
**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 September 30, 2010
- or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File Number: 1-11608

WILLIAMS COAL SEAM GAS ROYALTY TRUST

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or
organization)

75-6437433
(I.R.S. Employer
Identification No.)

Trust Division
U.S. Trust, Bank of America Private Wealth Management
901 Main Street
17th Floor
Dallas, Texas 75202
(Address of principal executive offices)
(Zip code)

(214) 209-2400
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Number of units of beneficial interest outstanding at November 15, 2010: 9,700,000

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements included herein have been prepared by Bank of America, N.A., as Trustee (the “Trustee”) of Williams Coal Seam Gas Royalty Trust (the “Trust”), 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. It is suggested that these condensed financial statements and notes thereto be read in conjunction with the financial statements and notes thereto included in the Trust’s Annual Report on Form 10-K for the year ended December 31, 2009 (the “2009 Annual Report”). The December 31, 2009 balance sheet is derived from the audited balance sheet of that date. 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 Trust as of September 30, 2010, the distributable income for the three-month and nine-month periods ended September 30, 2010 and 2009, and the changes in trust corpus for the nine-month periods ended September 30, 2010 and 2009, have been included. The distributable income for such interim periods is not necessarily indicative of the distributable income for the full year.

The financial statements as of September 30, 2010, and for the three-month and nine-month periods ended September 30, 2010 and 2009 included herein have been reviewed by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report appearing herein.

Report of Independent Registered Public Accounting Firm

The Trustee
Williams Coal Seam Gas Royalty Trust

We have reviewed the condensed statement of assets, liabilities and trust corpus of the Williams Coal Seam Gas Royalty Trust as of September 30, 2010, and the related condensed statements of distributable income for the three-month and nine-month periods ended September 30, 2010 and 2009, and the condensed statements of changes in trust corpus for the nine-month periods ended September 30, 2010 and 2009. These financial statements are the responsibility of the Trustee's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, 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.

As described in Note 2 to the financial statements, these financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 2.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets, liabilities and trust corpus of the Williams Coal Seam Gas Royalty Trust as of December 31, 2009, and the related statements of distributable income and changes in trust corpus for the year then ended not provided herein, and in our report dated March 31, 2010, we expressed an unqualified opinion on those financial statements and included explanatory paragraphs regarding the Williams Coal Seam Gas Royalty Trust's ability to continue as a going concern and regarding the Trust's change in its reserve estimates and related disclosures as a result of adopting new oil and gas reserve estimation and disclosure requirements. In our opinion, the information set forth in the accompanying condensed statement of assets, liabilities and trust corpus as of December 31, 2009, is fairly stated, in all material respects, in relation to the statement of assets, liabilities and trust corpus from which it has been derived.

/s/ Ernst & Young LLP

Tulsa, Oklahoma
November 17, 2010

WILLIAMS COAL SEAM GAS ROYALTY TRUST**CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (UNAUDITED)**

	September 30, 2010 <u>(Unaudited)</u>	December 31, 2009 <u></u>
ASSETS		
Current Assets — cash and cash equivalents	\$ 148,199	\$ 52,195
Royalty interests in oil and gas properties (less accumulated amortization of \$135,534,569 at September 30, 2010 and \$134,091,719 at December 31, 2009) (Note 2)	<u>3,032,095</u>	<u>4,474,945</u>
TOTAL ASSETS	<u><u>\$ 3,180,294</u></u>	<u><u>\$4,527,140</u></u>
LIABILITIES AND TRUST CORPUS		
Current Liabilities:		
Accounts payable	\$ 29,739	\$ 116,341
Trust corpus — 9,700,000 units of beneficial interest authorized and outstanding (Note 2)	<u>3,150,555</u>	<u>4,410,799</u>
TOTAL LIABILITIES AND TRUST CORPUS	<u><u>\$ 3,180,294</u></u>	<u><u>\$4,527,140</u></u>

The accompanying notes are an integral part of these financial statements. See accountants' review report.

WILLIAMS COAL SEAM GAS ROYALTY TRUST**CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)**

	THREE MONTHS ENDED September 30, 2010	THREE MONTHS ENDED September 30, 2009
Royalty income (Notes 2, 4 and 6)	\$ 1,483,027	\$ 77,767
Interest income	206	42
Total	<u>1,483,233</u>	<u>77,809</u>
General and administrative expenses (Note 4)	(217,014)	(182,005)
Distributable income (expenses in excess of income)	<u>\$ 1,266,219</u>	<u>\$ (104,196)</u>
Distributable income per unit (9,700,000 units) (Note 2)	<u>\$ 0.13</u>	<u>\$ (.01)</u>

The accompanying notes are an integral part of these financial statements. See accountants' review report.

WILLIAMS COAL SEAM GAS ROYALTY TRUST**CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)**

	NINE MONTHS ENDED September 30, 2010	NINE MONTHS ENDED September 30, 2009
Royalty income (Notes 2, 4 and 6)	\$ 2,655,212	\$ 2,403,029
Interest income	323	841
Total	<u>2,655,535</u>	<u>2,403,870</u>
General and administrative expenses (Note 4)	(917,553)	(820,886)
Distributable income	<u>\$ 1,737,982</u>	<u>\$ 1,582,984</u>
Distributable income per unit (9,700,000 units) (Note 2)	<u>\$ 0.18</u>	<u>\$ 0.16</u>

The accompanying notes are an integral part of these financial statements. See accountants' review report.

WILLIAMS COAL SEAM GAS ROYALTY TRUST
CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	NINE MONTHS ENDED September 30, 2010	NINE MONTHS ENDED September 30, 2009
Trust corpus, beginning of period	\$ 4,410,799	\$ 5,592,220
Amortization of royalty interests (Note 2)	(1,442,850)	(736,649)
Distributable income	1,737,982	1,582,984
Distributions to Unitholders (Note 5)	(1,555,376)	(1,736,104)
Trust corpus, end of period	<u>\$ 3,150,555</u>	<u>\$ 4,702,451</u>
Distributions per unit (9,700,000 units) (Note 5)	<u>\$ 0.16</u>	<u>\$ 0.18</u>

The accompanying notes are an integral part of these financial statements. See accountants' review report.

