

TO UNITHOLDERS

For the quarter ended March 31, 2008, net profits income was \$6,885,854 compared to \$4,699,186 for first quarter 2007. This 47% increase in net profits income is the result of higher oil and gas prices and lawsuit settlement proceeds included in first quarter 2008, partially offset by decreased oil and gas production primarily due to payout occurring under the reversion agreement. See "Net Profits Income," "Other Proceeds" and "Reversion Agreement" on the following page.

After considering interest income of \$6,478 and administration expense of \$126,054, distributable income for the quarter ended March 31, 2008 was \$6,766,278, or \$1.127713 per unit of beneficial interest. Administration expense for the quarter decreased 21% from the prior year quarter primarily because of the timing of expenditures. For first quarter 2007, distributable income was \$4,548,450, or \$0.758075 per unit. Distributions to unitholders for the quarter ended March 31, 2008 were:

RECORD DATE	PAYMENT DATE	PER UNIT
January 31, 2008	February 14, 2008	\$ 0.459769
February 29, 2008	March 14, 2008	0.348821
March 31, 2008	April 14, 2008	0.319123
		<u>\$ 1.127713</u>

Individualized tax information is provided quarterly and annually to unitholders of record. Unitholders owning units in nominee name may obtain monthly tax information from the trustee upon request or from the trust's web site at www.crosstimertrust.com.

This letter, and all communications to unitholders, includes information provided to the trustee by XTO Energy Inc.

CrossTimbers Royalty Trust
By: Bank of America, N.A., Trustee

By: 
Nancy G. Willis
Vice President

Condensed Statements of Distributable Income (Unaudited)

	THREE MONTHS ENDED MARCH 31	
	2008	2007
Net Profits Income	\$ 6,885,854	\$ 4,699,186
Interest income	<u>6,478</u>	<u>9,772</u>
Total Income	6,892,332	4,708,958
Administration expense.....	<u>126,054</u>	<u>160,508</u>
Distributable Income	<u>\$ 6,766,278</u>	<u>\$ 4,548,450</u>
Distributable Income Per Unit (6,000,000 units)	<u>\$ 1.127713</u>	<u>\$ 0.758075</u>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2007 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended March 31, 2008.

This report to unitholders 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 report including, without limitation, statements regarding the net profits interests, underlying properties, development activities, development, production and other costs and expenses, oil and gas prices and differentials to NYMEX prices, supply shortages, distributions to unitholders, timing of payout under the reversion agreement and industry and market conditions, are forward-looking statements that are subject to risks and uncertainties which are detailed in Part I, Item 1A of the trust's Annual Report on Form 10-K for the year ended December 31, 2007, which is incorporated by this reference as though fully set forth herein. Although XTO Energy and the trustee believe that the expectations reflected in such forward-looking statements are reasonable, neither XTO Energy nor the trustee can give any assurance that such expectations will prove to be correct.

Net Profits Income

Net profits income is recorded when received by the trust, which is the month following receipt by XTO Energy, and generally two months after oil production and three months after gas production. Net profits income is generally affected by three major factors:

- oil and gas sales volumes,
- oil and gas sales prices, and
- costs deducted in the calculation of net profits income.

Because properties underlying the 90% net profits interests are royalty and overriding royalty interests, they generally bear no costs other than production and property taxes, related legal costs, and marketing and transportation charges. In addition to these costs, the 75% net profits interests are subject to production expense and development costs, since the properties underlying the 75% net profits interests are working interests.

The following are explanations of significant variances on the underlying properties from first quarter 2007 to first quarter 2008 as shown in the "Calculation of Net Profits Income" at the right:

Sales Volumes

Oil. Oil sales volumes decreased 11% from first quarter 2007 to first quarter 2008 primarily because of payout occurring under the reversion agreement and natural production decline, partially offset by the timing of cash receipts. See "Reversion Agreement" below.

Gas. Gas sales volumes decreased 17% from first quarter 2007 to first quarter 2008 primarily because of payout occurring under the reversion agreement, natural production decline and the timing of cash receipts. See "Reversion Agreement" below.

