

TO UNITHOLDERS

For the quarter ended September 30, 2014, net profits income was \$4,672,606 compared to \$4,227,291 for third quarter 2013. This 11% increase in net profits income is primarily the result of increased oil production (\$0.3 million) and higher oil prices (\$0.1 million). See "Net Profits Income" on the following page.

After considering interest income of \$281 and administration expense of \$135,267, distributable income for the quarter ended September 30, 2014 was \$4,537,620, or \$0.756270 per unit of beneficial interest. Administrative expense for the quarter increased \$72,454 from the prior year quarter. For third quarter 2013, distributable income was \$4,164,564, or \$0.694094 per unit.

Distributions to unitholders for the quarter ended September 30, 2014 were:

RECORD DATE	PAYMENT DATE	PER UNIT
July 31, 2014	August 14, 2014	\$ 0.231299
August 29, 2014	September 15, 2014	0.255332
September 30, 2014	October 15, 2014	0.269639
		<u>\$ 0.756270</u>

For the nine months ended September 30, 2014, net profits income was \$12,918,239 compared to \$10,244,910 for the same 2013 period. This 26% increase in net profits income is primarily the result of higher oil and gas prices (\$2.0 million), increased oil and gas production (\$1.1 million) and a one-

time purchaser refund (\$0.5 million), partially offset by increased taxes, transportation and other costs (\$0.7 million) and increased development costs (\$0.3 million). See "Net Profits Income" on the following page.

After considering interest income of \$403 and administration expense of \$410,808, distributable income for the nine months ended September 30, 2014 was \$12,507,834, or \$2.084639 per unit of beneficial interest. Administrative expense for the nine months ended September 30, 2014 increased \$86,965 from the prior year nine-month period. For the nine months ended September 30, 2013, distributable income was \$9,921,270, or \$1.653545 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.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 SEPT. 30		NINE MONTHS ENDED SEPT. 30	
	2014	2013	2014	2013
Net Profits Income.....	\$ 4,672,606	\$ 4,227,291	\$12,918,239	\$ 10,244,910
Interest Income.....	281	86	403	203
Total Income.....	4,672,887	4,227,377	12,918,642	10,245,113
Administration Expense.....	135,267	62,813	410,808	323,843
Distributable Income	\$ 4,537,620	\$ 4,164,564	\$12,507,834	\$ 9,921,270
Distributable Income Per Unit (6,000,000 units)	\$ 0.756270	\$ 0.694094	\$ 2.084639	\$ 1.653545

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 September 30, 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 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, 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 third quarter 2013 to third quarter 2014 and from the first nine months of 2013 to the comparable period in 2014:

Sales Volumes

Oil. Oil sales volumes increased 8% for third quarter and the first nine months of 2014 as compared with the same 2013 periods primarily because of increased production from new wells and workovers and the timing of cash receipts, partially offset by natural production decline.

Gas. Gas sales volumes decreased 2% for third quarter 2014 as compared with the same 2013 period primarily because of natural production decline and the timing of cash receipts, partially offset by increased production from new wells and workovers. Gas sales volumes increased 3% for the first nine months of 2014 as compared with the same 2013 period primarily because of increased production from new wells and workovers and the timing of cash receipts, 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 average oil price increased 3% to \$95.31 per Bbl for the third quarter and increased 9% to \$93.21 per Bbl for the nine-month period. Oil prices are expected to remain volatile. The third quarter 2014 oil price is primarily related to production from May through July 2014, when the average NYMEX price was \$103.17 per Bbl. The average NYMEX price for August and September 2014 was \$94.65 per Bbl. At October 22, 2014, the average NYMEX futures price for the following twelve months was \$79.31 per Bbl.

Gas. Gas prices for the third quarter decreased 1% to \$6.64 per Mcf and for the nine-month period increased 16% to \$7.24 per Mcf. Natural gas prices are affected by the level of natural gas liquids prices, North American production, weather, crude oil prices, the U.S. economy and storage levels and import levels of liquefied natural gas. Natural gas prices are expected to remain volatile. The third quarter 2014 gas price is primarily related to production from April through June 2014, when the average NYMEX price was \$4.67 per MMBtu. The average NYMEX price for July through September 2014 was \$4.06 per MMBtu. At October 22, 2014, the average NYMEX futures price for the following twelve months was \$3.68 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other decreased 9% for the third quarter primarily because of decreased gas production taxes related to lower gas revenues and decreased other deductions as a percentage of oil and gas revenues, partially offset by increased property taxes related to increased valuations. Taxes, transportation and other increased 19% for the nine-month period 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 increased 6% for the third quarter primarily because of increased repairs and maintenance and facility costs, partially offset by decreased outside operated costs.

