

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

CROSS TIMBERS ROYALTY TRUST

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of
incorporation or organization)

1-10982

(Commission File Number)

75-6415930

(I.R.S. Employer Identification No.)

c/o The Corporate Trustee:

Argent Trust Company

3838 Oak Lawn Ave, Suite 1720

Dallas, Texas 75219-4518

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code) **(855) 588-7839**

(Former name, former address and former fiscal year, if change since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Units of Beneficial Interest	CRT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

Indicate the number of units of beneficial interest outstanding, as of the latest practicable date:

Outstanding as of May 2, 2024
6,000,000

CROSS TIMBERS ROYALTY TRUST

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024

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CROSS TIMBERS ROYALTY TRUST

GLOSSARY OF TERMS

The following are definitions of significant terms used in this Form 10-Q:

<i>Bbl</i>	Barrel (of oil)
<i>Mcf</i>	Thousand cubic feet (of natural gas)
<i>MMBtu</i>	One million British Thermal Units, a common energy measurement
<i>net proceeds</i>	Gross proceeds received by XTO Energy from sale of production from the underlying properties, less applicable costs, as defined in the net profits interest conveyances.
<i>net profits income</i>	Net proceeds multiplied by the applicable net profits percentage of 75% or 90%, which is paid to the Trust by XTO Energy. "Net profits income" is referred to as "royalty income" for income tax purposes.
<i>net profits interest</i>	<p>An interest in an oil and gas property measured by net profits from the sale of production, rather than a specific portion of production. The following defined net profits interests were conveyed to the Trust from the underlying properties:</p> <p><i>90% net profits interests</i>- interests that entitle the Trust to receive 90% of the net proceeds from the underlying properties that are substantially all royalty or overriding royalty interests in Texas, Oklahoma and New Mexico.</p> <p><i>75% net profits interests</i>- interests that entitle the Trust to receive 75% of the net proceeds from the underlying properties that are working interests in Texas and Oklahoma.</p>
<i>royalty interest (and overriding royalty interest)</i>	A non-operating interest in an oil and gas property that provides the owner a specified share of production without any production expense or development costs.
<i>underlying properties</i>	XTO Energy's interest in certain oil and gas properties from which the net profits interests were conveyed. The underlying properties include royalty and overriding royalty interests in producing and nonproducing properties in Texas, Oklahoma and New Mexico, and working interests in producing properties located in Texas and Oklahoma.
<i>working interest</i>	An operating interest in an oil and gas property that provides the owner a specified share of production that is subject to all production expense and development costs.

CROSS TIMBERS ROYALTY TRUST

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The condensed financial statements included herein are presented, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Unless specified otherwise, all amounts included herein are presented in U.S. dollars. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to such rules and regulations, although the Trustee believes that the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Trust's latest Annual Report on Form 10-K. In the opinion of the Trustee, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the assets, liabilities and trust corpus of the Cross Timbers Royalty Trust at March 31, 2024, and the distributable income and changes in trust corpus for the three-month periods ended March 31, 2024 and 2023, have been included. Distributable income for such interim periods is not necessarily indicative of the distributable income for the full year.

CROSS TIMBERS ROYALTY TRUST

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

	March 31, 2024	December 31, 2023
ASSETS		
Cash and short-term investments	\$ 1,111,159	\$ 1,852,320
Interest to be received	5,181	5,062
Net profits interests in oil and gas properties - net (Note 1)	2,620,517	2,671,583
	<u>\$ 3,736,857</u>	<u>\$ 4,528,965</u>
LIABILITIES AND TRUST CORPUS		
Distribution payable to unitholders	\$ 116,340	\$ 857,382
Expense reserve (a)	1,000,000	1,000,000
Trust corpus (6,000,000 units of beneficial interest authorized and outstanding)	2,620,517	2,671,583
	<u>\$ 3,736,857</u>	<u>\$ 4,528,965</u>

(a)Expense reserve allows the Trustee to pay its obligations should it be unable to pay them out of the net profits income. The reserve is currently funded at \$1,000,000.

The accompanying notes to condensed financial statements are an integral part of these statements.

