

TO UNITHOLDERS

For the quarter ended September 30, 2017, net profits income was \$1,674,186 compared to \$1,513,537 for third quarter 2016. This 11% increase in net profits income is primarily the result of higher oil and gas prices (\$0.4 million) and net excess costs activity on the Texas and Oklahoma working interest properties (\$0.3 million), partially offset by increased production expenses (\$0.2 million), decreased oil and gas production (\$0.2 million) and increased development costs (\$0.1 million). See "Net Profits Income" on the following page.

After considering interest income of \$2,289 and administration expense of \$150,045, distributable income for the quarter ended September 30, 2017 was \$1,526,430, or \$0.254405 per unit of beneficial interest. Administration expense for the quarter increased \$61,064 from the prior year quarter, primarily related to the timing of receipt and payment of Trust expenses and terms of professional services. Changes in interest income are attributable to fluctuations in net profits income and interest rates. For third quarter 2016, distributable income was \$1,299,912, or \$0.216652 per unit.

Distributions to unitholders for the quarter ended September 30, 2017 were:

RECORD DATE	PAYMENT DATE	PER UNIT
July 31, 2017	August 14, 2017	\$ 0.077397
August 31, 2017	September 15, 2017	0.092836
September 29, 2017	October 16, 2017	0.084172
		<u>\$ 0.254405</u>

For the nine months ended September 30, 2017, net profits income was \$4,931,974 compared to \$5,610,716 for the same 2016 period. This 12% decrease in net profits income is primarily the result of

decreased oil and gas production (\$1.8 million), net excess costs activity on the Texas and Oklahoma working interest properties (\$0.5 million), increased development costs (\$0.2 million) and increased taxes, transportation and other (\$0.1 million), partially offset by increased oil and gas prices (\$1.9 million). See "Net Profits Income" on the following page.

After considering interest income of \$4,808 and administration expense of \$505,380, distributable income for the nine months ended September 30, 2017 was \$4,431,402, or \$0.738567 per unit of beneficial interest. Administration expense for the nine months ended September 30, 2017 increased \$75,141 from the prior year nine-month period, primarily related to the timing of receipt and payment of Trust expenses and terms of professional services. Changes in interest income are attributable to fluctuations in net profits income and interest rates. For the nine months ended September 30, 2016, distributable income was \$4,456,074, or \$0.742679 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: Lee Ann Anderson
Senior Vice President

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (Unaudited)

	THREE MONTHS ENDED SEPT. 30		NINE MONTHS ENDED SEPT. 30	
	2017	2016	2017	2016
Net Profits Income.....	\$ 1,674,186	\$ 1,513,537	\$ 4,931,974	\$ 5,610,716
Interest Income.....	2,289	356	4,808	597
Total Income.....	1,676,475	1,513,893	4,936,782	5,611,313
Administration Expense.....	150,045	88,981	505,380	430,239
Cash Reserves Withheld for Trust Expenses.....	—	125,000	—	725,000
Distributable Income.....	\$ 1,526,430	\$ 1,299,912	\$ 4,431,402	\$ 4,456,074
Distributable Income Per Unit (6,000,000 units)	\$ 0.254405	\$ 0.216652	\$ 0.738567	\$ 0.742679

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 September 30, 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, development costs and overhead since the related underlying properties are working interests.

The following are explanations of significant variances on the underlying properties from third quarter 2016 to third quarter 2017 and from the first nine months of 2016 to the comparable period in 2017:

Sales Volumes

Oil. Oil sales volumes decreased 9% for both the third quarter and the first nine months of 2017 primarily because of natural production decline and the timing of cash receipts.

Gas. Gas sales volumes decreased 1% for third quarter 2017 primarily because of natural production decline, partially offset by the timing of cash receipts. Gas sales volumes decreased 22% for the nine-month period primarily because of the timing of cash receipts in 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 average oil price increased 4% to \$43.72 per Bbl for the third quarter and increased 24% to \$45.58 per Bbl for the nine-month period. The third quarter 2017 oil price is primarily related to production from May through July 2017, when the average NYMEX price was \$46.81 per Bbl.

