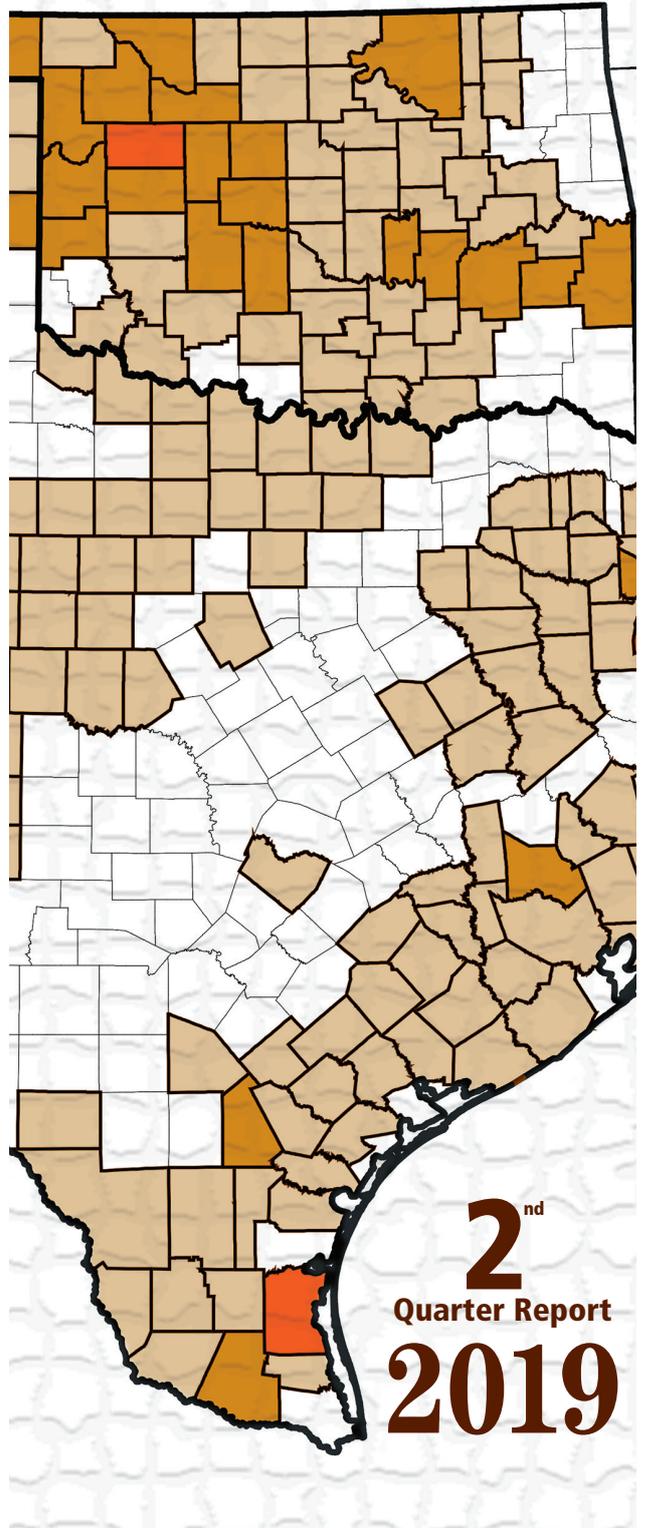


# SABINE ROYALTY TRUST



## 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, 2019 was \$9,941,594, or \$0.68 per unit. Royalty income for the three months ended June 30, 2019 amounted to \$10,451,812 while interest income was \$44,752. General and administrative expenses totaled \$554,970 for the three months ended June 30, 2019.

Distributions during the period were \$0.351660, \$0.146470, and \$0.359050 per Unit payable to Unit holders of record on April 15, May 15, and June 17, 2019, respectively.

Royalty income for the quarter ended June 30, 2019 decreased approximately \$2,687,000 or 20% compared with the second quarter of 2018. This decrease was primarily the result of lower prices for both oil and natural gas (\$1.8 million); along with a decrease in production of both oil and natural gas (\$1.0 million). These decreases in royalty income were offset somewhat by lower taxes and operating expenses (\$0.2 million).

Compared to the preceding quarter ended March 31, 2019, royalty income decreased approximately \$3,241,000 or 24%, due mainly to a decrease in the production of both oil and natural gas (\$2.4 million), a decrease in the price of natural gas (\$1.0 million) and an increase in operating expenses due to a state tax refund from Oklahoma in the first quarter (\$0.6 million). These decreases to gross royalty income were offset somewhat by an increase in the price of oil (\$0.4 million) and a decrease in taxes (\$0.4 million).