Development Costs. Development costs decreased 9% for the third quarter primarily because of the timing of expenditures and decreased activity and costs related to non-operated Texas and Oklahoma oil properties underlying the 75% net profits interest. Development costs increased 18% 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 interests

Excess Costs. XTO advised the trustee that a missing payment from a purchaser caused costs to exceed revenues by a total of \$166 (\$125 net to the trust) on properties underlying the Oklahoma working interest in June 2014. However, these excess costs did not reduce net proceeds from the remaining conveyances. XTO advised the trustee that increased oil production led to the full recovery of excess costs, plus accrued interest, of \$166 (\$125 net to the trust) in July 2014. There were no excess costs remaining at September 30, 2014.

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.

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.

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

U.S. Trust, Bank of America Private Wealth Management, a division of Bank of America, N.A., as trustee of the Cross Timbers Royalty Trust, announced that at the special meeting of the trust's unitholders held on June 20, 2014, the unitholders of the trust voted to approve the proposal to appoint Southwest Bank as successor trustee of the Trust effective August 29, 2014.

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 SEPTEMBER 30 [A]		INCREASE (DECREASE)	NINE MONTHS ENDED SEPTEMBER 30 [A]		INCREASE (DECREASE)
	2014	2013		2014	2013	
Sales Volumes						
Oil (Bbl) [B]						
Underlying Properties	56,975	52,610	8%	163,222	150,569	8%
Average Per Day.....	619	572	8%	598	552	8%
Net Profits Interests.....	27,843	24,422	14%	72,280	61,636	17%
Gas (Mcf) [B]						
Underlying Properties	459,856	466,967	(2%)	1,264,100	1,230,628	3%
Average Per Day.....	5,053	5,132	(2%)	4,630	4,508	3%
Net Profits Interests	405,610	408,904	(1%)	1,141,196	1,072,785	6%
Average Sales Prices						
Oil (per Bbl)	\$ 95.31	\$ 92.63	3%	\$ 93.21	\$ 85.67	9%
Gas (per Mcf)	\$ 6.64	\$ 6.72	(1%)	\$ 7.24	\$ 6.23	16%
Revenues						
Oil sales	\$5,430,150	\$4,873,198	11%	\$15,214,006	\$12,899,449	18%
Gas sales	3,054,331	3,138,774	(3%)	9,152,358	7,672,885	19%
Total Revenues.....	8,484,481	8,011,972	6%	24,366,364	20,572,334	18%
Costs						
Taxes, transportation and other	992,434	1,088,750	(9%)	3,036,596	2,543,613	19%
Production expense [C]	1,385,907	1,302,755	6%	4,184,137	4,199,068	—
Development costs.....	672,596	735,825	(9%)	2,482,570	2,109,070	18%
Excess costs	166	42,445	(100%)	116	1,405	(92%)
Total Costs.....	3,051,103	3,169,775	(4%)	9,703,419	8,853,156	10%
Other Proceeds						
Interest income.....	—	—	—	210,242	—	—
Net Proceeds.....	\$5,433,378	\$4,842,197	12%	\$14,873,187	\$11,719,178	27%
Net Profits Income.....	\$4,672,606	\$4,227,291	11%	\$12,918,239	\$10,244,910	26%

[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, 2014, this charge was \$36,845 per month (including a monthly overhead charge of \$5,264 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, 2014	September 15, 2014	October 15, 2014	Total
Gross Income.....	\$ 0.270554	\$ 0.299161	\$ 0.313814	\$ 0.883529
Less Severance Taxes.....	(0.029359)	(0.034536)	(0.040866)	(0.104761)
Interest Income.....	0.000000	0.000046	0.000000	0.000046
Less Administration Expenses.....	(0.009896)	(0.009339)	(0.003309)	(0.022544)
Net Cash Distribution.....	<u>\$ 0.231299</u>	<u>\$ 0.255332</u>	<u>\$ 0.269639</u>	<u>\$ 0.756270</u>
Cost Depletion Factors:				
Texas - 90%	0.009212	0.007988	0.008449	0.025649
Oklahoma - 90%	0.013406	0.020195	0.029933	0.063534
New Mexico - 90%	0.005222	0.005669	0.006100	0.016991
Texas - 75%	0.007878	0.010013	0.010724	0.028615
Oklahoma - 75%	0.004285	0.007680	0.008676	0.020641

CROSS TIMBERS ROYALTY TRUST P.O. Box 962020, Fort Worth, TX 76162-2020 • (855) 588-7839
Southwest Bank, Trustee • www.crt-crosstimbers.com