



Third
Quarter Report

2018

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, 2018 was \$11,321,314 or \$0.78 per Unit. Royalty income for the three months ended September 30, 2018 amounted to \$11,856,756 while interest income was \$35,969. General and administrative expenses totaled \$571,411 for the three months ended September 30, 2018.

Distributions during the period were \$0.281180, \$0.239900 and \$0.262550 per Unit payable to Unit holders of record on July 16, August 15, and September 17, 2018, respectively.

Royalty income for the quarter ended September 30, 2018 increased approximately \$2,759,000 or 30% compared with the third quarter of 2017. This increase was primarily the result of increased production for both oil and natural gas (\$1.3 million); along with an increase in the price of oil (\$2.2 million). These increases were offset somewhat by a decrease in the price of natural gas (\$0.7 million) along with an increase in taxes and operating expenses (\$0.1 million).

Compared to the preceding quarter ended June 30, 2018, royalty income decreased approximately \$1,283,000 or 10%, due mainly to a decrease in the production of oil (\$1.7 million) and a lower price for natural gas (\$0.1 million). These decreases were offset somewhat by an increase in the price of oil (\$0.3 million) and an increase in the production of natural gas (\$0.1 million). Taxes and operating expenses were flat for the third quarter of 2018 as compared to the second quarter of 2018.

Royalty income for the nine months ended September 30, 2018 increased \$7,597,000 or 27% compared with the same time period in 2017. This increase was due mainly to

increased production for oil and natural gas (\$4.5 million) and an increase in the price of oil (\$4.8 million). These increases to revenue were tempered somewhat by higher taxes and operating expenses (\$0.7 million) and lower prices for natural gas (\$1.0 million).

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

	Quarter Ended		
	September 30, 2018	September 30, 2017	June 30, 2018
Production			
Oil (Bbls)	139,040	135,453	166,145
Gas (Mcfs)	1,656,856	1,245,177	1,612,179
Average Price			
Oil (per Bbl)	\$ 61.55	\$ 45.16	\$ 59.56
Gas (per Mcf)	\$ 2.73	\$ 3.29	\$ 2.81
	Nine Months Ended		
	September 30, 2018	September 30, 2017	
Production			
Oil (Bbls)	443,283		400,564
Gas (Mcfs)	4,852,863		4,139,113
Average Price			
Oil (per Bbl)	\$ 58.76		\$ 46.86
Gas (per Mcf)	\$ 2.77		\$ 3.00

Gas revenues received for the three months ended September 30, 2018, related primarily to production for April through June 2018. The average price of gas reported by the Henry Hub for the same time period was \$2.57 per Mcf. The average price of gas for the Henry Hub was \$2.66 per Mcf for January through September 2018. Oil revenues for the three months ended September 30, 2018 related primarily to production for May through July 2018. The average price of oil as reported by NYMEX for that time period was \$69.62 per barrel. The average price of oil was \$66.93 per barrel for January through September 2018. As of October 1, 2018, the average price of gas for the Henry Hub was \$2.82 per Mcf and the average price of oil reported by NYMEX was \$75.37 per barrel. It is difficult to 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, 2018 increased approximately \$24,400 compared with the third quarter of 2017. Compared to the preceding quarter ended June 30, 2018, interest income increased approximately \$5,900. Interest income for the nine months ended September 30, 2018 increased approximately \$59,700 over the same time period in 2017. 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, 2018 decreased by approximately \$17,400 compared to the same quarter of 2017 primarily because of decreases in legal and professional services of approximately \$29,600 and in printing and unit holder information expenses of approximately \$3,200. These decreases were offset somewhat by an increase in the Escrow Agent/Trustee fees of approximately \$15,400.

Compared to the previous quarter ended June 30, 2018, general and administrative expenses decreased approximately \$54,000 primarily because of decreases due to the timing of payment of printing and unit holder information services of approximately \$129,100 and payment of legal and professional fees of approximately \$12,100. These decreases were offset somewhat by the timing of the annual payment of revenue processing services of approximately \$84,200 and an increase in the Escrow Agent/Trustee fees of approximately \$3,300.

Administrative expenses increased approximately \$87,200 for the nine months ended September 30, 2018 compared to the same time period in 2017 primarily due to increases in Escrow Agent/Trustee fees of approximately \$65,500; legal and professional fees of approximately \$4,900; the printing and unit holder information expenses of approximately \$13,200; and transfer agent fees of approximately \$3,500.

Sabine Royalty Trust
By Simmons Bank, Trustee



By Ron E. Hooper
SVP, Royalty Trust Management

November 16, 2018

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 2018 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$.227020	July	\$.281180
February	\$.191220	August	\$.239900
March	\$.210680	September	\$.262550
April	\$.279340	October	\$.274080
May	\$.284380	November	\$.403920
June	\$.294840		

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 2018 in March 2019. Monthly schedules of income tax information for January through September 2018 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, Simmons Bank, 2911 Turtle Creek Blvd. Ste. 850, Dallas, TX 75219, 1 (855) 588-7839. Our website is www.sbr-sabine.com.

Condensed Statements of Assets, Liabilities and Trust Corpus

	September 30, 2018 <i>(Unaudited)</i>	December 31, 2017
Assets		
Cash and short-term investments	\$ 8,984,068	\$ 5,085,661
Royalty interests in oil and gas properties (less accumulated amortization of \$22,174,505 and \$22,150,580 at September 30, 2018 and December 31, 2017)	220,680	244,605
TOTAL	<u>\$ 9,204,748</u>	<u>\$ 5,330,266</u>
Liabilities and Trust Corpus		
Trust expenses payable	\$ 156,589	\$ 165,041
Other payables	3,791,670	570,841
	<u>3,948,259</u>	<u>735,882</u>
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding	5,256,489	4,594,384
TOTAL	<u>\$ 9,204,748</u>	<u>\$ 5,330,266</u>

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

	Nine Months Ended September 30,	
	2018	2017
Trust corpus, beginning of period	\$ 4,594,384	\$ 4,423,299
Amortization of royalty interests	(23,925)	(24,924)
Distributable income	33,797,327	26,228,019
Distributions	(33,111,297)	(27,137,995)
Trust corpus, end of period	<u>\$ 5,256,489</u>	<u>\$ 3,488,399</u>
Distributions per unit (14,579,345 units)	<u>\$ 2.27</u>	<u>\$ 1.86</u>

Condensed Statements of Distributable Income *(Unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Royalty Income	\$ 11,856,756	\$ 9,097,970	\$ 35,746,273	\$ 28,149,450
Interest income	35,969	11,586	86,515	26,809
Total	11,892,725	9,109,556	35,832,788	28,176,259
General and administrative expenses	(571,411)	(588,800)	(2,035,461)	(1,948,240)
Distributable income	<u>\$ 11,321,314</u>	<u>\$ 8,520,756</u>	<u>\$ 33,797,327</u>	<u>\$ 26,228,019</u>
Distributable income per unit (14,579,345 units)	<u>\$.78</u>	<u>\$.58</u>	<u>\$ 2.32</u>	<u>\$ 1.80</u>