Williams Coal Seam Gas *Royalty Trust*

2009
2nd Quarter Report

Williams Coal Seam Gas *Royalty Trust*
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To Unitholders:

For the quarter ended June 30, 2009, royalty income received by the Trust amounted to $931,608 as compared to $2,111,884 received for the same quarter in 2008. The decrease in royalty income is primarily due to lower production and lower natural gas prices. Royalty income would have been $165,792 for the quarter ended June 30, 2009, if the Trust had not received an overpayment from WPC of $765,816. Williams has informed the Trust that it waives any right to seek repayment of such amount. Production volumes are affected by changes in sales prices for natural gas produced and costs that are deducted in calculating the NPI Net Proceeds. Production related to the royalty income received by the Trust in the second quarter of 2009 was 473,556 MMBtu as compared to 668,693 MMBtu for the second quarter 2008.

Royalty income for the six months ended June 30, 2009 was $2,325,261 as compared to $4,146,535 for the same period in 2008. Royalty income for the six-month period ended June 30, 2009 would have been $1,559,445 if not for the overpayment by WPC. Production related to the royalty income received by the Trust for the six months ended June 30, 2009 was 1,128,876 MMBtu as compared to 1,533,100 MMBtu for the six months ended June 30, 2008. The decrease in royalty income is attributed to lower prices compared to the previous year.

Interest income for the three-month and six-month periods ended June 30, 2009 was lower due to lower interest rates and less funds available for investment compared to the same periods in 2008. General and administrative expenses for the three-month period ended June 30, 2009 were comparable to the same period in 2008. General and administrative expenses for the six-month period ended June 30, 2009 were higher compared to the same period in 2008 due to higher professional costs.

Distributable income for the quarter ended June 30, 2009 was $665,709 or $.07 per Unit compared to $1,866,118 or $.19 per Unit for the same quarter in 2008. This decrease was the result of lower royalty income as previously described. A distribution of $.065169 per Unit was made on May 30, 2009 to Unitholders of record on May 15, 2009. Distributable income for the six months ended June 30, 2009 was $1,687,693 as compared to $3,605,529 for the same period in 2008. This decrease was the result of lower production volumes and lower prices and, as described above, the 2009 distributions were benefited by the overpayment amount from WPC. If natural gas prices remain at current levels or decrease, royalty income may not exceed Trust expenses in future quarters in which case distributions would cease.

Because the Trust incurs administrative expenses throughout a quarter but receives its royalty income only once in a quarter, the Trustee established in the first quarter of 1993 a cash reserve for the payment of expenses and liabilities of the Trust. The Trustee thereafter has adjusted the amount of such reserve in certain quarters as required for the payment of the Trust's expenses and liabilities, in accordance with the provisions of the Trust Agreement. The Trustee has maintained a cash reserve that will be reduced by Trust expenses in excess of royalty income.

Royalty income to the Trust is attributable to the sale of depleting assets. All of the Underlying Properties burdened by the Royalty Interests consist of producing properties. Accordingly, the proved reserves attributable to WPC's interest in the Underlying Properties are expected to decline substantially during the term of the Trust and a portion of each cash distribution made by the Trust will, therefore, be analogous to a return of capital. Accordingly, cash yields attributable to the Units are expected to decline over the term of the Trust. Cash yields will cease when Trust expenses exceed royalty income, as will be the case for the third quarter of 2009 and would have been the case for the second quarter of 2009 if not for the WPC overpayment. If natural gas prices remain at current levels or decrease, cash yields may cease for the foreseeable future, including, potentially, through termination of the Trust.

Royalty income received by the Trust in a given calendar quarter will generally reflect the sum of (i) net proceeds from the sale of gas produced from the WI Properties during the preceding calendar quarter, plus (ii) cash received by WPC with respect to the Farmout Properties either (a) during the preceding calendar quarter or (b) if received in sufficient time to be paid to the Trust, in the month immediately following such calendar quarter. Accordingly, the royalty income included in distributable income for the quarter ended June 30, 2009, was based on production volumes and natural gas prices for the period January 2009 through March 2009, as shown in the table below. Due to delays associated with the receipt of income related to the Farmout Properties, the Trust's royalty income for the second quarter of 2009 reflects estimated production volumes from the Farmout Properties for the months of December 2008 through February 2009, as shown in the table below. The net production volumes included in the table below are for production attributable to net profits of the Underlying Properties, and not for production attributable to the Trust's Royalty Interests. Prices since March 31, 2008 have dropped significantly and will reduce or eliminate the future distributions of the Trust. In turn, lower prices will affect the future reserves of the Trust.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Production (MMBtu)(1)		
WI Properties	517,461(2)	878,626(3)
Farmout Properties	216,729	235,863
Infill Properties(5)	165,212	-0-
Blanco Hub Spot Price ($/MMBtu)(4)	$ 3.54	$ 7.25
Net Wellhead Price WI Properties ($/MMBtu)(4)	$ 1.80	$ 3.60(6)

(1) Million British Thermal Units.
(2) Includes unfavorable retroactive adjustments of (38,339) MMBtu.

(3) Includes unfavorable retroactive adjustments of (29,020) MMBtu.
(4) Simple average of estimates for the months included in the period presented.
(5) Includes unfavorable retroactive adjustments of (36,055) MMBtu.
(6) Reflects an overpayment by WPC of $765,816 which Williams has waived any right to recoup.

