

TO UNITHOLDERS

For the quarter ended September 30, 2013, net profits income was \$4,227,291 compared to \$3,320,147 for third quarter 2012. This 27% increase in net profits income is primarily the result of higher oil and gas prices (\$1.2 million) and increased oil production (\$0.3 million), partially offset by decreased gas production (\$0.2 million), change in excess costs (\$0.2 million) and increased development costs (\$0.1 million). See "Net Profits Income" on the following page.

After considering interest income of \$86 and administration expense of \$62,813, distributable income for the quarter ended September 30, 2013 was \$4,164,564, or \$0.694094 per unit of beneficial interest. Administrative expense for the quarter increased \$10,192 from the prior year quarter. For third quarter 2012, distributable income was \$3,267,606, or \$0.544601 per unit. Distributions to unitholders for the quarter ended September 30, 2013 were:

RECORD DATE	PAYMENT DATE	PER UNIT
July 31, 2013	August 14, 2013	\$ 0.202620
August 30, 2013	September 16, 2013	0.235695
September 30, 2013	October 15, 2013	0.255779
		<u>\$ 0.694094</u>

For the nine months ended September 30, 2013, net profits income was \$10,244,910 compared to \$11,658,423 for the same 2012 period. This 12% decrease in net profits income is primarily the result of increased development costs (\$0.8 million), decreased gas production (\$0.6 million) and lower

oil prices (\$0.6 million), partially offset by increased oil production (\$0.4 million) and higher gas prices (\$0.2 million). See "Net Profits Income" on following page.

After considering interest income of \$203 and administration expense of \$323,843, distributable income for the nine months ended September 30, 2013 was \$9,921,270, or \$1.653545 per unit of beneficial interest. Administrative expense for the nine months ended September 30, 2013 increased \$5,250 from the prior year nine-month period. For the nine months ended September 30, 2012, distributable income was \$11,340,072, or \$1.890012 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.crosstمبرtrust.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 SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2013	2012	2013	2012
Net Profits Income.....	\$ 4,227,291	\$ 3,320,147	\$10,244,910	\$ 11,658,423
Interest Income.....	86	80	203	242
Total Income.....	4,227,377	3,320,227	10,245,113	11,658,665
Administration Expense.....	62,813	52,621	323,843	318,593
Distributable Income.....	<u>\$ 4,164,564</u>	<u>\$ 3,267,606</u>	<u>\$ 9,921,270</u>	<u>\$ 11,340,072</u>
Distributable Income Per Unit (6,000,000 units)	<u>\$ 0.694094</u>	<u>\$ 0.544601</u>	<u>\$ 1.653545</u>	<u>\$ 1.890012</u>

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 September 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 third quarter 2012 to third quarter 2013 and from the first nine months of 2012 to the comparable period in 2013:

Sales Volumes

Oil. Oil sales volumes increased 7% for third quarter 2013 and 4% for the first nine months of 2013 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 5% for third quarter 2013 and 7% for the first nine months of 2013 as compared with the same 2012 periods 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 increased 13% to \$92.63 per Bbl for the third quarter and decreased 6% to \$85.67 per Bbl for the nine-month period. Oil prices are expected to remain volatile. The third quarter 2013 oil price is primarily related to production from May through July 2013, when the average NYMEX price was \$98.41 per Bbl. The average NYMEX price for August and September 2013 was \$106.52 per Bbl. At October 22, 2013, the average NYMEX futures price for the following twelve months was \$96.67 per Bbl.

Gas. Gas prices for the third quarter increased 37% to \$6.72 per Mcf and for the nine-month period increased 2% to \$6.23 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 third quarter 2013 gas price is primarily related to production from April through June 2013, when the average NYMEX price was \$4.09 per MMBtu. The average NYMEX price for July through September 2013 was \$3.58 per MMBtu. At October 22, 2013, the average NYMEX futures price for the following twelve months was \$3.78 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 16% for the third quarter primarily because of increased

oil and gas production taxes and other deductions related to higher oil and gas revenues. Taxes, transportation and other decreased 10% for the nine-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 5% for the third quarter primarily because of increased power and fuel and labor costs, partially offset by decreased outside operated and field costs. Production expense increased 6% for the nine-month period primarily because of increased power and fuel, non-operated overhead and labor costs, partially offset by decreased repairs and maintenance costs.

Development Costs. Development costs increased 27% for the third quarter and 97% for the nine-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 \$210,823 (\$158,117 net to the trust) on properties underlying the Texas working interest. Increased oil prices and decreased costs led to the full recovery of excess costs, plus accrued interest, of \$42,445 (\$31,834 net to the trust) in third quarter 2013. There were no excess costs remaining at September 30, 2013.