CROSS TIMBERS ROYALTY TRUST

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31	
	2024	2023
Net profits income	\$ 1,837,741	\$ 3,912,704
Interest income	16,973	14,338
Total income	1,854,714	3,927,042
Administration expense	361,500	287,844
Distributable income	<u>\$ 1,493,214</u>	<u>\$ 3,639,198</u>
Distributable income per unit (6,000,000 units)	<u>\$ 0.248869</u>	<u>\$ 0.606533</u>

The accompanying notes to condensed financial statements are an integral part of these statements.

CROSS TIMBERS ROYALTY TRUST

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31	
	2024	2023
Trust corpus, beginning of period	\$ 2,671,583	\$ 2,961,955
Amortization of net profits interests	(51,066)	(129,025)
Distributable income	1,493,214	3,639,198
Distributions declared	(1,493,214)	(3,639,198)
Trust corpus, end of period	<u>\$ 2,620,517</u>	<u>\$ 2,832,930</u>

The accompanying notes to condensed financial statements are an integral part of these statements.

CROSS TIMBERS ROYALTY TRUST

Notes to Condensed Financial Statements (Unaudited)

1. Basis of Accounting

The financial statements of Cross Timbers Royalty Trust (the "Trust") are prepared on the following basis and are not intended to present financial position and results of operations in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"):

- Net profits income recorded for a month is the amount computed and paid by XTO Energy Inc. ("XTO Energy"), the owner of the underlying properties, to Argent Trust Company, as trustee (the "Trustee") for the Trust. XTO Energy is a wholly owned subsidiary of Exxon Mobil Corporation. Net profits income consists of net proceeds received by XTO Energy from the underlying properties in the prior month, multiplied by a net profits percentage of 90% for the 90% net profits interests, and 75% for the 75% net profits interests.
- Costs deducted in the calculation of net proceeds for the 90% net profits interests generally include applicable taxes, transportation, marketing and legal costs. In addition to those costs, the 75% net profits interests include deductions for production expense, development costs, operating charges and other costs.
- Net profits income is computed separately for each of the five conveyances under which the net profits interests were conveyed to the Trust. If monthly costs exceed revenues for any conveyance, such excess costs must be recovered, with accrued interest, from future net proceeds of that conveyance and cannot reduce net proceeds from the other conveyances.
- Interest income and distribution payable to unitholders include interest earned on the previous month's investment.
- Trust expenses are recorded based on liabilities paid and cash reserves established by the Trustee for liabilities and contingencies.
- Distributions to unitholders are recorded when declared by the Trustee.

The Trust's financial statements differ from those prepared in conformity with U.S. GAAP because revenues are recognized when received rather than accrued in the month of production, expenses are recognized when paid rather than when incurred, and certain cash reserves may be established by the Trustee for contingencies which would not be recorded under U.S. GAAP. This comprehensive basis of accounting other than U.S. GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission, as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

Most accounting pronouncements apply to entities whose financial statements are prepared in accordance with U.S. GAAP, directing such entities to accrue or defer revenues and expenses in a period other than when such revenues were received or expenses were paid. Because the Trust's financial statements are prepared on the modified cash basis, as described above, most accounting pronouncements are not applicable to the Trust's financial statements.

Impairment of Net Profits Interests

The Trustee reviews the Trust's net profits interests ("NPI") in oil and gas properties for impairment whenever events or circumstances indicate that the carrying value of the NPI may not be recoverable. In general, the Trustee does not view temporarily low prices as an indication of impairment. The markets for crude oil and natural gas have a history of significant price volatility and though prices will occasionally drop significantly, industry prices over the long term will continue to be driven by market supply and demand. If events and circumstances indicate the carrying value may not be recoverable, the Trustee would use the estimated undiscounted future net cash flows from the NPI to evaluate the recoverability of the Trust assets. If the undiscounted future net cash flows from the NPI are less than the NPI carrying value, the Trust would recognize an impairment loss for the difference between the NPI carrying value and the estimated

fair value of the NPI. The determination as to whether the NPI is impaired requires a significant amount of judgment by the Trustee and is based on the best information available to the Trustee at the time of the evaluation, including commodity pricing and other information provided by XTO Energy such as estimates of future production and development and operating expenses.