Sales Prices

Oil. The first quarter 2008 average oil price was \$85.60 per Bbl, a 66% increase from the first quarter 2007 average price of \$51.69 per Bbl. Oil prices have risen primarily because of increasing global demand and supply shortage concerns, inadequate sour crude refining capacity and political instability. In the last few months of 2007 and early 2008, rising tension in the Middle East, weakness in the U.S. dollar and strong demand caused prices to reach record levels of almost \$120.00 per Bbl. Oil prices are expected to remain volatile. The average NYMEX price for February and March 2008 was \$100.03 per Bbl. At April 18, 2008, the average NYMEX futures price for the following twelve months was \$113.29 per Bbl. Recent trust oil prices have averaged approximately 7% lower than the NYMEX price.

Gas. The first quarter 2008 average gas price was \$10.55 per Mcf, a 43% increase from the first quarter 2007 average price of \$7.40 per Mcf. Excluding the effects of the lawsuit settlement in first quarter 2008, the average price was \$9.33. See "Other Proceeds" below. Although the U.S. went into the winter with above average gas in storage, a normal winter and lower liquified

natural gas imports have led to normal gas storage levels. As a result, recent gas prices have increased to almost \$11.00 per MMBtu. Prices will continue to be affected by weather, the U.S. economy, the level of North American production and import levels of liquified natural gas. Natural gas prices are expected to remain volatile. The first quarter 2008 gas price is primarily related to production from October through December 2007, when the average NYMEX price was \$6.97. The average NYMEX price for January through March 2008 was \$8.03 per MMBtu. At April 18, 2008, the average NYMEX futures price for the following twelve months was \$11.04 per MMBtu. Recent trust gas prices have averaged approximately 35% higher than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 8% for the first quarter primarily because of higher production taxes related to higher oil and gas revenues.

Development. Development costs decreased 25% for the first quarter primarily because of decreased activity and costs related to Texas and Oklahoma properties underlying the 75% net profits interests.

Contingencies

Several states have enacted legislation to require state income tax withholding from nonresident recipients of oil and gas proceeds. After consultation with its state tax counsel, XTO Energy has advised the trustee that it believes the trust is not subject to these withholding requirements. However, regulations are subject to change by the various states, which could change this conclusion. Should the trust be required to withhold state taxes, distributions to the unitholders would be reduced by the required amount, subject to the unitholder's right to file a state tax return to claim any refund due.

Reversion Agreement

Certain of the properties underlying the 90% net profits interests were subject to a reversion agreement between XTO Energy and an unrelated party. The agreement called for XTO Energy to transfer 25% of its interest in those properties to the third party when net amounts received by XTO Energy from the properties subject to the agreement equal the purchase price of the properties plus a 1% per month return on the unrecouped purchase price, known as payout. At the time payout occurred, net proceeds payable to the trust and trust distributions to unitholders were reduced. XTO Energy informed the trustee that payout occurred effective with the July 2007 distribution, which was paid on August 14, 2007, thereby reducing the July 2007 distribution and all future distributions by approximately 5%.

Other Proceeds

In January 2008, the calculation of net profits income includes a lawsuit settlement of \$827,446 related to underpayment of royalties on underlying properties in the San Juan Basin. Included in this settlement was estimated interest of \$212,654 and

additional gas revenue of \$614,792. The total settlement, net to the trust, was \$744,702, or \$0.12 per unit. Based on additional information received by XTO Energy in April 2008, the amount allocated to interest income was increased to \$348,916. This reallocation did not change the total lawsuit settlement.

In second quarter 2008, the trust received additional proceeds from a lawsuit settlement of approximately \$700,000 related to the underpayment of royalties on underlying properties in

the San Juan Basin. The total settlement, net to the trust, will be approximately \$630,000, or \$0.11 per unit.

