

CROSS TIMBERS ROYALTY TRUST
Form 10-Q/A
November 20, 2002

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

Form 10-Q/A

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

For the quarterly period ended September 30, 2002

OR

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

Commission File Number: 1-10982

Cross Timbers Royalty Trust

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

75-6415930
(I.R.S. Employer
Identification No.)

Bank of America, N.A., P.O. Box 830650, Dallas, Texas
(Address of principal executive offices)

75283-0650
(Zip Code)

(877) 228-5084
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if change since last report)

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

Outstanding as of October 1, 2002

6,000,000

CROSS TIMBERS ROYALTY TRUST

FORM 10-Q/A FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

This amendment on Form 10-Q/A is being filed to revise the Certifications and Item 4 of Part I, to conform with appropriate certifications and disclosures for royalty trusts, as prescribed by the Securities and Exchange Commission.

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CROSS TIMBERS ROYALTY TRUST

GLOSSARY OF TERMS

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

| | |
|---|--|
| <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% and 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> | 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: <i>90% net profits interests</i> interests that entitle the trust to receive 90% of the net proceeds from the underlying properties that are royalty or overriding royalty interests in Texas, Oklahoma and New Mexico <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 |
| <i>royalty interest (and overriding royalty interest)</i> | A nonoperating interest in an oil and gas property that provides the owner a specified share of production without any production 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 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. 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 to present fairly the assets, liabilities and trust corpus of the Cross Timbers Royalty Trust at September 30, 2002, and the distributable income and changes in trust corpus for the three- and nine-month periods ended September 30, 2002 and 2001, have been included. Distributable income for such interim periods is not necessarily indicative of distributable income for the full year.

The financial data for the three- and nine-month periods ended September 30, 2002 included herein have been subjected to a limited review by KPMG LLP, the registrant's independent accountants. The accompanying review report of independent accountants is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933 and the independent accountant's liability under Section 11 does not extend to it. The trust's financial statements for the year ended December 31, 2001 were audited by other independent accountants.

INDEPENDENT ACCOUNTANTS REVIEW REPORT

Bank of America, N.A., as Trustee
for the Cross Timbers Royalty Trust:

We have reviewed the accompanying condensed statement of assets, liabilities and trust corpus of the Cross Timbers Royalty Trust as of September 30, 2002 and the related condensed statements of distributable income and changes in trust corpus for the three- and nine-month periods ended September 30, 2002. These condensed financial statements are the responsibility of the trustee.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying condensed financial statements are prepared on a modified cash basis as described in Note 1 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with the basis of accounting described in Note 1.

The financial statements of Cross Timbers Royalty Trust as of and for the year ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors' report, dated March 19, 2002, on those financial statements was unqualified, and included an explanatory paragraph that described the Trust's basis of accounting discussed in Note 2 to the financial statements. Such financial statements were not audited by us and, accordingly, we do not express an opinion or any form of assurance on the information set forth in the accompanying condensed statements of assets, liabilities and trust corpus as of December 31, 2001. Additionally, the condensed statements of distributable income for the three-month and nine-month periods ended September 30, 2001, and the related condensed statements of changes in trust corpus for the three-month and nine-month periods ended September 30, 2001, were not reviewed or audited by us and, accordingly, we do not express an opinion or any form of assurance on them.

KPMG LLP

Dallas, Texas
October 9, 2002

CROSS TIMBERS ROYALTY TRUST

Condensed Statements of Assets, Liabilities and Trust Corpus

| | September 30, 2002 | December 31, 2001 |
|--|-----------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Cash and short-term investments | \$ 798,382 | \$ 852,349 |
| Interest to be received | 542 | 479 |
| Net profits interests in oil and gas properties net | 27,295,991 | 28,895,086 |
| | \$ 28,094,915 | \$ 29,747,914 |
| LIABILITIES AND TRUST CORPUS | | |
| Distribution payable to unitholders | \$ 798,924 | \$ 852,828 |
| Trust corpus (6,000,000 units of beneficial interest authorized and outstanding) | 27,295,991 | 28,895,086 |
| | \$ 28,094,915 | \$ 29,747,914 |

