Underlying Properties Sales Volumes:			
Oil (Bbls)	640,436	563,185	14%
Natural Gas (Mcf)	4,068,842	2,871,034	42%
Combined (Boe)	1,318,577	1,041,691	27%
Average Prices:			
Oil — NYMEX (July — May) (\$/Bbl)	\$ 57.82	\$ 49.81	16%
Differential	\$ (3.47)	\$ (3.11)	12%
Oil prices realized (\$/Bbl)	<u>\$ 54.35</u>	<u>\$ 46.70</u>	16%
Natural gas — NYMEX (June — April) (\$/Mcf)	\$ 2.90	\$ 3.06	(5)%
Differential	\$ (0.10)	\$ (0.30)	(67)%
Natural gas prices realized (\$/Mcf)	<u>\$ 2.80</u>	<u>\$ 2.76</u>	1%

Income from Net Profits Interest for the nine months ended September 30, 2018 is calculated from the following:

- oil sales primarily related to oil produced from the Underlying Properties from July 2017 through May 2018;
- natural gas sales primarily related to natural gas produced from the Underlying Properties from June 2017 through April 2018; and
- direct operating and development expenses primarily related to expenses and capital incurred primarily from August 2017 to June 2018.

Net profits attributable to the Underlying Properties for the nine months ended September 30, 2018 were \$15.3 million compared to \$9.2 million for the nine months ended September 30, 2017. As a result of direct operating expenses and development expenses exceeding oil and natural gas sales for two months of 2017, the Trust did not pay a distribution to unitholders in November or December 2017. Accordingly, under the modified cash basis of accounting, the oil and natural gas sales, direct operating expenses and development expenses for such periods were not included in the 2017 results and instead are included in the 2018 results reflected in the table above, as the aggregate shortfall generated by those periods was deducted from the net profits generated during the nine months ended September 30, 2018. Therefore, several variances between the periods presented are due to the inclusion of eleven months of results in the 2018 period compared to nine months of results in the 2017 period. The \$6 million increase was primarily due to the following items:

- Oil sales increased \$8.5 million, primarily due to higher sales volumes and commodity pricing. Oil sales volumes increased 14%, and oil pricing increased 16% compared to 2017. This increase is also due to the inclusion of two additional months of oil sales volumes in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.
- Natural gas sales increased \$3.5 million due to higher sales volumes, which increased natural gas sales by \$3.3 million, and by higher realized prices, which increased natural gas sales by \$0.2 million. Natural gas volumes increased 42% primarily due to the inclusion of two additional months of gas sales volumes in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.
- Lease operating expenses increased \$4.5 million primarily due to the inclusion of two additional months of expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.
- CGT expenses increased from \$1.8 million for the nine months ended September 30, 2017 to \$2.2 million for the nine months ended September 30, 2018. The increase in CGT expenses is primarily attributable to the inclusion of two additional months of expenses in the first nine months of 2018 compared to the first nine months of 2017.
- Production, ad valorem and other taxes increased \$1.3 million primarily due to a \$11.9 million increase in total sales revenues. As a percentage of revenues, production, ad valorem and other taxes were 8.1% for the first nine months of 2018 compared to 7.0% for the first nine months of 2017.
- Development expenses decreased \$0.3 million (10%) as a result of reduced capital development projects.

In September 2017, Enduro completed the sale of certain properties in the Permian Basin and, in connection with the sale, the Trust released its 80% Net Profits Interest in the properties in exchange for 80% of the net proceeds of the sales. The net proceeds of the sales were paid to Trust unitholders in a special distribution in October 2017. During the first quarter of 2018, \$35,283 in general and administrative expenses incurred and paid by Enduro that were not initially charged to the Trust as part of the special distribution were deducted in calculating the net profits attributable to the Underlying Properties. Further, during the second quarter of 2018, \$52,960 was deducted from the net profits attributable to the Underlying Properties due to the inclusion in prior period distribution calculations of certain expenses and revenues that related to properties sold as part of these divestitures. This resulted in total adjustments to the net profits attributable to the Underlying Properties for the first half of 2018 of \$88,243.