During the first quarter of 2024, no trigger event occurred that would indicate a need for an impairment assessment. Accordingly, there was no impairment of the NPI as of March 31, 2024. Any impairment recorded for book purposes would not result in a loss for tax purposes for the unitholders until the loss is recognized.

Net profits interests in oil and gas properties

The initial carrying value of the net profits interests of \$61,100,449 represents XTO Energy's historical net book value for the interests on February 12, 1991, the creation date of the Trust. Amortization of the net profits interests is calculated on a unit-of-production basis using proved reserves and is charged directly to trust corpus. Accumulated amortization was \$58,479,932 as of March 31, 2024, and \$58,428,866 as of December 31, 2023. Amortization of the NPI does not impact unitholder distributions.

2. Income Taxes

For federal income tax purposes, the Trust constitutes a fixed investment trust that is taxed as a grantor trust. A grantor trust is not subject to tax at the trust level. Accordingly, no provision for income taxes has been made in the financial statements. The unitholders are considered to own the Trust's income and principal as though no trust were in existence. The income of the Trust is deemed to have been received or accrued by each unitholder at the time such income is received or accrued by the Trust and not when distributed by the Trust. Impairments recorded for book purposes will not result in a deductible loss by the unitholders for tax purposes until the loss is recognized.

All revenues from the Trust are from sources within Texas, Oklahoma or New Mexico. Because it distributes all of its net income to unitholders, the Trust has not been taxed at the trust level in New Mexico or Oklahoma. While the Trust has not owed tax, the Trustee is required to file an Oklahoma income tax return reflecting the income and deductions of the Trust attributable to properties located in that state, along with a schedule that includes information regarding distributions to unitholders. Oklahoma and New Mexico tax the income of nonresidents from real property located within those states, and the Trust has been advised by counsel that such states will tax nonresidents on income from the net profits interests located in those states. Oklahoma and New Mexico also impose a corporate income tax that may apply to unitholders organized as corporations (subject to certain exceptions for S corporations and limited liability companies, depending on their treatment for federal income tax purposes).

Texas imposes a franchise tax at a rate of 0.75 percent on gross revenues less certain deductions, as specifically set forth in the Texas franchise tax statutes. Entities subject to tax generally include trusts and most other types of entities that provide limited liability protection, unless otherwise exempt. Trusts that receive at least 90 percent of their federal gross income from certain passive sources, including royalties from mineral properties and other non-operated mineral interest income, and do not receive more than 10 percent of their income from operating an active trade or business, generally are exempt from the Texas franchise tax as "passive entities." The Trust has been and expects to continue to be exempt from Texas franchise tax as a passive entity. Because the Trust should be exempt from Texas franchise tax at the trust level as a passive entity, each unitholder that is a taxable entity under the Texas franchise tax will generally be required to include its Texas portion of Trust revenues in its own Texas franchise tax computation. This revenue is sourced to Texas under provisions of the Texas Administrative Code providing that such income is sourced according to the principal place of business of the Trust, which is Texas.

The Trust may be required to bear a portion of the settlement costs arising from the *Chieftain* royalty class action settlement. For information on contingencies, see Note 3 to Condensed Financial Statements. In the event that the Trust is determined to be responsible for such costs, XTO Energy will deduct the costs in its calculation of the net profits income payable to the Trust from the applicable net profits interests. Thus, for unitholders, the portion of the settlement payment to the *Chieftain* royalty owner class for which the Trust is determined to be responsible will be reflected through a reduction in net profits income received from the Trust and thus in a reduction in the gross royalty income reported by and taxable to the unitholders. In the event that the Trustee objects to such claimed reductions, the Trustee may also

incur legal fees in representing the Trust's interests. For unitholders, such costs would be reflected through an increase in the Trust's administrative expenses, which would be deductible by unitholders in determining the net royalty income from the Trust.