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 September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|--------------|-----------------------------------|---------------|
| | 2002 | 2001 | 2002 | 2001 |
| Net profits income | \$ 2,526,363 | \$ 3,451,168 | \$ 6,222,032 | \$ 11,779,958 |
| Interest income | 1,468 | 4,479 | 3,328 | 17,751 |
| Total income | 2,527,831 | 3,455,647 | 6,225,360 | 11,797,709 |
| Administration expense | 33,397 | 57,007 | 202,632 | 171,197 |
| Distributable income | \$ 2,494,434 | \$ 3,398,640 | \$ 6,022,728 | \$ 11,626,512 |
| Distributable income per unit (6,000,000 units) | \$ 0.415739 | \$ 0.566440 | \$ 1.003788 | \$ 1.937752 |

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 September 30 | | Nine Months Ended September 30 | |
|---------------------------------------|------------------------------------|---------------|-----------------------------------|---------------|
| | 2002 | 2001 | 2002 | 2001 |
| Trust corpus, beginning of period | \$ 27,946,913 | \$ 29,872,361 | \$ 28,895,086 | \$ 30,755,456 |
| Amortization of net profits interests | (650,922) | (483,763) | (1,599,095) | (1,366,858) |
| Distributable income | 2,494,434 | 3,398,640 | 6,022,728 | 11,626,512 |
| Distributions declared | (2,494,434) | (3,398,640) | (6,022,728) | (11,626,512) |
| Trust corpus, end of period | \$ 27,295,991 | \$ 29,388,598 | \$ 27,295,991 | \$ 29,388,598 |

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 are prepared on the following basis and are not intended to present financial position and results of operations in conformity with generally accepted accounting principles (GAAP):

Net profits income recorded for a month is the amount computed and paid by the interest owner, XTO Energy Inc., to Bank of America, N.A., as trustee for the trust. Net profits income consists of net proceeds received by XTO Energy Inc. from the underlying properties in the prior month, multiplied by net profit percentages 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, and do not include other production and development costs. For the 75% net profits interests, costs deducted in the calculation of net proceeds include production expenses, development costs, applicable taxes, operating charges and other costs.

Net profits income is computed separately for each of 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. See Note 3.

Interest income, interest to be received and distribution payable to unitholders include interest to be earned from the monthly record date (last business day of the month) through the date of the next distribution to unitholders.

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 financial statements of the trust differ from those prepared in conformity with 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 for contingencies which would not be accrued under GAAP.

The initial carrying value of the net profits interests of \$61,100,449 represents XTO Energy's historical net book value on February 12, 1991, the creation date of the trust. Amortization of the net profits interests is calculated on a unit-of-production basis and is charged directly to trust corpus. Accumulated amortization was \$33,804,458 as of September 30, 2002 and \$32,205,363 as of December 31, 2001.

2. Coal Seam Tax Credit

XTO Energy has advised the trustee that the trust receives net profits income from coal seam gas wells. Production from coal seam gas wells drilled after December 31, 1979, and prior to January 1, 1993, qualifies for the federal income tax credit for producing nonconventional fuels under Section 29 of the Internal Revenue Code. This tax credit, which was approximately \$1.08 per MMBtu of gas produced from qualifying wells for 2001, is recalculated annually based on each year's qualified production through the year 2002. Such credit, based on the unitholder's pro rata share of qualifying production, may not reduce the unitholder's regular tax liability (after the foreign tax credit and certain other nonrefundable credits) below his tentative minimum tax. Any part of the Section 29 credit not allowed for the tax year solely because of this limitation may be carried over indefinitely as a credit against the unitholder's regular tax liability, subject to the tentative minimum tax limitation. Unitholders should consult their tax advisors regarding use of this credit and other trust tax compliance matters.

Congress is considering an extension of existing Section 29 tax credits beyond the scheduled December 31, 2002 expiration date, as well as the creation of similar new tax credits. During 2001, the U.S. House passed a bill that would extend existing Section 29 tax credits on certain production, while the U.S. Senate has passed a separate bill proposing new Section 29 tax credits. The potential effect of any final legislation on unitholders is unknown.

