

TO UNITHOLDERS

For the quarter ended March 31, 2016, net profits income was \$2,706,106 compared to \$2,824,371 for first quarter 2015. This 4% decrease in net profits income is primarily the result of lower oil and gas prices (\$1.8 million), partially offset by increased gas production (\$1.2 million), decreased production expense (\$0.3 million) and lower development costs (\$0.2 million). See "Net Profits Income" on the following page.

After considering interest income of \$58, administration expense of \$225,182 and additions to the cash reserve of \$300,000, distributable income for the quarter ended March 31, 2016 was \$2,180,982, or \$0.363497 per unit of beneficial interest. Administration expense for the quarter increased \$66,789 from the prior year quarter. For first quarter 2015, distributable income was \$2,565,990, or \$0.427665 per unit.

Distributions to unitholders for the quarter ended March 31, 2016 were:

RECORD DATE	PAYMENT DATE	PER UNIT
January 29, 2016	February 12, 2016	\$ 0.168727
February 29, 2016	March 14, 2016	0.072017
March 31, 2016	April 14, 2016	0.122753
		<u>\$ 0.363497</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.crt-crosstimbers.com.

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

Cross Timbers Royalty Trust
By: Southwest Bank, Trustee



By: Nancy G. Willis
Vice President

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (Unaudited)

	THREE MONTHS ENDED MARCH 31	
	2016	2015
Net Profits Income.....	\$ 2,706,106	\$ 2,824,371
Interest Income.....	58	12
Total Income	2,706,164	2,824,383
Administration Expense.....	225,182	158,393
Cash Reserves Withheld for Trust Expenses.....	300,000	100,000
Distributable Income	\$ 2,180,982	\$ 2,565,990
Distributable Income Per Unit (6,000,000 units)	\$ 0.363497	\$ 0.427665

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the Trust's 2015 annual report. For further information, see the Trust's quarterly report on Form 10-Q for the quarter ended March 31, 2016.

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, 2015, 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 2015 to first quarter 2016:

Sales Volumes

Oil. Oil sales volumes decreased 2% from first quarter 2015 to first quarter 2016 primarily due to the timing of cash receipts and natural production decline, partially offset by increased production from new wells and workovers.

Gas. Gas sales volumes increased 93% from first quarter 2015 to first quarter 2016 primarily due to the timing of cash receipts related to purchaser payments covering production back to 2013.

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 2016 average oil price was \$36.16 per Bbl, a 42% decrease from the first quarter 2015 average price of \$62.80 per Bbl. Oil prices are expected to remain volatile. The first quarter 2016 oil price is primarily related to production from November 2015 through January 2016, when the average NYMEX price was \$37.44 per Bbl. The average NYMEX price for February and March 2016 was \$34.18 per Bbl. At April 21, 2016, the average NYMEX futures price for the following twelve months was \$45.49 per Bbl.

Gas. The first quarter 2016 average gas price was \$4.15 per Mcf, a 27% decrease from the first quarter 2015 average price of \$5.71 per Mcf. Excluding the impact of the prior period production payments received in first quarter 2016 the adjusted gas price was \$2.97 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 2016 gas price is primarily related to production from October through December 2015, when the average NYMEX price was \$2.27 per MMBtu. The average

NYMEX price for January through March 2016 was \$2.09 per MMBtu. At April 21, 2016, the average NYMEX futures price for the following twelve months was \$2.62 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 12% for the first quarter primarily because of increased gas production taxes and other deductions related to higher gas revenues, partially offset by decreased oil production taxes related to lower oil revenues and decreased property taxes related to decreased valuations.

Production Expense. Production expense decreased 21% for the first quarter primarily because of decreased outside operated and repairs and maintenance costs.

Development Costs. Development costs decreased 40% for the first quarter primarily because of decreased activity and costs related to non-operated Texas and Oklahoma oil properties underlying the 75% net profits interests.

