

**TO UNITHOLDERS**

For the quarter ended March 31, 2017, net profits income was \$1,624,671 compared to \$2,706,106 for first quarter 2016. This 40% decrease in net profits income is primarily the result of decreased oil and gas production (\$1.2 million), and net excess cost activity on the Texas and Oklahoma working interest properties (\$0.6 million), partially offset by increased oil prices (\$0.4 million), lower production expense (\$0.2 million) and decreased taxes, transportation, and other (\$0.1 million). See "Net Profits Income" on the following page.

After considering interest income of \$987 and administration expense of \$242,238, distributable income for the quarter ended March 31, 2017 was \$1,383,420, or \$0.230570 per unit of beneficial interest. Administration expense for the quarter increased \$17,056 from the prior year quarter. For first quarter 2016, distributable income was \$2,180,982, or \$0.363497 per unit.

Distributions to unitholders for the quarter ended March 31, 2017 were:

RECORD DATE	PAYMENT DATE	PER UNIT
January 31, 2017	February 14, 2017	\$ 0.079287
February 28, 2017	March 14, 2017	0.061822
March 31, 2017	April 13, 2017	0.089461
		<u>\$ 0.230570</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](http://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	
	2017	2016
Net Profits Income.....	\$ 1,624,671	\$ 2,706,106
Interest Income.....	987	58
<b>Total Income</b> .....	<u>1,625,658</u>	<u>2,706,164</u>
Administration Expense.....	242,238	225,182
Cash Reserves Withheld for Trust Expenses.....	—	300,000
<b>Distributable Income</b> .....	<u>\$ 1,383,420</u>	<u>\$ 2,180,982</u>
<b>Distributable Income Per Unit</b> (6,000,000 units).....	<u>\$ 0.230570</u>	<u>\$ 0.363497</u>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the Trust's 2016 annual report. For further information, see the Trust's quarterly report on Form 10-Q for the quarter ended March 31, 2017.

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, 2016, 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 primarily royalty and overriding royalty interests, the calculation of net profits income from these interests 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 2016 to first quarter 2017:

### Sales Volumes

**Oil.** Oil sales volumes decreased 9% from first quarter 2016 to first quarter 2017 primarily due to natural production decline and the timing of cash receipts.

**Gas.** Gas sales volumes decreased 41% from first quarter 2016 to first quarter 2017 primarily due to the timing of cash receipts in first quarter 2016 related to purchaser payments covering production back to 2013 and 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 2017 average oil price was \$45.22 per Bbl, a 25% increase from the first quarter 2016 average price of \$36.16 per Bbl. The first quarter 2017 oil price is primarily related to production from November 2016 through January 2017, when the average NYMEX price was \$50.19 per Bbl.

**Gas.** The first quarter 2017 average gas price was \$3.99 per Mcf, a 4% decrease from the first quarter 2016 average price of \$4.15 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. The first quarter 2017 gas price is primarily related to production from October through December 2016, when the average NYMEX price was \$2.98 per MMBtu.

### Costs

**Taxes, Transportation and Other.** Taxes, transportation and other decreased 23% for the first quarter primarily because of decreased gas production taxes and other deductions related to lower gas revenues.

**Production Expense.** Production expense decreased 22% for the first quarter primarily because of decreased secondary

recovery, repairs and maintenance, power and fuel, and chemical costs.

**Development Costs.** Development costs decreased 22% for the first quarter primarily because of decreased activity and costs related to Oklahoma oil properties underlying the 75% net profits interests.

### Excess Costs

The following summarizes excess costs activity and cumulative balances by conveyance:

	Underlying		
	TX WI	OK WI	Total
Cumulative excess costs remaining at 12/31/16 ...	\$1,747,819	\$ 655,835	\$2,403,654
Excess costs (recovery) for the quarter ended 3/31/17.	45,131	(317,927)	(272,796)
Cumulative excess costs remaining at 3/31/17 .....	\$1,792,950	\$ 337,908	\$2,130,858
	NPI		
	TX WI	OK WI	Total
Cumulative excess costs remaining at 12/31/16 ...	\$1,310,865	\$ 491,876	\$1,802,741
Excess costs (recovery) for the quarter ended 3/31/17.	33,848	(238,445)	(204,597)
Cumulative excess costs remaining at 3/31/17 .....	\$1,344,713	\$ 253,431	\$1,598,144

Continued lower oil prices in relation to operating expenses and increased development costs resulted in net excess costs on properties underlying the Texas working interests for the quarter ended March 31, 2017.