WILLIAMS COAL SEAM GAS ROYALTY TRUST

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. TRUST ORGANIZATION AND PROVISIONS

Williams Coal Seam Gas Royalty Trust (the “Trust”) was formed as a Delaware business trust pursuant to the terms of the Trust Agreement of Williams Coal Seam Gas Royalty Trust (as amended, the “Trust Agreement”) entered into effective as of December 1, 1992, by and among Williams Production Company, a Delaware corporation (“WPC”), as trustor; The Williams Companies, Inc., a Delaware corporation (“Williams”), as sponsor; Bank of America, N.A. (as successor to NationsBank of Texas, N.A.), a national banking association (the “Trustee”); and BNY Mellon Trust of Delaware (as successor to Chemical Bank Delaware), a Delaware banking corporation (the “Delaware Trustee”) (the “Trustee” and the “Delaware Trustee” are sometimes referred to collectively as the “Trustees”). The Trustees are independent financial institutions. In 2007 the Bank of America private wealth management group officially became known as “U.S. Trust, Bank of America Private Wealth Management.” The legal entity that serves as Trustee of the Trust did not change, and references in this report on Form 10-Q to U.S. Trust, Bank of America Private Wealth Management shall describe the legal entity Bank of America, N.A.

The Trust was formed to acquire and hold certain net profits interests (the “Royalty Interests”) in proved natural gas properties located in the San Juan Basin of New Mexico and Colorado (the “Underlying Properties”) owned by WPC. The Trust was initially created effective as of December 1, 1992, with a \$100 contribution by WPC. On January 21, 1993, the Royalty Interests were conveyed to the Trust by WPC pursuant to the Net Profits Conveyance (the “Conveyance”) entered into effective as of October 1, 1992, by and among WPC, Williams, the Trustee and the Delaware Trustee, in consideration for all the 9,700,000 authorized units of beneficial interest in the Trust (“Units”). WPC transferred its Units by dividend to its parent, Williams, which sold an aggregate of 5,980,000 Units to the public through various underwriters in January and February 1993 (the “Public Offering”). Subsequently, Williams sold to the public an additional 151,209 Units. During the second quarter of 1995, Williams transferred its remaining Units to Williams Holdings of Delaware, Inc. (“WHD”), a separate holding company for Williams’ non-regulated businesses. Effective July 31, 1999, WHD was merged into Williams, and by operation of the merger, Williams assumed all assets, liabilities and obligations of WHD, including without limitation, ownership of WHD’s Units. Effective August 11, 2000, Williams sold its Units to Quatro Finale IV LLC, a Delaware limited liability company (“QFIV”), in a privately negotiated transaction. Williams retained the voting rights and retained a “call” option on the transferred Units, and QFIV was granted a “put” option on the Units. Through a series of exercises of its call option, Williams reacquired an aggregate of 3,568,791 Units from December 2001 through June 2003. Williams has informed the Trustee that it has subsequently sold 2,779,500 of these Units through November 1, 2010 and owned a remaining 789,291 Units as of such date.

Effective May 1, 1997, WPC sold the Underlying Properties subject to and burdened by the Royalty Interests to Quatro Finale LLC, an unaffiliated Delaware limited liability company. Ownership of the Underlying Properties reverted back to WPC effective February 1, 2001, pursuant to the terms of the May 1, 1997 transaction. Pursuant to a Purchase and Sale Agreement dated March 14, 2001 (the "2001 Transaction Agreement"), and effective March 1, 2001, WPC sold the Underlying Properties subject to and burdened by the Royalty Interests to Quatro Finale V LLC, an unaffiliated Delaware limited liability company. The sale of the Underlying Properties was expressly permitted under the Trust Agreement. Effective January 1, 2003, ownership of the Underlying Properties once again reverted back to WPC after it exercised its right to repurchase interests in the Underlying Properties from Quatro Finale V LLC pursuant to the 2001 Transaction Agreement. Unless otherwise dictated by context, references herein to WPC with respect to the ownership of the Underlying Properties for any period from May 1, 1997 through February 1, 2001, and for the period from March 1, 2001 through December 31, 2002, shall be deemed to refer to Quatro Finale.

The Trustee has the power to collect and distribute the proceeds received by the Trust and to pay Trust liabilities and expenses. The Delaware Trustee has only such powers as are set forth in the Trust Agreement and is not empowered to otherwise manage or take part in the business of the Trust. The Royalty Interests are passive in nature, and neither the Delaware Trustee nor the Trustee has any control over or any responsibility relating to the operation of the Underlying Properties.

Prior to the sale of the Trust's assets described in Note 2 below, the only assets of the Trust, other than cash and cash equivalents being held for the payment of expenses and liabilities and for distribution to Unitholders, were the Royalty Interests. The Royalty Interests consisted primarily of a net profits interest (the "NPI") in the Underlying Properties. The NPI generally entitled the Trust to receive 60 percent of the NPI Net Proceeds, as defined below, attributable to (i) gas produced and sold from WPC's net revenue interests (working interests less lease burdens) in the properties in which WPC has a working interest (the "WI Properties") and (ii) the revenue stream received by WPC attributable to its 35 percent net profits interest in 5,348 gross acres in La Plata County, Colorado (the "Farmout Properties"). "NPI Net Proceeds" consists generally of the aggregate proceeds attributable to WPC's net revenue interest, based on the sale at the wellhead of gas produced from the WI Properties and the revenue stream received by WPC from its 35 percent net profits interest in the Farmout Properties, less certain taxes and costs.

The Royalty Interests also include a 20 percent interest in WPC's Infill Net Proceeds from the sale of production since well spacing rules have been effectively modified and additional wells are drilled on producing drilling blocks on the WI Properties (the "Infill Wells") during the term of the Trust. "Infill Net Proceeds" consists generally of the aggregate proceeds, after payout, based on the price at the wellhead, of gas produced from WPC's net revenue interest in any Infill Wells less certain taxes and costs.

On October 15, 2002, the New Mexico Oil and Gas Commission (NMOCD) revised the field rules for the Basin Fruitland Coal (Gas) Pool to allow optional second (infill) wells on the standard 320 acre spacing unit in certain designated areas of the pool (the non-fairway wells). On July 17, 2003, the NMOCD further modified the field rules for the Basin Fruitland Coal (Gas) Pool to allow these infill wells on the standard 320 acre spacing unit in all areas of the

pool. The WI Properties contain 442 infill locations designated as proved locations according to U.S. Securities and Exchange Commission (“SEC”) guidelines. As of September 30, 2010, all of these infill locations represent proved developed producing reserves, while there are no economical proved undeveloped locations.