As discussed in Note 6 of the Notes to the Financial Statements, during 2016, Enduro established a reserve of \$850,000 from net profits for approved 2016 development expenses, which reduced the income from Net Profits Interest for that period. During the nine months ended September 30, 2017, Enduro released the final \$100,000 from the reserve, which increased the income from Net Profits Interest.

For the first nine months of 2018, the Trust withheld \$0.5 million and paid \$0.8 million for general and administrative expenses. Expenses paid during the period primarily consisted of fees for the preparation of the Trust's monthly press releases and annual report on Form 10-K, 2017 financial statement audit fees, and Trustee fees. For the nine months ended September 30, 2017, the Trust withheld \$0.8 million and paid \$0.5 million for general and administrative expenses.

Liquidity and Capital Resources

The Trust's principal sources of liquidity are cash flow generated from the Net Profits Interest and borrowing capacity under the letter of credit described below. Other than Trust administrative expenses, including any reserves established by the Trustee for future liabilities, the Trust's only use of cash is for distributions to Trust unitholders. Available funds are the excess cash, if any, received by the Trust from the Net Profits Interest and other sources (such as interest earned on any amounts reserved by the Trustee) in any given month, over the Trust's expenses paid for that month. Available funds are reduced by any cash the Trustee determines to hold as a reserve against future expenses.

The Trustee may create a cash reserve to pay for future liabilities of the Trust. If the Trustee determines that the cash on hand and the cash to be received are, or will be, insufficient to cover the Trust's liabilities, the Trustee may authorize the Trust to borrow money to pay administrative or incidental expenses of the Trust that exceed cash held by the Trust. The Trustee may authorize the Trust to borrow from any person, including the Trustee or the Delaware Trustee or an affiliate thereof, although none of the Trustee, the Delaware Trustee or any affiliate thereof intends to lend funds to the Trust. The Trustee may also cause the Trust to mortgage its assets to secure payment of the indebtedness. The terms of such indebtedness and security interest, if funds were to be loaned by the entity serving as Trustee or Delaware Trustee or an affiliate thereof, would be similar to the terms which such entity would grant to a similarly situated commercial customer with whom it did not have a fiduciary relationship. In addition, COERT has provided the Trust with a \$1 million letter of credit to be used by the Trust if its cash on hand (including available cash reserves) is insufficient to pay ordinary course administrative expenses. Further, if the Trust requires more than the \$1 million under the letter of credit to pay administrative expenses, COERT has agreed to loan funds to the Trust necessary to pay such expenses. Any loan made by COERT to the Trust would be evidenced by a written promissory note, be on an unsecured basis, and have terms that are no less favorable to COERT than those that would be obtained in an arm's length transaction between COERT and an unaffiliated third party. If the Trust borrows funds or draws on the letter of credit, no further distributions will be made to Trust unitholders until such amounts borrowed or drawn are repaid. Except for the foregoing, the Trust has no source of liquidity or capital resources. The Trustee has no current plans to authorize the Trust to borrow any funds. At September 30, 2018 and December 31, 2017, the Trust held cash of \$789,620 and \$366,773 respectively, for future Trust expenses. Since its formation, the Trust has not borrowed any funds and no amounts have been drawn on the letter of credit.

In connection with the September 2017 sale of certain properties in the Permian Basin described above, Enduro withheld \$750,000 (the "Holdback Amount") from the net proceeds allocable to the Trust to cover possible indemnification obligations under the related purchase and sale agreements arising within 25 months of the closing of the transactions, or by the end of October 2019 (the "Indemnification Term"). In connection with the August 2018 sale transaction with COERT, Enduro released the Holdback Amount to the Trustee on September 4, 2018. The Trustee intends to retain the Holdback Amount for the remainder of the Indemnification Term, which will end in October 2019. The Trustee may elect to continue to retain all or a portion of the Holdback Amount beyond the expiration of the Indemnification Term as a cash reserve for future liabilities of the Trust.

