

**TO UNITHOLDERS**

For the quarter ended September 30, 2011, net profits income was \$5,257,619 compared to \$4,142,789 for third quarter 2010. This 27% increase in net profits income is primarily the result of higher oil and gas prices (\$1.7 million), partially offset by decreased gas sales volumes (\$0.6 million). See “Net Profits Income” on following page.

After considering interest income of \$131 and administration expense of \$91,828, distributable income for the quarter ended September 30, 2011 was \$5,165,922, or \$0.860987 per unit of beneficial interest. Administrative expense for the quarter increased \$12,286 from the prior year quarter. For third quarter 2010, distributable income was \$4,063,290, or \$0.677215 per unit. Distributions to unitholders for the quarter ended September 30, 2011 were:

RECORD DATE	PAYMENT DATE	PER UNIT
July 29, 2011	August 12, 2011	\$ 0.336788
August 31, 2011	September 15, 2011	0.254539
September 30, 2011	October 17, 2011	0.269660
		<u>\$ 0.860987</u>

For the nine months ended September 30, 2011, net profits income was \$14,177,476 compared to \$13,011,163 for the same 2010 period. This 9% increase in net profits income is primarily the result of higher oil prices (\$2.0 million), partially offset by

decreased gas sales volumes (\$1.0 million). See “Net Profits Income” on following page.

After considering interest income of \$274 and administration expense of \$357,524, distributable income for the nine months ended September 30, 2011 was \$13,820,226, or \$2.303371 per unit of beneficial interest. For the nine months ended September 30, 2010, distributable income was \$12,645,270, or \$2.107545 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.crosstimerstrust.com](http://www.crosstimerstrust.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 SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	2011	2010
<b>Net Profits Income</b> .....	<b>\$ 5,257,619</b>	\$ 4,142,789	<b>\$14,177,476</b>	\$13,011,163
Interest Income.....	<u>131</u>	43	<u>274</u>	185
<b>Total Income</b> .....	<b>5,257,750</b>	4,142,832	<b>14,177,750</b>	13,011,348
Administration Expense.....	<u>91,828</u>	79,542	<u>357,524</u>	366,078
<b>Distributable Income</b> .....	<b>\$ 5,165,922</b>	\$ 4,063,290	<b>\$13,820,226</b>	\$12,645,270
<b>Distributable Income Per Unit</b> (6,000,000 units) ....	<b>\$ 0.860987</b>	\$ 0.677215	<b>\$ 2.303371</b>	\$ 2.107545

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust’s 2010 annual report. For further information, see the trust’s quarterly report on Form 10-Q for the quarter ended September 30, 2011.

Statements in this report to unitholders relating to future plans, predictions, events or conditions are forward-looking statements. All statements other than statements of historical fact included in this report to unitholders, 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, 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, 2010, which is incorporated by this reference as though fully set forth herein. XTO Energy, ExxonMobil and the trustee assume no duty to update these statements as of any future date.

### 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, the calculation of net profits income from these interests only includes deductions for production and property taxes, legal costs, and marketing and transportation charges. In addition to these costs, the calculation of net profits income from the 75% net profits interests includes deductions for production expense and development costs since the related underlying properties are working interests.

The following are explanations of significant variances on the underlying properties from third quarter 2010 to third quarter 2011 and from the first nine months of 2010 to the comparable period in 2011:

### Sales Volumes

**Oil.** Oil sales volumes increased 4% for third quarter 2011 and 1% for the first nine months of 2011 as compared with the same 2010 periods primarily because of the timing of cash receipts and increased production from new wells and workovers, partially offset by natural production decline.

**Gas.** Gas sales volumes decreased 15% for third quarter 2011 and 10% for the first nine months of 2011 as compared with the same 2010 periods primarily because of the timing of cash receipts and natural production decline, partially offset by increased production from new wells and workovers.

The rate of natural production decline on the underlying oil and gas properties is approximately 6% to 8% a year.

### Sales Prices

**Oil.** The average oil price increased 34% to \$92.53 per Bbl for the third quarter and 23% to \$88.27 per Bbl for the nine-month period. Oil prices are expected to remain volatile. The third quarter 2011 oil price is primarily related to production from May through July 2011, when the average NYMEX price was \$98.15 per Bbl. The average NYMEX price for August and September 2011 was \$85.78 per Bbl. At October 13, 2011, the average NYMEX futures price for the following twelve months was \$85.59 per Bbl.

**Gas.** The average gas price increased 23% to \$8.07 per Mcf for the third quarter and 1% to \$7.27 per Mcf for the nine-month period. Natural gas prices are affected by the level of North American production, weather, crude oil and natural gas liquids prices, the U.S. economy, storage levels and import levels of liquefied natural gas. Natural gas prices are expected to remain volatile. The third quarter 2011 gas price is primarily related to production from April through June 2011, when the average NYMEX price was \$4.31 per MMBtu. The average NYMEX price for July through September 2011 was \$4.19 per MMBtu. At October 13, 2011, the average NYMEX futures price for the following twelve months was \$3.98 per MMBtu.

### Costs

**Taxes, Transportation and Other.** Taxes, transportation and other increased 13% for the third quarter primarily because of increased oil and gas production taxes related to higher oil and gas revenues and increased property taxes related to the timing of expenditures, partially offset by decreased other deductions as a percentage of oil and gas revenues. Taxes, transportation and other remained relatively flat for the nine-month period primarily because increased oil production taxes related to higher oil revenues and increased property taxes related to the timing of expenditures were offset by decreased gas production taxes and other deductions related to lower gas revenues.