Improved oil prices resulted in the partial recovery of excess costs on properties underlying the Oklahoma working interests for the quarter ended March 31, 2017.

Underlying cumulative excess costs for the Texas and Oklahoma working interest conveyances remaining as of March 31, 2017 totaled \$2,130,858 (NPI \$1,598,144).

### 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

**CALCULATION 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)
	2017	2016	
<b>Sales Volumes</b>			
Oil (Bbl) [B]			
Underlying Properties.....	53,363	58,866	(9%)
Average Per Day.....	580	640	(9%)
Net Profits Interests.....	13,102	16,215	(19%)
Gas (Mcf) [B]			
Underlying Properties.....	420,434	711,787	(41%)
Average Per Day.....	4,570	7,737	(41%)
Net Profits Interests.....	369,910	635,806	(42%)
<b>Average Sales Prices</b>			
Oil (per Bbl).....	\$ 45.22	\$ 36.16	25%
Gas (per Mcf).....	\$ 3.99	\$ 4.15	(4%)
<b>Revenues</b>			
Oil sales .....	\$ 2,413,076	\$ 2,128,439	13%
Gas sales .....	1,676,280	2,956,199	(43%)
Total Revenues .....	<u>4,089,356</u>	<u>5,084,638</u>	(20%)
<b>Costs</b>			
Taxes, transportation and other.....	639,648	828,062	(23%)
Production expense [C] .....	1,072,142	1,371,919	(22%)
Development costs .....	299,580	386,234	(22%)
Excess costs .....	272,796	(508,361)	N/A
Total Costs.....	<u>2,284,166</u>	<u>2,077,854</u>	10%
<b>Net Proceeds.....</b>	<u>\$ 1,805,190</u>	<u>\$ 3,006,784</u>	(40%)
<b>Net Profits Income.....</b>	<u>\$ 1,624,671</u>	<u>\$ 2,706,106</u>	(40%)

[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 by dividing Trust net cash inflows by average sales prices. As oil and gas prices change, the Trust's allocated production volumes are impacted as the quantity of production necessary to cover expenses changes inversely with price. As such, the underlying property production volume changes may not correlate with the Trust's allocated production 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, 2017, this charge was \$37,200 per month (including a monthly overhead charge of \$5,314 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, 2017	March 14, 2017	April 13, 2017	Total
Gross Income.....	\$ 0.116067	\$ 0.107238	\$ 0.114337	\$ 0.337642
Less Severance Taxes.....	(0.024389)	(0.021452)	(0.021022)	(0.066863)
Interest Income.....	0.000052	0.000058	0.000054	0.000164
Less Administration Expenses.....	(0.012443)	(0.024022)	(0.003908)	(0.040373)
Reconciling Items.....	0.000000	0.000000	0.000000	0.000000
Net Cash Distribution.....	<u>\$ 0.079287</u>	<u>\$ 0.061822</u>	<u>\$ 0.089461</u>	<u>\$ 0.230570</u>
Cost Depletion Factors:				
Texas - 90% .....	0.009511	0.009454	0.007543	0.026508
Oklahoma - 90%.....	0.018988	0.012754	0.014003	0.045745
New Mexico - 90% .....	0.008252	0.008073	0.006140	0.022465
Texas - 75% .....	0.000000	0.000000	0.000000	0.000000
Oklahoma - 75%.....	0.000000	0.000000	0.000000	0.000000

CROSS TIMBERS ROYALTY TRUST P.O. Box 962020, Fort Worth, Texas 76162-2020 • (855) 588-7839

Southwest Bank, Trustee • [www.crt-crosstimbers.com](http://www.crt-crosstimbers.com)