Gas. Gas prices for the third quarter increased 24% to \$4.17 per Mcf and for the nine-month period increased 16% to \$4.16 per Mcf. Excluding the impact of the prior period production payments received in third quarter 2016 and the nine-months ended September 30, 2016, the adjusted average gas price was \$2.82 and \$2.83 respectively. This represents a 48% increase for the third quarter and 47% increase for the nine-months ended September 30, 2017 from the same 2016 periods. The third quarter 2017 gas price is primarily related to production from April through June 2017, when the average NYMEX price was \$3.18 per MMBtu.

Costs

Taxes, Transportation and Other. Taxes, transportation and other costs increased 14% for the third quarter primarily because of increased property taxes. Taxes, transportation and other costs increased 4% for the nine-month period primarily because of increased property taxes and higher oil production taxes related to

increased oil revenues, partially offset by lower gas production taxes related to decreased gas revenues.

Production Expense. Production expense increased 26% for the third quarter primarily because of increased power and fuel, overhead, and repairs and maintenance costs. Production expense decreased 1% for the nine-month period primarily because of decreased secondary recovery costs, partially offset by increased power and fuel costs and plug and abandonment expenses.

Development Costs. Development costs increased 66% for the third quarter and 40% for the nine-month period primarily because of increased activity and costs, related to the timing or selection of projects by unit operators on the Texas and Oklahoma oil properties underlying the 75% net profits interests.

Excess Costs

If monthly costs exceed revenues for any conveyance, such excess costs must be recovered, with accrued interest, from future net proceeds of that conveyance and cannot reduce net proceeds from other conveyances.

The following summarizes excess costs activity, cumulative excess costs balances and accrued interest to be recovered by conveyance:

	Underlying		
	TX WI	OK WI	Total
Cumulative excess costs remaining at 12/31/16 ...	\$1,747,819	\$ 655,835	\$2,403,654
Net excess costs (recovery) for the quarter ended 3/31/17	45,131	(317,927)	(272,796)
Net excess costs (recovery) for the quarter ended 6/30/17	55,628	(249,993)	(194,365)
Net excess costs (recovery) for the quarter ended 9/30/17	127,552	28,733	156,285
Cumulative excess costs remaining at 9/30/17	\$1,976,130	\$ 116,648	\$2,092,778
Accrued interest at 9/30/17.....	\$128,041	\$ 62,775	\$ 190,816
Total remaining to be recovered at 9/30/17.....	\$2,104,171	\$ 179,423	\$2,283,594
	NPI		
	TX WI	OK WI	Total
Cumulative excess costs remaining at 12/31/16	\$1,310,865	\$ 491,876	\$1,802,741
Net excess costs (recovery) for the quarter ended 3/31/17	33,848	(238,445)	(204,597)
Net excess costs (recovery) for the quarter ended 6/30/17	41,721	(187,495)	(145,774)
Net excess costs (recovery) for the quarter ended 9/30/17	95,664	21,550	117,214
Cumulative excess costs remaining at 9/30/17	\$1,482,098	\$ 87,486	\$1,569,584
Accrued interest at 9/30/17.....	\$ 96,031	\$ 47,081	\$ 143,112
Total remaining to be recovered at 9/30/17.....	\$1,578,129	\$ 134,567	\$1,712,696

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 September 30, 2017.

Decreased oil production resulted in net excess costs on properties underlying the Oklahoma working interests for the quarter ended September 30, 2017. Underlying accrued interest of \$1,528 (NPI \$1,145) was recovered during the quarter ended September 30, 2017.

Underlying cumulative excess costs for the Texas and Oklahoma working interest conveyances remaining as of September 30, 2017 totaled \$2.3 million, including accrued interest of \$0.2 million.

Contingencies

Several states have enacted legislation requiring state income tax withholding from payments made to 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.

for an interim period, after which it intends to merge it into Simmons Bank. The Trustee does not anticipate any material impact to the Trust as a result of the acquisition.