Excess Costs

	Conveyances (Underlying)		
	TX WI	OK WI	Total
Cumulative excess costs remaining at 12/31/15 ...	\$ 959,151	\$1,066,920	\$2,026,071
Net excess costs for the quarter ended 3/31/16.....	392,377	115,984	508,361
Cumulative excess costs remaining at 3/31/16	\$1,351,528	\$1,182,904	\$2,534,432

XTO Energy advised the trustee that lower oil prices resulted in net excess costs of \$392,377 (\$294,283 net to the Trust) on properties underlying the Texas working interest for the quarter ended March 31, 2016.

XTO Energy advised the trustee that lower oil prices resulted in net excess costs of \$115,984 (\$86,988 net to the Trust) on properties underlying the Oklahoma working interest for the quarter ended March 31, 2016.

XTO Energy advised the trustee that lower oil prices and increased costs caused costs to exceed revenues by a total of \$410,337 (\$307,753 net to the Trust) on properties underlying the Texas working interest for the quarter ended March 31, 2015.

XTO Energy advised the trustee that lower oil prices caused costs to exceed revenues by a total of \$43,414 (\$32,560 net to the Trust) on properties underlying the Oklahoma working interest for the quarter ended March 31, 2015.

Cumulative excess costs for the Texas and Oklahoma working interest conveyances remaining as of March 31, 2016 totaled \$2,534,432 (\$1,900,824 net to the Trust).

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

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] 2016	2015	INCREASE (DECREASE)
Sales Volumes			
Oil (Bbl) [B]			
Underlying Properties.....	58,866	59,883	(2%)
Average Per Day.....	640	651	(2%)
Net Profits Interests.....	16,215	20,757	(22%)
Gas (Mcf) [B]			
Underlying Properties.....	711,787	368,231	93%
Average Per Day.....	7,737	4,003	93%
Net Profits Interests.....	635,806	321,520	98%
Average Sales Prices			
Oil (per Bbl).....	\$ 36.16	\$ 62.80	(42%)
Gas (per Mcf).....	\$ 4.15	\$ 5.71	(27%)
Revenues			
Oil sales	\$2,128,439	\$ 3,760,645	(43%)
Gas sales	2,956,199	2,102,668	41%
Total Revenues	<u>5,084,638</u>	<u>5,863,313</u>	(13%)
Costs			
Taxes, transportation and other.....	828,062	741,563	12%
Production expense [C]	1,371,919	1,745,022	(21%)
Development costs	386,234	644,775	(40%)
Excess costs	(508,361)	(453,751)	12%
Total Costs.....	<u>2,077,854</u>	<u>2,677,609</u>	(22%)
Net Proceeds.....	<u>\$3,006,784</u>	<u>\$ 3,185,704</u>	(6%)
Net Profits Income.....	<u>\$2,706,106</u>	<u>\$ 2,824,371</u>	(4%)

[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, 2016, this charge was \$38,430 per month (including a monthly overhead charge of \$5,490 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 12, 2016	March 14, 2016	April 14, 2016	Total
Gross Income.....	\$ 0.231844	\$ 0.125912	\$ 0.193891	\$ 0.551647
Less Severance Taxes.....	(0.033883)	(0.025447)	(0.041299)	(0.100629)
Interest Income.....	0.000000	0.000002	0.000007	0.000009
Less Administration Expenses.....	(0.012567)	(0.011783)	(0.013179)	(0.037529)
Reconciling Items.....	(0.016667)	(0.016667)	(0.016667)	(0.050001)
Net Cash Distribution.....	<u>\$ 0.168727</u>	<u>\$ 0.072017</u>	<u>\$ 0.122753</u>	<u>\$ 0.363497</u>
Cost Depletion Factors:				
Texas - 90%	0.008928	0.010707	0.010985	0.030620
Oklahoma - 90%.....	0.021658	0.017603	0.027938	0.067199
New Mexico - 90%	0.015884	0.009500	0.012805	0.038189
Texas - 75%	0.000000	0.000000	0.000000	0.000000
Oklahoma - 75%.....	0.000000	0.000000	0.000000	0.000000

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