

TO UNITHOLDERS

For the quarter ended March 31, 2014, net profits income was \$4,386,145 compared to \$2,792,598 for first quarter 2013. This 57% increase in net profits income is primarily the result of increased oil and gas production (\$0.9 million), higher oil and gas prices (\$0.8 million) and a one-time purchaser refund (\$0.5 million), partially offset by higher taxes, transportation and other costs (\$0.5 million) and increased development costs (\$0.2 million). See "Net Profits Income" on following page.

After considering interest income of \$57 and administration expense of \$182,242, distributable income for the quarter ended March 31, 2014 was \$4,203,960, or \$0.700660 per unit of beneficial interest. Administrative expense for the quarter increased \$49,059 from the prior year quarter. For first quarter 2013, distributable income was \$2,659,476, or \$0.443246 per unit.

Distributions to unitholders for the quarter ended March 31, 2014 were:

RECORD DATE	PAYMENT DATE	PER UNIT
January 31, 2014	February 14, 2014	\$ 0.241971
February 28, 2014	March 14, 2014	0.197297
March 31, 2014	April 14, 2014	0.261392
		<u>\$ 0.700660</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.crosstiberstrust.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	
	2014	2013
Net Profits Income.....	\$ 4,386,145	\$ 2,792,598
Interest Income.....	57	61
Total Income.....	<u>4,386,202</u>	<u>2,792,659</u>
Administration Expense.....	182,242	133,183
Distributable Income	<u>\$ 4,203,960</u>	<u>\$ 2,659,476</u>
Distributable Income Per Unit (6,000,000 units)	<u>\$ 0.700660</u>	<u>\$ 0.443246</u>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2013 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended March 31, 2014.

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 and the satisfaction or waiver of conditions to the trustee's resignation, 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, 2013, 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 2013 to first quarter 2014:

Sales Volumes

Oil. Oil sales volumes increased 22% from first quarter 2013 to first quarter 2014 primarily because of the timing of cash receipts, partially offset by natural production decline.

Gas. Gas sales volumes increased 7% from first quarter 2013 to first quarter 2014 primarily because of the timing of cash receipts and increased production from new wells and workovers, partially offset by natural production decline.

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 2014 average oil price was \$90.14 per Bbl, a 14% increase from the first quarter 2013 average price of \$78.89 per Bbl. Oil prices are expected to remain volatile. The first quarter 2014 oil price is primarily related to production from November 2013 through January 2014, when the average NYMEX price was \$95.58 per Bbl. The average NYMEX price for February and March 2014 was \$100.57 per Bbl. At April 28, 2014, the average NYMEX futures price for the following twelve months was \$96.40 per Bbl.

Gas. The first quarter 2014 average gas price was \$6.94 per Mcf, a 20% increase from the first quarter 2013 average price of \$5.77 per Mcf. Natural gas prices are affected by natural gas liquids prices, the level of North American production, weather, crude oil, the U.S. economy, storage levels and import levels of liquefied natural gas. Natural gas prices are expected to remain volatile. The first quarter 2014 gas price is primarily related to production from October through December 2013, when the average NYMEX price was \$3.60 per MMBtu. The average NYMEX price for January through March 2014 was \$4.94 per MMBtu. At April 28, 2014, the average NYMEX futures price for the following twelve months was \$4.77 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 35% for the first quarter primarily because of increased oil and gas production taxes and other deductions related to higher oil and gas revenues, partially offset by a one-time purchaser refund for coal seam gas deductions.

Production Expense. Production expense decreased 8% for the first quarter primarily because of decreased outside operated costs,

partially offset by increased chemical and treating, repairs and maintenance and labor costs.

Development Costs. Development costs increased 44% for the first quarter primarily because of the timing of cash expenditures and increased activity and costs related to non-operated Texas and Oklahoma oil properties underlying the 75% net profits interests.

Excess Costs. Lower oil prices caused costs to exceed revenues by a total of \$42,061 (\$31,546 net to the trust) on properties underlying the Texas working interest in January 2014. However, these excess costs did not reduce net proceeds from the remaining conveyances. XTO advised the trustee that higher oil prices and decreased costs led to the full recovery of excess costs, plus accrued interest, of \$42,177 (\$31,633 net to the trust) in February 2014. There were no excess costs remaining at March 31, 2014.

Lower oil prices and increased costs related to the timing of cash expenditures caused costs to exceed revenues by a total of \$58,865 (\$44,149 net to the trust) on properties underlying the Texas working interest in January 2013. Decreased costs led to the partial recovery of excess costs, plus accrued interest, on properties underlying the Texas working interest in February 2013. XTO advised the trustee that increased costs related to the timing of cash expenditures once again caused costs to exceed revenues by a total of \$89,435 (\$67,076 net to the trust) in March 2013. However, these excess costs did not reduce net proceeds from the remaining conveyances. Remaining excess costs totaled \$93,451 (\$70,088 net to the trust) for the quarter ended March 31, 2013.

