

TO UNITHOLDERS

For the quarter ended September 30, 2009, net profits income was \$2,894,511 compared to \$9,163,997 for third quarter 2008. This 68% decrease in net profits income is primarily the result of lower oil and gas prices, recovery of excess costs, plus accrued interests, on the Texas and Oklahoma working interests properties in third quarter 2009 and increased production expense, partially offset by lower taxes, transportation and other costs and lower development costs. See "Net Profits Income" and "Excess Costs" on following page.

After considering interest income of \$29 and administration expense of \$129,458, distributable income for the quarter ended September 30, 2009 was \$2,765,082, or \$0.460847 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 increased 127% primarily because of the timing of expenditures. For third quarter 2008, distributable income was \$9,114,210, or \$1.519035 per unit. Distributions to unitholders for the quarter ended September 30, 2009 were:

RECORD DATE	PAYMENT DATE	PER UNIT
July 31, 2009	August 14, 2009	\$ 0.107027
August 31, 2009	September 15, 2009	0.160096
September 30, 2009	October 15, 2009	0.193724
		<u>\$ 0.460847</u>

For the nine months ended September 30, 2009, net profits income was \$8,089,015 compared to \$24,578,205 for the same 2008 period. This 67% decrease in net profits income is primarily the result of lower oil and gas prices, lawsuit settlement proceeds included in the first nine months

of 2008, increased production expense and decreased oil and gas sales volumes, partially offset by lower taxes, transportation and other costs and lower development costs. See "Net Profits Income" and "Other Proceeds" on the following page.

After considering interest income of \$183 and administration expense of \$365,632, distributable income for the nine months ended September 30, 2009 was \$7,723,566, or \$1.287261 per unit of beneficial interest. Changes in interest income are attributable to fluctuations in net profits income and interest rates. Administrative expense for the nine months ended September 30, 2009 increased 9% from the prior year nine-month period primarily because of the timing of expenditures. For the nine months ended September 30, 2008, distributable income was \$24,260,802, or \$4.043467 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.crosstimbertrust.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 SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	2009	2008
Net Profits Income	\$ 2,894,511	\$ 9,163,997	\$ 8,089,015	\$ 24,578,205
Interest income.....	29	7,221	183	18,255
Total Income	2,894,540	9,171,218	8,089,198	24,596,460
Administration expense.....	129,458	57,008	365,632	335,658
Distributable Income	<u>\$ 2,765,082</u>	<u>\$ 9,114,210</u>	<u>\$ 7,723,566</u>	<u>\$ 24,260,802</u>
Distributable Income Per Unit (6,000,000 units)	<u>\$ 0.460847</u>	<u>\$ 1.519035</u>	<u>\$ 1.287261</u>	<u>\$ 4.043467</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 September 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 third quarter 2008 to third quarter 2009 and from the first nine 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 1% for third quarter 2009 and 4% for the first nine 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.

Gas. Gas sales volumes decreased 4% for third quarter 2009 and 6% for the first nine months of 2009 as compared with the same 2008 periods. Decreased gas sales volumes for the quarter are primarily because of net prior period adjustments in 2009 and natural production decline, partially offset by the timing of cash receipts and increased production from new wells and workovers. Decreased gas sales volumes for the nine-month period are primarily because of the timing of cash receipts, natural production decline and net prior period adjustments in 2009, partially offset by increased production from new wells and workovers.

Sales Prices

Oil. The average oil price decreased 54% to \$56.90 per Bbl for the third quarter and 54% to \$46.18 per Bbl for the nine-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 part of 2009. However, signs of possible economic improvement have resulted in higher recent oil prices. Oil prices are expected to remain volatile. The third quarter 2009 oil price is primarily related to production from May through July 2009, when the average NYMEX price was \$64.49 per Bbl. The average NYMEX price for August and September 2009 was \$70.16 per Bbl. At October 15, 2009, the average NYMEX futures price for the following twelve months was \$80.02 per Bbl. Recent trust oil prices have averaged approximately 12% lower than the NYMEX price.

Gas. Gas prices for the third quarter decreased 58% to \$5.34 per Mcf and for the nine-month period decreased 52% to \$5.61 per Mcf. Excluding the effects of the lawsuit settlement in the first nine months of 2008, the average gas price was \$10.76 per Mcf. See "Other Proceeds." Due to higher than average gas in storage caused

by shale gas development and declining demand due to the U.S. recession, 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 third quarter 2009 gas price is primarily related to production from April through June 2009, when the average NYMEX price was \$3.50 per MMBtu. The average NYMEX price for July and August 2009 was \$3.66 per MMBtu. At October 15, 2009, the average NYMEX futures price for the following twelve months was \$5.75 per MMBtu. Recent trust gas prices have been approximately 31% higher than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other decreased 44% for the third quarter and 36% for the nine-month period primarily because of decreased production taxes related to lower oil and gas revenues, partially offset by increased other deductions as a percentage of oil and gas revenues.

Production Expense. Production expense increased 28% for the third quarter and 21% for the first nine months of 2009 primarily due to increased overhead costs on nonoperated properties and increased outside operated costs, repairs and maintenance and carbon dioxide injection costs.