Subsequent Event

Effective October 19, 2017, Simmons First National Corporation ("SFNC") completed its acquisition of First Texas BHC, Inc., the parent company of Southwest Bank, the Trustee of the Trust. SFNC is the parent of Simmons Bank. SFNC has announced that it intends to operate Southwest Bank as a separate bank subsidiary

GLOSSARY

Bbl Barrel (of oil)
Mcf Thousand cubic feet (of natural gas)
MMBtu One million British Thermal Units, a common energy measurement

CALCULATION OF NET PROFITS INCOME

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

	THREE MONTHS ENDED SEPTEMBER 30 [A]			NINE MONTHS ENDED SEPTEMBER 30 [A]		
	2017	2016	INCREASE (DECREASE)	2017	2016	INCREASE (DECREASE)
Sales Volumes						
Oil (Bbl) [B]						
Underlying Properties.....	50,384	55,091	(9%)	155,181	171,226	(9%)
Average Per Day.....	548	599	(9%)	568	625	(9%)
Net Profits Interests.....	14,759	16,547	(11%)	39,858	49,919	(20%)
Gas (Mcf) [B]						
Underlying Properties.....	390,567	394,678	(1%)	1,192,834	1,538,967	(22%)
Average Per Day.....	4,292	4,337	(1%)	4,369	5,617	(22%)
Net Profits Interests.....	344,184	370,848	(7%)	1,049,274	1,409,264	(26%)
Average Sales Prices						
Oil (per Bbl).....	\$ 43.72	\$ 42.06	4%	\$ 45.58	\$ 36.73	24%
Gas (per Mcf).....	\$ 4.17	\$ 3.37	24%	\$ 4.16	\$ 3.58	16%
Revenues						
Oil sales	\$2,203,017	\$2,317,262	(5%)	\$7,072,573	\$6,289,126	12%
Gas sales	1,627,711	1,331,763	22%	4,960,964	5,510,811	(10%)
Total Revenues	3,830,728	3,649,025	5%	12,033,537	11,799,937	2%
Costs						
Taxes, transportation and other.....	580,257	510,328	14%	1,843,571	1,767,698	4%
Production expense [C]	1,215,155	966,039	26%	3,329,795	3,352,744	(1%)
Development costs	329,866	198,244	66%	1,067,796	761,155	40%
Excess costs	(154,757)	292,706	N/A	312,404	(315,789)	N/A
Total Costs	1,970,521	1,967,317	—	6,553,566	5,565,808	18%
Net Proceeds.....	\$1,860,207	\$1,681,708	11%	\$5,479,971	\$6,234,129	(12%)
Net Profits Income.....	\$1,674,186	\$1,513,537	11%	\$4,931,974	\$5,610,716	(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 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 includes an overhead charge which is deducted and retained by the operator. XTO Energy deducts an overhead charge as reimbursement for costs associated with monitoring these interests.

TAX INFORMATION PER UNIT

	MONTHLY DISTRIBUTIONS PAID ON: (\$/UNIT EXCEPT COST DEPLETION FACTORS)			
	August 14, 2017	September 15, 2017	October 16, 2017	Total
Gross Income.....	\$ 0.110947	\$ 0.116468	\$ 0.114503	\$ 0.341918
Less Severance Taxes.....	(0.023756)	(0.021111)	(0.018020)	(0.062887)
Interest Income.....	0.000107	0.000136	0.000138	0.000381
Less Administration Expenses.....	(0.009901)	(0.002657)	(0.012449)	(0.025007)
Reconciling Items.....	0.000000	0.000000	0.000000	0.000000
Net Cash Distribution.....	<u>\$ 0.077397</u>	<u>\$ 0.092836</u>	<u>\$ 0.084172</u>	<u>\$ 0.254405</u>
Cost Depletion Factors:				
Texas - 90%	0.009231	0.012140	0.007537	0.028908
Oklahoma - 90%.....	0.012563	0.012625	0.014900	0.040088
New Mexico - 90%	0.006701	0.006707	0.006996	0.020404
Texas - 75%	0.000000	0.000000	0.000000	0.000000
Oklahoma - 75%.....	0.000000	0.000000	0.000000	0.000000

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