WPC has informed the Trustee that the Infill Wells reached payout in the aggregate during 2008. However, during 2009, WPC informed the Trustee that due to the net deficit realized by the Infill Wells during the third and fourth quarters of 2009, the Infill Net Profit Costs exceeded the Infill Net Profit Gross Proceeds. The Trust was not liable for such excess costs, and such excess costs constituted Excess Infill Net Profits Costs until recovered by WPC from the distribution received by the Trust during the first quarter of 2010. The complete definitions of Infill Net Proceeds, Infill Net Profit Costs, Excess Infill Net Profit Costs, and Infill Net Profit Gross Proceeds are set forth in the Conveyance.

2. BASIS OF ACCOUNTING

The Trust terminated effective March 1, 2010 (the “Termination Date”), pursuant to the terms of the Trust Agreement. Accordingly, there exists substantial doubt about the Trust’s ability to continue as a going concern. Cancellation of the Trust will occur following the Termination Date when the net proceeds from the sale of the Trust’s assets have been distributed to holders of Units in the Trust (“Unitholders”).

The Trust Agreement required termination of the Trust in the event that when a computation is performed as of each December 31, the net present value (discounted at 10 percent) of the estimated future net revenues (calculated in accordance with criteria established by the SEC) 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. The net present value of the estimated future net revenues computed as described above by the independent petroleum engineers as of December 31, 2009 was approximately \$8.4 million. The results of this computation triggered an early termination of the Trust. Because the Trust’s computed net present value fell below the \$30 million stipulated threshold as of December 31, 2009 the Trust terminated effective March 1, 2010. The accompanying financial statements have been prepared on a going concern basis and do not include any adjustments, costs and expenses or other matters that might result from the outcome of this termination. All of these adjustments, costs and expenses resulting from the outcome of this termination are not presently known; however, they could be significant.

Following termination of the Trust, the Trustee will continue to act as Trustee of the Trust until the net proceeds from the sale of the Trust’s assets have been distributed to Unitholders.

The Trust retained Albrecht & Associates, Inc., an investment banking firm (the “Advisor”), on behalf of the Trust who assisted the Trustee in selling the remaining Royalty Interests owned by the Trust (the “Remaining Royalty Interests”). WPC had the right, but not the obligation, to make a cash offer to purchase all the Remaining Royalty Interests following termination of the Trust as described in the following paragraph.

WPC had the right, within 60 days of the Termination Date, to make a cash offer to purchase all of the Remaining Royalty Interests then held by the Trust. An offer was not made by WPC during this 60 day period. Under the terms of the Trust Agreement, the Trustee used Best Efforts (as defined in the Trust Agreement), assisted by the Advisor to obtain offers for the Remaining Royalty Interests. At the end of a 120-day period following the Termination Date, the Trustee notified WPC of the highest offer (net of any commissions or other fees payable by the Trust), acceptable to the Trustee (which must be an all-cash offer), received during such period (the "Highest Acceptable Offer"). WPC then had the exclusive right, but not the obligation, to purchase all Remaining Royalty Interests for a cash purchase price equal to 105 percent of the Highest Acceptable Offer. WPC had originally notified the Trustee that it would not be exercising its right to purchase all Remaining Royalty Interests pursuant to such provision of the Trust Agreement with respect to the Highest Acceptable Offer; however, during contractual negotiations with the bidder providing the Highest Acceptable Offer, the bidder requested certain revisions to its offer. As a result, the Trustee directed the Advisor to request updated bids from previous bidders to confirm which offer continued to be the Highest Acceptable Offer. Following receipt of updated bids and the re-determination of the Highest Acceptable Offer, WPC exercised its right under the Trust Agreement to purchase all Remaining Royalty Interests with respect to the re-determined Highest Acceptable Offer. WPC purchased the Remaining Royalty Interests for a cash purchase price of \$23.1 million which was equal to 105 percent of the re-determined Highest Acceptable Offer. The effective date of the sale of the Remaining Royalty Interests was September 1, 2010 and the sale closed on October 27, 2010. See Note 4.

Because a definitive contract for sale of the Remaining Royalty Interests was not entered into prior to the 150th day following the Termination Date, according to the Trust Agreement, all net proceeds of production attributable to the Remaining Royalty Interests following the Termination Date and before the September 1, 2010 effective date of the sale of the Trust's assets will be distributed to the Unitholders. All proceeds of production following the Termination Date attributable to the Remaining Royalty Interests were deposited into a non-interest bearing account until distributed in accordance with the Trust Agreement.

After receipt of royalty income in May 2010, the Trust withheld in cash and cash equivalents \$300,000 for anticipated general and administrative expenses, including expenses relating to this termination process some of which have been incurred through September 30, 2010. The Trustee intends to withhold an additional \$700,000 from the distribution to be made in November 2010.

The financial statements of the Trust are prepared on a modified cash basis and are not intended to present financial position and results of operations in conformity with United States Generally Accepted Accounting Principles ("GAAP"). The financial statements do not include any adjustments that might result from execution of the plan for termination or liquidation of the Trust's assets, with the exception of the portion of the expenses of the liquidation or termination that have been incurred to date. Preparation of the Trust's financial statements on the modified cash basis on a going concern basis includes the following:

- Revenues are recognized in the period in which amounts are received by the Trust. Routine general and administrative expenses are recognized on an accrual basis.
- Amortization of the Royalty Interests is calculated on a unit-of-production basis and charged directly to trust corpus.
- Distributions to Unitholders are recorded when declared by the Trustee (See Note 5).
- Loss contingencies are recognized in the period in which amounts are paid by the Trust.

The financial statements of the Trust differ from financial statements prepared in accordance with GAAP. For example, royalty income is not accrued in the period of production, amortization of the Royalty Interests is not charged against operating results, and loss contingencies are not charged to operating results until paid. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the SEC, as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

3. FEDERAL AND STATE INCOME TAXES

The Trust is a grantor trust for Federal income tax purposes. As a grantor trust, the Trust is not required to pay Federal income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

Because the Trust is treated as a grantor trust, and because a Unitholder is treated as directly owning an interest in the Royalty Interests, each Unitholder is taxed directly on his per Unit pro rata share of income attributable to the Royalty Interests consistent with the Unitholder's method of accounting and without regard to the taxable year or accounting method employed by the Trust.

Some Trust Units are held by middlemen, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in a street name, referred to herein collectively as "middlemen"). Therefore, the Trustee considers the Trust to be a widely held fixed investment trust ("WHFIT") for U.S. Federal income tax purposes. U.S. Trust, Bank of America Private Wealth Management, EIN 56-0906609, 901 Main Street, 17th Floor, Dallas, Texas 75202, telephone number (214) 209-2400, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. Notwithstanding the foregoing, the middlemen holding Trust Units on behalf of the Unitholders, and not the Trustee of the Trust, are solely responsible for complying with the information reporting requirements under the U.S. Treasury Regulations with respect to such Trust Units, including the issuance of IRS Form 1099 and certain written tax statements. Unitholders whose Trust Units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the Trust Units.

