



SABINE ROYALTY TRUST

2nd Quarter Report
2009

To Unit holders:

Sabine Royalty Trust (the “Trust”) makes monthly distributions to the holders of units of beneficial interest in the Trust (“Units”) of the excess of the preceding month’s revenues received over expenses incurred. Upon receipt, royalty income is invested in short-term investments until its subsequent distribution. In accordance with the Trust Agreement, the Trust’s only long-term assets consist of royalty interests in producing and proved undeveloped oil and gas properties. Although the Trust is permitted to borrow funds if necessary to continue its operations, borrowings are not anticipated in the foreseeable future.

Distributable income consists of royalty income plus interest income plus any decrease in cash reserves established by the Trustee less general and administrative expenses of the Trust less any increase in cash reserves established by the Trustee. Distributable income for the three months ended June 30, 2009 was \$9,949,110 or \$0.68 per Unit. Royalty income amounted to \$10,638,257 while interest income was \$1,463. General and administrative expenses totaled \$690,610.

Distributions during the period were \$.23787, \$.20948 and \$.18276 per Unit payable to Unit holders of record on April 15, May 15, and June 15, 2009, respectively.

Royalty income for the quarter ended June 30, 2009 decreased approximately \$12,417,000, or 54%, compared with the second quarter of 2008. This decrease was caused by decreases in the production of both oil and natural gas as well as decreases in the price of both oil and natural gas. Compared to the preceding quarter ended March 31, 2009, royalty income decreased approximately \$239,000, or 2%, due to decreases in the production and pricing of natural gas offset somewhat by an increase in the production and pricing of oil. Royalty income for the six months ended June 30, 2009 decreased \$20,396,000, or 49%, due mainly to decreases in the prices of both oil and natural gas as well as decreases in the production of both oil and natural gas.

The following tables illustrate average prices received for the periods discussed above and the related oil and gas production volumes:

	Quarter Ended		
	June 30, 2009	June 30, 2008	March 31, 2009
Production			
Oil (Bbls)	118,258	122,930	104,171
Gas (Mcf)	1,385,889	1,529,748	1,572,366
Average Price			
Oil (per Bbl)	\$ 41.36	\$ 98.36	\$ 39.13
Gas (per Mcf)	\$ 3.87	\$ 8.27	\$ 5.00

	Six-Months Ended	
	June 30, 2009	June 30, 2008
Oil (Bbls)	222,429	233,232
Gas (Mcf)	2,958,254	3,181,417
Average Price		
Oil (per Bbl)	\$ 40.31	\$ 92.46
Gas (per Mcf)	\$ 4.47	\$ 7.41

Gas revenues received for the three months ended June 30, 2009, related primarily to production for January 2009 through March 2009. The average price of gas reported by the Henry Hub for the same time period was \$4.05 per Mcf. The average price of gas for the Henry Hub was \$3.75 per Mcf for January 2009 through June 2009. Oil revenues for the three months ended June 30, 2009 related primarily to production for February 2009 through April 2009. The average price of oil as reported by Nymex for that time period was \$45.60 per barrel. The average price of oil was \$51.54 per barrel for January 2009 through June 2009. As of July 22, 2009, the average price of gas for the Henry Hub was \$3.33 per Mcf and the average price of oil reported by Nymex was \$64.72 per barrel. It is difficult to accurately estimate future prices of oil and gas, and any assumptions concerning future prices may prove to be incorrect.

Interest income for the quarter ended June 30, 2009 decreased approximately \$65,800 compared with the second quarter of 2008. Compared to the preceding quarter ended March 31, 2009, interest income decreased approximately \$17,700. Interest income for the six months ended June 30, 2009 decreased approximately \$128,000 compared to the same time period in 2008. Changes in interest income are the result of changes in interest rates and funds available for investment.

General and administrative expenses for the quarter ended June 30, 2009 increased by approximately \$14,300 compared to the same quarter of 2008 primarily due to increases in transfer agent fees, professional fees pertaining to compliance, legal fees and electronic processing fees of approximately \$7,000, \$7,800, \$23,500, and 5,500, respectively. There was also an increase in the timing of invoices for Unit holder information services of approximately \$31,300. Offsetting these increases were decreases in the escrow agent/trustee fees of approximately \$18,400 and a decrease due to the timing of invoices in printing expenses of approximately \$45,200. Compared to the previous quarter ended March 31, 2009, general and administrative expenses increased approximately \$71,100. This increase was primarily due to the timing

of annual payments in the second quarter such as the engineering reserve report and expenses related to the printing and mailing of annual report on Form 10-K of approximately \$84,100 and \$34,600, respectively; along with increases in the escrow agent/trustee fees as well as increases due to the timing of tax reporting expenses of approximately \$8,100 and \$9,900, respectively. Offsetting these increases somewhat was a decrease in the timing of fees for professional services related to Sarbanes-Oxley compliance and auditing services of approximately \$18,300 and \$43,000, respectively.