Lower oil prices and increased production expenses related to the timing of cash disbursements caused costs to exceed revenues on properties underlying the Texas working interest in August 2012 by \$218,168 (\$163,626 net to the trust). However, these excess costs did not reduce net proceeds from the remaining conveyances. XTO advised the trustee that increased oil prices and decreased production expenses led to the partial recovery of excess costs, plus accrued interest, on the properties underlying the Texas working interest in September 2012. Remaining excess costs totaled \$171,978 (\$128,984 net to the trust) at the end of third quarter 2012.

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

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CALCULATIONS OF NET PROFITS INCOME

The following is a summary of the calculation of net profits income received by the trust:

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	SEPTEMBER 30 [A]		INCREASE	SEPTEMBER 30 [A]		INCREASE
	2013	2012	(DECREASE)	2013	2012	(DECREASE)
Sales Volumes						
Oil (Bbl) [B]						
Underlying Properties	52,610	49,011	7%	150,569	144,813	4%
Average Per Day	572	533	7%	552	529	4%
Net Profits Interests	24,422	21,797	12%	61,636	70,237	(12%)
Gas (Mcf) [B]						
Underlying Properties	466,967	494,084	(5%)	1,230,628	1,329,077	(7%)
Average Per Day	5,132	5,429	(5%)	4,508	4,851	(7%)
Net Profits Interests	408,904	433,141	(6%)	1,072,785	1,175,499	(9%)
Average Sales Prices						
Oil (per Bbl)	\$ 92.63	\$ 81.86	13%	\$ 85.67	\$ 90.74	(6%)
Gas (per Mcf)	\$ 6.72	\$ 4.91	37%	\$ 6.23	\$ 6.09	2%
Revenues						
Oil sales	\$4,873,198	\$4,012,023	21%	\$12,899,449	\$13,139,885	(2%)
Gas sales	3,138,774	2,425,653	29%	7,672,885	8,092,133	(5%)
Total Revenues	8,011,972	6,437,676	24%	20,572,334	21,232,018	(3%)
Costs						
Taxes, transportation and other	1,088,750	941,308	16%	2,543,613	2,837,280	(10%)
Production expense [C]	1,302,755	1,244,444	5%	4,199,068	3,960,869	6%
Development costs	735,825	580,656	27%	2,109,070	1,068,006	97%
Excess costs	42,445	(171,978)	(125%)	1,405	(171,978)	(101%)
Total Costs	3,169,775	2,594,430	22%	8,853,156	7,694,177	15%
Net Proceeds	<u>\$4,842,197</u>	<u>\$3,843,246</u>	26%	<u>\$11,719,178</u>	<u>\$13,537,841</u>	(13%)
Net Profits Income	<u>\$4,227,291</u>	<u>\$3,320,147</u>	27%	<u>\$10,244,910</u>	<u>\$11,658,423</u>	(12%)

[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 September 30 generally represent oil production for the period May through July and gas production for the period April through June and (2) oil and gas sales for the nine-months ended September 30 generally represent oil production for the period November through July and gas production for the period October through June.

[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 September 30, 2013, this charge was \$35,947 per month (including monthly overhead charges 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)			
	August 14, 2013	September 16, 2013	October 15, 2013	Total
Gross Income.....	\$ 0.238235	\$ 0.286562	\$ 0.307216	\$ 0.832013
Less Severance Taxes.....	(0.033727)	(0.044030)	(0.049707)	(0.127464)
Interest Income.....	0.000005	0.000004	0.000006	0.000015
Less Administration Expenses.....	(0.001893)	(0.006841)	(0.001736)	(0.010470)
Net Cash Distribution.....	<u>\$ 0.202620</u>	<u>\$ 0.235695</u>	<u>\$ 0.255779</u>	<u>\$ 0.694094</u>
Cost Depletion Factors:				
Texas - 90%	0.011974	0.011259	0.011821	0.035054
Oklahoma - 90%	0.009885	0.013016	0.020838	0.043739
New Mexico - 90%	0.004951	0.005606	0.005857	0.016414
Texas - 75%	0.000000	0.002840	0.005861	0.008701
Oklahoma - 75%	0.006743	0.005095	0.005755	0.017593

CROSS TIMBERS ROYALTY TRUST 901 Main Street, 17th Floor, P.O. Box 830650, Dallas, Texas 75283-0650 • (877) 228-5084

U.S. Trust, Bank of America Private Wealth Management, Trustee • www.crosstimerstrust.com