Each unitholder should consult their own tax advisor regarding income tax requirements, if any, applicable to such person's ownership of Trust units.

Unitholders should consult the Trust's latest Annual Report on Form 10-K for a more detailed discussion of federal and state tax matters.

3.Contingencies

Litigation

A federal district court approved the settlement of a royalty class action lawsuit against XTO Energy Inc. (*Chieftain Royalty Company v. XTO Energy Inc.*) in March 2018. In July 2018, the class plaintiffs submitted their plan to allocate the settlement funds among members of the class. After that plan of allocation was approved, XTO Energy advised the Trustee that, based upon that plan, approximately \$40,000 should be allocated to the Trust as additional production costs.

The Trustee has objected to similar claims relating to the *Chieftain* settlement with respect to another trust for which it serves as trustee (the Hugoton Royalty Trust) in an arbitration styled *Simmons Bank (successor to Southwest Bank and Bank of America, N.A.) vs. XTO Energy Inc.* through the American Arbitration Association. In that arbitration, the Trustee requested a declaratory judgment that the *Chieftain* settlement is not a production cost and that XTO Energy is prohibited from charging the settlement as a production cost under the conveyance or otherwise reducing the Hugoton Royalty Trust's payments now or in the future as a result of the *Chieftain* litigation. Similar issues have arisen as between XTO Energy and the Trust, but it was agreed those issues would be considered once the Panel issued its decisions with respect to the Hugoton Royalty Trust. On January 20, 2021, the Panel issued its Corrected Interim Final Award (i) "reject[ing] the Trust's contention that XTO has no right under the Conveyance to charge the [Hugoton Royalty] Trust with amounts XTO paid under section 1.18(a)(i) as royalty obligations to settle the *Chieftain* litigation" and (ii) stating "[t]he next phase will determine how much of the *Chieftain* settlement can be so charged, if any of it can be, in the exercise of the right found by the Panel." Following briefing by both parties, on May 18, 2021, the Panel issued its second interim final award over the amount of XTO Energy's settlement in the *Chieftain* class action lawsuit that can be charged to the Hugoton Royalty Trust as a production cost. The allocation of a portion of the *Chieftain* settlement to the Trust will be considered once all issues in the arbitration have been fully resolved. Although the arbitration is not terminated, the final hearing, previously scheduled on November 8, 2023, was cancelled.

Other

Several states have enacted legislation requiring state income tax withholding from payments made to nonresident recipients of oil and gas proceeds. After consultation with its tax counsel, the Trustee believes that it is not required to withhold on payments made to the unitholders. However, regulations are subject to change by the various states, which could change this conclusion. Should amounts be withheld on payments made to the Trust or the unitholders, distributions to the unitholders would be reduced by the required amount, subject to the filing of a claim for refund by the Trust or unitholders for such amount.

4.Excess Costs

If monthly costs exceed revenues for any conveyance, such excess costs must be recovered, with accrued interest, from future net proceeds of that conveyance and cannot reduce net proceeds from other conveyances.

The following summarizes excess costs activity, cumulative excess costs balances and accrued interest to be recovered by conveyance as calculated by XTO Energy:

	TX WI	Underlying OK WI	Total
Cumulative excess costs remaining at 12/31/23	\$ 2,276,069	\$ -	\$ 2,276,069
Net excess costs (recovery) for the quarter ended 3/31/24	216,456	724,327	940,783
Cumulative excess costs remaining at 3/31/24	2,492,525	724,327	3,216,852
Accrued interest at 3/31/24	882,623	113	882,736
Total remaining to be recovered at 3/31/24	<u>\$ 3,375,148</u>	<u>\$ 724,440</u>	<u>\$ 4,099,588</u>

	TX WI	NPI OK WI	Total
Cumulative excess costs remaining at 12/31/23	\$ 1,707,053	\$ -	\$ 1,707,053
Net excess costs (recovery) for the quarter ended 3/31/24	162,341	543,245	705,586
Cumulative excess costs remaining at 3/31/24	1,869,394	543,245	2,412,639
Accrued interest at 3/31/24	661,967	85	662,052
Total remaining to be recovered at 3/31/24	<u>\$ 2,531,361</u>	<u>\$ 543,330</u>	<u>\$ 3,074,691</u>

For the quarter ended March 31, 2024, excess costs were \$216,456 (\$162,341 net to the Trust) on properties underlying the Texas working interest net profits interests.