In connection with the termination of the Trust and the resulting cancellation of the Trust pursuant to the provisions of the Trust Agreement, the Trust will not incur any Federal income tax liability at the Trust level as a result of the sale of the Remaining Royalty Interests or payment to Unitholders of the net proceeds from such sale. However, for Federal income tax purposes, the sale of the Remaining Royalty Interests will be taxable to the Unitholders. Each Unitholder will recognize gain or loss on such sale measured by the difference between the Unitholder's share of the amount realized from the sale of the Remaining Royalty Interests and such Unitholder's adjusted basis in his or her Units. The amount realized from the sale of the Remaining Royalty Interests will be allocated to Unitholders in the same manner as the Trustee allocates the income received by the Trust.

Prior to determining the gain or loss resulting from the sale of the Remaining Royalty Interests, each Unitholder should reduce his tax basis (but not below zero) in the Remaining Royalty Interests (and, correspondingly, his Units) by (1) the amount of depletion allowable with respect to the Remaining Royalty Interests through the date of the cancellation, and (2) by the amount of any return of capital, including returns of capital resulting from a reduction to the cash reserve maintained by the Trust during a quarterly period.

Assuming a Unitholder holds his or her Units as a capital asset, gain or loss from the sale of the Remaining Royalty Interests will be treated as a capital gain or loss. If the Units have been held for more than one year, the gain or loss will constitute a long-term capital gain or loss; otherwise, the gain or loss will constitute a short-term capital gain or loss. Notwithstanding the foregoing, a Unitholder must treat as ordinary income his or her depletion recapture amount, which is an amount equal to the lesser of (i) the gain on the sale of the Remaining Royalty Interests or (ii) the sum of the prior depletion deductions taken with respect to the Remaining Royalty Interests (but not in excess of the initial basis of such Units allocated to the Remaining Royalty Interests).

The Trust Agreement provides that any purchaser of the Remaining Royalty Interests, regardless of the date of closing of the purchase, shall generally be entitled to net proceeds of production attributable to the Remaining Royalty Interests after the Termination Date and until a sale of the Remaining Royalty Interests and neither the Trust nor the Unitholders shall be entitled to any such proceeds (the "Purchaser Allocation Proceeds"). However, because a definitive agreement for sale of all the Remaining Royalty Interests was not entered into prior to the 150th day following the Termination Date, the Purchaser Allocation Proceeds, and all amounts thereafter payable to the Trust until the September 1, 2010 effective date of the sale of the Remaining Royalty Interests, will be distributed instead to the Unitholders in accordance with the provisions of the Trust Agreement.

The proceeds from the sale of the Remaining Royalty Interests, less liabilities and expenses of the Trust and amounts used for cash reserves, will be distributed, together with any interest expected to be earned thereon, to Unitholders of record on the record date established for such distribution. See Note 6.

The sale of the Remaining Royalty Interests may be a taxable event to the Unitholders for state tax purposes. Unitholders should consult their own tax advisors regarding the state tax

consequences of the sale of the Remaining Royalty Interests following the termination of the Trust.

Each Unitholder should consult his tax advisor regarding Trust tax compliance matters, including tax consequences resulting from the termination of the Trust on the Termination Date and the sale of the Remaining Royalty Interests.

4. RELATED PARTY TRANSACTIONS

On October 27, 2010, the Trust entered into a Purchase and Sale Agreement with WPC pursuant to which it sold the Royalty Interests of the Trust to WPC for a cash purchase price of \$23,100,000. Pursuant to the Purchase and Sale Agreement, the effective date of the sale of assets was September 1, 2010. The closing of the sale occurred simultaneously with the execution of the agreement.

Williams provides accounting, bookkeeping and informational services to the Trust in accordance with an Administrative Services Agreement effective December 1, 1992. The fee is \$50,000 per quarter, escalating 3 percent each October 1 commencing October 1, 1993. For the three and nine month periods ended September 30, 2010, the administration fee included in general and administrative expenses was \$82,642 and \$247,927, respectively, as compared to \$80,235 and \$240,706 for the comparable period in 2009. Substantially all production from the WI Properties is sold to a Williams' subsidiary. Additionally, all royalty income is received from Williams.

The interests of Williams and its affiliates and the interests of the Trust and the Unitholders with respect to the Underlying Properties could at times be different. As a working interest owner in the WI Properties, WPC could have had interests that conflict with the interests of the Trust and Unitholders. For example, such conflicts could have been due to a number of factors including, but not limited to, future budgetary considerations and the absence of any contractual obligation on the part of WPC to spend for development of the WI Properties, except as noted herein. Such decisions may have had the effect of changing the amount or timing of distributions to Unitholders. WPC's interests may have also conflicted with those of the Trust and Unitholders in the purchase or sale of the Remaining Royalty Interests. Williams' interest could have conflicted with those of the Trust and Unitholders to the extent the interests of WPX Gas Resources (hereinafter defined), under the Gas Purchase Contract, or Williams Field Services Company and WPX Gas Resources, under the Gas Gathering Contract, differed from the interests of the Trust and the Unitholders or a potential purchaser of any Remaining Royalty Interests. Except for amendments to the Gas Gathering Contract or Gas Purchase Contract that must be approved by the vote of a majority of the Unitholders present at a meeting at which a quorum is present if such amendment would materially adversely affect Trust revenues, no mechanism or procedure was included to resolve potential conflicts of interest between the Trust, Williams, WPC or their affiliates.

During 2009 WPC notified the Trust that royalty income for the second quarter 2009 included an overpayment of approximately \$766,000. In connection with assisting with the due diligence process for the potential sale of the Remaining Royalty Interests, WPC notified the Trust of the discovery of certain errors related to the accounting for the Underlying Properties

that had impacted royalty income receipts of the Trust over the course of the last five years. WPC informed the Trust that the net effect of these errors is a cumulative overpayment to the Trust of approximately \$1,067,000. Williams waived any right to seek recoupment of the amounts of these overpayments or reduce any future payments of royalty income to the Trust by the amounts of these overpayments.

