

SABINE ROYALTY TRUST

2011

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Quarter Report

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, 2011 was \$15,690,147, or \$1.08 per unit. Royalty income for the three months ended June 30, 2011 amounted to \$16,370,674 while interest income was \$1,361. General and administrative expenses totaled \$681,888 for the three months ended June 30, 2011.

Distributions during the period were \$.43461, \$.34503, and \$.32191 per Unit payable to Unit holders of record on April 15, May 16, and June 15, 2011, respectively.

Royalty income for the quarter ended June 30, 2011 increased approximately \$2,340,000 or 17% compared with the second quarter of 2010. This increase was caused by increases in the production of both oil and natural gas along with 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 March 31, 2011, royalty income increased approximately \$2,693,000 or 20%, due to increases in both the production of oil and natural gas as well as increases in the pricing of both oil and natural gas. Royalty income for the six months ended June 30, 2011 increased \$1,642,000 or 6% compared with the same time period in 2010. This increase was due mainly to increases in the production of both oil and natural gas along with an increase in the price of oil. These increases were tempered somewhat by 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		
	June 30, 2011	June 30, 2010	March 31, 2011
Production			
Oil (Bbls)	105,949	96,717	101,300
Gas (Mcfs)	1,756,698	1,634,717	1,643,183
Average Price			
Oil (per Bbl)	\$ 94.50	\$ 74.45	\$ 80.26
Gas (per Mcf)	\$ 4.27	\$ 4.79	\$ 4.04
	Six-Months Ended		
	June 30, 2011		June 30, 2010
Production			
Oil (Bbls)	207,249		206,620
Gas (Mcfs)	3,399,881		3,270,476
Average Price			
Oil (per Bbl)	\$ 87.54		\$ 72.49
Gas (per Mcf)	\$ 4.16		\$ 4.76

Gas revenues received for the three months ended June 30, 2011, related primarily to production for January 2011 through March 2011. The average price of gas as reported by the Henry Hub for the same time period was \$3.78 per Mcf. The average price of gas for the Henry Hub was \$3.86 per Mcf for January 2011 through June 2011. Oil revenues for the three months ended June 30, 2011 related primarily to production for February 2011 through April 2011. The average price of oil as reported by Nymex for that time period was \$101.43 per barrel. The average price of oil was \$98.69 per barrel for January 2011 through June 2011. As of July 18, 2011, the average price of gas for the Henry Hub was \$4.09 per Mcf and the average price of oil reported by Nymex was \$97.24 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, 2011 increased approximately \$300 compared with the second quarter of 2010. Compared to the preceding quarter ended March 31, 2011, interest income increased approximately \$500. Interest income for the six months ended June 30, 2011 increased approximately \$900 compared to the same time period in 2010. 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, 2011 increased by approximately \$71,000 compared to the same quarter of 2010 primarily due to increases in escrow agent/trustee fees of approximately \$13,900; legal and other professional services of

approximately \$4,300; costs associated with Unit holder reporting of approximately \$11,300; engineering services of \$27,700; and auditing services of \$10,000. Compared to the previous quarter ended March 31, 2011, general and administrative expenses increased approximately \$177,300 due mainly to increases in escrow agent/trustee fees of \$21,700 along with increases in the timing of annual fees for engineering services of approximately \$114,600; printing expenses of the annual report of approximately \$85,600; and tax reporting services of approximately \$20,200. These increases were offset somewhat by decreases in the timing of payment of the New York Stock Exchange listing fee of \$38,000; the timing in the payment of audit fees of \$18,500; and a decrease in legal and professional fees of approximately \$13,500.

General and administrative expenses for the six

months ended June 30, 2011 increased approximately \$7,900 due mainly to increases in engineering fees of approximately \$27,700 and auditing fees of \$20,000. These increases were tempered somewhat by decreases in the escrow agent/trustee fees of approximately \$8,300; legal and professional fees of approximately \$8,200; and costs associated with annual reporting of approximately \$26,100.

SABINE ROYALTY TRUST

By Bank of America, N. A., Trustee



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

August 19, 2011

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

Month of Payment	Amount	Month of Payment	Amount
January	\$.31296	May	\$.34503
February	\$.26797	June	\$.32191
March	\$.20103	July	\$.40925
April	\$.43461	August	\$.40115

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 June 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.

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

	June 30, 2011	December 31, 2010
Assets		
Cash and short-term investments.....	\$ 6,413,456	\$ 4,790,699
Royalty interests in oil and gas properties (less accumulated amortization of \$21,860,944 and \$21,823,178 at June 30, 2011 and December 31, 2010)	534,241	572,007
TOTAL	\$ 6,947,697	\$ 5,362,706
Liabilities and Trust Corpus		
Trust expenses payable.....	\$ 145,082	\$ 178,004
Other payables.....	350,369	98,430
	495,451	276,434
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding	6,452,246	5,086,272
TOTAL	\$ 6,947,697	\$ 5,362,706

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Six Months Ended June 30,	
	2011	2010
Trust corpus, beginning of period.....	\$ 5,086,272	\$ 5,196,517
Amortization of royalty interests.....	(37,766)	(45,433)
Distributable income	28,864,083	27,229,301
Distributions.....	(27,460,343)	(26,550,301)
Trust corpus, end of period	\$ 6,452,246	\$ 5,830,084
Distributions per unit (14,579,345 units)	\$ 1.88	\$ 1.82

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Royalty Income	\$ 16,370,674	\$ 14,030,965	\$ 30,048,301	\$ 28,406,558
Interest income	1,361	1,034	2,250	1,321
Total	\$ 16,372,035	\$ 14,031,999	\$ 30,050,551	\$ 28,407,879
General and administrative expenses.....	(681,888)	(610,902)	(1,186,468)	(1,178,578)
Distributable income	\$ 15,690,147	\$ 13,421,097	\$ 28,864,083	\$ 27,229,301
Distributable income per unit (14,579,345 units)	\$ 1.08	\$.92	\$ 1.98	\$ 1.87