

TO UNITHOLDERS

For the quarter ended June 30, 2013, net profits income was \$3,225,021 compared to \$3,961,296 for second quarter 2012. This 19% decrease in net profits income is the result of lower oil prices (\$0.5 million), decreased gas production (\$0.4 million) and increased development costs (\$0.3 million), partially offset by increased oil production (\$0.4 million). See “Net Profits Income” on following page.

After considering interest income of \$56 and administration expense of \$127,847, distributable income for the quarter ended June 30, 2013 was \$3,097,230, or \$0.516205 per unit of beneficial interest. Administrative expense for the quarter decreased \$10,283 from the prior year quarter. For second quarter 2012, distributable income was \$3,823,242, or \$0.637207 per unit. Distributions to unitholders for the quarter ended June 30, 2013 were:

RECORD DATE	PAYMENT DATE	PER UNIT
April 30, 2013	May 14, 2013	\$ 0.135290
May 31, 2013	June 14, 2013	0.181743
June 28, 2013	July 15, 2013	0.199172
		<u>\$ 0.516205</u>

For the six months ended June 30, 2013, net profits income was \$6,017,619 compared to \$8,338,276 for the same 2012 period. This 28% decrease in net profits income is the result of lower oil and gas prices (\$1.7 million), increased development costs (\$0.7 million) and decreased gas

production (\$0.4 million), partially offset by decreased taxes, transportation and other costs (\$0.4 million). See “Net Profits Income” on following page.

After considering interest income of \$117 and administration expense of \$261,030, distributable income for the six months ended June 30, 2013 was \$5,756,706, or \$0.959451 per unit of beneficial interest. Administrative expense for the six months ended June 30, 2013 decreased \$4,942 from the prior year six-month period. For the six months ended June 30, 2012, distributable income was \$8,072,466, or \$1.345411 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 website at www.crosstimberstrust.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 JUNE 30		SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
Net Profits Income.....	\$ 3,225,021	\$ 3,961,296	\$ 6,017,619	\$ 8,338,276
Interest Income.....	56	76	117	162
Total Income.....	3,225,077	3,961,372	6,017,736	8,338,438
Administration Expense.....	127,847	138,130	261,030	265,972
Distributable Income.....	\$ 3,097,230	\$ 3,823,242	\$ 5,756,706	\$ 8,072,466
Distributable Income Per Unit (6,000,000 units)	\$ 0.516205	\$ 0.637207	\$ 0.959451	\$ 1.345411

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust’s 2012 annual report. For further information, see the trust’s quarterly report on Form 10-Q for the quarter ended June 30, 2013.

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, 2012, 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 second quarter 2012 to second quarter 2013 and from the first six months of 2012 to the comparable period in 2013:

Sales Volumes

Oil. Oil sales volumes increased 12% for second quarter 2013 and 2% for the six-month period as compared with the same 2012 periods primarily because of the timing of cash receipts, partially offset by natural production decline.

Gas. Gas sales volumes decreased 16% for second quarter 2013 as compared with the same 2012 period primarily because of the timing of cash receipts and natural production decline. Gas sales volumes decreased 9% for the first six months of 2013 as compared with the same 2012 period primarily because of the timing of cash receipts and natural production decline, partially offset by increased production from new wells and workovers.

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 average oil price decreased 13% to \$84.65 per Bbl for the second quarter and 14% to \$81.93 per Bbl for the six-month period. Oil prices are expected to remain volatile. The second quarter 2013 oil price is primarily related to production from February through April 2013, when the average NYMEX price was \$93.50 per Bbl. The average NYMEX price for May and June 2013 was \$95.22 per Bbl. At July 22, 2013, the average NYMEX futures price for the following twelve months was \$100.73 per Bbl.

Gas. Gas prices for the second quarter decreased 1% to \$6.12 per Mcf and for the six-month period decreased 13% to \$5.94 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 second quarter 2013 gas price is primarily related to production from January through March 2013, when the average NYMEX price was

\$3.34 per MMBtu. The average NYMEX price for April through June 2013 was \$4.09 per MMBtu. At July 22, 2013, the average NYMEX futures price for the following twelve months was \$3.86 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other decreased 18% for the second quarter primarily because of decreased gas production taxes and other deductions related to lower gas revenues. Taxes, transportation and other decreased 23% for the six-month period primarily because of decreased oil and gas production taxes and other deductions related to lower oil and gas revenues.

Production Expense. Production expense increased 6% for the second quarter primarily because of increased non-operated overhead and power and fuel costs. Production expense increased 7% for the six-month period primarily because of increased non-operated overhead, power and fuel, and outside operated costs, partially offset by decreased repairs and maintenance costs.