5. DISTRIBUTIONS TO UNITHOLDERS

For production through the March 1, 2010 Termination Date, the Trustee determined for each quarter the amount of cash available for distribution to Unitholders. Such amount (the “Quarterly Distribution Amount”) was an amount equal to the excess, if any, of the cash received by the Trust, on or prior to the last day of the month following the end of each calendar quarter from the Royalty Interests, plus, with certain exceptions, any other cash receipts of the Trust during such quarter, over the liabilities of the Trust paid or accrued during such quarter, subject to adjustments for changes made by the Trustee during such quarter in any cash reserves established for the payment of contingent or future obligations of the Trust.

The Trustee distributed the Quarterly Distribution Amount within 60 days after the end of each calendar quarter to each person who was a Unitholder of record on the associated record date (i.e., the 45th day following the end of each calendar quarter or if such day is not a business day, the next business day thereafter), together with interest estimated to be earned on such amount from the date of receipt thereof by the Trustee to the payment date.

Because a definitive contract for the sale of the Remaining Royalty Interests was not entered into prior to the 150th day following the Termination Date, the Trust and the Unitholders, and not WPC, as the buyer of the Remaining Royalty Interests, are generally entitled to net proceeds of production attributable to the Remaining Royalty Interests following the Termination Date and until the September 1, 2010 effective date of the sale of the Remaining Royalty Interests (Note 2).

6. SUBSEQUENT EVENTS

Subsequent to September 30, 2010, the Trust sold the assets of the Trust in connection with the termination of the Trust, resulting in a special liquidating distribution. See Notes 2 and 4.

Subsequent to September 30, 2010, the Trust declared the following distributions:

Type of Distribution	Record Date	Payment Date	Distribution per Unit
Quarterly Distribution	November 15, 2010	November 29, 2010	\$.034323
Special Liquidating Distribution	November 15, 2010	November 29, 2010	\$ 2.381443

The quarterly distribution per unit was \$.034323 attributable to production for the months of July and August, 2010 (payable in the fourth quarter of 2010) as compared to a \$.132276 distribution attributable to the second quarter of 2010 (production for the months of March through June 2010). The decrease in distributions is mainly the result of including only the two months of production preceding September 1, 2010 in the royalty income received during the fourth quarter of 2010 as discussed in Note 2. The Trustee intends to withhold an additional \$700,000 from the distribution to be made in November 2010.

The special liquidating distribution represents the proceeds from the sale of the Remaining Royalty Interests to WPC for a cash purchase price of \$23,100,000, to Unitholders of record on November 15, 2010, the record date established for such distribution. The record date was also the date the Trust's Unit transfer books were closed and the New York Stock Exchange suspended trading of the Units at the close of business on such date. To the extent that the cash reserve exceeds the actual liabilities and expenses of the Trust, the Trustee will make one or more distributions to Unitholders of record as of November 15, 2010. No assurances can be given as to the amount, or timing, of distributions, if any, to Unitholders of the Trust, as such amount, if any, and timing depend in part on the amount of liabilities and expenses ultimately payable by the Trust and when such liabilities and expenses become payable.

Item 2. Trustee's Discussion and Analysis of Financial Condition and Results of Operations.

Termination and Liquidation of the Trust

With respect to the Trust termination provisions as outlined in the Trust Agreement, the net present value of the estimated future net revenues computed in accordance with the Trust Agreement, using an average 2009 index price of \$3.25, by the independent petroleum engineers as of December 31, 2009 was approximately \$8.4 million (which assumed continuation of the Gas Purchase Contract with WPX through 2012). The results of this computation have triggered an early termination of the Trust. Because the Trust's computed net present value fell below the \$30 million stipulated threshold as of December 31, 2009, the Trust terminated effective March 1, 2010 (the "Termination Date").

Following termination, the Trustee and the Delaware Trustee will continue to act as trustees of the Trust until the net proceeds from the sale of the Trust's assets are distributed to Unitholders.

Upon the termination of the Trust, the Trustee used Best Efforts (as defined in the Trust Agreement) to sell the remaining Royalty Interests for cash pursuant to the procedures described in the Trust Agreement. The Trustee retained Albrecht & Associates, Inc., an investment banking firm (the "Advisor"), on behalf of the Trust who assisted the Trustee in selling the remaining Royalty Interests then owned by the Trust (the "Remaining Royalty Interests"). WPC had the right, but not the obligation to make a cash offer, to purchase all Remaining Royalty Interests following termination of the Trust as described in the following paragraph.

WPC had the right, within 60 days of the Termination Date, to make a cash offer to purchase all of the Remaining Royalty Interests then held by the Trust. An offer was not made by WPC during this 60 day period. Under the terms of the Trust Agreement, the Trustee used Best Efforts (as defined in the Trust Agreement), assisted by the Advisor to obtain offers for the Remaining Royalty Interests. At the end of a 120-day period following the Termination Date, the Trustee notified WPC of the highest offer (net of any commissions or other fees payable by the Trust), acceptable to the Trustee (which must be an all-cash offer), received during such period (the "Highest Acceptable Offer"). WPC then had the exclusive right, but not the obligation, to purchase all Remaining Royalty Interests for a cash purchase price equal to 105 percent of the Highest Acceptable Offer. WPC had originally notified the Trustee that it would not be exercising its right to purchase all Remaining Royalty Interests pursuant to such provision of the Trust Agreement with respect to the Highest Acceptable Offer; however, during contractual negotiations with the bidder providing the Highest Acceptable Offer, the bidder requested certain revisions to its offer. As a result, the Trustee directed the Advisor to request updated bids from previous bidders to confirm which offer continued to be the Highest Acceptable Offer. Following receipt of updated bids and the re-determination of the Highest Acceptable Offer, WPC exercised its right under the Trust Agreement to purchase all Remaining Royalty Interests with respect to the re-determined Highest Acceptable Offer. WPC purchased the Remaining Royalty Interests for a cash purchase price of \$23.1 million which was equal to 105 percent of the re-determined Highest Acceptable Offer. The effective date of the sale of the Remaining Royalty Interests was September 1, 2010 and the sale closed on October 27, 2010. See Note 4.

Because a definitive contract for sale of the Remaining Royalty Interests was not entered into prior to the 150th day following the Termination Date, the Trust and the Unitholders, and not the buyer of the Remaining Royalty Interests, are generally entitled to net proceeds of production attributable to the Remaining Royalty Interests following the Termination Date and before the September 1, 2010 effective date of the sale of the Trust's assets (Note 2). Therefore, WPC will distribute to the Trust the net proceeds from production attributable to the Remaining Royalty Interests for this period. All proceeds of production following the Termination Date attributable to the Remaining Royalty Interests were deposited into a non-interest bearing account until distributed in accordance with the Trust Agreement.

