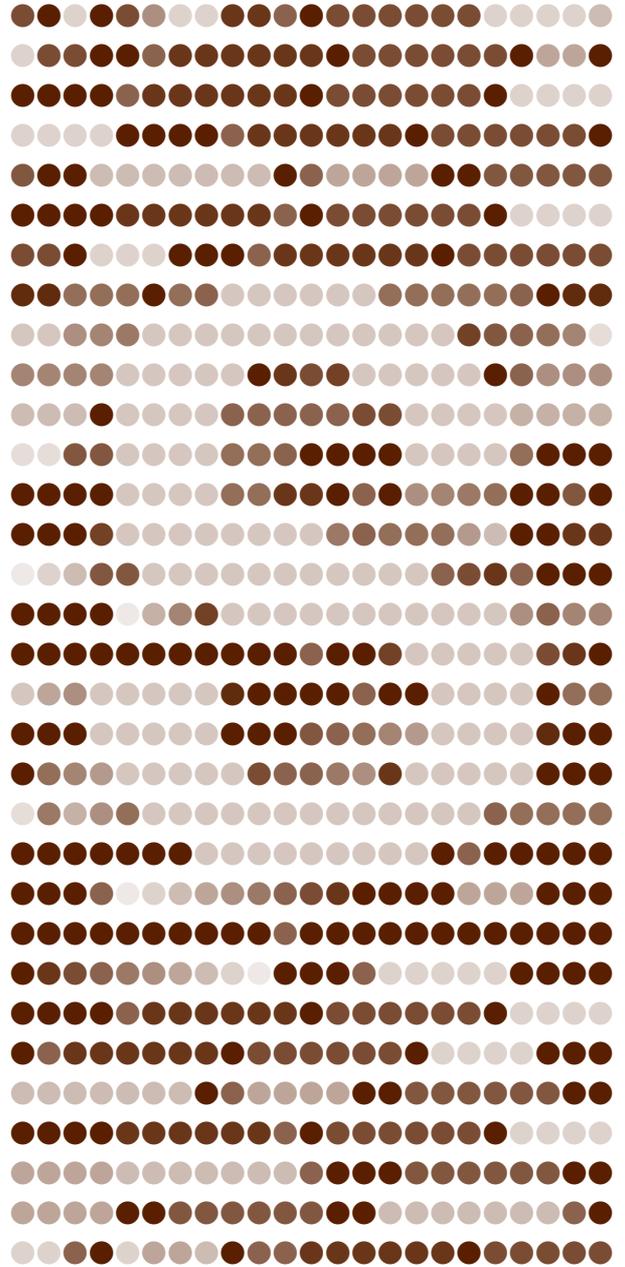


SABINE ROYALTY TRUST



2nd

Quarter Report

2013

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, 2013 was \$13,137,080, or \$0.90 per unit. Royalty income for the three months ended June 30, 2013 amounted to \$13,857,161 while interest income was \$1,775. General and administrative expenses totaled \$721,856 for the three months ended June 30, 2013.

Distributions during the period were \$.44058, \$.35200, and \$.24428 per Unit payable to Unit holders of record on April 15, May 15, and June 17, 2013, respectively.

Royalty income for the quarter ended June 30, 2013 decreased approximately \$1,251,000 or 8% compared with the second quarter of 2012. This decrease was primarily caused by decreases in the production of both natural gas and oil (\$1.8 million) along with a decrease in the price of oil (\$1.1 million). These decreases were offset somewhat by an increase in the price of natural gas (\$1.6 million). Compared to the preceding quarter ended March 31, 2013, royalty income decreased approximately \$1,645,000 or 11%, due mainly to a decrease in the production of both oil and natural gas (\$2.8 million). These decreases were tempered somewhat by an increase in the price of both oil and natural gas (\$0.7 million) and decreases in taxes and operating expenses (\$0.5 million).

Royalty income for the six months ended June 30, 2013 decreased \$960,000 or 3% compared with the same time period in 2012. This decrease was due mainly to a decrease in the price of oil (\$2.3 million), a decrease in the production of natural gas (\$0.1 million), and an increase in taxes and operating expenses (\$0.2 million). These decreases were offset somewhat by an increase in the price of natural gas (\$1.1 million) along with an increase in the production of oil (\$0.5 million).

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

| | Quarter Ended | | |
|---------------|------------------|---------------|----------------|
| | June 30, 2013 | June 30, 2012 | March 31, 2013 |
| Production | | | |
| Oil (Bbls) | 103,589 | 104,780 | 116,186 |
| Gas (Mcf) | 1,642,953 | 2,133,201 | 2,126,160 |
| Average Price | | | |
| Oil (per Bbl) | \$ 85.89 | \$ 96.53 | \$ 81.30 |
| Gas (per Mcf) | \$ 3.55 | \$ 2.78 | \$ 3.49 |
| | Six Months Ended | | |
| | June 30, 2013 | June 30, 2012 | |
| Production | | | |
| Oil (Bbls) | 219,774 | | 213,669 |
| Gas (Mcf) | 3,769,113 | | 3,786,008 |
| Average Price | | | |
| Oil (per Bbl) | \$ 83.46 | | \$ 94.55 |
| Gas (per Mcf) | \$ 3.51 | | \$ 3.21 |

