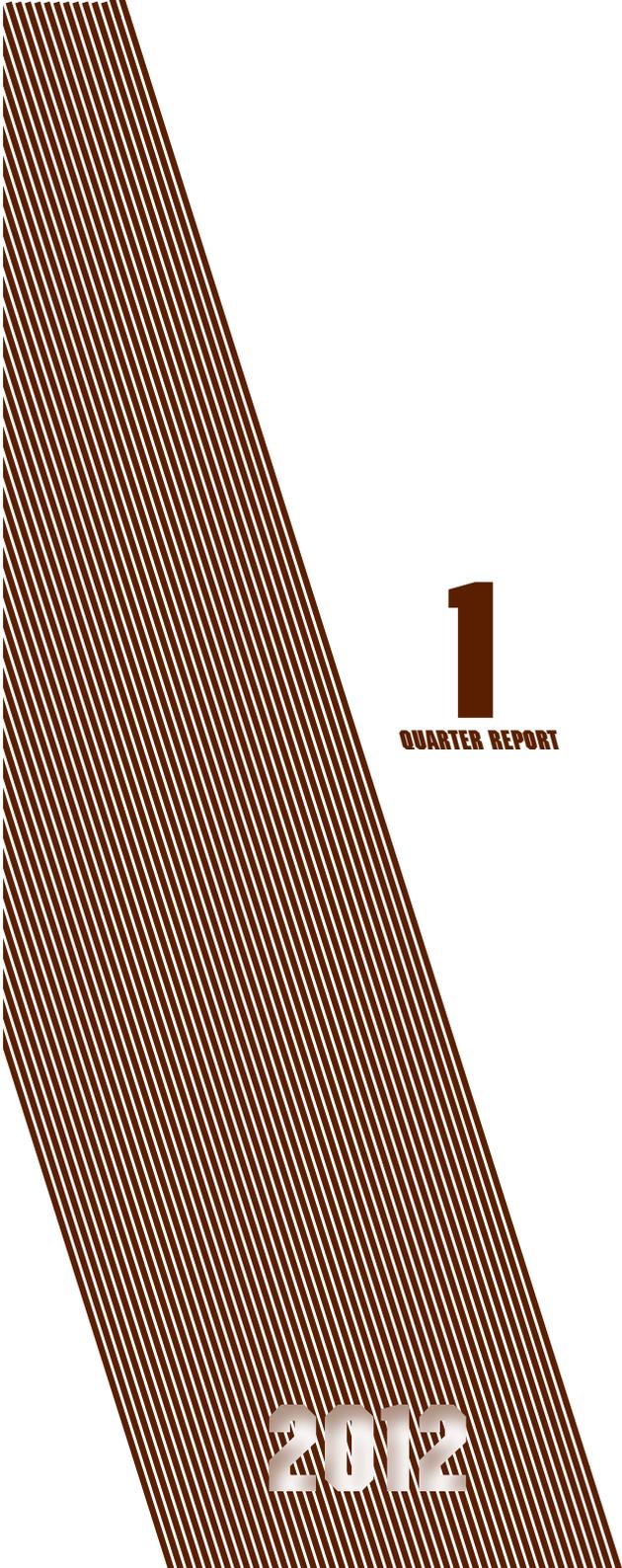


SABINE ROYALTY TRUST



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QUARTER REPORT

2012

TO UNITHOLDERS:

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 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, 2012 was \$14,651,215 or \$1.00 per Unit. Royalty income amounted to \$15,211,002 while interest income was \$1,720. General and administrative expenses totaled \$561,507 for the three months ended March 31, 2012.

Distributions during the period were \$.36342, \$.30517 and \$.28089 per Unit payable to Unitholders of record on January 17, February 15, and March 15, 2012, respectively.

Royalty income for the quarter ended March 31, 2012 increased approximately \$1,533,000 or 11% as compared with the first quarter of 2011. This increase was caused by increases in the production of oil and natural gas (\$0.7 million), along with an increase in the price of oil (\$1.3 million). These increases were offset somewhat by a decrease in the price of natural gas (\$0.5 million). Compared to the preceding quarter ended December 31, 2011, royalty income increased approximately \$1,727,000 or 12%, due mainly to an increase in the pricing of oil (\$0.9 million), a decrease in production taxes (\$0.2 million), and the timing of payment of ad valorem taxes in the fourth quarter of 2011 (\$2.1 million). These increases were tempered somewhat by a decrease in the production of natural gas (\$0.4 million) as well as a decrease in the price of natural gas (\$1.1 million).