On November 5, 2010, the Trustee announced a special liquidating distribution per Unit of \$2.381443. This special liquidating distribution represents the proceeds from the sale of the Remaining Royalty Interests to WPC for a cash purchase price of \$23,100,000, to Unitholders of record on November 15, 2010, the record date established for such distribution. The record date was also the date the Trust's Unit transfer books were closed and the New York Stock Exchange suspended trading at the close of business on such date. To the extent that the cash reserve exceeds the actual liabilities and expenses of the Trust, the Trustee will make one or more distributions to Unitholders of record as of November 15, 2010. No assurances can be given as to the amount, or timing, of distributions, if any, to Unitholders of the Trust, as such amount, if any, and timing depend in part on the amount of liabilities owed and expenses ultimately payable by the Trust and when such liabilities and expenses become payable.

The sale of the Remaining Royalty Interests following the termination of the Trust will be a taxable event to the Unitholders for Federal income tax purposes. Generally, a Unitholder will realize gain or loss equal to the difference between the amount realized on the sale of the Remaining Royalty Interests and his adjusted basis in such Units. Gain or loss realized by a Unitholder who is not a dealer with respect to such Units and who has a holding period for the Units of more than one year will be treated as long-term capital gain or loss except to the extent of any depletion recapture amount, which must be treated as ordinary income. State tax consequences may also result to Unitholders and the sale of the Remaining Royalty Interests. Each Unitholder should consult his own tax advisor regarding Trust tax compliance matters, including Federal and state tax implications concerning the sale of the Remaining Royalty Interests (Note 3).

Distributable Income

Prior to the termination of the Trust, when excess cash was available, the Trust made quarterly cash distributions to Unitholders. The only assets of the Trust, other than cash and cash equivalents being held for the payment of expenses and liabilities and for distribution to Unitholders, are the Royalty Interests. The Royalty Interests owned by the Trust burden the Underlying Properties, which are owned by WPC and not the Trust.

Distributable income of the Trust generally consists of the excess of royalty income plus interest income over the general and administrative expenses of the Trust. Upon receipt by the Trust, royalty income was invested in short-term investments in accordance with the Trust Agreement until its subsequent distribution to Unitholders. Currently, funds awaiting distribution are invested in Bank of America money market accounts which are backed by the good faith of Bank of America, N.A., but are not insured by the Federal Deposit Insurance Corporation ("FDIC"). The Trust does not lend money and has limited ability to borrow money, which the Trustee believes limits the Trust's risk from the current tightening of credit markets.

The amount of distributable income of the Trust for any quarter may have differed from the amount of cash available for distribution to Unitholders in such quarter due to differences in the treatment of the expenses of the Trust in the determination of those amounts. The financial statements of the Trust are prepared on a modified cash basis pursuant to which general and administrative expenses of the Trust are recognized when incurred whereas royalty income is recognized when received. Consequently, the reported distributable income of the Trust for any quarter is determined by deducting from the income received by the Trust the amount of expenses incurred by the Trust during such quarter. The amount of cash available for distribution to Unitholders, however, is determined in accordance with the provisions of the Trust Agreement and reflects the deduction from the income actually received by the Trust of the amount of expenses actually paid or accrued by the Trust and adjustments for changes in reserves for unpaid liabilities. See Notes 5 and 6 to the financial statements of the Trust appearing elsewhere in this report on Form 10-Q for additional information regarding the determination of the amount of cash available for distribution to Unitholders.

Three Months and Nine Months Ended September 30, 2010 Compared to Three Months and Nine Months Ended September 30, 2009

For the quarter ended September 30, 2010, royalty income received by the Trust amounted to \$1,483,027 as compared to \$77,767 received for the same quarter in 2009. The increase in royalty income is due to higher natural gas prices and due to receiving four months of production in the 2010 period (versus normally receiving 3 months of production), favorably impacting the gross proceeds (before royalties, taxes, and operating expenses, which are included in royalty income) earned by the properties. For the 2009 period, royalty income was near break-even as gross proceeds were only slightly higher than the expenses included in royalty income, due to the relatively steady level of operating expenses, which are not impacted by changes in natural gas prices. 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 third quarter of 2010 was 827,563 MMBtu as compared to 153,226 MMBtu for the same quarter in 2009.

Royalty income for the nine months ended September 30, 2010 was \$2,655,212 as compared to \$2,403,029 for the same period in 2009. Royalty income for the nine month period ended September 30, 2009 would have been \$1,637,213 if the Trust had not received an overpayment from WPC of \$765,816. Williams informed the Trust that it waived any right to seek repayment of such amount. Production related to the royalty income received by the Trust for the nine months ended September 30, 2010 was 1,830,398 MMBtu as compared to 1,282,103 MMBtu for the nine months ended September 30, 2009. The increase in royalty income is attributable to higher gas prices.

General and administrative expenses for the nine month period ended September 30, 2010, increased \$96,667 or 11 percent compared to the same period in 2009 due to costs incurred related to the termination of the Trust.

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 will maintain a cash reserve for the payment of Trust expenses in connection with the winding down of the Trust. To the extent that the cash reserve exceeds the actual liabilities and expenses of the Trust, the Trustee will make one or more distributions to Unitholders of record as of November 15, 2010. No assurances can be given as to the amount, or timing, of distributions, if any, to Unitholders of the Trust, as such amount, if any, and timing depend in part on the amount of liabilities owed and expenses ultimately payable by the Trust and when such liabilities and expenses become payable.

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 September 30, 2010, was based generally on production volumes as shown in the table below and natural gas prices for the months of March 2010 through June 2010 (Note 2). Due to delays associated with the receipt of income related to the Farmout Properties, the Trust's royalty income for the third quarter of 2010 reflects estimated production volumes shown in the table below from the Farmout Properties for the months of March 2010 through May 2010. The 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.

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Production (MMBtu) (1)		
WI Properties	985,514	13,813(2)
Farmout Properties	195,085	238,672
Infill Properties	596,018	\$ 8,676(4)
Blanco Hub Spot Price (\$/MMBtu) (3)	\$ 3.98	\$ 2.59
Net Wellhead Price WI Properties (\$/MMBtu) (3)	\$ 1.95	\$.76

(1) Million British Thermal Units.

(2) The WI Properties realized a net deficit from the Net Profits Interest for the three month period ended June 30, 2009; therefore, no production quantities related to that period are presented. The production quantity above is comprised entirely of favorable retroactive adjustments of 13,813 MMBtu.

(3) Simple average of estimates for the months included in the period presented.