Other Proceeds

The calculation of net profits income for the quarter ended March 31, 2014 included \$519,071 (\$467,164 net to the trust), which includes interest of \$210,242 (\$189,218 net to the trust), related to a one-time purchaser refund for deductions attributable to coal seam gas wells located in the San Juan Basin for the period December 1997 through May 2006.

Trustee Resignation

On January 9, 2014, U.S. Trust, Bank of America Private Wealth Management gave notice to unitholders that it will be resigning as trustee subject to the conditions set forth below. Bank of America, N.A. has nominated Southwest Bank, an independent state bank chartered under the laws of the State of Texas and headquartered in Fort Worth, Texas ("Southwest Bank"), as successor trustee at a meeting of unitholders of the trust called for Friday, May 23, 2014, for the purpose of approving a successor trustee of the Trust. U.S. Trust, Bank of America Private Wealth Management's resignation is conditioned on the satisfaction or waiver by U.S. Trust, Bank of America Private Wealth Management of each of the following: (i) the appointment of Southwest Bank as trustee of Sabine Royalty Trust (another royalty trust for which U.S. Trust, Bank of America Private Wealth Management currently serves as trustee); (ii) the appointment of Southwest Bank or another successor trustee as trustee of the trust and five other royalty trusts for which U.S. Trust, Bank of America Private Wealth Management currently serves as trustee and as agent under a disbursing arrangement for which it currently serves as agent; (iii) the accuracy of certain representations and warranties and performance of certain agreements made by Southwest Bank in an agreement between U.S. Trust, Bank of America Private Wealth Management and Southwest Bank; and (iv) no governmental injunction, order or other action that would prohibit Southwest Bank's appointment,

U.S. Trust, Bank of America Private Wealth Management's resignation or the other actions described above. On May 23, 2014, Cross Timbers Royalty Trust announced that the Special Meeting of the Trust's unitholders scheduled for May 23, 2014 for the purpose of obtaining approval of the appointment of Southwest Bank as successor trustee of the Trust, was adjourned due to the lack of the requisite quorum. The Special Meeting has been adjourned until Friday, June 20, 2014 at 2:00 p.m., local time, at Shady Oaks Country Club, 320 Roaring Springs Road, Fort Worth, TX 76114.

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]		INCREASE (DECREASE)
	2014	2013	
Sales Volumes			
Oil (Bbl) [B]			
Underlying Properties	56,541	46,173	22%
Average Per Day.....	615	502	23%
Net Profits Interests	23,688	16,108	47%
Gas (Mcf) [B]			
Underlying Properties	432,911	404,339	7%
Average Per Day.....	4,706	4,395	7%
Net Profits Interests	407,015	350,029	16%
Average Sales Prices			
Oil (per Bbl)	\$ 90.14	\$ 78.89	14%
Gas (per Mcf)	\$ 6.94	\$ 5.77	20%
Revenues			
Oil sales	\$ 5,096,663	\$ 3,642,827	40%
Gas sales	3,005,014	2,334,875	29%
Total Revenues.....	<u>8,101,677</u>	<u>5,977,702</u>	36%
Costs			
Taxes, transportation and other	935,115	693,194	35%
Production expense [C]	1,434,551	1,552,098	(8%)
Development costs.....	944,250	655,636	44%
Excess Costs.....	116	(93,451)	(100%)
Total Costs.....	<u>3,314,032</u>	<u>2,807,477</u>	18%
Other Proceeds			
Interest Income.....	210,242	—	—
Net Proceeds.....	<u>\$ 4,997,887</u>	<u>\$ 3,170,225</u>	58%
Net Profits Income.....	<u>\$ 4,386,145</u>	<u>\$ 2,792,598</u>	57%

[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. Six 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, 2014, this charge was \$35,947 per month (including a monthly overhead charge of \$5,135 which XTO Energy 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)			
	February 14, 2014	March 14, 2014	April 14, 2014	Total
Gross Income.....	\$ 0.256050	\$ 0.249894	\$ 0.321371	\$ 0.827315
Less Severance Taxes.....	0.001018	(0.044050)	(0.053258)	(0.096290)
Interest Income.....	0.000002	0.000003	0.000003	0.000008
Less Administration Expenses.....	(0.015099)	(0.008550)	(0.006724)	(0.030373)
Net Cash Distribution.....	<u>\$ 0.241971</u>	<u>\$ 0.197297</u>	<u>\$ 0.261392</u>	<u>\$ 0.700660</u>
Cost Depletion Factors:				
Texas - 90%	0.008174	0.010464	0.011358	0.029996
Oklahoma - 90%	0.009967	0.016111	0.020010	0.046088
New Mexico - 90%	0.006876	0.004662	0.005401	0.016939
Texas - 75%	0.000000	0.001571	0.005390	0.006961
Oklahoma - 75%	0.003505	0.005736	0.005911	0.015152

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