Production from the WI Properties is generally sold by WPC to WPX Gas Resources pursuant to the Gas Purchase Contract that provides certain protections for WPC and Unitholders by providing that WPX Gas Resources will purchase gas from WPC at a minimum purchase price of $1.70 even when the applicable index price (which is equal to 97% of the Blanco Hub Spot Price) falls below $1.70 per MMBtu, provided that WPX Gas Resources is entitled to accrue price credits in the amount of any excess of the minimum price so paid over the applicable index price. When the applicable index price exceeds $1.70 per MMBtu, WPX Gas Resources is entitled to recoup any price credits previously accrued. When the applicable index price is greater than $1.94 per MMBtu, the Gas Purchase Contract protects and benefits WPX Gas Resources by allowing it to purchase gas from WPC at a contract price equal to $1.94 per MMBtu plus only 50% of the difference between the applicable index price and $1.94 per MMBtu. The Gas Purchase Contract also provides that the price paid for gas by WPX Gas Resources is reduced by the amount of gathering, processing and certain other costs paid by WPX Gas Resources. See “Item 2 Properties — The Royalty Interests — Gas Purchase Contract” in the 2008 Annual Report for detailed information about the Gas Purchase Contract and its impact on Trust income.

The initial five-year term of the pricing provision (“Primary Term”) of the Gas Purchase Contract expired on December 31, 1997. Following the expiration of the Primary Term, the pricing provision will continue in effect for one or more consecutive additional one-year terms (each such term a “Contract Year”) unless and until WPX Gas Resources exercises its annual option, exercisable 15 days prior to the end of each Contract Year, to discontinue purchasing gas from WPC under the pricing provision of the Gas Purchase Contract and instead purchase gas at a monthly price equal to the index price of 97% of the Blanco Hub Spot Price. WPX has not yet exercised this option and the pricing mechanism of the Primary Term therefore has been and will continue to remain in effect through at least December 31, 2009.

For the six months ended June 30, 2009, which is based on production volumes and natural gas prices for the six months ended March 31, 2009, the Blanco Hub Spot Price was above $2.00 per MMBtu, and therefore the applicable index price under the Gas Purchase Contract, which is equal to 97% of the Blanco Hub Spot Price, was above $1.94 per MMBtu through such period. In general, under the Gas Purchase Contract, the Trust only receives the benefit of 50% of any amount by which the applicable index price exceeds $1.94 per MMBtu. Consequently, pursuant to the terms of the Gas Purchase Contract, WPX Gas Resources paid WPC an amount for gas purchased equal to $1.94 per MMBtu, less the costs paid by WPX Gas Resources to gather and process such gas and deliver it to specified delivery points plus 50% of the excess of the applicable index price over $1.94 per MMBtu. The Blanco Hub Spot Price remained above $2.00 per MMBtu in July 2009.

Termination and Liquidation of the Trust

Pursuant to the terms of the Trust Agreement, the Trust will terminate no later than December 31, 2012 or upon the first to occur of certain events, including (i) the disposition by the Trust of all royalty interests; (ii) following an affirmative vote in favor of termination of the Trust by the holders of record of more than 50% of the then outstanding Units; (iii) such time as the ratio of cash received by the Trust with respect to the royalty interests (excluding the effect on cash distributions received by the Trust in respect of the royalty interests of excess capital costs) to administrative costs of the Trust is less than 1.2 to 1.0 for three (3) consecutive calendar quarters, and (iv) March 1 of any calendar year if, based on a reserve report as of December 31 of the prior year, it is determined that, as of such date, the net present value (discounted at 10%) of the estimated future net revenues (calculated in accordance with criteria established by the Securities and Exchange Commission) for proved reserves attributable to the royalty interests but using the average monthly Blanco Hub Spot Price for the past calendar year less certain gathering costs is equal to or less than $30 million. As indicated in the notes to the financial statements of the Trust included in the Trust’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission, the 2009 commodity price outlook has resulted in uncertainty regarding the Trust’s ability to avoid a termination event pursuant to the terms of the Trust Agreement.

Williams Coal Seam Gas Royalty Trust

By: Ron E. Hooper
Senior Vice President
U.S. Trust, Bank of America
Private Wealth Management, Trustee

August 31, 2009

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

Assets	June 30, 2009	December 31, 2008
Current Assets––		
Cash and cash equivalents	**$ 86,568**	$ 45,419
Royalty interests in oil and gas properties (less accumulated amortization of $133,644,985 at June 30, 2009 and $132,988,670 at December 31, 2008)	**4,921,679**	5,577,944
TOTAL ASSETS	**$ 5,008,247**	$ 5,623,413
Liabilities and Trust Corpus		
Current Liabilities––		
Trust expenses payable	**$ 120,753**	$ 31,193
Trust corpus––9,700,000 units of beneficial interest authorized and outstanding	**4,887,494**	5,592,220
TOTAL LIABILITIES AND TRUST CORPUS	**$ 5,008,247**	$ 5,623,413

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Royalty income	**$ 931,608**	$ 2,111,791	**$ 2,325,261**	$ 4,146,535
Interest Income	**180**	3,419	**799**	7,895
	931,788	2,115,303	**2,326,060**	4,154,430
General and administrative expenses	**(266,079)**	(249,185)	**(638,367)**	(548,901)
Distributable income	**$ 655,709**	$ 1,866,118	**$ 1,687,693**	$ 3,605,529
Distributable income per unit (9,700,000 units)	**$ .07**	$ .19	**$ .17**	$ .37

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Six Months Ended June 30,	
	2009	2008
Trust corpus, beginning of period	**$ 5,592,220**	$ 6,877,977
Amortization of royalty interests	**(656,315)**	(545,092)
Distributable income	**1,687,693**	3,605,529
Distributions to unitholders	**(1,736,104)**	(3,558,395)
Trust corpus, end of period	**$ 4,887,494**	$ 6,380,019
Distributions per unit (9,700,000 units)	**$ .18**	$ .37