For the quarter ended March 31, 2024, excess costs were \$724,327 (\$543,245 net to the Trust) on properties underlying the Oklahoma working interest net profits interests.

Underlying cumulative excess costs for the Texas and Oklahoma working interest conveyances remaining as of March 31, 2024, totaled \$4.1 million (\$3.1 million net to the Trust), including accrued interest of \$0.9 million (\$0.7 million net to the Trust).

5.Related Party Transactions

In computing net proceeds for the 75% net profits interests, XTO Energy deducts an overhead charge as reimbursement for costs associated with monitoring these interests. This monthly overhead charge as of March 31, 2024, was \$48,224 (\$36,168 net to the Trust) and is subject to annual adjustment based on an oil and gas industry index.

XTO Energy deducts a monthly overhead charge for reimbursement of administrative expenses as operator of the Hewitt Unit, which is one of the properties underlying the Oklahoma 75% net profits interests. As of March 31, 2024, this monthly charge was approximately \$33,820 (\$25,365 net to the Trust) and is subject to annual adjustment based on an oil and gas industry index. Other than this property, XTO Energy and ExxonMobil do not operate or control any of the properties underlying the 75% net profits interests.

6.Administration Expense

Administrative expenses are incurred so that the Trustee may meet its reporting obligations to the unitholders and regulatory entities and otherwise manage the administrative functions of the Trust. These obligations include, but are not limited to, all expenses, taxes, compensation to the Trustee for managing the Trust, fees to consultants, accountants, attorneys, transfer agents, other professional and expert persons, expenses for clerical and other administrative assistance, and fees and expenses for all other services.

Item 2. Trustee's Discussion and Analysis

The following discussion should be read in conjunction with the Trustee's discussion and analysis contained in the Trust's 2023 Annual Report on Form 10-K, as well as the condensed financial statements and notes thereto included in this Quarterly Report on Form 10-Q. The Trust's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are available on the Trust's website at www.crt-crosstimbers.com.

Distributable Income

For the quarter ended March 31, 2024, net profits income was \$1,837,741 compared to \$3,912,704 for first quarter 2023. This 53 percent decrease in net profits income is primarily the result of decreased gas production (\$2.3 million), lower gas prices (\$0.6 million), increased development costs (\$0.4 million), lower oil prices (\$0.2 million), and decreased oil production (\$0.1 million), partially offset by net excess costs activity (\$0.8 million), decreased taxes, transportation and other costs (\$0.6 million), and decreased production expenses (\$0.1 million). See "Net Profits Income" below.

After considering interest income of \$16,973 and administration expense of \$361,500, distributable income for the quarter ended March 31, 2024, was \$1,493,214, or \$0.248869 per unit of beneficial interest. Administration expense for the quarter increased \$73,656 from the prior year quarter, primarily related to the timing of receipt and payment of Trust expenses and terms of professional services. Changes in interest income are attributable to fluctuations in net profits income, expense reserve, and interest rates. For first quarter 2023, distributable income was \$3,639,198, or \$0.606533 per unit.

Distributions to unitholders for the quarter ended March 31, 2024, were:

Record Date	Payment Date	Distribution per Unit	
January 31, 2024	February 14, 2024	\$	0.115323
February 29, 2024	March 14, 2024		0.114156
March 28, 2024	April 12, 2024		0.019390
		\$	<u>0.248869</u>

Net Profits Income

Net profits income is recorded when received by the Trust, which is the month following receipt by XTO Energy, and generally two months after oil production and three months after gas production. Net profits income is generally affected by three major factors:

- 1.oil and gas sales volumes;
- 2.oil and gas sales prices; and
- 3.costs deducted in the calculation of net profits income.