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

	Quarter Ended		
	March 31, 2012	March 31, 2011	December 31, 2011
Production			
Oil (Bbls)	108,889	101,300	108,697
Gas (Mcfs)	1,652,807	1,643,183	1,763,456
Average Price			
Oil (per Bbl)	\$ 92.64	\$ 80.26	\$ 84.53
Gas (per Mcf)	\$ 3.76	\$ 4.04	\$ 4.36

Gas revenues received for the three months ended March 31, 2012, related primarily to production for October 2011 through December 2011. The average price of gas reported by the Henry Hub for the same time period was \$3.14 per Mcf. The average price of gas for the Henry Hub was \$2.26 per Mcf for January 2012 through March 2012. Oil revenues for the three months ended March 31, 2012 related primarily to production for November 2011 through January 2012. The average price of oil as reported by NYMEX for that time period was \$98.57 per barrel. The average price of oil was \$102.96 per barrel for January 2012 through March 2012. As of April 17, 2012, the average price of gas for the Henry Hub was \$1.81 per Mcf and the average price of oil reported by NYMEX was \$102.93 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, 2012 increased approximately \$800 compared with the first quarter of 2011. Compared to the preceding quarter ended December 31, 2011, interest income increased approximately \$100. 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, 2012 increased by approximately \$56,900 compared to the same quarter of 2011 primarily due to increases in escrow agent/trustee fees of approximately \$19,600; legal and other professional services of approximately \$20,500; and unitholder information services of approximately \$20,300. These increases were offset somewhat by

a decrease in printing services of approximately \$9,400. Compared to the previous quarter ended December 31, 2011, general and administrative expenses increased approximately \$66,800 due mainly to increases of legal fees and other professional services of approximately \$3,800 and the timing of the annual NYSE listing fee of \$38,000, and unitholder information services of approximately \$33,000. These increases were offset somewhat by a decrease in the timing of ad valorem tax rendition service fees of approximately \$25,300.

For the calendar year 2012 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 2012.

SABINE ROYALTY TRUST
BY BANK OF AMERICA, N. A., TRUSTEE



BY RON E. HOOPER
SENIOR VICE PRESIDENT
May 16, 2012

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 2012 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$.36342	April	\$.41887
February	\$.30517	May	\$.25815
March	\$.28089		

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 2012 in March 2013. Monthly schedules of income tax information for January through March 2012 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, 2012	December 31, 2011
Assets		
Cash and short-term investments	\$ 6,659,064	\$ 5,751,947
Royalty interests in oil and gas properties (less accumulated amortization of \$21,906,707 and \$21,890,382 at March 31, 2012 and December 31, 2011)	<u>488,478</u>	<u>504,803</u>
TOTAL	<u>\$ 7,147,542</u>	<u>\$ 6,256,750</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 209,255	\$ 172,732
Other payables	<u>391,881</u>	<u>329,705</u>
	601,136	502,437
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding	<u>6,546,406</u>	<u>5,754,313</u>
TOTAL	<u>\$ 7,147,542</u>	<u>\$ 6,256,750</u>

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
Trust corpus, beginning of period	\$ 5,754,313	\$ 5,086,272
Amortization of royalty interests	(16,325)	(18,308)
Distributable income	14,651,215	13,173,936
Distributions	<u>(13,842,797)</u>	<u>(11,400,465)</u>
Trust corpus, end of period	<u>\$ 6,546,406</u>	<u>\$ 6,841,435</u>
Distributions per unit (14,579,345 units)	<u>\$.95</u>	<u>\$.78</u>

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
Royalty Income	\$ 15,211,002	\$ 13,677,627
Interest income	1,720	889
Total	<u>15,212,722</u>	<u>13,678,516</u>
General and administrative expenses	(561,507)	(504,580)
Distributable income	<u>\$ 14,651,215</u>	<u>\$ 13,173,936</u>
Distributable income per unit (14,579,345 units)	<u>\$ 1.00</u>	<u>\$.90</u>