

**TO UNITHOLDERS**

For the quarter ended September 30, 2015, net profits income was \$1,894,473 compared to \$4,672,606 for third quarter 2014. This 59% decrease in net profits income is primarily the result of lower oil and gas prices (\$3.0 million) and decreased gas production (\$0.2 million), partially offset by decreased taxes, transportation and other costs (\$0.3 million) and decreased development costs (\$0.1 million). See "Net Profits Income" on the following page.

After considering interest income of \$8 and administration expense of \$133,817, distributable income for the quarter ended September 30, 2015 was \$1,760,664, or \$0.293444 per unit of beneficial interest. Administrative expense for the quarter decreased \$1,450 from the prior year quarter. For third quarter 2014, distributable income was \$4,537,620, or \$0.756270 per unit. Distributions to unitholders for the quarter ended September 30, 2015 were:

RECORD DATE	PAYMENT DATE	PER UNIT
July 31, 2015	August 14, 2015	\$ 0.099748
August 31, 2015	September 15, 2015	0.099341
September 30, 2015	October 15, 2015	0.094355
		<u>\$ 0.293444</u>

For the nine months ended September 30, 2015, net profits income was \$6,570,157 compared to \$12,918,239 for the same 2014 period. This 49% decrease in net profits income is primarily the result of lower oil and gas prices (\$8.0 million), decreased gas production (\$0.6 million) and increased

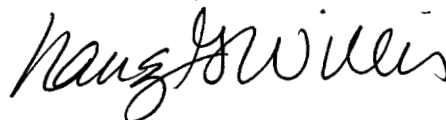
production expense (\$0.4 million), partially offset by excess costs on the Texas and Oklahoma working interest properties in 2015 (\$1.3 million), decreased taxes, transportation and other costs (\$1.0 million) and increased oil production (\$0.6 million). See "Net Profits Income" on the next page.

After considering interest income of \$31 and administration expense of \$506,906, distributable income for the nine months ended September 30, 2015 was \$6,063,282, or \$1.010547 per unit of beneficial interest. Administrative expense for the nine months ended September 30, 2015 increased \$96,098 from the prior year nine-month period. Administration expense for the nine months ended September 30, 2015 included \$125,000 which the trustee reserved for administrative expenses. For the nine months ended September 30, 2014, distributable income was \$12,507,834, or \$2.084639 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](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 SEPT. 30		NINE MONTHS ENDED SEPT. 30	
	2015	2014	2015	2014
Net Profits Income.....	\$ 1,894,473	\$ 4,672,606	\$ 6,570,157	\$12,918,239
Interest Income.....	8	281	31	403
<b>Total Income.....</b>	<b>1,894,481</b>	<b>4,672,887</b>	<b>6,570,188</b>	<b>12,918,642</b>
Administration Expense.....	133,817	135,267	506,906	410,808
<b>Distributable Income.....</b>	<b>\$ 1,760,664</b>	<b>\$ 4,537,620</b>	<b>\$ 6,063,282</b>	<b>\$12,507,834</b>
<b>Distributable Income Per Unit (6,000,000 units)</b>	<b>\$ 0.293444</b>	<b>\$ 0.756270</b>	<b>\$ 1.010547</b>	<b>\$ 2.084639</b>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the Trust's 2014 annual report. For further information, see the Trust's quarterly report on Form 10-Q for the quarter ended September 30, 2015.

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, 2014, 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 2014 to third quarter 2015 and from the first nine months of 2014 to the comparable period in 2015:

## Sales Volumes

**Oil.** Oil sales volumes increased 1% for third quarter 2015 and 7% for the first nine months of 2015 as compared with the same 2014 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 14% for third quarter 2015 as compared with the same 2014 period primarily because of the timing of cash receipts and natural production decline. Gas sales volumes decreased 12% for the first nine months of 2015 as compared with the same 2014 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 43% to \$54.07 per Bbl for the third quarter and decreased 40% to \$55.49 per Bbl for the nine-month period. Oil prices are expected to remain volatile. The third quarter 2015 oil price is primarily related to production from May through July 2015, when the average NYMEX price was \$56.89 per Bbl. The average NYMEX price for August and September 2015 was \$43.99 per Bbl. At October 21, 2015, the average NYMEX futures price for the following twelve months was \$48.31 per Bbl.