Development Costs. Development costs increased 88% for the second quarter and 182% for the six-month period primarily because of the timing of expenditures and increased activity and costs related to non-operated Texas and Oklahoma oil properties underlying the 75% net profits interest.

Excess Costs

Lower oil prices in January 2013 and increased costs related to the timing of cash expenditures in January and March 2013 caused costs to exceed revenues by a total of \$148,300 (\$111,225 net to the trust) in January and March 2013 on properties underlying the Texas working interest. XTO advised the trustee that increased costs related to the timing of cash expenditures caused costs to exceed revenues by a total of \$103,563 (\$77,672 net to the trust) in April 2013 on properties underlying the Texas working interest. However, these excess costs did not reduce net proceeds from the remaining conveyances. Decreased costs in February 2013 and May 2013 and increased oil prices in June 2013 led to the partial recovery of excess costs, plus accrued interest, of \$54,849 (\$41,137 net to the trust) in February 2013 and \$155,974 (\$116,980 net to the trust) in May and June 2013 on properties underlying the Texas working interest. Remaining excess costs totaled \$41,040 (\$30,780 net to the trust) for the period ended June 30, 2013.

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			SIX MONTHS ENDED		
	JUNE 30 [A]		INCREASE	JUNE 30 [A]		INCREASE
	2013	2012	(DECREASE)	2013	2012	(DECREASE)
Sales Volumes						
Oil (Bbl) [B]						
Underlying Properties	51,786	46,417	12%	97,959	95,802	2%
Average Per Day	582	516	13%	541	526	3%
Net Profits Interests	21,106	22,725	(7%)	37,214	48,440	(23%)
Gas (Mcf) [B]						
Underlying Properties	359,322	430,245	(16%)	763,661	834,993	(9%)
Average Per Day	3,992	4,728	(16%)	4,196	4,563	(8%)
Net Profits Interests	313,852	382,106	(18%)	663,881	742,358	(11%)
Average Sales Prices						
Oil (per Bbl)	\$ 84.65	\$ 97.27	(13%)	\$ 81.93	\$ 95.28	(14%)
Gas (per Mcf)	\$ 6.12	\$ 6.20	(1%)	\$ 5.94	\$ 6.79	(13%)
Revenues						
Oil sales	\$4,383,424	\$4,514,726	(3%)	\$8,026,251	\$9,127,862	(12%)
Gas sales	2,199,236	2,668,248	(18%)	4,534,111	5,666,480	(20%)
Total Revenues	6,582,660	7,182,974	(8%)	12,560,362	14,794,342	(15%)
Costs						
Taxes, transportation and other	761,669	926,770	(18%)	1,454,863	1,895,972	(23%)
Production expense [C]	1,344,215	1,270,288	6%	2,896,313	2,716,425	7%
Development costs	717,609	381,521	88%	1,373,245	487,350	182%
Excess costs	52,411	—	—	(41,040)	—	—
Total Costs	2,875,904	2,578,579	12%	5,683,381	5,099,747	11%
Net Proceeds	\$3,706,756	\$4,604,395	(19%)	\$6,876,981	\$9,694,595	(29%)
Net Profits Income	\$3,225,021	\$3,961,296	(19%)	\$6,017,619	\$8,338,276	(28%)

[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 June 30 generally represent oil production for the period February through April and gas production for the period January through March and (2) oil and gas sales for the six-months ended June 30 generally represent oil production for the period November through April and gas production for the period October through March.

[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 June 30, 2013, this charge was \$35,947 per month (including monthly overhead charges of \$5,135 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)			
	May 14, 2013	June 14, 2013	July 15, 2013	Total
Gross Income.....	\$ 0.168816	\$ 0.222997	\$ 0.224894	\$ 0.616707
Less Severance Taxes.....	(0.026754)	(0.028675)	(0.023775)	(0.079204)
Interest Income.....	0.000003	0.000003	0.000004	0.000010
Less Administration Expenses.....	(0.006775)	(0.012582)	(0.001951)	(0.021308)
Net Cash Distribution.....	\$ 0.135290	\$ 0.181743	\$ 0.199172	\$ 0.516205
Cost Depletion Factors:				
Texas - 90%	0.008100	0.010572	0.011215	0.029887
Oklahoma - 90%	0.013778	0.010572	0.012194	0.036544
New Mexico - 90%	0.004176	0.004334	0.003734	0.012244
Texas - 75%	0.000000	0.000000	0.000000	0.000000
Oklahoma - 75%	0.003228	0.007913	0.009825	0.020966

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