

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 September 30, 2011 was \$16,704,079, or \$1.15 per unit. Royalty income for the three months ended September 30, 2011 amounted to \$17,150,882 while interest income was \$1,446. General and administrative expenses totaled \$448,249 for the three months ended September 30, 2011.

Distributions during the period were \$.40925, \$.40115, and \$.39187 per Unit payable to Unit holders of record on July 15, August 15, and September 15, 2011, respectively.

Royalty income for the quarter ended September 30, 2011 increased approximately \$3,037,000 or 22% as compared with the third quarter of 2010. This increase was caused by increases in the production of natural gas and the price of oil. These increases were offset somewhat by a decrease in the production of oil as well as a decrease in the price of natural gas. Compared to the preceding quarter ended June 30, 2011, royalty income increased approximately \$780,000 or 5% due to an increase in the production of oil as well as an increase in the price of natural gas. These increases were offset somewhat by a decrease in the production of natural gas as well as a decrease in the price of oil. Royalty income for the nine months ended September 30, 2011 increased \$4,679,000 or 11% compared with the same time period in 2010. This increase was due mainly to increases in production of natural gas as well as an increase in the price of oil. These increases were tempered somewhat by a decrease in the production of oil as well as a decrease in the price of 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, 2011	September 30, 2010	June 30, 2011
Production			
Oil (Bbls)	114,258	118,173	105,949
Gas (Mcf)	1,748,866	1,510,858	1,756,698
Average Price			
Oil (per Bbl)	\$ 89.21	\$ 68.78	\$ 94.50
Gas (per Mcf)	\$ 4.73	\$ 4.74	\$ 4.27

	Nine-Months Ended	
	September 30, 2011	September 30, 2010
Production		
Oil (Bbls)	321,507	324,794
Gas (Mcf)	5,148,747	4,781,334
Average Price		
Oil (per Bbl)	\$ 88.13	\$ 71.14
Gas (per Mcf)	\$ 4.35	\$ 4.76

Gas revenues received for the three months ended September 30, 2011, related primarily to production for April 2011 through June 2011. The average price of gas reported by the Henry Hub for the same time period was \$4.38 per Mcf. The average price of gas for the Henry Hub was \$3.79 per Mcf for January 2011 through September 2011. Oil revenues for the three months ended September 30, 2011 related primarily to production for May 2011 through July 2011. The average price of oil as reported by Nymex for that time period was \$98.60 per barrel. The average price of oil as reported by Nymex was \$95.63 per barrel for January 2011 through September 2011. As of October 25, 2011, the average price of gas for the Henry Hub was \$3.24 per Mcf and the average price of oil reported by Nymex was \$91.27 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, 2011 increased approximately \$100 compared with the third quarter of 2010. Compared to the preceding quarter ended June 30, 2011, interest income increased approximately \$100 as well. Interest income for the nine months ended September 30, 2011 increased approximately \$1,000 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 September 30, 2011 increased by approximately \$14,200 compared to the same quarter of 2010 primarily

due to increases in printing expense of approximately \$8,000; costs associated with unit holder reporting of approximately \$4,000; and legal and professional expenses of approximately \$1,700. Compared to the previous quarter ended June 30, 2011, general and administrative expenses decreased approximately \$233,600 due mainly to a decrease in escrow agent/trustee fees of \$9,800 along with decreases in the timing of annual fees for engineering services of approximately \$114,600; printing expenses of the annual report of approximately \$92,300; and tax reporting services of approximately \$16,600. These decreases were offset somewhat by an increase in the timing of professional fees of approximately \$4,100.

General and administrative expenses for the nine months ended September 30, 2011 increased approximately \$22,100 compared to the same time period in 2010 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 costs associated with annual reporting of approximately \$11,800; legal and professional fees of approximately \$7,900; and trustee/escrow agent fees of approximately \$6,100.

SABINE ROYALTY TRUST

By Bank of America, N. A., Trustee



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

November 18, 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	July	\$.40925
February	\$.26797	August	\$.40115
March	\$.20103	September	\$.39187
April	\$.43461	October	\$.35272
May	\$.34503	November	\$.22847
June	\$.32191		

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 September 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)

	September 30, 2011	December 31, 2010
Assets		
Cash and short-term investments.....	\$ 5,498,797	\$ 4,790,699
Royalty interests in oil and gas properties (less accumulated amortization of \$21,880,744 and \$21,823,178 at September 30, 2011 and December 31, 2010).....	514,441	572,007
TOTAL	\$ 6,013,238	\$ 5,362,706
Liabilities and Trust Corpus		
Trust expenses payable.....	\$ 169,723	\$ 178,004
Other payables.....	235,303	98,430
	405,026	276,434
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding	5,608,212	5,086,272
TOTAL	\$ 6,013,238	\$ 5,362,706

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Nine Months Ended September 30,	
	2011	2010
Trust corpus, beginning of period.....	\$ 5,086,272	\$ 5,196,517
Amortization of royalty interests.....	(57,566)	(67,795)
Distributable income	45,568,162	40,910,327
Distributions.....	(44,988,656)	(40,778,140)
Trust corpus, end of period	\$ 5,608,212	\$ 5,260,909
Distributions per unit (14,579,345 units)	\$ 3.09	\$ 2.80

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Royalty Income	\$ 17,150,882	\$ 14,113,712	\$ 47,199,183	\$ 42,520,270
Interest income	1,446	1,366	3,696	2,687
Total	\$ 17,152,328	\$ 14,115,078	\$ 47,202,879	\$ 42,522,957
General and administrative expenses.....	(448,249)	(434,052)	(1,634,717)	(1,612,630)
Distributable income	\$ 16,704,079	\$ 13,681,026	\$ 45,568,162	\$ 40,910,327
Distributable income per unit (14,579,345 units)	\$ 1.15	\$.94	\$ 3.13	\$ 2.81