

**SABINE ROYALTY TRUST**

**2011**

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**Quarter Report**

## To Unit holders:

**S**abine 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, 2011 was \$13,173,936 or \$0.90 per Unit. Royalty income amounted to \$13,677,627 while interest income was \$889. General and administrative expenses totaled \$504,580 for the three months ended March 31, 2011.

Distributions during the period were \$.31296, \$.26797 and \$.20103 per Unit payable to Unit holders of record on January 31, February 28, and March 29, 2011, respectively.

Royalty income for the quarter ended March 31, 2011 decreased approximately \$698,000 or 5% as compared with the first quarter of 2010. This decrease was caused by a decrease in the production of oil and a decrease in the price of natural gas. These decreases were offset somewhat by an increase in the production of natural gas and an increase in the price of oil. Compared to the preceding quarter ended December 31, 2010, royalty income increased approximately \$111,000, or 1%, due to an increase in the price of oil. This increase was tempered somewhat by decreases in the production of both oil and natural gas as well as a decrease in the price of natural gas.

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

	Quarter Ended		
	March 31, 2011	March 31, 2010	December 31, 2010
Production			
Oil (Bbls)	101,300	109,903	118,143
Gas (Mcfs)	1,643,183	1,635,759	2,113,027
Average Price			
Oil (per Bbl)	\$ 80.26	\$ 70.76	\$ 69.95
Gas (per Mcf)	\$ 4.04	\$ 4.74	\$ 4.11

Gas revenues received for the three months ended March 31, 2011, related primarily to production for October 2010 through December 2010. The average price of gas reported by the Henry Hub for the same time period was \$3.58 per Mcf. The average price of gas for the Henry Hub was \$3.78 per Mcf for January 2011 through March 2011. Oil revenues for the three months ended March 31, 2011 related primarily to production for November 2010 through January 2011. The average price of oil as reported by Nymex for that time period was \$87.59 per barrel. The average price of oil as reported by Nymex was \$94.60 per barrel for January 2011 through March 2011. As of April 18, 2011, the average price of gas for the Henry Hub was \$3.78 per Mcf and the average price of oil reported by Nymex was \$109.66 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, 2011 increased approximately \$600 compared with the first quarter of 2010. Compared to the preceding quarter ended December 31, 2010, interest income decreased approximately \$200. 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, 2011 decreased by approximately \$63,100 compared to the same quarter of 2010 primarily due to decreases in escrow agent/trustee fees of approximately \$22,200; legal and other professional services of approximately \$17,100; and costs associated with annual tax reporting of approximately \$37,500. These decreases were offset somewhat by an increase in auditing fees of \$10,000. Compared to the previous quarter ended December 31, 2010, general and administrative expenses increased approximately \$2,900 due mainly to increases

of legal fees of approximately \$14,900 and the timing of the annual NYSE listing fee of \$38,000. These increases were offset somewhat by a decrease in the trustee/escrow agent fees of approximately \$26,400 as well as a decrease in the timing of ad valorem tax rendition services fees of approximately \$25,100.

For the calendar year 2011 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 2011.

### **SABINE ROYALTY TRUST**

**By Bank of America, N. A., Trustee**



**By Ron E. Hooper  
Senior Vice President**

May 16, 2011

## **Information About the Trust**

**S**abine 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 2011 have been as follows (stated in dollars per Unit):

<b>Month of Payment</b>	<b>Amount</b>	<b>Month of Payment</b>	<b>Amount</b>
January	\$ .31296	April	\$ .43461
February	\$ .26797	May	\$ .34503
March	\$ .20103		

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 2011 in March 2012. Monthly schedules of income tax information for January through March 2011 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](http://www.sbr-sabineroyalty.com).

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

	March 31, 2011	December 31, 2010
<b>Assets</b>		
Cash and short-term investments.....	\$ 7,114,531	\$ 4,790,699
Royalty interests in oil and gas properties (less accumulated amortization of \$21,841,486 and \$21,823,178 at March 31, 2011 and December 31, 2010) .....	553,699	572,007
<b>TOTAL.....</b>	<b>\$ 7,668,230</b>	<b>\$ 5,362,706</b>
<b>Liabilities and Trust Corpus</b>		
Trust expenses payable.....	\$ 177,736	\$ 178,004
Other payables.....	649,059	98,430
	<b>826,795</b>	<b>276,434</b>
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding .....	6,841,435	5,086,272
<b>TOTAL.....</b>	<b>\$ 7,668,230</b>	<b>\$ 5,362,706</b>

## Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31,	
	2011	2010
Trust corpus, beginning of period.....	\$ 5,086,272	\$ 5,196,517
Amortization of royalty interests.....	(18,308)	(23,120)
Distributable income .....	13,173,936	13,808,204
Distributions.....	(11,400,465)	(11,408,047)
Trust corpus, end of period .....	<b>\$ 6,841,435</b>	<b>\$ 7,573,554</b>
Distributions per unit (14,579,345 units) .....	<b>\$ .78</b>	<b>\$ .78</b>

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31,	
	2011	2010
Royalty Income.....	\$ 13,677,627	\$ 14,375,593
Interest income .....	889	287
Total.....	13,678,516	14,375,880
General and administrative expenses.....	(504,580)	(567,676)
Distributable income .....	<b>\$ 13,173,936</b>	<b>\$ 13,808,204</b>
Distributable income per unit (14,579,345 units) .....	<b>\$ .90</b>	<b>\$ .95</b>