

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, 2012 was \$14,299,584, or \$0.98 per unit. Royalty income amounted to \$15,108,143 while interest income was \$2,024. General and administrative expenses totaled \$810,583 for the three months ended June 30, 2012.

Distributions during the period were \$.41887, \$.25815, and \$.34900 per Unit payable to Unit holders of record on April 16, May 15, and June 15, 2012, respectively.

Royalty income for the guarter ended June 30, 2012 decreased approximately \$1,263,000 or 8% compared with the second guarter of 2011. This decrease was caused by a decrease in the price of natural gas (\$2.6 million), along with a decrease in the production of oil (\$0.1 million) and an increase in production taxes and operating expenses (\$0.2 million). These decreases were offset somewhat by an increase in the production of natural gas (\$1.0 million), an increase in the price of oil (\$0.2 million), and a refund of the 2011 Oklahoma state withholding taxes (\$0.5 million). Compared to the preceding quarter ended March 31, 2012, royalty income decreased approximately \$103,000 or 1%, due mainly to a decrease in the price of natural gas (\$1.6 million), a decrease in the production of oil (0.4 million), and an increase in production taxes and operating expenses (\$0.3 million). These decreases were tempered somewhat by an increase in the production of natural gas (\$1.3 million), an increase in the price of oil (\$0.4 million), and a refund of the 2011 Oklahoma state withholding taxes (\$0.5 million).

Royalty income for the six months ended June 30, 2012 increased \$271,000 or 1% compared with the same time period in 2011. This increase was due mainly to an increase in oil and natural gas production (\$1.8 million),

an increase in the price of oil (\$1.4 million), and a refund of the 2011 Oklahoma state withholding taxes (\$0.5 million). These increases were offset somewhat by a decrease in the price of natural gas (\$3.2 million) as well as an increase in production taxes and operating expenses (\$0.2 million).

Ouarter Ended

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

	<u>uuarter Ended</u>						
		June 30, 2012		ne 30, 2011	March 31, 2012		
Production							
Oil (Bbls)		104,780		105,949		108,889	
Gas (Mcfs)	2	.133,201	1	,756,698	1	,652,807	
Average Price		,,,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,00=,00:	
Oil (per Bbl)	\$	96.53	\$	94.50	\$	92.64	
Gas (per Mcf)	\$	2.78	\$	4.27	\$	3.76	
		Six	x-Mon	ths Ended			
Production	June 30, 2012				June 30, 2011		
Oil (Bbls)		213,669				207,249	
Gas (Mcfs)	3	,786,008			3	,399,881	
Average Price							
Oil (per Bbl)	\$	94.55			\$	87.54	
Gas (per Mcf)	\$	3.21			\$	4.16	

Gas revenues received for the three months ended June 30, 2012, related primarily to production for January 2012 through March 2012. The average price of gas as reported by the Henry Hub for the same time period was \$2.26 per Mcf. The average price of gas for the Henry Hub was \$2.18 per Mcf for January 2012 through June 2012. Oil revenues for the three months ended June 30, 2012 related primarily to production for February 2012 through April 2012. The average price of oil as reported by NYMEX for that time period was \$103.90 per barrel. The average price of oil was \$98.30 per barrel for January 2012 through June 2012. As of July 19, 2012, the average price of gas for the Henry Hub was \$2.68 per Mcf and the average price of oil reported by NYMEX was \$89.87 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, 2012 increased approximately \$700 compared with the second quarter of 2011. Compared to the preceding quarter ended March 31, 2012, interest income increased approximately \$300. Interest income for the six months ended June 30, 2012 increased \$1,500 over the same time period in 2011. 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, 2012 increased by approximately \$128,700 compared to the same quarter of 2011 primarily due to increases in legal and other professional services of approximately \$55,800, engineering services of approximately \$68,800 and printing and unit holder information costs of approximately \$22,100. These increases were offset somewhat by a decrease in tax reporting fees due to timing of invoices of approximately \$20,200. Compared to the previous quarter ended March 31, 2012, general and administrative expenses increased approximately \$249,100 due mainly to timing of annual expenses for engineering services of approximately \$180,500, printing costs associated with annual reporting of approximately \$100,500 and legal and other professional services of approximately \$21,900. These increases were offset somewhat by decreases in the timing of auditing expenses of approximately \$18,500 as well as the timing of the payment of the annual NYSE listing fee of \$38,000. Administrative

expenses increased approximately \$185,600 for the six months ended June 30, 2012 compared to the same period in 2011 due primarily to increases in legal and other professional expenses of approximately \$76,300, engineering services of approximately \$65,800, printing and unit holder information services of approximately \$33,100 and escrow agent/trustee fees of approximately \$16,600. These increases were tempered by a decrease in the timing of payment of tax reporting fees of approximately \$15,900.

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

BY RON E. HOOPER SENIOR VICE PRESIDENT

August 13, 2012

INFORMATION ABOUT THE TRUST

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	May	\$.25815
February	\$.30517	June	\$.34900
March	\$.28089	July	\$.37365
April	\$.41887	August	\$.33762

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 June 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.sbrsabineroyalty.com.

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (UNAUDITED)

Assets	June 30, 2012	December 31, 2011		
Cash and short-term investments	\$ 6,037,704	\$ 5,751,947		
Royalty interests in oil and gas properties (less accumulated amortization of \$21,926,258 and				
\$21,890,382 at June 30, 2012 and December 31, 2011)	468,927	504,803		
TOTAL	\$ 6,506,631	\$ 6,256,750		
Liabilities and Trust Corpus				
Trust expenses payable	\$ 142.234	\$ 172,732		
Other payables	496,660	329,705		
	638,894	502,437		
Trust corpus – 14,579,345 units of beneficial interest	·	•		
authorized and outstanding	5,867,737	5,754,313		
TOTAL	\$ 6,506,631	\$ 6,256,750		

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Six Months Ended June 30,		
	2012 2		
Trust corpus, beginning of period	\$ 5,754,313	\$ 5,086,272	
Amortization of royalty interests	(35,876)	(37,766)	
Distributable income	28,950,799	28,864,083	
Distributions	(28,801,499)	(27,460,343)	
Trust corpus, end of period	\$ 5,867,737	<u>\$ 6,542,246</u>	
Distributions per unit (14,579,345 units)	\$ 1.98	<u>\$ 1.88</u>	

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended June 30,				Six Months Ended June 30,		
	_	2012	2011	_	2012	2011	
Royalty Income	\$	15,108,143	\$ 16,370,674	\$	30,319,145	\$ 30,048,301	
Interest income		2,024	1,361		3,744	2,250	
Total	\$	15,110,167	\$ 16,372,035	\$	30,322,889	\$ 30,050,551	
General and administrative expenses		(810,583)	(681,888)		(1,372,090)	(1,186,468)	
Distributable income	\$	14,299,584	\$ 15,690,147	\$	28,950,799	\$ 28,864,083	
Distributable income per unit (14,579,345 units)	\$.98	\$ 1.08	\$	1.99	\$ 1.98	