Development. Development costs decreased 81% for the third quarter and 58% for the nine-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 full recovery of excess costs, plus accrued interest, during third quarter 2009, on properties underlying the Texas and Oklahoma working interests. Excess costs, plus accrued interest, recovered during third quarter 2009 totaled \$128,359 (\$96,269 net to the trust) on properties underlying the Texas working interest and \$278,671 (\$209,003 net to the trust) on properties underlying the Oklahoma working interest. Interest paid on these excess costs totaled \$6,995 (\$5,246 net to the trust) for the nine months ended September 30, 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 the first nine months of 2008, the calculation of net profits income included lawsuit settlements of \$2,430,326 related to underpayment of royalties on underlying properties in the San Juan Basin. Included in these settlements was interest of

\$1,024,815 and additional gas revenue of \$1,405,511. The total settlements, net to the trust, were \$2,187,294, or \$0.36 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 SEPTEMBER 30 [A]			NINE MONTHS ENDED SEPTEMBER 30 [A]		
	2009	2008	INCREASE (DECREASE)	2009	2008	INCREASE (DECREASE)
Sales Volumes						
Oil (Bbls) [B]						
Underlying properties.....	55,548	56,223	(1%)	166,439	172,693	(4%)
Average per day.....	604	611	(1%)	610	630	(3%)
Net profits interests.....	19,121	35,749	(47%)	50,018	103,249	(52%)
Gas (Mcf) [B]						
Underlying properties.....	507,886	527,589	(4%)	1,483,900	1,578,963	(6%)
Average per day.....	5,581	5,798	(4%)	5,436	5,763	(6%)
Net profits interests.....	444,683	468,863	(5%)	1,295,472	1,385,956	(7%)
Average Sales Prices						
Oil (per Bbl).....	\$ 56.90	\$ 123.68	(54%)	\$ 46.18	\$ 100.96	(54%)
Gas (per Mcf) [C].....	\$ 5.34	\$ 12.69	(58%)	\$ 5.61	\$ 11.65	(52%)
Revenues						
Oil sales.....	\$ 3,160,874	\$ 6,953,498	(55%)	\$ 7,686,233	\$ 17,435,366	(56%)
Gas sales [C].....	2,711,361	6,694,294	(59%)	8,331,316	18,398,606	(55%)
Total Revenues.....	<u>5,872,235</u>	<u>13,647,792</u>	(57%)	<u>16,017,549</u>	<u>35,833,972</u>	(55%)
Costs						
Taxes, transportation and other.....	852,440	1,531,571	(44%)	2,514,090	3,905,058	(36%)
Production expense [D].....	1,268,146	989,266	28%	3,945,513	3,272,794	21%
Development costs.....	79,665	413,713	(81%)	502,129	1,192,910	(58%)
Excess costs.....	407,030	-	-	6,995	-	-
Total Costs.....	<u>2,607,281</u>	<u>2,934,550</u>	(11%)	<u>6,968,727</u>	<u>8,370,762</u>	(17%)
Other Proceeds						
Interest income [C].....	-	-	-	-	1,024,815	(100%)
Net Proceeds	<u>\$ 3,264,954</u>	<u>\$ 10,713,242</u>	(70%)	<u>\$ 9,048,822</u>	<u>\$ 28,488,025</u>	(68%)
Net Profits Income	<u>\$ 2,894,511</u>	<u>\$ 9,163,997</u>	(68%)	<u>\$ 8,089,015</u>	<u>\$ 24,578,205</u>	(67%)

[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 September 30 generally represent oil production for the period May through July and gas production for the period April through June and (2) oil and gas sales for the nine-months ended September 30 generally represent oil production for the period November through July and gas production for the period October through June.

[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 the nine-months ended September 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 \$0.89 for the nine-months ended September 30, 2008. The total settlements, net to trust, were \$2,187,294, or \$0.36 per unit.

[D] 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 September 30, 2009, this charge was \$33,919 per month (including a monthly overhead charge of \$2,743 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)			
	Aug. 14, 2009	Sep. 15, 2009	Oct. 15, 2009	Total
Gross Income.....	\$ 0.162783	\$ 0.195614	\$ 0.232497	\$ 0.590894
Less Severance Taxes.....	(0.042716)	(0.030805)	(0.034954)	(0.108475)
Interest Income.....	0.000000	0.000003	0.000002	0.000005
Less Administrative Expenses.....	(0.013040)	(0.004716)	(0.003821)	(0.021577)
Net Cash Distribution.....	<u>\$ 0.107027</u>	<u>\$ 0.160096</u>	<u>\$ 0.193724</u>	<u>\$ 0.460847</u>
Cost Depletion Factors:				
Texas - 90%.....	0.009661	0.009264	0.010330	0.029255
Oklahoma - 90%.....	0.011108	0.011446	0.010246	0.032800
New Mexico - 90%.....	0.004943	0.005243	0.005581	0.015767
Texas - 75%.....	0.000000	0.009900	0.009573	0.019473
Oklahoma - 75%.....	0.000000	0.000000	0.004893	0.004893

CROSS TIMBERS ROYALTY TRUST 901 Main Street, 17th Floor, P.O. Box 830650, Dallas, Texas 75283-0650 • (877) 228-5084
Bank of America, N.A., Trustee • www.crosstimerstrust.com