

TO UNITHOLDERS

For the quarter ended March 31, 2012, net profits income was \$4,376,980 compared to \$4,350,853 for first quarter 2011. This 1% increase in net profits income is primarily the result of higher oil and gas prices (\$1.0 million) and decreased development costs (\$0.1 million), partially offset by decreased oil and gas production (\$0.8 million) and increased production expenses (\$0.2 million). See "Net Profits Income" on the following page.

After considering interest income of \$86 and administration expense of \$127,842, distributable income for the quarter ended March 31, 2012 was \$4,249,224, or \$0.708204 per unit of beneficial interest. Administration expense for the quarter increased \$1,069 from the prior year quarter. For first quarter 2011, distributable income was \$4,224,174, or \$0.704029 per unit. Distributions to unitholders for the quarter ended March 31, 2012 were:

| RECORD DATE | PAYMENT DATE | PER UNIT |
|-------------------|-------------------|--------------------|
| January 31, 2012 | February 14, 2012 | \$ 0.268375 |
| February 29, 2012 | March 14, 2012 | 0.219513 |
| March 30, 2012 | April 13, 2012 | 0.220316 |
| | | <u>\$ 0.708204</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 website at 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 MARCH 31 | |
|--|-----------------------------|---------------------|
| | 2012 | 2011 |
| Net Profits Income | \$ 4,376,980 | \$ 4,350,853 |
| Interest Income | 86 | 94 |
| Total Income | 4,377,066 | 4,350,947 |
| Administration Expense..... | 127,842 | 126,773 |
| Distributable Income | <u>\$ 4,249,224</u> | <u>\$ 4,224,174</u> |
| Distributable Income Per Unit (6,000,000 units)..... | <u>\$ 0.708204</u> | <u>\$ 0.704029</u> |

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2011 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended March 31, 2012.

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 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, 2011, which is incorporated by this reference as though fully set forth herein. XTO Energy 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 first quarter 2011 to first quarter 2012:

Sales Volumes

Oil. Oil sales volumes decreased 7% from first quarter 2011 to first quarter 2012 primarily because of natural production decline.

Gas. Gas sales volumes decreased 14% from first quarter 2011 to first quarter 2012 primarily because of natural production decline and the timing of cash receipts.

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

Sales Prices

Oil. The first quarter 2012 average oil price was \$93.41 per Bbl, a 18% increase from the first quarter 2011 average price of \$79.31 per Bbl. Oil prices are expected to remain volatile. The first quarter 2012 oil price is primarily related to production from November 2011 through January 2012, when the average NYMEX price was \$98.53 per Bbl. The average NYMEX price for February and March 2012 was \$104.32 per Bbl. At April 18, 2012, the average NYMEX futures price for the following twelve months was \$104.13 per Bbl.

Gas. The first quarter 2012 average gas price was \$7.41 per Mcf, a 11% increase from the first quarter 2011 average price of \$6.69 per Mcf. 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 first quarter 2012 gas price is primarily related to production from October through December 2011, when the average NYMEX price was \$3.55 per MMBtu. The average NYMEX price for January through March 2012 was \$2.74 per MMBtu. At April 18, 2012, the average NYMEX futures price for the following twelve months was \$2.61 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 2% for the first quarter primarily because of increased oil production taxes related to higher oil revenues and increased property taxes related to the timing of expenditures, partially offset by decreased gas production taxes and other deductions related to lower gas revenues.

Production Expenses. Production expense increased 29% for the first quarter primarily because of increased repairs and maintenance, outside operated and power and fuel costs.

Development. Development costs decreased 46% 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 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

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

CROSS TIMBERS ROYALTY TRUST

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 MARCH 31 [A] | | |
|--------------------------------------|---------------------------------|---------------------|------------------------|
| | 2012 | 2011 | INCREASE (DECREASE) |
| Sales Volumes | | | |
| Oil (Bbl) [B] | | | |
| Underlying Properties..... | 49,385 | 52,829 | (7%) |
| Average Per Day..... | 537 | 574 | (6%) |
| Net Profits Interests..... | 25,715 | 29,047 | (11%) |
| Gas (Mcf) [B] | | | |
| Underlying Properties..... | 404,748 | 468,436 | (14%) |
| Average Per Day..... | 4,399 | 5,092 | (14%) |
| Net Profits Interests..... | 360,252 | 413,119 | (13%) |
| Average Sales Prices | | | |
| Oil (per Bbl)..... | \$ 93.41 | \$ 79.31 | 18% |
| Gas (per Mcf)..... | \$ 7.41 | \$ 6.69 | 11% |
| Revenues | | | |
| Oil sales..... | \$ 4,613,136 | \$ 4,189,749 | 10% |
| Gas sales..... | 2,998,232 | 3,133,075 | (4%) |
| Total Revenues..... | <u>7,611,368</u> | <u>7,322,824</u> | 4% |
| Costs | | | |
| Taxes, transportation and other..... | 969,202 | 954,029 | 2% |
| Production expenses [C]..... | 1,446,137 | 1,123,998 | 29% |
| Development costs..... | 105,829 | 194,692 | (46%) |
| Total Costs..... | <u>2,521,168</u> | <u>2,272,719</u> | 11% |
| Net Proceeds | <u>\$ 5,090,200</u> | <u>\$ 5,050,105</u> | 1% |
| Net Profits Income | <u>\$ 4,376,980</u> | <u>\$ 4,350,853</u> | 1% |

[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. 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 March 31, 2012, this charge was \$34,184 per month (including monthly overhead charges of \$2,638 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) | | | Total |
|-----------------------------------|---|--------------------|--------------------|--------------------|
| | February 12, 2012 | March 14, 2012 | April 13, 2012 | |
| Gross Income..... | \$ 0.318965 | \$ 0.263728 | \$ 0.258316 | \$ 0.841009 |
| Less Severance Taxes..... | (0.040167) | (0.036251) | (0.035095) | (0.111513) |
| Interest Income..... | 0.000005 | 0.000005 | 0.000004 | 0.000014 |
| Less Administration Expenses..... | (0.010428) | (0.007969) | (0.002909) | (0.021306) |
| Net Cash Distribution..... | <u>\$ 0.268375</u> | <u>\$ 0.219513</u> | <u>\$ 0.220316</u> | <u>\$ 0.708204</u> |
| Cost Depletion Factors: | | | | |
| Texas - 90%..... | 0.010480 | 0.009456 | 0.010686 | 0.030622 |
| Oklahoma - 90%..... | 0.008059 | 0.010841 | 0.007861 | 0.026761 |
| New Mexico - 90%..... | 0.004468 | 0.004273 | 0.004882 | 0.013623 |
| Texas - 75%..... | 0.006388 | 0.005156 | 0.000947 | 0.012491 |
| Oklahoma - 75%..... | 0.014039 | 0.007106 | 0.003489 | 0.024634 |

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