Royalty income for the six months ended June 30, 2019 increased \$255,000 or 1% compared with the same time period in 2018. This increase was due mainly to higher natural gas and oil production (\$1.9

million) and a decrease in operating expenses (\$0.8 million). These increases were tempered somewhat by a decrease in the pricing of both natural gas and oil (\$2.3 million) and an increase in taxes (\$0.2 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, 2019	June 30, 2018	March 31, 2019
Production			
Oil (Bbls)	151,652	166,145	179,016
Gas (Mcfs)	1,494,636	1,612,179	1,909,586
Average Price			
Oil (per Bbl)	\$ 51.46	\$ 59.56	\$ 49.07
Gas (per Mcf)	\$ 2.50	\$ 2.81	\$ 3.00
	Six Months Ended		
	June 30, 2019		June 30, 2018
Production			
Oil (Bbls)	330,668		304,244
Gas (Mcfs)	3,404,222		3,197,432
Average Price			
Oil (per Bbl)	\$ 50.17		\$ 57.49
Gas (per Mcf)	\$ 2.78		\$ 2.80

Gas revenues received for the three months ended June 30, 2019, related primarily to production for January through March 2019. The average price of gas reported by the Henry Hub for the same time period was \$2.63 per Mcf. The average price of gas for the Henry Hub was \$2.47 per Mcf for January through June 2019. Oil revenues for the three months ended June 30, 2019 related primarily to production for February through April 2019. The average price of oil as reported by NYMEX for that time period was \$59.12 per barrel. The average price of oil was \$57.39 per barrel for January through June 2019. As of July 15, 2019, the average price of gas for the Henry Hub was \$2.28 per Mcf and the average price of oil reported by NYMEX was \$59.30 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 June 30, 2019 increased \$14,700 compared with the second quarter of 2018. Compared to the preceding quarter ended March 31, 2019, interest income decreased \$4,500. Interest income for the six months ended June 30, 2019 increased approximately \$43,400 over the same time period in 2018. 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, 2019 decreased by approximately \$70,500 compared to the same quarter of 2018 primarily due a decrease in printing and unit holder services of approximately \$97,800. This decrease was offset somewhat by increases in legal and professional services of approximately \$23,700 and Escrow Agent/Trustee fees of approximately \$3,900. Compared to the previous quarter ended March 31, 2019, general and administrative expenses decreased approximately \$338,400 primarily due to decreases in the timing of payment of legal and professional services of approximately \$259,000; the timing of payment of the New York Stock Exchange listing fee of \$68,000; and the timing of the payment of printing and unit holder services of approximately \$16,600.

Administrative expenses decreased approxi-

mately \$15,700 for the six months ended June 30, 2019 compared to the same time period in 2018 due primarily to a decrease in printing and unit holder services of approximately \$83,700. This decrease was tempered somewhat by increases in legal and professional services of approximately \$59,900 and in Escrow Agent/Trustee fees of approximately \$9,200.

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



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

August 23, 2019

## 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 2019 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$ .302650	June	\$ .359050
February	\$ .251090	July	\$ .176360
March	\$ .278540	August	\$ .228930
April	\$ .351660		
May	\$ .146470		

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 2019 in March 2020. Monthly schedules of income tax information for January through June 2019 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](http://www.sbr-sabine.com).

## Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2019 <i>(Unaudited)</i>	December 31, 2018
<b>Assets</b>		
Cash and short-term investments	\$ 7,153,837	\$ 9,250,494
Royalty interests in oil and gas properties (less accumulated amortization of \$22,195,923 and \$22,181,297 at June 30, 2019 and December 31, 2018) .....	199,262	213,888
<b>TOTAL</b> .....	<b>\$ 7,353,099</b>	<b>\$ 9,464,382</b>
<b>Liabilities and Trust Corpus</b>		
Trust expenses payable.....	\$ 179,966	\$ 165,216
Other payables.....	3,362,717	3,632,901
	<b>3,542,683</b>	<b>3,798,117</b>
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding .....	3,810,416	5,666,265
<b>TOTAL</b> .....	<b>\$ 7,353,099</b>	<b>\$ 9,464,382</b>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Trust corpus, beginning of period.....	\$ 6,372,474	\$ 5,349,539	\$ 5,666,265	\$ 4,594,384
Amortization of royalty interests.....	(6,527)	(8,307)	(14,626)	(15,993)
Distributable income .....	9,941,594	12,543,931	22,790,000	22,476,013
Distributions .....	(12,497,125)	(12,517,243)	(24,631,223)	(21,686,484)
Trust corpus, end of period .....	\$ 3,810,416	\$ 5,367,920	\$ 3,810,416	\$ 5,367,920
Distributions per unit (14,579,345 units) .....	\$ .86	\$ .86	\$ 1.69	\$ 1.49

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Royalty Income .....	\$ 10,451,812	\$ 13,139,278	\$ 24,144,340	\$ 23,889,517
Interest income .....	44,752	30,096	93,989	50,546
Total .....	10,496,564	13,169,374	24,238,329	23,940,063
General and administrative expenses.....	(554,970)	(625,443)	(1,448,329)	(1,464,050)
Distributable income .....	\$ 9,941,594	\$ 12,543,931	\$ 22,790,000	\$ 22,476,013
Distributable income per unit (14,579,345 units) .	\$ .68	\$ .86	\$ 1.56	\$ 1.54