(4) There was no distribution from the Infill Properties for the three month period ended June 30, 2009 as described in Note 1 to the financial statements of the Trust. The production quantity above reflects favorable retroactive adjustments of 8,676 MMBtu.

Production from the WI Properties is generally sold by WPC to WPX Gas Resources pursuant to the Gas Purchase Contract that, prior to terminating on August 1, 2010, provided certain protections for WPC and Unitholders by providing that WPX Gas Resources would 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) fell below \$1.70 per MMBtu, provided that WPX Gas Resources was 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 exceeded \$1.70 per MMBtu, WPX Gas Resources was entitled to recoup any price credits previously accrued. When the applicable index price was greater than \$1.94 per MMBtu, the Gas Purchase Contract protected and benefited WPX Gas Resources by allowing it to purchase gas from WPC at a contract price equal to \$1.94 per MMBtu plus only 50 percent of the difference between the applicable index price and \$1.94 per MMBtu. The Gas Purchase Contract also provided that the price paid for gas by WPX Gas Resources was 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 2009 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 continued to remain in effect for one or more consecutive additional one-year terms (each such term a “Contract Year”) unless and until WPX Gas Resources exercised 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 did not exercise this option, and the pricing mechanism of the Primary Term continued to remain in effect through the expiration of the Gas Purchase Agreement on August 1, 2010. The terms for the purchase of natural gas produced from the WI Properties (except for certain small volumes related to the Farmout Properties, which were not affected by the Gas Purchase Contract expiration) from the expiration date through the September 1, 2010 effective date of the sale of the Trust’s assets were governed by a new Gas Purchase Agreement dated effective as of August 1, 2010, which provides for an index price equal to 97% of the posted index price published in Inside FERC’s Gas Market Report for “El Paso Natural Gas Company, San Juan.”

For the nine months ended September 30, 2010, which is based on production volumes and natural gas prices through the August 1, 2010 expiration date of the Gas Purchase Agreement, 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 percent 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 percent of the excess of the applicable index price over \$1.94 per MMBtu.

The information in this report on Form 10-Q concerning production and prices relating to the Underlying Properties is based on information prepared and furnished by WPC to the Trustee. The Trustee has no control over and no responsibility relating to the operation of the Underlying Properties.

Forward-Looking Statements

This report on Form 10-Q 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, which are intended to be covered by the safe harbor created thereby. All statements other than statements of historical fact included in this report on Form 10-Q, including, without limitation, statements contained in this “Trustee’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Trust’s financial position and industry conditions and any distribution of sale proceeds from the Remaining Royalty Interests upon termination of the Trust, are forward-looking statements. Although the Trustee believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The only assets of and sources of income to the Trust are the Royalty Interests, which, prior to the termination of the Trust, generally entitled the Trust to receive a share of the net profits from natural gas production from the Underlying Properties. Consequently, the Trust's financial results are significantly affected by fluctuations in natural gas prices and the Trust has commodity price risk exposure associated with the natural gas markets in the United States. The Trust does not engage in any hedging activities to manage its price risk associated with natural gas production from the Underlying Properties. The Royalty Interests do not entitle the Trust to control or influence the operation of the Underlying Properties or the sale of gas produced therefrom. Natural gas produced from the WI Properties, which comprises the majority of production attributable to the Royalty Interests, was sold by WPC pursuant to the terms of the Gas Purchase Contract which expired August 1, 2010 and a new Gas Purchase Agreement effective August 1, 2010. Although the Trust was not a party to the Gas Purchase Contract, the Gas Purchase Contract significantly impacted revenues to the Trust. Although the original Gas Purchase Contract mitigated the risk to the Trust of low gas prices, it also limited the ability of the Trust to benefit from the effects of higher gas prices, particularly to the extent a balance existed in the Price Credit Account. See "Item 2 Properties — The Royalty Interests — Gas Purchase Contract" in the 2009 Annual Report for detailed information about the original Gas Purchase Contract and its impact on the Trust and Unitholders.

Upon receipt by the Trust, royalty income is invested in short term investments in accordance with the Trust Agreement until its subsequent distribution to Unitholders. Currently, funds are invested in Bank of America money market accounts which are backed by the good faith and credit of Bank of America, N.A., but are not insured by the FDIC. Each Unitholder should independently assess the creditworthiness of Bank of America, N.A. For more information about the credit rating of Bank of America, N.A., please refer to its periodic filings with the SEC. The Trust does not lend money and has limited ability to borrow money, which the Trustee believes limits the Trust's risk from the current tightening of credit markets.

Prior to suspension of trading as of the close of business on November 15, 2010, the market prices of the Units were determined by the buyers and sellers on the New York Stock Exchange. The Trust does not make market on any Units and is not in any position to advise any Unitholder on any market position. Unitholders should be aware that any position of the market concerning the Units is beyond the Trust's control and on any given day, various market conditions will affect the market of the Units. See Note 6 regarding suspension or termination of trading of the Units on the New York Stock Exchange as of the record date for the distribution of net sales proceeds from the sale of the Trust's assets.

Other than the Trust's ability to periodically borrow money as necessary to pay expenses, liabilities and obligations of the Trust that cannot be paid out of cash held by the Trust, the Trust is prohibited from engaging in borrowing transactions. The amount of any such borrowings is unlikely to be material to the Trust. The Trust periodically holds short-term investments acquired with funds held by the Trust pending distribution to Unitholders and funds held in reserve for the payment of Trust expenses and liabilities. Because of the short-term nature of these borrowings and investments and certain limitations upon the types of such investments that may be held by the Trust, the Trustee believes that the Trust is not subject to any material

interest rate risk. The Trust does not engage in transactions in foreign currencies that could expose the Trust or Unitholders to any foreign currency related market risk.

Item 4. Controls and Procedures.

The Trust maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. In addition, the disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Trust is accumulated and communicated to the Trustee to allow timely decisions regarding required disclosure. As of the end of the period covered by this report on Form 10-Q, 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-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 WPC. There has not been any change in the Trust's internal control over financial reporting during the period covered by this report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors.

Except as set forth below, there has been no material changes in the risk factors disclosed in Part I, Item 1A of the Trust's 2009 Report for the year ended December 31, 2009.

The Trust terminated on March 1, 2010, has sold its remaining Royalty Interests and no further Trust distributions are anticipated following distribution of the net sales proceeds (Note 6).