Because properties underlying the 90% net profits interests are primarily royalty and overriding royalty interests, the calculation of net profits income from these interests includes deductions for production and property taxes, legal costs, and marketing and transportation charges. In addition to these costs, the calculation of net profits income from the 75% net profits interests includes deductions for production expense, development costs and overhead since the related underlying properties are working interests.

The following is a summary of the calculation of net profits income received by the Trust:

	Three Months Ended March 31 (a)		Increase (Decrease)
	2024	2023	
Sales Volumes			
Oil (Bbls) (b)			
Underlying properties	42,662	43,158	(1%)
Average per day	464	469	(1%)
Net profits interests	14,825	13,851	7%
Gas (Mcf) (b)			
Underlying properties	253,799	811,264	(69%)
Average per day	2,759	8,818	(69%)
Net profits interests	208,708	645,042	(68%)
Average Sales Prices			
Oil (per Bbl)	\$ 75.30	\$ 80.49	(6%)
Gas (per Mcf)	\$ 4.57	\$ 5.43	(16%)
Revenues			
Oil sales	\$ 3,212,363	\$ 3,474,032	(8%)
Gas sales	1,159,078	4,403,962	(74%)
Total Revenues	4,371,441	7,877,994	(45%)
Costs			
Taxes, transportation and other	537,506	1,232,816	(56%)
Production expense (c)	1,565,161	1,592,149	(2%)
Development costs	1,113,069	593,964	87%
Excess costs (d)	(940,783)	111,616	(943%)
Total Costs	2,274,953	3,530,545	(36%)
Net Proceeds	\$ 2,096,488	\$ 4,347,449	(52%)
Net Profits Income	\$ 1,837,741	\$ 3,912,704	(53%)

(a)Because of the interval between time of production and receipt of royalty income by the Trust, oil and gas sales for the quarter ended March 31 generally represent oil production for the period November through January and gas production for the period October through December.

(b)Oil and gas sales volumes are allocated to the net profits interests by dividing Trust net cash inflows by average sales prices. As oil and gas prices change, the Trust's allocated production volumes are impacted as the quantity of production necessary to cover expenses changes inversely with price. As such, the underlying property production volume changes may not correlate with the Trust's allocated production volumes in any given period. Therefore, comparative discussion of oil and gas sales volumes is based on the underlying properties.

(c)Production expense includes an overhead charge which is deducted and retained by the operator. XTO Energy deducts an overhead charge as reimbursement for costs associated with monitoring these interests. See Note 5 to Condensed Financial Statements.

(d)See Note 4 to Condensed Financial Statements.

The following are explanations of significant variances on the underlying properties from first quarter 2023 to first quarter 2024:

Sales Volumes

Oil

Oil sales volumes decreased 1 percent from first quarter 2023 to first quarter 2024 primarily due to natural production decline.

Gas

Gas sales volumes decreased 69 percent from first quarter 2023 to first quarter 2024 primarily due to the absence of receipts for the New Mexico royalty interest net profits interests related to March 2018 to December 2020 production and natural production decline.

The estimated rate of natural production decline on the underlying oil and gas properties is approximately six to eight percent a year.

Sales Prices

Oil

The average oil price decreased 6 percent to \$75.30 per Bbl for first quarter 2024.

Gas

The average gas price decreased 16 percent to \$4.57 per Mcf for first quarter 2024.

Costs

Taxes, Transportation and Other

Taxes, transportation and other costs decreased 56 percent for first quarter 2024 primarily because of decreased gas deductions and gas severance taxes on lower revenues.

Production Expense

Production expense decreased 2 percent for first quarter 2024 primarily because of lower processing costs driven by timing of receipts, partially offset by increased repairs and maintenance costs and labor costs.

Development Costs

Development costs related to properties underlying the 75% net profits interests increased 87 percent for first quarter 2024 primarily because of the timing of the receipt of costs for drilling activity that occurred in the second half of 2023 for the Hewitt Unit.