Cash held by the Trustee as a reserve against future liabilities or for distribution at the next distribution date may be held in a noninterest-bearing account or may be invested in:

- interest-bearing obligations of the United States government;
- money market funds that invest only in United States government securities;
- repurchase agreements secured by interest-bearing obligations of the United States government; or
- bank certificates of deposit.

The Trust pays the Trustee an annual administrative fee of \$200,000 and the Delaware Trustee an annual fee of \$2,000. The Trust also incurs, either directly or as a reimbursement to the Trustee, legal, accounting, tax and engineering fees, printing costs and other expenses that are deducted by the Trust before distributions are made to Trust unitholders. The Trust also is responsible for paying other expenses incurred as a result of being a publicly traded entity, including costs associated with annual and quarterly reports to Trust unitholders, tax return and Form 1099 preparation and distribution, NYSE listing fees, independent auditor fees and registrar and transfer agent fees.

The Trust does not have any transactions, arrangements or other relationships with unconsolidated entities or persons that could materially affect the Trust's liquidity or the availability of capital resources.

Distributions Declared After Quarter End

On October 19, 2018, the Trust declared a distribution of \$0.0071 per unit to unitholders of record as of October 31, 2018. The distribution is expected to be paid to unitholders on November 15, 2018.

Off-Balance Sheet Arrangements

The Trust has no off-balance sheet arrangements. The Trust has not guaranteed the debt of any other party, nor does the Trust have any other arrangements or relationships with other entities that could potentially result in unconsolidated debt, losses or contingent obligations.

New Accounting Pronouncements

As the Trust's financial statements are prepared on the modified cash basis, most accounting pronouncements are not applicable to the Trust's financial statements. No new accounting pronouncements have been adopted or issued that would impact the financial statements of the Trust.

Critical Accounting Policies and Estimates

Please read "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" of the Trust's 2017 Annual Report on Form 10-K for additional information regarding the Trust's critical accounting policies and estimates. There were no material changes to the Trust's critical accounting policies or estimates during the nine months ended September 30, 2018.

Subsequent Events

Distributions Paid or Declared

On October 12, 2018, the distribution of \$0.038593 per unit, which was declared on September 18, 2018, was paid to Trust unitholders owning units as of September 28, 2018.

On October 19, 2018, the Trust declared a distribution of \$0.0071 per unit to unitholders of record as of October 31, 2018. The distribution is expected to be paid to unitholders on November 15, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Trust's only asset and source of income is the Net Profits Interest, which entitles the Trust to receive 80% of the net profits from oil and natural gas production from the Underlying Properties. Commodity prices affect the amount of cash flow available for distribution to Trust unitholders, and lower prices may reduce the amount of oil and natural gas that Enduro and its third party operators can economically produce. Consequently, the Trust is exposed to market risk from fluctuations in oil and natural gas prices.

The terms of the Net Profits Interest prohibit the Sponsor from entering into hedging arrangements burdening the Trust. Accordingly, the Trust is not subject to risks related to derivative contracts, and therefore cash distributions are subject to the full impact of fluctuations due to changes in oil and natural gas prices as noted above.

The Trust is a passive entity, and the Trust's ability to engage in borrowing transactions is limited to funds necessary to pay expenses, liabilities and obligations of the Trust that cannot be paid out of cash held by the Trust. Since its formation, the Trust has not borrowed any funds. In addition, the terms of the Net Profits Interest prohibit the Trust from entering into any investments other than investing cash on hand in specific short-term cash investments. Due to the limited nature of its borrowing and investing activities, the Trust is not subject to material interest rate market risk.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Trustee conducted an evaluation of the Trust's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the Trustee has concluded that the disclosure controls and procedures of the Trust were effective, as of the end of the period covered by this report, in ensuring that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Trustee to allow timely decisions regarding required disclosure.