Based on 2002 qualifying sales volumes and the factors used in the calculation of the 2001 coal seam tax credit, the credit is estimated to be \$0.027 per unit for the quarter ended September 30, 2002 and \$0.075 per unit for the nine months ended September 30, 2002. The actual coal seam tax credit per unit was \$0.029 for the quarter ended September 30, 2001 and \$0.083 for the nine months ended September 30, 2001. Final 2002 coal seam tax credit data will be provided to unitholders with year-end tax information.

3. Excess Costs

During first quarter 2002, costs exceeded revenues by \$66,867 (\$50,150 net to the trust) for the Texas 75% net profits interests as a result of lower oil prices. Total excess costs and accrued interest of \$67,484 (\$50,613 net to the trust) were fully recovered during the second quarter of 2002. There were no excess costs during the second or third quarters of 2002 or in 2001.

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 2001 annual report, as well as the condensed financial statements and notes thereto included in this quarterly report on Form 10-Q/A.

Distributable Income

Quarter

For the quarter ended September 30, 2002, net profits income was \$2,526,363 compared to \$3,451,168 for third quarter 2001. This 27% decrease in net profits income is the result of lower gas prices. See *Net Profits Income* below.

After considering interest income of \$1,468 and administration expense of \$33,397, distributable income for the quarter ended September 30, 2002 was \$2,494,434, or \$0.415739 per unit of beneficial interest. Administration expense for the quarter decreased 41% from the prior year quarter primarily because of the timing of expenditures. Decreased interest income over these periods was primarily because of the decline in net profits income and interest rates. For third quarter 2001, distributable income was \$3,398,640, or \$0.566440 per unit. Distributions to unitholders for the quarter ended September 30, 2002 were:

| <u>Record Date</u> | <u>Payment Date</u> | <u>Distribution per Unit</u> |
|--------------------|---------------------|----------------------------------|
| July 31, 2002 | August 14, 2002 | \$0.133730 |
| August 30, 2002 | September 16, 2002 | 0.148855 |
| September 30, 2002 | October 15, 2002 | 0.133154 |
| | | <u>\$0.415739</u> |

Nine Months

For the nine months ended September 30, 2002, net profits income was \$6,222,032 compared to \$11,779,958 for the same 2001 period. This 47% decrease in net profits income is the result of lower oil and gas prices. See *Net Profits Income* below.

After considering interest income of \$3,328 and administration expense of \$202,632, distributable income for the nine months ended September 30, 2002 was \$6,022,728, or \$1.003788 per unit of beneficial interest. Administration expense for the first nine months of 2002 increased 18% from the comparable 2001 period primarily because of the timing of expenditures. Interest income decreased over these periods primarily because of the decrease in net profits income and interest rates. For the nine months ended September 30, 2001, distributable income was \$11,626,512, or \$1.937752 per unit.

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:

oil and gas sales volumes,

oil and gas sales prices, and

costs deducted in the calculation of net profits income.

Because properties underlying the 90% net profits interests are royalty and overriding royalty interests, they generally bear no costs other than production and property taxes, related legal costs, and marketing and transportation charges. In addition to these costs, the 75% net profits interests are subject to production and development costs, since the properties underlying the 75% net profits interests are working interests.

