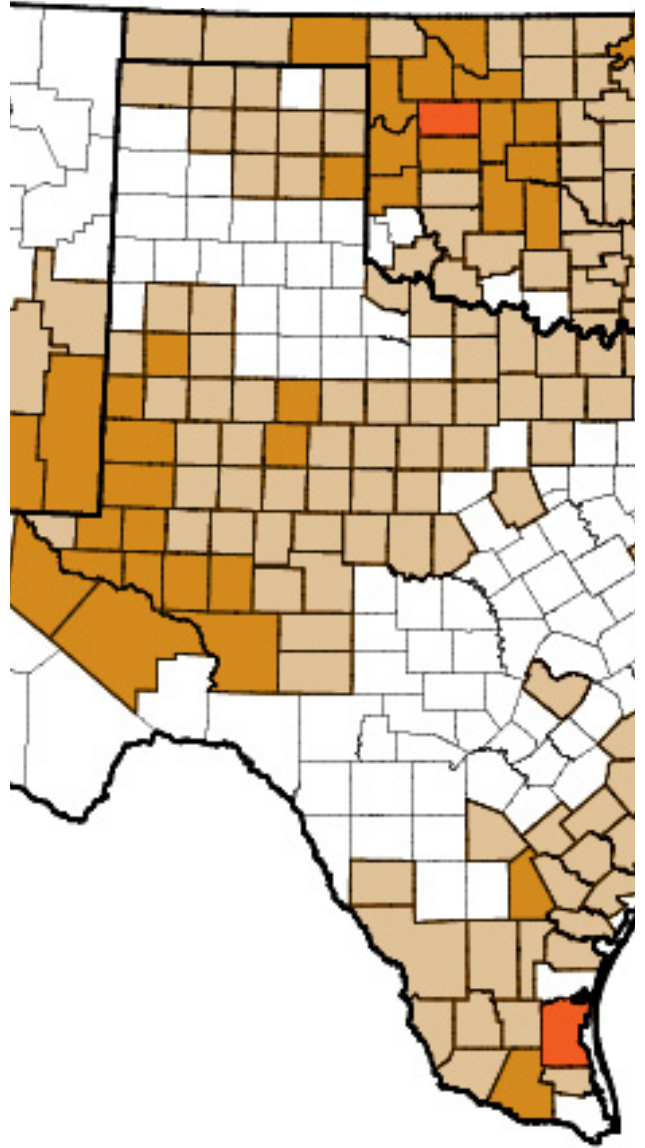


# SABINE ROYALTY TRUST



**3<sup>rd</sup>**  
Quarter Report  
**2015**

## 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, 2015 was \$12,972,942, or \$0.89 per Unit. Royalty income for the three months ended September 30, 2015 amounted to \$13,550,040 while interest income was \$211. General and administrative expenses totaled \$577,309 for the three months ended September 30, 2015.

Distributions during the period were \$.18255, \$.33120, and \$.35285 per Unit payable to Unit holders of record on July 15, August 17, and September 15, 2015, respectively.

Royalty income for the quarter ended September 30, 2015 decreased approximately \$4,878,000 or 26% compared with the third quarter of 2014. This decrease was primarily caused by decreases in the pricing of both natural gas and oil (\$7.6 million) along with a decrease in miscellaneous receivables (\$0.2 million). These decreases were offset somewhat by an increase in the production of both natural gas and oil (\$1.8 million) along with a decrease in taxes and operating expenses corresponding with receipt of state withholding tax refunds from Oklahoma and New Mexico (\$1.0 million) as well as a decrease in production taxes (\$0.4 million) corresponding with the decrease in revenues.

Compared to the preceding quarter ended June 30, 2015, royalty income increased approximately \$3,256,000 or 32%, due mainly to an increase in the production of both natural gas and oil (\$2.3 million) along with an increase in the pricing of oil (\$0.7 million) and a refund of state withholding taxes from Oklahoma and New Mexico (\$1.0 million). These increases were offset somewhat by a decrease in the price of natural gas (\$0.6 million) and an increase in other operating expenses and taxes (\$0.2 million).

Royalty income for the nine months ended September 30, 2015 decreased \$9,786,000 or 20% compared with the same time period in 2014. This decrease was due mainly to a decrease in the pricing of both natural gas and oil (\$15.8 million) and a decrease in miscellaneous receivables (\$0.3 million). These decreases were tempered

somewhat by an increase in the production of both natural gas and oil (\$5.2 million), along with a refund of state withholding taxes from Oklahoma and New Mexico (\$1.0 million).