Excess Costs

If monthly costs exceed revenues for any conveyance, such excess costs must be recovered, with accrued interest, from future net proceeds of that conveyance and cannot reduce net proceeds from any other conveyance. Underlying cumulative excess costs for the Texas and Oklahoma working interest conveyances remaining as of March 31, 2024, totaled \$4.1 million (\$3.1 million net to the Trust), including accrued interest of \$0.9 million (\$0.7 million net to the Trust). For further information on excess costs, see Note 4 to Condensed Financial Statements.

Contingencies

For information on contingencies, see Note 3 to Condensed Financial Statements.

Forward-Looking Statements

Certain information included in this Quarterly Report and other materials filed, or to be filed, by the Trust with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by XTO Energy or the Trustee) contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, relating to the Trust, operations of the underlying properties and the oil and gas industry. Such forward-looking statements are based on XTO Energy's and the Trustee's current plans, expectations, assumptions, projections and estimates and are identified by words such as "may," "expects," "intends," "plans," "believes," "estimates," "should," "could," "would," and similar words that convey the uncertainty of future events. Such forward-looking statements may concern, among other things, development activities, future development plans by area, increased density drilling, reserve-to-production ratios, future production, future net cash flows, maintenance projects, development, production, regulatory and other costs, oil and gas prices and expectations for future demand, the impact of inflation and economic downturns on economic activity, government policy and its impact on oil and gas prices and future demand, the development and competitiveness of alternative energy sources, pricing differentials, proved reserves, production levels, expense reserve budgets, availability of financing, arbitration, litigation, liquidity, financing, political and regulatory matters, such as tax and environmental policy, climate policy, trade barriers, sanctions, competition, war and other political or security disturbances. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, including those detailed in Part I, Item 1A of the Trust's Annual Report on Form 10-K for the year ended December 31, 2023, which is incorporated by this reference as though fully set forth herein. Therefore, actual financial and operational results may differ materially from expectations, estimates or assumptions expressed in, implied in, or forecasted in such forward-looking statements. XTO Energy and the Trustee assume no duty to update these statements as of any future date.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable. Upon qualifying as a smaller reporting company, this information is no longer required.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Trustee carried out an evaluation of the effectiveness of the Trust's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Trustee concluded that the Trust's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934 and are effective in ensuring that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Trustee to allow timely decisions regarding required disclosure. In its evaluation of disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by XTO Energy. There has not been any change in the Trust's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes in the risk factors disclosed under Part I, Item 1A of the Trust's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 5. Other Information

The Trust does not have any directors or officers, and as a result, no such persons adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

- (31) [Rule 13a-14\(a\)/15d-14\(a\) Certification](#)
- (32) [Section 1350 Certification](#)
- (99) [Items 1A, 7 and 7A to the Annual Report on Form 10-K for Cross Timbers Royalty Trust filed with the Securities and Exchange Commission on April 1, 2024 \(incorporated herein by reference\)](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CROSS TIMBERS ROYALTY TRUST
By ARGENT TRUST COMPANY, TRUSTEE

By */s/ NANCY WILLIS*
Nancy Willis
Director of Royalty Trust Services

EXXON MOBIL CORPORATION

Date: May 14, 2024

By */s/ WENDI POWELL*
Wendi Powell
Upstream Controller

(The Trust has no directors or executive officers.)

CERTIFICATIONS

I, Nancy Willis, certify that:

1. I have reviewed this report on Form 10-Q of Cross Timbers Royalty Trust, for which Argent Trust Company acts as Trustee;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, distributable income and changes in trust corpus of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), or for causing such controls and procedures to be established and maintained, for the registrant and I have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

In giving the certifications in paragraphs 4 and 5 above, I have relied to the extent I consider reasonable on information provided to me by XTO Energy Inc.

Date: May 14, 2024

By /s/ NANCY WILLIS
Nancy Willis
Director of Royalty Trust Services
Argent Trust Company

**Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Cross Timbers Royalty Trust (the "Trust") on Form 10-Q for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, not in its individual capacity but solely as the Trustee of the Trust, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to its knowledge:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

Argent Trust Company,
Trustee for Cross Timbers Royalty
Trust

May 14, 2024

By /s/ NANCY WILLIS
Nancy Willis
Director of Royalty Trust Services