Due to the nature of the Trust as a passive entity and in light of the contractual arrangements pursuant to which the Trust was created, including the provisions of (i) the Trust Agreement and (ii) the Conveyance, the Trustee's disclosure controls and procedures related to the Trust necessarily rely on (A) information provided by the Sponsor, including information relating to results of operations, the costs and revenues attributable to the Trust's interest under the Conveyance and other operating and historical data, plans for future operating and capital expenditures, reserve information, information relating to projected production, and other information relating to the status and results of operations of the Underlying Properties and the Net Profits Interest, and (B) conclusions and reports regarding reserves by the Trust's independent reserve engineers.

Changes in Internal Control over Financial Reporting

As of the end of the period covered by this report, there were no changes in the Trust's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, and makes no statement concerning, the internal control over financial reporting of the Sponsor.

PART II—OTHER INFORMATION**Item 1A. Risk Factors.**

Risk factors relating to the Trust are discussed in Item 1A of the Trust's 2017 Annual Report on Form 10-K. No material change to such risk factors occurred during the nine months ended September 30, 2018.

Item 6. Exhibits.

The exhibits listed in the following index to exhibits are filed or furnished as part of this Form 10-Q.

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger of Enduro Royalty Trust and Enduro Texas LLC, dated as of November 3, 2011, by and between the Bank of New York Mellon Trust Company, N.A., as Trustee of Enduro Royalty Trust, and Enduro Texas LLC. (Incorporated herein by reference to Exhibit 1.2 to our Current Report on Form 8-K filed on November 8, 2011 (File No. 1-35333))
3.1	Certificate of Trust of Enduro Royalty Trust. (Incorporated herein by reference to Exhibit 3.3 to the Registration Statement on Form S-1, filed on May 16, 2011 (Registration No. 333-174225))
3.2	Certificate of Amendment to Certificate of Trust. (Incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on September 5, 2018 (File No. 1-35333))
3.3	Amended and Restated Trust Agreement of Enduro Royalty Trust, dated November 3, 2011, among Enduro Resource Partners LLC, The Bank of New York Mellon Trust Company, N.A., as Trustee of Enduro Royalty Trust, and Wilmington Trust Company, as Delaware Trustee of Enduro Royalty Trust. (Incorporated herein by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on November 8, 2011 (File No. 1-35333))
3.4	Second Amendment to Amended and Restated Trust Agreement of Enduro Royalty Trust, dated September 14, 2018, among COERT Holdings 1 LLC, Wilmington Trust Company, as Delaware trustee, and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on September 14, 2018 (File No. 1-35333))
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

** Furnished herewith.

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.

PERMIANVILLE ROYALTY TRUST

By: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: /s/ SARAH NEWELL

Sarah Newell

Vice President and Trust Officer

Date: November 9, 2018

The Registrant, Permianville Royalty Trust, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available, and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that such function exists pursuant to the terms of the Trust

CERTIFICATION

I, Sarah Newell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Permianville Royalty Trust, for which The Bank of New York Mellon Trust Company, N.A., 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 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 any persons who have a significant role in the registrant's internal control over financial reporting.

In giving the foregoing certifications in paragraphs 4 and 5, I have relied to the extent I consider reasonable on information provided to me by COERT Holdings I LLC .

Date: November 9, 2018

/s/ SARAH NEWELL

Sarah Newell

Vice President and Trust Officer

The Bank of New York Mellon Trust Company, N.A., as Trustee

November 9, 2018

Via EDGAR

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

In connection with the Quarterly Report of Permianville Royalty Trust (the "Trust") on Form 10-Q for the quarter ended September 30, 2018 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.

The above certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and is not being filed as part of the Report or as a separate disclosure document.

The Bank of New York Mellon Trust Company,
N.A., Trustee for Permianville Royalty Trust

By: /s/ SARAH NEWELL

Sarah Newell

Vice President and Trust Officer