**Gas.** Gas prices for the third quarter decreased 42% to \$3.82 per Mcf and for the nine-month period decreased 38% to \$4.48 per Mcf. Natural gas prices are affected by natural gas liquids prices, the level of North American production, weather, crude oil 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 2015 gas price is primarily related to production from April through June 2015, when the average NYMEX price was \$2.64 per MMBtu. The average NYMEX price for July through September 2015 was \$2.77 per MMBtu. At October 21, 2015, the average NYMEX futures price for the following twelve months was \$2.68 per MMBtu.

## Costs

**Taxes, Transportation and Other.** Taxes, transportation and other costs decreased 37% for the third quarter primarily because of decreased oil and gas production taxes and other deductions related to lower oil and gas revenues. Taxes, transportation and other costs decreased 35% for the nine-month period primarily because of decreased oil and

gas production taxes and other deductions related to lower oil and gas revenues, partially offset by a one-time purchaser refund for coal seam gas deductions included in 2014 and increased property taxes related to increased valuations.

**Production Expense.** Production expense increased 3% for the third quarter primarily because of increased repairs and maintenance costs. Production expense increased 12% for the nine-month period primarily because of increased outside operated and repairs and maintenance costs, partially offset by decreased non-operated overhead costs.

**Development Costs.** Development costs decreased 20% for the third quarter and 6% for the nine-month period 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.

## Excess Costs

	Conveyances (Underlying)		
	TX WI	OK WI	Total
Cumulative excess costs remaining at 12/31/14 .....	\$ (53,971)	\$ —	\$ (53,971)
Net excess costs for the quarter ended 3/31/15 .....	(410,337)	(43,414)	(453,751)
Net excess costs for the quarter ended 6/30/15 .....	(310,588)	(807,158)	(1,117,746)
Net excess costs for the quarter ended 9/30/15 .....	(88,604)	(9,635)	(98,239)
Cumulative excess costs remaining at 9/30/15 .....	<u>\$(863,500)</u>	<u>\$(860,207)</u>	<u>\$(1,723,707)</u>

XTO Energy advised the trustee that lower oil prices and increased costs caused costs to exceed revenues by a total of \$108,730 (\$81,548 net to the Trust) on properties underlying the Texas working interest for the quarter ended September 30, 2015. XTO Energy advised the trustee that decreased costs in August 2015 led to the partial recovery of excess costs, plus accrued interest, of \$20,126 (\$15,095 net to the Trust) for the quarter ended September 30, 2015. XTO Energy advised the trustee that lower oil prices caused costs to exceed revenues by a total of \$310,588 (\$232,941 net to the Trust) on properties underlying the Texas working interest for the quarter ended June 30, 2015. 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. However, these excess costs did not reduce net proceeds from the remaining conveyances.

XTO Energy advised the trustee that a missing payment from a purchaser, lower oil prices and decreased oil production caused costs to exceed revenues by a total of \$155,439 (\$116,579 net to the Trust) on properties underlying the Oklahoma working interest for the quarter ended September 30, 2015. XTO Energy advised the trustee that increased oil production and decreased costs in August 2015 led to the partial recovery of excess costs, plus accrued interest, of \$145,804 (\$109,353 net to the Trust) for the quarter ended September 30, 2015. XTO Energy advised the trustee that lower oil prices, decreased oil production and increased costs caused costs to exceed revenues by a total of \$807,158 (\$605,369 net to the Trust) on properties underlying the Oklahoma working interest for the quarter ended June 30, 2015. 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. However, these excess costs did not reduce net proceeds from the remaining conveyances.

XTO Energy 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 for the quarter ended June 30, 2014. However, these excess costs did not reduce net proceeds from the remaining conveyances. XTO Energy 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) for the quarter ended September 30, 2014.