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

| | Three Months Ended September 30 (a) | | | Nine Months Ended September 30 (a) | | |
|---|--|---------------------|------------------------|---------------------------------------|----------------------|------------------------|
| | 2002 | 2001 | Increase (Decrease) | 2002 | 2001 | Increase (Decrease) |
| Sales Volumes | | | | | | |
| Oil (Bbls) (b) | | | | | | |
| Underlying properties | 82,098 | 89,767 | (9%) | 247,583 | 251,905 | (2%) |
| Average per day | 892 | 976 | (9%) | 907 | 923 | (2%) |
| Net profits interests | 35,086 | 31,251 | 12% | 90,867 | 96,337 | (6%) |
| Gas (Mcf) (b) | | | | | | |
| Underlying properties | 765,149 | 786,819 | (3%) | 2,252,300 | 2,155,922 | 4% |
| Average per day | 8,408 | 8,646 | (3%) | 8,250 | 7,897 | 4% |
| Net profits interests | 666,965 | 685,440 | (3%) | 1,965,858 | 1,882,935 | 4% |
| Average Sales Prices | | | | | | |
| Oil (per Bbl) | \$ 24.79 | \$ 24.07 | 3% | \$ 20.84 | \$ 25.87 | (19%) |
| Gas (per Mcf) | \$ 3.05 | \$ 4.77 | (36%) | \$ 2.72 | \$ 5.84 | (53%) |
| Revenues | | | | | | |
| Oil sales | \$ 2,034,911 | \$ 2,160,760 | (6%) | \$ 5,159,662 | \$ 6,517,105 | (21%) |
| Gas sales | 2,333,566 | 3,753,686 | (38%) | 6,130,156 | 12,593,542 | (51%) |
| Total Revenues | 4,368,477 | 5,914,446 | (26%) | 11,289,818 | 19,110,647 | (41%) |
| Costs | | | | | | |
| Taxes, transportation and other | 604,112 | 871,073 | (31%) | 1,453,581 | 2,607,233 | (44%) |
| Production expense (c) | 790,719 | 729,289 | 8% | 2,261,824 | 2,176,803 | 4% |
| Development costs | 79,575 | 400,964 | (80%) | 506,563 | 970,661 | (48%) |
| Excess costs | | | | (66,867) | | |
| Recovery of excess costs and accrued interest | | | | 67,484 | | |
| Total Costs | 1,474,406 | 2,001,326 | (26%) | 4,222,585 | 5,754,697 | (27%) |
| Net Proceeds | \$ 2,894,071 | \$ 3,913,120 | (26%) | \$ 7,067,233 | \$ 13,355,950 | (47%) |
| Net Profits Income | \$ 2,526,363 | \$ 3,451,168 | (27%) | \$ 6,222,032 | \$ 11,779,958 | (47%) |

- (a) Because of the interval between time of production and receipt of royalty income by the trust, (1) oil and gas sales for the quarter ended September 30 generally represent oil production for the period May through July and gas production for the period April through June and (2) oil and gas sales for the nine months ended September 30 generally represent oil production for the period November through July and gas production for the period October through June.
- (b) Oil and gas sales volumes are allocated to the net profits interests based upon a formula that considers oil and gas prices and the total amount of production expenses and development costs. Changes in any of these factors may result in disproportionate fluctuations in volumes allocated to the net profits interests. Therefore, comparative discussion of oil and gas sales volumes is based on the underlying properties.
- (c) Includes an overhead fee which is deducted and retained by XTO Energy. This fee is currently \$23,470 per month and is subject to adjustment each May based on an oil and gas industry index.

The following are explanations of significant variances from third quarter 2001 to third quarter 2002 and from the first nine months of 2001 to the comparable period in 2002:

Sales Volumes

Oil

Decreased oil sales volumes for the quarter are primarily because of natural production decline, prior period volume adjustments recorded in 2002 and timing of cash receipts. Decreased oil volumes for the nine-month period are primarily because of natural production decline and timing of cash receipts.

Gas

Decreased gas sales volumes for the quarter are primarily because of natural production decline, partially offset by timing of cash receipts and prior period volume adjustments recorded in 2002. Increased gas volumes for the nine-month period are primarily because of timing of cash receipts and prior period volume adjustments recorded in 2001, partially offset by natural production decline.

Sales Prices

Oil

The average oil price increased 3% to \$24.79 per Bbl for the third quarter and decreased 19% to \$20.84 for the nine-month period. Trust oil prices were significantly higher in the first nine months of 2001 as a result of global demand outpacing supply at the end of 2000 and early in 2001. Lagging demand, resulting from a worldwide economic slowdown, caused oil prices to decline during the remainder of 2001. OPEC members agreed to cut daily production by one million barrels in April 2001 and an additional one million barrels in September 2001 to adjust for weak demand and excess supply. The economic decline was accelerated by the terrorist attacks in the U.S. on September 11, 2001, placing additional downward pressure on oil prices. OPEC cut an additional 1.5 million barrels per day for the first nine months of 2002, and in September 2002, announced it would maintain the production cut through December 2002. Oil prices have been higher in recent months because of rising tension in the Middle East. The average NYMEX oil price for August and September 2002 was \$25.87 per Bbl. At October 15, 2002, the average NYMEX futures price for the following twelve months was \$27.45. Recent trust oil prices have averaged approximately \$2.20 lower than the NYMEX price.

