

TO UNITHOLDERS

For the quarter ended March 31, 2010, net profits income was \$4,269,080 compared to \$2,805,299 for first quarter 2009. This 52% increase in net profits income is the result of higher oil and gas prices, decreased production expense and lower development costs, partially offset by excess costs on the Texas and Oklahoma working interest properties in first quarter 2009 and decreased oil production. See “Net Profits Income” and “Excess Costs” on following page.

After considering interest income of \$54 and administration expense of \$170,558, distributable income for the quarter ended March 31, 2010 was \$4,098,576, or \$0.683096 per unit of beneficial interest. Administration expense for the quarter increased 26% from the prior year quarter primarily because of the timing of expenditures. For first quarter 2009, distributable income was \$2,669,790, or \$0.444965 per unit. Distributions to unitholders for the quarter ended March 31, 2010 were:

RECORD DATE	PAYMENT DATE	PER UNIT
January 29, 2010	February 12, 2010	\$ 0.230821
February 26, 2010	March 12, 2010	0.196703
March 31, 2010	April 15, 2010	<u>0.255572</u>
		<u>\$ 0.683096</u>

Individualized tax information is provided 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.

Cross Timbers Royalty Trust
By: U.S.Trust Bank of America
Private Wealth Management, Trustee



By: Nancy G. Willis
Vice President

Condensed Statements of Distributable Income (Unaudited)

	THREE MONTHS ENDED MARCH 31	
	2010	2009
Net Profits Income	\$ 4,269,080	\$ 2,805,299
Interest income	<u>54</u>	<u>72</u>
Total Income	4,269,134	2,805,371
Administration expense	<u>170,558</u>	<u>135,581</u>
Distributable Income	<u>\$ 4,098,576</u>	<u>\$ 2,669,790</u>
Distributable Income Per Unit (6,000,000 units)	<u>\$ 0.683096</u>	<u>\$ 0.444965</u>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust’s 2009 annual report. For further information, see the trust’s quarterly report on Form 10-Q for the quarter ended March 31, 2010.

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, distributions to unitholders 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, 2009, 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 2009 to first quarter 2010 as shown in the "Calculation of Net Profits Income" at the right:

Sales Volumes

Oil. Oil sales volumes decreased 11% from first quarter 2009 to first quarter 2010 primarily because of natural production decline and the timing of cash receipts.

Gas. Gas sales volumes increased 3% from first quarter 2009 to first quarter 2010 primarily because of the timing of cash receipts and increased production from new wells and workovers, partially offset by natural production decline.

Sales Prices

Oil. The first quarter 2010 average oil price was \$70.87 per Bbl, a 71% increase from the first quarter 2009 average price of \$41.50 per Bbl. Lower demand as a result of the U.S. recession and slowing global economy, the tightened credit markets and rising crude oil supplies caused oil prices to sharply decline in 2008. However, signs of possible economic improvement have resulted in steadily higher oil prices during 2009 and early 2010. Oil prices are expected to remain volatile. The first quarter 2010 oil price is primarily related to production from November 2009 through January 2010, when the average NYMEX price was \$76.81 per Bbl. The average NYMEX price for February and March 2010 was \$78.74 per Bbl. At April 16, 2010, the average NYMEX futures price for the following twelve months was \$87.61 per Bbl. Recent trust oil prices have averaged approximately 7% lower than the NYMEX price.

Gas. The first quarter 2010 average gas price was \$6.94 per Mcf, a 13% increase from the first quarter 2009 average price of \$6.12 per Mcf. Natural gas prices are affected by the level of North

American production, weather, crude oil prices, the U.S. economy, storage levels and import levels of liquified natural gas. Due to concerns of oversupply from shale gas development, declining demand due to the U.S. recession, falling oil prices and increased gas storage, gas prices declined during the first nine months of 2009. However, signs of possible economic improvement, higher oil prices and a relatively cold winter led to increased gas prices late in 2009 and early 2010. Gas prices have weakened substantially in February and March 2010 due to renewed concerns of oversupply. Natural gas prices are expected to remain volatile. The first quarter 2010 gas price is primarily related to production from October through December 2009, when the average NYMEX price was \$4.17 per MMBtu. The average NYMEX price for January through March 2010 was \$5.30 per MMBtu. At April 16, 2010, the average NYMEX futures price for the following twelve months was \$4.76 per MMBtu. Recent trust gas prices have averaged approximately 62% higher than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 19% for the first quarter primarily because of increased production taxes related to higher oil and gas revenues.