GLOSSARY

Bbl	Barrel (of oil)
Mcf	Thousand cubic feet (of natural gas)
MMBtu	One million British Thermal Units, a common energy measurement

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Calculation of Net Profits Income

The following is a summary of the calculation of net profits income received by the trust:

	THREE MONTHS ENDED MARCH 31 [A]		INCREASE (DECREASE)
	2008	2007	
Sales Volumes			
Oil (Bbls) [B]			
Underlying properties	57,619	65,005	(11%)
Average per day	626	707	(11%)
Net profits interests	32,787	29,468	11%
Gas (Mcf) [B]			
Underlying properties	503,759	608,703	(17%)
Average per day	5,476	6,616	(17%)
Net profits interests	448,374	527,564	(15%)
Average Sales Prices			
Oil (per Bbl)	\$ 85.60	\$ 51.69	66%
Gas (per Mcf) [C]	\$ 10.55	\$ 7.40	43%
Revenues			
Oil sales	\$ 4,932,096	\$ 3,359,911	47%
Gas sales [C]	5,313,683	4,504,081	18%
Total Revenues	<u>10,245,779</u>	<u>7,863,992</u>	30%
Costs			
Taxes, transportation and other	1,156,988	1,071,371	8%
Production expense [D]	944,516	963,330	(2%)
Development costs	353,661	468,551	(25%)
Total Costs	<u>2,455,165</u>	<u>2,503,252</u>	(2%)
Other Proceeds			
Interest income [C]	212,654	—	—
Net Proceeds	<u>\$ 8,003,268</u>	<u>\$ 5,360,740</u>	49%
Net Profits Income	<u>\$ 6,885,854</u>	<u>\$ 4,699,186</u>	47%

[A] Because of the interval between time of production and receipt of royalty income by the trust, oil and gas sales for the quarter ended March 31 generally represent oil production for the period November through January and gas production for the period October through December.

[B] Oil and gas sales volumes are allocated to the net profits interests based upon a formula that considers oil and gas prices and the total amount of production expense and development costs. Changes in any of these factors may result in disproportionate fluctuations in volumes allocated to the net profits interests. Therefore, comparative discussion of oil and gas sales volumes is based on the underlying properties.

[C] In first quarter 2008, \$827,446 was received related to a lawsuit settlement for underpayment of royalties on certain San Juan Basin properties. Included in this settlement was estimated interest of \$212,654. This settlement increased the average gas sales price by \$1.22 for the quarter ended March 31, 2008. The total one-time settlement, net to trust, was \$744,702, or \$0.12 per unit.

[D] Includes an overhead charge which is deducted and retained by XTO Energy. As of March 31, 2008, this charge was \$28,524 per month (including a monthly overhead charge of \$2,558 which XTO Energy deducts as operator of the Penwell Unit) and is subject to adjustment each May based on an oil and gas industry index.

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Tax Information Per Unit

MONTHLY DISTRIBUTIONS PAID ON:
(\$/UNIT EXCEPT COST DEPLETION FACTORS)

	Feb. 14, 2008	Mar. 14, 2008	Apr. 14, 2008	Total
Gross Income.....	\$ 0.481661	\$ 0.411404	\$ 0.376857	\$ 1.269922
Less Severance Taxes.....	(0.048069)	(0.058255)	(0.047854)	(0.154178)
Interest Income.....	0.032531	0.000220	0.000227	0.032978
Less Administration Expenses.....	(0.006354)	(0.004548)	(0.010107)	(0.021009)
Net Cash Distribution.....	<u>\$ 0.459769</u>	<u>\$ 0.348821</u>	<u>\$ 0.319123</u>	<u>\$ 1.127713</u>
Cost Depletion Factors:				
Texas - 90%.....	0.009560	0.008682	0.008586	0.026828
Oklahoma - 90%.....	0.012527	0.006669	0.009749	0.028945
New Mexico - 90%.....	0.005251	0.005851	0.004867	0.015969
Texas - 75%.....	0.003726	0.004405	0.003601	0.011732
Oklahoma - 75%.....	0.006373	0.006613	0.006196	0.019182

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