XTO Energy advised the trustee that 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 for the quarter ended March 31, 2014. However, these excess costs did not reduce net proceeds from the remaining conveyances. XTO Energy 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) for the quarter ended March 31, 2014.

Cumulative excess costs remaining for the Texas and Oklahoma working interest conveyances as of September 30, 2015 totaled \$1,723,707 (\$1,292,780 net to the Trust).

### 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.

### 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

## 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)
	2015	2014		2015	2014	
<b>Sales Volumes</b>						
Oil (Bbl) [B]						
Underlying Properties .....	57,308	56,975	1%	175,438	163,222	7%
Average Per Day .....	623	619	1%	643	598	8%
Net Profits Interests .....	15,864	27,843	(43%)	54,090	72,280	(25%)
Gas (Mcf) [B]						
Underlying Properties .....	395,003	459,856	(14%)	1,106,732	1,264,100	(12%)
Average Per Day .....	4,341	5,053	(14%)	4,054	4,630	(12%)
Net Profits Interests .....	342,106	405,610	(16%)	961,542	1,141,196	(16%)
<b>Average Sales Prices</b>						
Oil (per Bbl) .....	\$ 54.07	\$ 95.31	(43%)	\$ 55.49	\$ 93.21	(40%)
Gas (per Mcf) .....	\$ 3.82	\$ 6.64	(42%)	\$ 4.48	\$ 7.24	(38%)
<b>Revenues</b>						
Oil sales .....	\$3,098,844	\$5,430,150	(43%)	\$ 9,734,606	\$15,214,006	(36%)
Gas sales .....	1,507,409	3,054,331	(51%)	4,958,030	9,152,358	(46%)
Total Revenues.....	<u>4,606,253</u>	<u>8,484,481</u>	(46%)	<u>14,692,636</u>	<u>24,366,364</u>	(40%)
<b>Costs</b>						
Taxes, transportation and other .....	629,976	992,434	(37%)	1,975,538	3,036,596	(35%)
Production expense [C] .....	1,431,122	1,385,907	3%	4,707,135	4,184,137	12%
Development costs.....	538,424	672,596	(20%)	2,332,011	2,482,570	(6%)
Excess costs .....	(98,239)	166	-	(1,669,736)	116	-
Total Costs.....	<u>2,501,283</u>	<u>3,051,103</u>	(18%)	<u>7,344,948</u>	<u>9,703,419</u>	(24%)
<b>Other Proceeds</b>						
Interest income.....	-	-	-	-	210,242	(100%)
<b>Net Proceeds.....</b>	<u>\$2,104,970</u>	<u>\$5,433,378</u>	(61%)	<u>\$ 7,347,688</u>	<u>\$14,873,187</u>	(51%)
<b>Net Profits Income.....</b>	<u>\$1,894,473</u>	<u>\$4,672,606</u>	(59%)	<u>\$ 6,570,157</u>	<u>\$12,918,239</u>	(49%)

[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, 2015, 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)			
	August 14, 2015	September 15, 2015	October 15, 2015	Total
Gross Income.....	\$ 0.128014	\$ 0.125319	\$ 0.111372	\$ 0.364705
Less Severance Taxes.....	(0.018155)	(0.015987)	(0.014818)	(0.048960)
Interest Income.....	0.000000	0.000000	0.000001	0.000001
Less Administration Expenses.....	(0.010111)	(0.009991)	(0.002200)	(0.022302)
Reconciling Items.....	—	—	—	—
Net Cash Distribution.....	<u>\$ 0.099748</u>	<u>\$ 0.099341</u>	<u>\$ 0.094355</u>	<u>\$ 0.293444</u>
Cost Depletion Factors:				
Texas - 90% .....	0.008403	0.008339	0.008483	0.025225
Oklahoma - 90%.....	0.034504	0.016231	0.017572	0.068307
New Mexico - 90% .....	0.003801	0.005169	0.003404	0.012374
Texas - 75% .....	0.000000	0.000000	0.000000	0.000000
Oklahoma - 75%.....	0.000000	0.000000	0.000000	0.000000

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