Production Expense. Production expense decreased 29% for the first quarter primarily because of lower costs on nonoperated properties and decreased repairs, maintenance and power and fuel costs, partially offset by increased carbon dioxide injection costs.

Development. Development costs decreased 77% for the first quarter primarily because of decreased activity and costs related to Texas and Oklahoma properties underlying the 75% net profits interests.

Excess Costs. Significantly lower oil prices and elevated costs caused costs to exceed revenues by a total of \$196,211 (\$147,158 net to the trust) on properties underlying the Texas working interest for January through March 2009 and by \$244,677 (\$183,508 net to the trust) on properties underlying the Oklahoma working interest in February and March 2009. However, these costs did not reduce net proceeds from the remaining conveyances. XTO Energy advised the trustee that increased oil prices and decreased costs led to the full recovery of excess costs, plus accrued interest, during 2009, on properties underlying the Texas and Oklahoma working interest.

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.

Other

On December 13, 2009, XTO Energy entered into a definitive merger agreement with Exxon Mobil Corporation under which XTO Energy would become a wholly owned subsidiary of ExxonMobil. The completion of this merger is subject to certain conditions, including approval of the merger agreement by XTO Energy stockholders and certain government and regulatory approvals. The merger is not expected to have a material effect on trust annual distributable income, financial position or liquidity. The merger is expected to close in the second quarter of 2010.

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)
	2010	2009	
Sales Volumes			
Oil (Bbls) [B]			
Underlying properties	50,162	56,631	(11%)
Average per day	545	616	(12%)
Net profits interests	25,686	14,370	79%
Gas (Mcf) [B]			
Underlying properties	521,531	504,727	3%
Average per day	5,669	5,486	3%
Net profits interests	457,677	435,785	5%
Average Sales Prices			
Oil (per Bbl)	\$ 70.87	\$ 41.50	71%
Gas (per Mcf)	\$ 6.94	\$ 6.12	13%
Revenues			
Oil sales	\$ 3,554,795	\$ 2,350,344	51%
Gas sales	3,618,192	3,087,310	17%
Total Revenues	<u>7,172,987</u>	<u>5,437,654</u>	32%
Costs			
Taxes, transportation and other	1,083,416	906,910	19%
Production expense [C]	1,087,698	1,527,575	(29%)
Development costs	71,086	314,861	(77%)
Excess costs	—	(440,888)	100%
Total Costs	<u>2,242,200</u>	<u>2,308,458</u>	(3%)
Net Proceeds	<u>\$ 4,930,787</u>	<u>\$ 3,129,196</u>	58%
Net Profits Income	<u>\$ 4,269,080</u>	<u>\$ 2,805,299</u>	52%

[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] Production expense is primarily from seven working interest properties in the 75% net profits interest. Six of these properties are not operated by XTO Energy. Production expense includes an overhead charge which is deducted and retained by XTO Energy. As of March 31, 2010, this charge was \$33,838 per month (including a monthly overhead charge of \$2,662 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. 12, 2010	Mar. 12, 2010	Apr. 15, 2010	Total
Gross Income	\$ 0.276471	\$ 0.253948	\$ 0.307233	\$ 0.837652
Less Severance Taxes	(0.038165)	(0.044480)	(0.043494)	(0.126139)
Interest Income.....	0.000000	0.000002	0.000007	0.000009
Less Administration Expenses.....	(0.007485)	(0.012767)	(0.008174)	(0.028426)
Net Cash Distribution	<u>\$ 0.230821</u>	<u>\$ 0.196703</u>	<u>\$ 0.255572</u>	<u>\$ 0.683096</u>
Cost Depletion Factors:				
Texas - 90%.....	0.009258	0.008620	0.008923	0.026801
Oklahoma - 90%	0.010128	0.006259	0.012616	0.029003
New Mexico - 90%.....	0.005886	0.005737	0.005281	0.016904
Texas - 75%.....	0.009564	0.005086	0.013703	0.028353
Oklahoma - 75%	0.018293	0.009949	0.015130	0.043372

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