Gas

Gas prices for the third quarter decreased 36% to \$3.05 per Mcf and for the nine-month period decreased 53% to \$2.72 per Mcf. Gas prices were unusually high at the beginning of 2001 as winter demand strained already low gas supplies. Prices subsequently declined and gas storage levels increased in 2001 because of fuel switching due to higher prices, milder weather and a weaker economy, which reduced demand for gas to generate electricity. Although the winter of 2001-2002 was one of the warmest on record with resulting higher than average storage levels, gas prices have increased slightly during 2002. The average NYMEX gas price for July through September 2002 was \$3.20 per MMBtu. Gas prices recently have increased because of the threat of interruption of gas supplies by hurricanes in the Gulf of Mexico. At October 15,

2002, the average NYMEX futures price for the following twelve months was \$4.12 per MMBtu. Gas prices are expected to remain volatile. Recent trust gas prices have been approximately \$0.30 below the NYMEX price. This differential has increased from the second quarter because of lower West Coast demand for San Juan Basin gas.

Costs

Taxes

Taxes, transportation and other decreased 31% for the third quarter and 44% for the nine-month period primarily because of lower production taxes related to decreased revenues and a reduction in property taxes.

Production Expenses

Production expenses increased 8% for the third quarter and 4% for the nine-month period primarily because of timing of maintenance projects on properties underlying the Texas 75% net profits interests.

Development

Development costs decreased for the third quarter and the nine-month period primarily because of reduced tertiary injectant cost on one of the properties underlying the Texas 75% net profits interests and reduced drilling activity on one of the properties underlying the Oklahoma 75% net profits interests.

Excess Costs

During first quarter 2002, costs exceeded revenues by \$66,867 (\$50,150 net to the trust) for the Texas 75% net profits interests as a result of lower oil prices. Total excess costs and accrued interest of \$67,484 (\$50,613 net to the trust) were fully recovered during the second quarter of 2002. There were no excess costs during the second or third quarters of 2002 or in 2001.

Forward-Looking Statements

This report on Form 10-Q/A includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this Form 10-Q/A including, without limitation, statements regarding the net profits interests, underlying properties, development costs, oil and gas prices, and industry and market conditions, are forward-looking statements that are subject to risks and uncertainties which are detailed in Part II, Item 7 of the trust's annual report on Form 10-K for the year ended December 31, 2001, which is incorporated by this reference as though fully set forth herein. Although XTO Energy and the trustee believe that the expectations reflected in such forward-looking statements are reasonable, neither XTO Energy nor the trustee can give any assurance that such expectations will prove to be correct.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in the trust's market risks, as disclosed in the trust's Form 10-K for the year ended December 31, 2001.

Item 4. Controls and Procedures

Within the 90 days prior to the date of this report, the trustee carried out an evaluation of the effectiveness of the design and operation of the trust's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the trustee concluded that the trust's disclosure controls and procedures are effective in timely alerting the trustee to material information relating to the trust required to be included in the trust's periodic filings with the Securities and Exchange Commission. In its evaluation of disclosure controls and procedures, the trustee has relied, to the extent considered reasonable, on information provided by XTO Energy. No significant changes in the trust's internal controls or other factors that could affect these controls have occurred subsequent to the date of such evaluation.

PART II OTHER INFORMATION

Items 1 through 5. Not Applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

| Exhibit Number and Description | |
|---|--|
|---|--|

- | | |
|--------|---|
| (15) | Awareness letter of KPMG LLP |
| (99) | Item 7a. to the Annual Report on Form 10-K for Cross Timbers Royalty Trust filed with the Securities and Exchange Commission on March 28, 2002 (incorporated herein by reference) |
| (99.1) | Trustee Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

(b) Reports on Form 8-K.

On August 14, 2002, the trust filed a report on Form 8-K dated August 14, 2002, to furnish the trustee's certification of the trust's Quarterly Report on Form 10-Q for the period ended June 30, 2002 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 BANK OF AMERICA, N.A., TRUSTEE

By

/s/ NANCY G. WILLIS

Nancy G. Willis
Assistant Vice President

XTO ENERGY INC

Date: November 20, 2002

By

/s/ LOUIS G. BALDWIN

Louis G. Baldwin
Executive Vice President
and Chief Financial Officer

