



2010



Quarter Report

SABINE ROYALTY TRUST

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 March 31, 2010 was \$13,808,204 or \$0.95 per Unit. Royalty income amounted to \$14,375,593 while interest income was \$287. General and administrative expenses totaled \$567,676.

Distributions during the period were \$.31518, \$.28526 and \$.18204 per Unit payable to Unit holders of record on January 15, February 16, and March 15, 2010, respectively.

Royalty income for the quarter ended March 31, 2010 increased approximately \$3,499,000, or 32%, compared with the first quarter of 2009. This increase was caused by increases in the production of both oil and natural gas as well as an increase in the price of oil. These increases were offset somewhat by a decrease in the price of natural gas.

Compared to the preceding quarter ended December 31, 2009, royalty income increased approximately \$4,638,000, or 48%, due to increases in the production of both oil and natural gas along with increases in the pricing of both natural gas and oil.

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

| | Quarter Ended | | |
|---------------|-------------------|-------------------|----------------------|
| | March 31, 2010 | March 31, 2009 | December 31, 2009 |
| Production | | | |
| Oil (Bbls) | 109,903 | 104,171 | 106,132 |
| Gas (Mcfs) | 1,635,759 | 1,572,366 | 1,489,625 |
| Average Price | | | |
| Oil (per Bbl) | \$ 70.76 | \$ 39.13 | \$ 66.81 |
| Gas (per Mcf) | \$ 4.74 | \$ 5.00 | \$ 3.57 |

Gas revenues received for the three months ended March 31, 2010, related primarily to production for October 2009 through December 2009. The average price of gas as reported by the Henry Hub for the same time period was \$4.42 per Mcf. The average price of gas for the Henry Hub was \$4.52 per Mcf for January 2010 through March 2010. Oil revenues for the three months ended March 31, 2010 related primarily to production for November 2009 through January 2010. The average price of oil as reported by Nymex for that time period was \$77.02 per barrel. The average price of oil as reported by Nymex was \$78.82 per barrel for January 2010 through March 2010. As of April 16, 2010, the average price of gas for the Henry Hub was \$3.59 per Mcf and the average price of oil reported by Nymex was \$85.51 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 March 31, 2010 decreased approximately \$18,900 compared with the first quarter of 2009. Compared to the preceding quarter ended December 31, 2009, interest income decreased approximately \$40. 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 March 31, 2010 decreased by approximately \$51,900 compared to the same quarter of 2009 primarily due to decreases in transfer agent fees of approximately \$12,400 along decreases in the timing of professional service fees, auditing fees, and printing costs of approximately \$10,400, \$34,500, and \$20,200, respectively. These decreases were offset somewhat by increases in unit holder information services and the timing of accounting support fees for the FASB and PCAOB of approximately \$13,100 and \$8,800, respectively. Compared to the previous quarter ended December 31, 2009, general and administrative expenses increased approximately \$66,200. This increase was primarily due to the timing of annual payments in the first quarter such as expenses related to the printing and mailing of annual tax information, the annual accounting support fees for the FASB and PCAOB and the New York Stock Exchange listing fee of \$46,800, \$8,800, and \$38,000, respectively along with increases in legal services of \$6,700. These increases were somewhat offset by decreases in ad valorem rendition ser-

vice fees, and the timing of auditing fees of approximately \$24,000 and \$6,500, respectively.

For the calendar year 2010 the Bank's Administration Expenses are estimated to be \$966,000 which would result in fees payable to the Bank of approximately \$1,380,000. These fees include both a reimbursement for costs and a margin of profit. The Trust incurs substantial costs and expenses in addition to the Bank's fees which are estimated to be approximately \$1,095,000 for the calendar year 2010.

SABINE ROYALTY TRUST
By Bank of America, N. A., Trustee



By Ron E. Hooper
Senior Vice President

May 14, 2010

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 2010 have been as follows (stated in dollars per Unit):

| Month of Payment | Amount | Month of Payment | Amount |
|------------------|-----------|------------------|-----------|
| January | \$.31518 | April | \$.47982 |
| February | \$.28526 | May | \$.32220 |
| March | \$.18204 | | |

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 2010 in March 2011. Monthly schedules of income tax information for January through March 2010 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
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)

| | March 31, 2010 | December 31, 2009 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Assets | | |
| Cash and short-term investments | \$ 7,431,809 | \$ 4,873,961 |
| Royalty interests in oil and gas properties (less accumulated amortization of \$21,768,608 and \$21,745,488 at March 31, 2010 and December 31, 2009)..... | 626,577 | 649,697 |
| TOTAL | \$ 8,058,386 | \$ 5,523,658 |
| Liabilities and Trust Corpus | | |
| Trust expenses payable | \$ 198,433 | \$ 147,048 |
| Other payables | 286,399 | 180,093 |
| | 484,832 | 327,141 |
| Contingencies | - | - |
| Trust corpus—14,579,345 units of beneficial interest authorized and outstanding | 7,573,554 | 5,196,517 |
| TOTAL | \$ 8,058,386 | \$ 5,523,658 |

Condensed Statements of Changes in Trust Corpus (Unaudited)

| | Three Months Ended March 31, | |
|------------------------------------------------|---------------------------------|--------------|
| | 2010 | 2009 |
| Trust corpus, beginning of period..... | \$ 5,196,517 | \$ 6,735,265 |
| Amortization of royalty interests..... | (23,120) | (22,272) |
| Distributable income..... | 13,808,204 | 10,276,516 |
| Distributions | (11,408,047) | (12,858,382) |
| Trust corpus, end of period..... | 7,573,554 | 4,131,127 |
| Distributions per unit (14,579,345 units)..... | \$.78 | \$.88 |

Condensed Statements of Distributable Income (Unaudited)

| | Three Months Ended March 31, | |
|-------------------------------------------------------|---------------------------------|---------------|
| | 2010 | 2009 |
| Royalty Income..... | \$ 14,375,593 | \$ 10,876,919 |
| Interest income | 287 | 19,155 |
| Total | 14,375,880 | 10,896,074 |
| General and administrative expenses | (567,676) | (619,558) |
| Distributable income..... | \$ 13,808,204 | \$ 10,276,516 |
| Distributable income per unit (14,579,345 units)..... | \$.95 | \$.70 |