

TO UNITHOLDERS

For the quarter ended June 30, 2009, net profits income was \$2,389,205 compared to \$8,528,354 for second quarter 2008. This 72% decrease in net profits income is the result of lower oil and gas prices, lawsuit settlement proceeds included in second quarter 2008 and lower oil and gas production. See "Net Profits Income" and "Other Proceeds" on following page.

After considering interest income of \$82 and administration expense of \$100,593, distributable income for the quarter ended June 30, 2009 was \$2,288,694, or \$0.381449 per unit of beneficial interest. Changes in interest income are attributable to fluctuations in net profits income and interest rates. Administrative expense for the quarter decreased 34% from the prior year quarter primarily because of the timing of expenditures. For second quarter 2008, distributable income was \$8,380,314, or \$1.396719 per unit. Distributions to unitholders for the quarter ended June 30, 2009 were:

RECORD DATE	PAYMENT DATE	PER UNIT
April 30, 2009	May 14, 2009	\$ 0.117955
May 29, 2009	June 12, 2009	0.124749
June 30, 2009	July 14, 2009	<u>0.138745</u>
		<u>\$ 0.381449</u>

For the six months ended June 30, 2009, net profits income was \$5,194,504 compared to \$15,414,208 for the same 2008 period. This 66% decrease in net profits income is the result of lower oil and gas prices, lawsuit settlement proceeds included in the first six months of

2008 and lower oil and gas production. See "Net Profits Income" and "Other Proceeds" on the following page.

After considering interest income of \$154 and administration expense of \$236,174, distributable income for the six months ended June 30, 2009 was \$4,958,484, or \$0.826414 per unit of beneficial interest. Changes in interest income are attributable to fluctuations in net profits income and interest rates. Administrative expense for the six months ended June 30, 2009 decreased 15% from the prior year six-month period primarily because of the timing of expenditures. For the six months ended June 30, 2008, distributable income was \$15,146,592, or \$2.524432 per unit.

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.crosstimberstrust.com.

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

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

By: 

Nancy G. Willis
Vice President

Condensed Statements of Distributable Income (Unaudited)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008	2009	2008
Net Profits Income	\$ 2,389,205	\$ 8,528,354	\$ 5,194,504	\$ 15,414,208
Interest income.....	<u>82</u>	<u>4,556</u>	<u>154</u>	<u>11,034</u>
Total Income	2,389,287	8,532,910	5,194,658	15,425,242
Administration expense.....	<u>100,593</u>	<u>152,596</u>	<u>236,174</u>	<u>278,650</u>
Distributable Income	<u>\$ 2,288,694</u>	<u>\$ 8,380,314</u>	<u>\$ 4,958,484</u>	<u>\$ 15,146,592</u>
Distributable Income Per Unit (6,000,000 units)	<u>\$ 0.381449</u>	<u>\$ 1.396719</u>	<u>\$ 0.826414</u>	<u>\$ 2.524432</u>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2008 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended June 30, 2009.

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, 2008, 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 second quarter 2008 to second quarter 2009 and from the first six months of 2008 to the comparable period in 2009 as shown in the "Calculation of Net Profits Income" at the right:

Sales Volumes

Oil. Oil sales volumes decreased 8% for second quarter 2009 and 5% for the first six months of 2009 as compared with the same 2008 periods primarily because of natural production decline and the timing of cash receipts, partially offset by increased production from new wells and workovers.

Gas. Gas sales volumes decreased 14% for second quarter 2009 and 7% for the first six months of 2009 as compared with the same 2008 periods primarily because of the timing of cash receipts and natural production decline, partially offset by increased production from new wells and workovers.