General and administrative expenses for the six months ended June 30, 2009 increased approximately \$77,800 compared to the same time period in 2008, due mainly to increases in the transfer agent fees, professional fees, legal fees and Unit holder informa-

tion services of \$6,200, \$15,600, \$28,100 and \$56,600, respectively. These increases were offset somewhat by decreases in escrow agent/trustee fees and printing expenses of approximately \$22,000 and \$17,500, respectively.

SABINE ROYALTY TRUST



By Ron E. Hooper
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U.S. Trust, Bank of America
Private Wealth Management, Trustee

August 21, 2009

Information About the Trust

Sabine Royalty Trust (the "Trust"), formed effective December 31, 1982, is an express trust existing under the Sabine Corporation Royalty Trust Agreement. All units of beneficial interest (the "Units") in the Trust were distributed to Sabine Corporation's shareholders of record on December 23, 1982 on the basis of one Unit for each outstanding share of Sabine Corporation's common stock. Pacific Enterprise Oil Company (USA), as successor to Sabine Corporation, has assumed by operation of law all of Sabine Corporation's rights and obligations with respect to the Trust. The Units are traded on the New York Stock Exchange under the symbol "SBR". The Trust has a December 31 fiscal year end.

The Trust's assets consist of royalty and mineral interests, including landowner's royalties and overriding royalty interests, in producing and proved undeveloped oil and gas properties in Florida, Louisiana, Mississippi, New Mexico, Oklahoma and Texas (the "Royalties"). Revenues of the Trust are directly dependent upon the price of oil and gas as well as the quantities produced. The Trust does not participate in any exploration or development projects and does not have any working interest revenues or expenses.

The Trust makes monthly distributions of net income to Unit holders of record on the monthly record date (generally the 15th of each calendar month). Distributions are mailed to Unit holders on

or about the 29th of each month. Distributions by the Trust in 2009 have been as follows (stated in dollars per Unit):

<u>Month of Payment</u>	<u>Amount</u>	<u>Month of Payment</u>	<u>Amount</u>
January	\$.41550	May	\$.20948
February	\$.25441	June	\$.18276
March	\$.21205	July	\$.29014
April	\$.23787	August	\$.19117

The Trust's monthly distributions include cash received by the Trustee, acting as Escrow Agent on the record date for such distribution, which represents cash attributable to the Royalties, and interest thereon, collected by the Trustee, acting as Escrow Agent, during the preceding calendar month.

Schedules of information on a per Unit basis for preparation of federal and state income tax returns will be provided in booklet form for calendar year 2009 in March 2010. Monthly schedules of income tax information for January through June 2009 are available now for those Unit holders who file fiscal year tax returns and need this information. Please request to be placed on a special mailing list if you need this interim tax information by writing to: Tax Mailing List, Sabine Royalty Trust, U.S. Trust, Bank of America Private Wealth Management, P.O. Box 830650, Dallas, Texas 75283-0650, 1 (800) 365-6541. Our website is www.sbr-sabineroyalty.com.

Condensed Statements of Assets, Liabilities and Trust Corpus (Unaudited)

	June 30, 2009	December 31, 2008
Assets		
Cash and short-term investments.....	\$ 4,790,549	\$ 6,383,892
Royalty interests in oil and gas properties (less accumulated amortization of \$21,704,451 and \$21,660,941 at June 30, 2009 and December 31, 2008)	690,734	734,244
TOTAL.....	<u>\$ 5,481,283</u>	<u>\$ 7,118,136</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 227,514	\$ 143,197
Other payables	381,345	239,674
	608,859	382,871
Contingencies.....	-	-
Trust corpus -14,579,345 units of beneficial interest authorized and outstanding.....	4,872,424	6,735,265
TOTAL.....	<u>\$ 5,481,283</u>	<u>\$ 7,118,136</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Six Months Ended June 30,	
	2009	2008
Trust corpus, beginning of period.....	\$ 6,735,265	\$ 5,822,655
Amortization of royalty interests.....	(43,510)	(50,952)
Distributable income.....	20,225,626	40,827,764
Distributions.....	(22,044,957)	(37,765,586)
Trust corpus, end of period.....	<u>4,872,424</u>	<u>8,833,881</u>
Distributions per unit (14,579,345 units)	<u>\$ 1.51</u>	<u>\$ 2.59</u>

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Royalty Income.....	\$10,638,257	\$23,055,338	\$21,515,176	\$41,911,493
Interest income	1,463	67,254	20,618	148,630
Total.....	10,639,720	23,122,592	21,535,794	42,060,123
General and administrative expenses.....	(690,610)	(676,328)	(1,310,168)	(1,232,359)
Distributable income.....	<u>\$ 9,949,110</u>	<u>\$22,446,264</u>	<u>\$20,225,626</u>	<u>\$40,827,764</u>
Distributable income per unit (14,579,345 units).....	<u>\$.68</u>	<u>\$ 1.54</u>	<u>\$ 1.39</u>	<u>\$ 2.80</u>