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

	Quarter Ended		
	September 30, 2015	September 30, 2014	June 30, 2015
<b>Production</b>			
Oil (Bbls)	132,451	118,410	119,011
Gas (Mcf)	2,261,580	1,920,881	1,740,871
<b>Average Price</b>			
Oil (per Bbl)	\$ 55.44	\$ 96.02	\$ 48.85
Gas (per Mcf)	\$ 2.93	\$ 4.40	\$ 3.26
	Nine Months Ended		
	September 30, 2015	September 30, 2014	
<b>Production</b>			
Oil (Bbls)	387,053		361,455
Gas (Mcf)	5,737,147		4,672,081
<b>Average Price</b>			
Oil (per Bbl)	\$ 57.86		\$ 88.55
Gas (per Mcf)	\$ 3.43		\$ 4.43

Gas revenues received for the three months ended September 30, 2015, related primarily to production for April through June 2015. The average price of gas as reported by the Henry Hub for the same time period was \$2.47 per Mcf. The average price of gas for the Henry Hub was \$2.52 per Mcf for January through September 2015. Oil revenues for the three months ended September 30, 2015 related primarily to production for May through July 2015. The average price of oil as reported by NYMEX for that time period was \$56.58 per barrel. The average price of oil was \$50.94 per barrel for January through September 2015. As of October 19, 2015, the average price of gas for the Henry Hub was \$2.19 per Mcf and the average price of oil reported by NYMEX was \$45.91 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, 2015 was relatively flat compared with the third quarter of 2014. Compared to the preceding quarter ended June 30, 2015, interest income was relatively flat. Interest income for the nine months ended September 30, 2015 decreased approximately \$2,200 compared to the same time period in 2014. 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, 2015 increased by approximately \$108,200 compared to the same quarter of 2014 primarily due to the timing of payment of revenue processing services of approximately \$84,200 and an increase in escrow agent/trustee fees of approximately \$57,500. These increases were offset somewhat by decreases in professional

and miscellaneous expenses of approximately \$29,200 and decreases in Unit holder and printing fees of approximately \$4,300.

Compared to the previous quarter ended June 30, 2015, general and administrative expenses decreased approximately \$233,100 due mainly to the timing of payment of annual printing and Unit holder service fees of approximately \$133,700; the timing of payment of engineering services of approximately \$128,700; and the timing of payment of auditing services of approximately \$66,000. These decreases were offset somewhat by the timing of the payment of revenue processing services of approximately \$84,200; and an increase in escrow agent/trustee fees of approximately \$5,300.

Administrative expenses increased approximately \$42,600 for the nine months ended September 30, 2015 compared to the same time period in 2014 due primarily to increases in escrow agent/trustee fees of approximately \$182,500; lockbox service fees of approximately \$16,700; auditing services of approximately \$16,100

and an increase in the NYSE listing fee of \$3,000. These increases were tempered somewhat by decreases in professional and miscellaneous fees of approximately \$108,100; decreases in Unit holder and printing fees of approximately \$41,500 as well as a decrease in revenue processing fees of approximately \$26,700.

**Sabine Royalty Trust**  
**By Southwest Bank, Trustee**



**By Ron E. Hooper**  
**SVP, Royalty Trust Management**

November 20, 2015

## Information About the Trust

**S**abine 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 2015 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$ .28281	July	\$ .18255
February	\$ .27708	August	\$ .33120
March	\$ .44414	September	\$ .35285
April	\$ .27658	October	\$ .19259
May	\$ .22925	November	\$ .27481
June	\$ .21873		

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 2015 in March 2016. Monthly schedules of income tax information for January through September 2015 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 962020, Fort Worth, Texas 76162-2020, 1 (855) 588-7839. Our website is [www.sbr-sabine.com](http://www.sbr-sabine.com).

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

	September 30, 2015	December 31, 2014
<b>Assets</b>		
Cash and short-term investments	\$ 5,350,897	\$ 6,488,132
Royalty interests in oil and gas properties (less accumulated amortization of \$22,076,046 and \$22,037,912 at September 30, 2015 and December 31, 2014).....	<u>319,139</u>	<u>357,273</u>
<b>TOTAL</b> .....	<u><b>\$ 5,670,036</b></u>	<u><b>\$ 6,845,405</b></u>
<b>Liabilities and Trust Corpus</b>		
Trust expenses payable.....	\$ 234,947	\$ 170,843
Other payables.....	<u>1,752,843</u>	<u>2,139,270</u>
	<b>1,987,790</b>	<b>2,310,113</b>
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding.....	<u>3,682,246</u>	<u>4,535,292</u>
<b>TOTAL</b> .....	<u><b>\$ 5,670,036</b></u>	<u><b>\$ 6,845,405</b></u>

## Condensed Statements of Changes in Trust Corpus (Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Trust corpus, beginning of period.....	\$ 4,535,292	\$ 5,634,513
Amortization of royalty interests.....	(38,134)	(36,617)
Distributable income.....	37,021,261	46,852,548
Distributions.....	<u>(37,836,173)</u>	<u>(45,174,102)</u>
Trust corpus, end of period.....	<u>\$ 3,682,246</u>	<u>\$ 7,276,342</u>
Distributions per unit (14,579,345 units).....	<u>\$ 2.60</u>	<u>\$ 3.10</u>

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Royalty Income.....	\$ 13,550,040	\$ 18,427,595	\$ 38,955,040	\$ 48,741,513
Interest income.....	211	234	596	2,821
<b>Total</b> .....	<u>\$ 13,550,251</u>	<u>\$ 18,427,829</u>	<u>\$ 38,955,636</u>	<u>\$ 48,744,334</u>
General and administrative expenses.....	(577,309)	(469,096)	(1,934,375)	(1,891,786)
Distributable income.....	<u>\$ 12,972,942</u>	<u>\$ 17,958,733</u>	<u>\$ 37,021,261</u>	<u>\$ 46,852,548</u>
Distributable income per unit (14,579,345 units).....	<u>\$ .89</u>	<u>\$ 1.23</u>	<u>\$ 2.54</u>	<u>\$ 3.21</u>