Sales Prices

Oil. The average oil price decreased 57% to \$40.08 per Bbl for the second quarter and 55% to \$40.81 per Bbl for the six-month period. Lower demand as a result of the global economic situation and rising crude oil supplies caused oil prices to decline in the first quarter of 2009. However, signs of possible economic improvement have resulted in higher recent oil prices. Oil prices are expected to remain volatile. The second quarter 2009 oil price is primarily related to production from February through April 2009, when the average NYMEX price was \$46.01 per Bbl. The average NYMEX price for May and June 2009 was \$64.51 per Bbl. At July 14, 2009, the average NYMEX futures price for the following twelve months was \$63.91 per Bbl. Recent trust oil prices have averaged approximately 16% lower than the NYMEX price.

Gas. Gas prices for the second quarter decreased 54% to \$5.37 per Mcf and for the six-month period decreased 48% to \$5.76 per Mcf. Excluding the effects of the lawsuit settlement in first and second quarters 2008, the average gas price was \$10.23 per Mcf in second quarter 2008 and \$9.80 per Mcf for the first six months of 2008. See "Other Proceeds." Due to concerns of oversupply from shale gas development, declining demand due to the U.S. recession and increased gas storage, gas prices have declined. Prices will continue to be affected by the level of North American production, weather, oil prices, the U.S. economy, storage levels and import levels of liquified natural gas. Natural gas prices are expected to remain

volatile. The second quarter 2009 gas price is primarily related to production from January through March 2009, when the average NYMEX price was \$4.89 per MMBtu. The average NYMEX price for May and June 2009 was \$3.43 per MMBtu. At July 14, 2009, the average NYMEX futures price for the following twelve months was \$4.86 per MMBtu. Recent trust gas prices have been approximately 10% higher than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other decreased 38% for the second quarter and 30% for the six-month period primarily because of decreased production taxes related to lower oil and gas revenues, partially offset by increased other deductions. In addition, decreased taxes, transportation and other costs for the six-month period was partially offset by higher property taxes.

Production Expense. Production expense was 14% lower for the second quarter primarily because of the timing of expenditures and decreased power and fuel costs, partially offset by increased repairs and maintenance, carbon dioxide injection and overhead costs on nonoperated properties. Production expense was 17% higher for the six-month period primarily because of increased overhead, repairs and maintenance and carbon dioxide injection costs, partially offset by the timing of expenditures.

Development. Development costs decreased 75% for the second quarter and 46% for the six-month period 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 on properties underlying the Texas working interest for January through April 2009 and on properties underlying the Oklahoma working interest for February through April 2009. However, these excess 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 partial recovery of excess costs, plus accrued interest, on the properties underlying the Texas and Oklahoma working interests during second quarter 2009. Remaining excess costs totaled \$125,672 (\$94,254 net to the trust) on properties underlying the Texas working interest and \$274,363 (\$205,772 net to the trust) on properties underlying the Oklahoma working interest at the end of second quarter 2009.

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 Proceeds

In first quarter 2008, the calculation of net profits income included a lawsuit settlement of \$827,446 related to underpayment of royalties on underlying properties in the San Juan Basin. Included in this settlement was 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 by \$136,262 in second quarter 2008. This reallocation did not change the total lawsuit settlement.

In second quarter 2008, the calculation of net profits income included another lawsuit settlement of \$1,602,880 related to underpayment of royalties on underlying properties in the San Juan Basin. Included in this settlement was interest of \$675,899 and