Gas revenues received for the three months ended June 30, 2013, related primarily to production for January 2013 through March 2013. The average price of gas reported by the Henry Hub for the same time period was \$3.12 per Mcf. The average price of gas for the Henry Hub was \$3.75 per Mcf for January 2013 through June 2013. Oil revenues for the three months ended June 30, 2013 related primarily to production for February 2013 through April 2013. The average price of oil as reported by NYMEX for that time period was \$93.50 per barrel. The average price of oil was \$94.26 per barrel for January 2013 through June 2013. As of July 19, 2013, the average price of gas for the Henry Hub was \$3.41 per Mcf and the average price of oil reported by NYMEX was \$108.05 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, 2013 decreased approximately \$200 compared with the second quarter of 2012. Compared to the preceding quarter ended March 31, 2013, interest income increased approximately \$400. Interest income for the six months ended June 30, 2013 decreased approximately \$600 compared to the same time period in 2012. 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, 2013 decreased by approximately \$88,700 compared to the same quarter of 2012 primarily due to decreases in fees for legal and other professional services of approximately \$62,500, engi-

neering fees of approximately \$25,400 and trustee/escrow agent fees of approximately \$19,300. These decreases were offset somewhat by an increase in fees for unit holder information services of approximately \$22,600. Compared to the previous quarter ended March 31, 2013, general and administrative expenses increased \$226,200 due mainly to changes in the timing of payment for annual expenses such as engineering fees of approximately \$155,100, and the timing of payment of fees for printing and unit holder information services pertaining to year-end reporting of approximately \$128,700. These increases were offset somewhat by a decrease due to the timing of payment of the New York Stock Exchange listing fee in the first quarter of \$42,000 and decreases in legal and other professional fees of approximately \$18,100 along with a decrease in the trustee/escrow agent fees of approximately \$6,400.

Administrative expenses decreased \$154,500 for

the six months ended June 30, 2013 compared to the same time period in 2012 due primarily to decreases in legal and other professional fees of approximately \$80,000; trustee/escrow agent fees of approximately \$33,100; engineering services fees of approximately \$25,400 and a delay in the timing of payment of audit fees of approximately \$14,000.

SABINE ROYALTY TRUST
By Bank of America, N. A., Trustee



By Ron E. Hooper
Senior Vice President

August 14, 2013

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 2013 have been as follows (stated in dollars per Unit):

| Month of Payment | Amount | Month of Payment | Amount |
|-------------------------|---------------|-------------------------|---------------|
| January | \$.25115 | May | \$.35200 |
| February | \$.33442 | June | \$.24428 |
| March | \$.25441 | July | \$.30479 |
| April | \$.44058 | August | \$.44969 |

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 2013 in March 2014. Monthly schedules of income tax information for January through June 2013 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, 2013 | December 31, 2012 |
|---|---------------------------|----------------------|
| Assets | | |
| Cash and short-term investments | \$4,808,941 | \$ 4,801,131 |
| Royalty interests in oil and gas properties (less accumulated amortization of \$21,966,350 and \$21,940,901 at June 30, 2013 and December 31, 2012) | 428,835 | 454,284 |
| TOTAL | <u>\$5,237,776</u> | <u>\$ 5,255,415</u> |
| Liabilities and Trust Corpus | | |
| Trust expenses payable | \$ 117,361 | \$ 200,902 |
| Other payables | 296,733 | 987,200 |
| | 414,094 | 1,188,102 |
| Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding | 4,823,682 | 4,067,313 |
| TOTAL | <u>\$5,237,776</u> | <u>\$ 5,255,415</u> |

Condensed Statements of Changes in Trust Corpus (Unaudited)

| | Three Months Ended June 30, | |
|---|--------------------------------|---------------------|
| | 2013 | 2012 |
| Trust corpus, beginning of period | \$ 4,067,313 | \$ 5,754,313 |
| Amortization of royalty interests | (25,449) | (35,876) |
| Distributable income | 28,144,917 | 28,950,799 |
| Distributions | (27,363,099) | (28,801,499) |
| Trust corpus, end of period..... | <u>\$ 4,823,682</u> | <u>\$ 5,867,737</u> |
| Distributions per unit (14,579,345 units) | <u>\$ 1.88</u> | <u>\$ 1.98</u> |

Condensed Statements of Distributable Income (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------------------|------------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Royalty Income | \$ 13,857,161 | \$ 15,108,143 | \$29,359,283 | \$ 30,319,145 |
| Interest income | 1,775 | 2,024 | 3,184 | 3,744 |
| Total | <u>\$13,858,936</u> | <u>\$ 15,110,167</u> | <u>\$29,362,467</u> | <u>\$30,322,889</u> |
| General and administrative expenses..... | (721,856) | (810,583) | (1,217,550) | (1,372,090) |
| Distributable income | <u>\$13,137,080</u> | <u>\$ 14,299,584</u> | <u>\$ 28,144,917</u> | <u>\$28,950,799</u> |
| Distributable income per unit (14,579,345 units) | <u>\$.90</u> | <u>\$.98</u> | <u>\$ 1.93</u> | <u>\$ 1.99</u> |