**Production Expense.** Production expense was 2% lower for the third quarter primarily because of decreased power and fuel, labor, plugging and abandonment, carbon dioxide injection and chemical and treating costs, partially offset by increased outside operated costs. Production expense was 4% lower for the nine-month period primarily because of decreased carbon dioxide injection, repairs and maintenance, power and fuel, plugging and abandonment and overhead costs on non-operated properties, partially offset by increased outside operated costs.

**Development.** Development costs increased 33% for the nine-month period primarily because of increased activity and costs related to the Texas and Oklahoma properties underlying the 75% net of profits interests.

### Contingencies

Several states have enacted legislation requiring state income tax withholding from nonresident recipients of oil and gas proceeds. After consultation with its tax counsel, the trustee believes that it is not required to withhold on payments made to the unitholders. However, regulations are subject to change by the various states, which could change this conclusion. Should amounts be withheld on payments made to the trust or the unitholders, distributions to the unitholders would be reduced by the required amount, subject to the filing of a claim for refund by the trust or unitholders for such amount.

## GLOSSARY

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

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## Calculations of Net Profits Income

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

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	SEPTEMBER 30 [A] 2011	2010	INCREASE (DECREASE)	SEPTEMBER 30 [A] 2011	2010	INCREASE (DECREASE)
<b>Sales Volumes</b>						
Oil (Bbl) [B]						
Underlying Properties.....	<b>50,994</b>	49,192	4%	<b>150,292</b>	148,703	1%
Average Per Day .....	<b>554</b>	535	4%	<b>551</b>	545	1%
Net Profits Interests .....	<b>29,514</b>	24,421	21%	<b>84,999</b>	75,178	13%
Gas (Mcf) [B] .....						
Underlying Properties.....	<b>467,079</b>	551,104	(15%)	<b>1,387,085</b>	1,548,653	(10%)
Average Per Day .....	<b>5,133</b>	6,056	(15%)	<b>5,081</b>	5,673	(10%)
Net Profits Interests .....	<b>413,280</b>	486,840	(15%)	<b>1,224,361</b>	1,363,182	(10%)
<b>Average Sales Prices</b>						
Oil (per Bbl).....	\$ <b>92.53</b>	\$ 69.13	34%	\$ <b>88.27</b>	\$ 71.61	23%
Gas (per Mcf).....	\$ <b>8.07</b>	\$ 6.54	23%	\$ <b>7.27</b>	\$ 7.23	1%
300300%						
<b>Revenues</b>						
Oil sales .....	\$ <b>4,718,348</b>	\$ 3,400,765	39%	\$ <b>13,266,380</b>	\$ 10,648,499	25%
Gas sales .....	<b>3,769,185</b>	3,606,181	5%	<b>10,080,154</b>	11,201,650	(10%)
Total Revenues.....	<b>8,487,533</b>	7,006,946	21%	<b>23,346,534</b>	21,850,149	7%
<b>Costs</b>						
Taxes, transportation and other.....	<b>1,144,178</b>	1,011,950	13%	<b>3,162,677</b>	3,176,436	–
Production expense [C].....	<b>1,103,132</b>	1,122,354	(2%)	<b>3,256,477</b>	3,387,559	(4%)
Development costs .....	<b>116,207</b>	115,678	–	<b>412,210</b>	309,034	33%
Total Costs.....	<b>2,363,517</b>	2,249,982	5%	<b>6,831,364</b>	6,873,029	(1%)
<b>Net Proceeds</b> .....	<b>\$ 6,124,016</b>	\$ 4,756,964	29%	<b>\$ 16,515,170</b>	\$ 14,977,120	10%
<b>Net Profits Income</b> .....	<b>\$ 5,257,619</b>	\$ 4,142,789	27%	<b>\$ 14,177,476</b>	\$ 13,011,163	9%

[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. As product prices change, the trust's share of the production volumes is impacted as the quantity of production to cover expenses in reaching the net profits break-even level changes inversely with price. As such, the underlying property production volume changes may not correlate with the trust's net profit share of those volumes in any given period. 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. Five of these properties are not operated by XTO Energy or ExxonMobil. Production expense includes an overhead charge which is deducted and retained by the operator. As of September 30, 2011, this charge was \$34,211 per month (including monthly overhead charges of \$2,666 which XTO Energy deducts as operator of the Penwell Unit and \$4,507 which ExxonMobil deducts as operator of the Hewitt Unit) and is subject to adjustment each May based on an oil and gas industry index.

## Tax Information Per Unit

	MONTHLY DISTRIBUTIONS PAID ON: (\$/UNIT EXCEPT COST DEPLETION FACTORS)			
	August 12, 2011	September 15, 2011	October 17, 2011	Total
Gross Income .....	\$ 0.389776	\$ 0.305083	\$ 0.315103	\$ 1.009962
Less Severance Taxes .....	(0.045912)	(0.045208)	(0.042572)	(0.133692)
Interest Income .....	0.000010	0.000006	0.000006	0.000022
Less Administration Expenses .....	(0.007086)	(0.005342)	(0.002877)	(0.015305)
Net Cash Distribution .....	<u>\$ 0.336788</u>	<u>\$ 0.254539</u>	<u>\$ 0.269660</u>	<u>\$ 0.860987</u>
Cost Depletion Factors:				
Texas - 90% .....	0.012634	0.008785	0.009957	0.031376
Oklahoma - 90% .....	0.010549	0.006691	0.010148	0.027388
New Mexico - 90% .....	0.005408	0.005264	0.004875	0.015547
Texas - 75% .....	0.009074	0.005180	0.005484	0.019738
Oklahoma - 75% .....	0.010898	0.010254	0.010627	0.031779

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