additional gas revenue of \$926,981. The total settlement, net to the trust, was \$1,442,592, or \$0.24 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 JUNE 30 [A]			SIX MONTHS ENDED JUNE 30 [A]		
	2009	2008	INCREASE (DECREASE)	2009	2008	INCREASE (DECREASE)
Sales Volumes						
Oil (Bbls) [B]						
Underlying properties.....	54,260	58,851	(8%)	110,891	116,470	(5%)
Average per day.....	610	654	(7%)	613	640	(4%)
Net profits interests.....	16,527	34,713	(52%)	30,897	67,500	(54%)
Gas (Mcf) [B]						
Underlying properties.....	471,287	547,615	(14%)	976,014	1,051,374	(7%)
Average per day.....	5,237	6,018	(13%)	5,363	5,745	(7%)
Net profits interests.....	415,004	468,719	(11%)	850,789	917,093	(7%)
Average Sales Prices						
Oil (per Bbl).....	\$ 40.08	\$ 94.30	(57%)	\$ 40.81	\$ 90.00	(55%)
Gas (per Mcf) [C] [D].....	\$ 5.37	\$ 11.67	(54%)	\$ 5.76	\$ 11.13	(48%)
Revenues						
Oil sales.....	\$ 2,175,015	\$ 5,549,772	(61%)	\$ 4,525,359	\$ 10,481,868	(57%)
Gas sales [C] [D].....	2,532,645	6,390,629	(60%)	5,619,955	11,704,312	(52%)
Total Revenues.....	4,707,660	11,940,401	(61%)	10,145,314	22,186,180	(54%)
Costs						
Taxes, transportation and other.....	754,740	1,216,499	(38%)	1,661,650	2,373,487	(30%)
Production expense [E].....	1,149,792	1,339,012	(14%)	2,677,367	2,283,528	17%
Development costs.....	107,603	425,536	(75%)	422,464	779,197	(46%)
Excess costs.....	40,853	-	-	(400,035)	-	-
Total Costs.....	2,052,988	2,981,047	(31%)	4,361,446	5,436,212	(20%)
Other Proceeds						
Interest income [C] [D].....	-	812,161	(100%)	-	1,024,815	(100%)
Net Proceeds	<u>\$ 2,654,672</u>	<u>\$ 9,771,515</u>	(73%)	<u>\$ 5,783,868</u>	<u>\$ 17,774,783</u>	(67%)
Net Profits Income	<u>\$ 2,389,205</u>	<u>\$ 8,528,354</u>	(72%)	<u>\$ 5,194,504</u>	<u>\$ 15,414,208</u>	(66%)

[A] Because of the interval between time of production and receipt of royalty income by the trust, (1) oil and gas sales for the quarter ended June 30 generally represent oil production for the period February through April and gas production for the period January through March and (2) oil and gas sales for the six-months ended June 30 generally represent oil production for the period November through April and gas production for the period October through March.

[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 second quarter 2008, \$1,602,880 was received related to a lawsuit settlement for underpayment of royalties on certain San Juan Basin properties. Interest income for the quarter includes interest of \$675,899 from the settlement and \$136,262 reallocated from a settlement received in first quarter 2008. These settlements increased the average gas sales price by \$1.44 for the quarter ended June 30, 2008. The second quarter settlement, net to trust, was \$1,442,592, or \$0.24 per unit.

[D] In the six-months ended June 30, 2008, \$2,430,326 was received related to lawsuit settlements for underpayment of royalties on certain San Juan Basin properties. Included in these settlements was interest of \$1,024,815. These settlements increased the average gas sales price by \$1.33 for the six-months ended June 30, 2008. The total settlements, net to trust, was \$2,187,294, or \$0.36 per unit.

[E] 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 June 30, 2009, this charge was \$34,055 per month (including a monthly overhead charge of \$2,879 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)			
	May 14, 2009	June 12, 2009	July 14, 2009	Total
Gross Income.....	\$ 0.161706	\$ 0.165381	\$ 0.167356	\$ 0.494443
Less Severance Taxes.....	(0.038582)	(0.031457)	(0.026203)	(0.096242)
Interest Income.....	0.000005	0.000008	0.000000	0.000013
Less Administrative Expenses.....	(0.005174)	(0.009183)	(0.002408)	(0.016765)
Net Cash Distribution.....	\$ 0.117955	\$ 0.124749	\$ 0.138745	\$ 0.381449
Cost Depletion Factors:				
Texas - 90%.....	0.012165	0.010283	0.008188	0.030636
Oklahoma - 90%.....	0.008198	0.018125	0.027323	0.053646
New Mexico - 90%.....	0.003838	0.004732	0.004307	0.012877
Texas - 75%.....	0.000000	0.000000	0.000000	0.000000
Oklahoma - 75%.....	0.000000	0.000000	0.000000	0.000000

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