



1<sup>st</sup>

Quarter Report

2016

## 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 March 31, 2016 was \$6,168,662, or \$0.42 per Unit. Royalty income for the three months ended March 31, 2016 amounted to \$6,968,845 while interest income was \$836. General and administrative expenses totaled \$801,119 for the three months ended March 31, 2016.

Distributions during the period were \$.27597, \$.13361, and \$.13771 per Unit payable to Unit holders of record on January 15, February 16, and March 15, 2016, respectively.

Royalty income for the quarter ended March 31, 2016 decreased approximately \$8,142,000 or 54% compared with the first quarter of 2015. This decrease was primarily caused by decreases in the pricing of both natural gas and oil (\$8.1 million) along with decreases in production of both oil and natural gas (\$0.8 million). These decreases in revenue were offset somewhat by a decrease in taxes and operating expenses (\$0.7 million) corresponding with the decrease in revenues.

Compared to the preceding quarter ended December 31, 2015, royalty income decreased approximately \$2,462,000 or 26%, due mainly to a decrease in the production of both natural gas and oil (\$2.4 million) along with a decrease in the pricing of both oil and natural gas (\$2.2 million). These decreases in revenue were offset somewhat by a decrease in operating expenses and taxes paid (\$2.2 million).

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

	Quarter Ended		
	March 31, 2016	March 31, 2015	December 31, 2015
Production			
Oil (Bbls)	124,136	135,592	164,454
Gas (Mcfs)	1,483,656	1,658,070	1,927,508
Average Price			
Oil (per Bbl)	\$ 36.21	\$ 68.14	\$ 44.93
Gas (per Mcf)	\$ 2.18	\$ 4.44	\$ 2.57

Gas revenues received for the three months ended March 31, 2016, related primarily to production for October through December 2015. The average price of gas as reported by the Henry Hub for the same time period was \$1.91 per Mcf. The average price of gas for the Henry Hub was \$1.79 per Mcf for January through March 2016. Oil revenues for the three months ended March 31, 2016 related primarily to production for November 2015 through January 2016. The average price of oil as reported by NYMEX for that time period was \$37.20 per barrel. The average price of oil was \$33.35 per barrel for January through March 2016. As of April 11, 2016, the average price of gas for the Henry Hub was \$1.71 per Mcf and the average price of oil reported by NYMEX was \$40.46 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 March 31, 2016 increased \$600 compared with the first quarter of 2015. Compared to the preceding quarter ended December 31, 2015, interest income increased \$700. 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 March 31, 2016 increased by approximately \$254,400 compared to the same quarter of 2015 primarily due to the timing of payment of engineering services of approximately \$148,200; the timing of payment of auditing fees of \$59,000; the timing of payment of printing expenses of approximately \$33,000; an increase in the escrow agent/trustee fees of approximately \$37,300; and an increase in the New York Stock Exchange listing fee of \$7,500. These increases were offset somewhat

by a decrease in legal and other professional fees of approximately \$29,300.

Compared to the previous quarter ended December 31, 2015, general and administrative expenses increased approximately \$313,400 due mainly to the timing of payment of engineering services of approximately \$148,200; the timing of payment of printing and Unit holder information services of approximately \$75,400; the timing of payment of the New York Stock Exchange listing fee of \$52,500; the timing of payment of auditing services of \$39,000; and an increase in escrow agent/trustee fees of approximately \$16,800. These increases were offset somewhat by a decrease in legal and other professional fees of approximately \$17,800.

For the calendar year 2016 the Bank's Administration Expenses are estimated to be

\$1,064,000 which would result in fees payable to the Bank of approximately \$1,520,000. These fees include both a reimbursement for costs and a margin of profit. The Trust incurs substantial costs and expenses in addition to the Bank's fees which are estimated to be approximately \$1,181,500 for the calendar year 2016.

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



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

May 20, 2016

## 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 2016 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$ .27597	April	\$ .13858
February	\$ .13361	May	\$ .16435
March	\$ .13771		

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 2016 in March 2017. Monthly schedules of income tax information for January through March 2016 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)*

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Cash and short-term investments	<b>\$4,417,265</b>	\$ 5,804,070
Royalty interests in oil and gas properties (less accumulated amortization of \$22,095,534 and \$22,085,808 at March 31, 2016 and December 31, 2015) .....	<b>299,651</b>	309,377
TOTAL .....	<b><u>\$4,716,916</u></b>	<u>\$ 6,113,447</u>
<b>Liabilities and Trust Corpus</b>		
Trust expenses payable.....	<b>\$ 356,238</b>	\$ 180,498
Other payables .....	<b>1,000,586</b>	752,664
	<b>1,356,824</b>	933,162
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding.....	<b>3,360,092</b>	5,180,285
TOTAL .....	<b><u>\$4,716,916</u></b>	<u>\$ 6,113,447</u>

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

	Three Months Ended March 31,	
	2016	2015
Trust corpus, beginning of period.....	<b>\$ 5,180,285</b>	\$ 4,535,292
Amortization of royalty interests .....	<b>(9,726)</b>	(11,807)
Distributable income.....	<b>6,168,662</b>	14,564,386
Distributions .....	<b>(7,979,129)</b>	(14,638,099)
Trust corpus, end of period.....	<b><u>\$ 3,360,092</u></b>	<u>\$ 4,449,772</u>
Distributions per unit (14,579,345 units).....	<b><u>\$ .55</u></b>	<u>\$ 1.00</u>

## Condensed Statements of Distributable Income *(Unaudited)*

	Three Months Ended March 31,	
	2016	2015
Royalty Income.....	<b>\$ 6,968,945</b>	\$15,110,863
Interest income .....	<b>836</b>	227
Total .....	<b>6,969,781</b>	15,111,090
General and administrative expenses .....	<b>(801,119)</b>	(546,704)
Distributable income.....	<b><u>\$ 6,168,662</u></b>	<u>\$14,564,386</u>
Distributable income per unit (14,579,345 units) .....	<b><u>\$ .42</u></b>	<u>\$ 1.00</u>