



SABINE ROYALTY TRUST

3rd
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 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 September 30, 2009 was \$9,784,447, or \$0.67 per unit. Royalty income for the three months ended September 30, 2009 amounted to \$10,239,252 while interest income was \$650. General and administrative expenses totaled \$455,455.

Distributions during the period were \$.29014, \$.19117, and \$.23673 per Unit payable to Unit holders of record on July 15, August 17 and September 15, 2009, respectively.

Royalty income for the quarter ended September 30, 2009 decreased approximately \$18,182,000 or 64% compared with the third 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 June 30, 2009, royalty income decreased approximately \$399,000, or 4%, due to decreases in the production of both oil and natural gas along with a decrease in the pricing of natural gas, offset somewhat by an increase in the price of oil. Royalty income for the nine months ended September 30, 2009 decreased approximately \$38,578,000, or 55%, 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		
	September 30, 2009	September 30, 2008	June 30, 2009
Production			
Oil (Bbls)	103,963	108,580	118,258
Gas (Mcf)	1,350,137	1,577,361	1,385,889
Average Price			
Oil (per Bbl)	\$ 59.30	\$ 119.57	\$ 41.36
Gas (per Mcf)	\$ 3.45	\$ 10.78	\$ 3.87
	Nine-Months Ended		
	September 30, 2009	September 30, 2008	
Oil (Bbls)	326,392	341,812	
Gas (Mcf)	4,308,391	4,758,778	
Average Price			
Oil (per Bbl)	\$ 46.36	\$ 101.07	
Gas (per Mcf)	\$ 4.15	\$ 8.52	

Gas revenues received for the three months ended September 30, 2009, related primarily to production for April 2009 through June 2009. The average price of gas as reported by the Henry Hub for the same time period was \$3.44 per Mcf. The average price of gas for the Henry Hub was \$3.52 per Mcf for January 2009 through September 2009. Oil revenues for the three months ended September 30, 2009 related primarily to production for May 2009 through July 2009. The average price of oil as reported by Nymex for that time period was \$64.28 per barrel. The average price of oil was \$57.34 per barrel for January 2009 through September 2009. As of October 16, 2009, the average price of gas for the Henry Hub was \$4.03 per Mcf and the average price of oil reported by Nymex was \$77.58 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 September 30, 2009 decreased approximately \$75,300 compared with the third quarter of 2008. Compared to the preceding quarter ended June 30, 2009, interest income decreased approximately \$800. Interest income for the nine months ended September 30, 2009 decreased approximately \$203,300 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 September 30, 2009 decreased by approximately \$16,200 compared to the same quarter of 2008 primarily due to decreases in escrow agent/trustee fees and legal fees of approximately \$12,100 and \$28,100, respectively. These decreases were offset somewhat by increases in transfer agent fees, professional services, electronic processing services

and the timing of tax reporting services of \$11,100, \$4,000, \$4,500 and \$4,400, respectively. Compared to the previous quarter ended June 30, 2009, general and administrative expenses decreased approximately \$235,200. This decrease 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 the annual report on Form 10-K of approximately \$84,100 and \$46,000, respectively; along with decreases in the escrow agent/trustee fee, legal expenses, the timing of unitholder information services, and tax reporting services of \$12,900, \$34,100, \$47,100, and \$11,200, respectively.

General and administrative expenses for the nine months ended September 30, 2009 increased approximately \$61,600 compared to the same time period in 2008, due mainly to increases in the transfer agent

fees, professional fees, unitholder information services and electronic processing fees of \$17,800, \$15,000, \$59,600 and \$11,600, respectively. These increases were offset somewhat by decreases in escrow agent/trustee fees and timing of tax reporting services of approximately \$34,100 and \$4,500, respectively.

SABINE ROYALTY TRUST



By Ron E. Hooper
Senior Vice President
U.S. Trust, Bank of America
Private Wealth Management, Trustee
 November 20, 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	July	\$.29014
February	\$.25441	August	\$.19117
March	\$.21205	September	\$.23673
April	\$.23787	October	\$.24321
May	\$.20948	November	\$.19566
June	\$.18276		

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 September 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)

	September 30, 2009	December 31, 2008
Assets		
Cash and short-term investments.....	\$ 3,915,653	\$ 6,383,892
Royalty interests in oil and gas properties (less accumulated amortization of \$21,724,458 and \$21,660,941 at September 30, 2009 and December 31, 2008)	670,727	734,244
TOTAL.....	<u>\$ 4,586,380</u>	<u>\$ 7,118,136</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 130,794	\$ 143,197
Other payables	287,275	239,674
	418,069	382,871
Contingencies.....	-	-
Trust corpus -14,579,345 units of beneficial interest authorized and outstanding.....	4,168,311	6,735,265
TOTAL.....	<u>\$ 4,586,380</u>	<u>\$ 7,118,136</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Nine Months Ended September 30,	
	2009	2008
Trust corpus, beginning of period.....	\$ 6,735,265	\$ 5,822,655
Amortization of royalty interests.....	(63,517)	(75,743)
Distributable income.....	30,010,073	68,852,851
Distributions.....	(32,513,510)	(65,400,714)
Trust corpus, end of period.....	<u>4,168,311</u>	<u>9,199,049</u>
Distributions per unit (14,579,345 units)	<u>\$ 2.23</u>	<u>\$ 4.49</u>

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Royalty Income.....	\$10,239,252	\$28,420,792	\$31,754,428	\$70,332,285
Interest income	650	75,964	21,268	224,594
Total.....	10,239,902	28,496,756	31,775,696	70,556,879
General and administrative expenses.....	(455,455)	(471,669)	(1,765,623)	(1,704,028)
Distributable income.....	<u>\$ 9,784,447</u>	<u>\$28,025,087</u>	<u>\$30,010,073</u>	<u>\$68,852,851</u>
Distributable income per unit (14,579,345 units).....	<u>\$.67</u>	<u>\$ 1.92</u>	<u>\$ 2.06</u>	<u>\$ 4.72</u>