The Trust's computed net present value of the estimated future net revenues for proved reserves attributable to the Royalty Interests computed in accordance with the Trust Agreement, using an average 2009 index price of \$3.25, by the independent petroleum engineers as of December 31, 2009, was approximately \$8.4 million. The results of this computation triggered an early termination of the Trust as of March 1, 2010 in accordance with the terms of the Trust Agreement. In accordance with the Trust Agreement, the Trustee sold all of the assets of the Trust and will distribute proceeds from the Royalty Interest through the September 1, 2010

effective date of the sale of the Trust's assets, as well as the net sales proceeds from the sale of the assets on October 27, 2010 to Unitholders of record on November 15, 2010. Following such distributions, no additional distributions are anticipated. The Trustee has retained a cash reserve to pay the Trust's liabilities and expenses in connection with the winding up of the Trust. To the extent that the cash reserve exceeds the actual liabilities and expenses of the Trust, the Trustee will make one or more distributions to Unitholders of record as of November 15, 2010; however, no assurances can be made as to the amount, or timing, of distributions, or whether any such distributions will ever be made. See Notes 2 and 6.

The Trust will no longer be a reporting company and its Units will no longer trade on the New York Stock Exchange.

November 15, 2010 was the date the Trust's Unit transfer books closed and the New York Stock Exchange suspended trading of the Units at the close of business on such date. The Trust will thereafter deregister the Units with the Securities and Exchange Commission and will cease to be a reporting company.

Items 2 through 5.

Not applicable.

Item 6. Exhibits.

The exhibits listed below are filed as part of this report on Form 10-Q:

<u>EXHIBIT NUMBER</u>	<u>EXHIBIT</u>
3.2 —	Certificate of Amendment to Certificate of Trust of Williams Coal Seam Gas Royalty Trust dated as of October 21, 2010.
4.1 —	Trust Agreement of Williams Coal Seam Gas Royalty Trust effective as of December 1, 1992, by and among Williams Production Company, The Williams Companies, Inc. and Chemical Bank Delaware and Bank of America, N.A. (as successor to NationsBank of Texas, N.A.), as trustees (filed as Exhibit 4.1 to the Registrant's Form 10-K for the year ended December 31, 1992 and incorporated herein by reference).
4.2 —	First Amendment to the Trust Agreement of Williams Coal Seam Gas Royalty Trust effective as of December 15, 1992, by and among Williams Production Company, The Williams Companies, Inc., Chemical Bank Delaware and Bank of America, N.A. (as successor to NationsBank of Texas, N.A.) (filed as Exhibit 4.2 to the Registrant's Form 10-K for the year ended December 31, 1992 and incorporated herein by reference).

EXHIBIT NUMBER	EXHIBIT
4.3 —	Second Amendment to the Trust Agreement of Williams Coal Seam Gas Royalty Trust effective as of January 12, 1993, by and among Williams Production Company, The Williams Companies, Inc., Chemical Bank Delaware and Bank of America, N.A. (as successor to NationsBank of Texas, N.A.) (filed as Exhibit 4.3 to the Registrant's Form 10-K for the year ended December 31, 1992 and incorporated herein by reference).
4.4 —	Net Profits Conveyance effective as of October 1, 1992, by and among Williams Production Company, The Williams Companies, Inc., and Bank of America, N.A. (as successor to NationsBank of Texas, N.A.), and Chemical Bank Delaware (filed as Exhibit 4.4 to the Registrant's Form 10-K for the year ended December 31, 1992 and incorporated herein by reference).
4.5 —	Supplemental Net Profits Conveyance dated as of May 19, 2010 by and between Williams Production Company LLC and Bank of America, N.A. as successor Trustee of the Williams Coal Seam Gas Royalty Trust. (filed as Exhibit 4.5 to the Registrant's Form 10-Q for the six months ended June 30, 2010 and incorporated herein by reference).
4.6 —	Amendment to Net Profits Conveyance dated as of October 27, 2010 by and between Williams Production Company, LLC and Bank of America, N.A.
10.10 —	Gas Purchase Agreement effective as of August 1, 2010 between WPX Gas Resources Company and Williams Production, LLC
10.11 —	Purchase and Sale Agreement dated as of October 27, 2010 by and between Williams Coal Seam Gas Royalty Trust and Williams Production Company, LLC (filed as Exhibit 10.1 to the Registrant's Form 8-K dated October 29, 2010 and incorporated herein by reference).
15.1 —	Letter regarding unaudited interim financial information dated November 17, 2010, from the independent Registered Public Accounting Firm which acknowledges awareness of the use in a registration statement of a report on unaudited interim financial information.

<u>EXHIBIT NUMBER</u>	<u>EXHIBIT</u>
31.1 —	Certification by Ron E. Hooper, Senior Vice President and Administrator of Bank of America, Trustee of Williams Coal Seam Gas Royalty Trust, dated November 17, 2010, and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 —	Certificate by Bank of America, Trustee of Williams Coal Seam Gas Royalty Trust, dated November 17, 2010, and submitted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

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.

WILLIAMS COAL SEAM GAS ROYALTY TRUST

By: BANK OF AMERICA, N.A., Trustee

By: /s/ RON E. HOOPER

Ron E. Hooper

Senior Vice President and Administrator

(The Trust has no directors or executive officers.)

Date: November 17, 2010

INDEX TO EXHIBITS

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31.1 —	Certification by Ron E. Hooper, Senior Vice President and Administrator of Bank of America, Trustee of Williams Coal Seam Gas Royalty Trust, dated November 17, 2010, and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 —	Certificate by Bank of America, Trustee of Williams Coal Seam Gas Royalty Trust, dated November 17, 2010, and submitted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

**CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF TRUST
OF
WILLIAMS COAL SEAM GAS ROYALTY TRUST**

THIS Certificate of Amendment to the Certificate of Trust of Williams Coal Seam Gas Royalty Trust (the "Trust"), is being duly executed and filed by the undersigned trustees to amend the Certificate of Trust of a statutory trust formed under the Delaware Statutory Trust Act (12 Del. C. § 3801 et seq.) (the "Act").

1. Name. The name of the Trust is Williams Coal Seam Gas Royalty Trust.

2. Amendment. The Certificate of Trust of the Trust is hereby amended by changing the name and business address of the trustee of the Trust with its principal place of business in the State of Delaware to:

BNY Mellon Trust of Delaware,
100 White Clay Center, Suite 102,
Newark, DE 19711

3. Effective Date. This Certificate of Amendment shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned trustees of the Trust have executed this Certificate of Amendment in accordance with Section 3811(a)(2) of the Act.

BANK OF AMERICA, N.A., not in its individual
capacity but solely as Trustee

By: /s/ Ron E. Hooper

Name: Ron E. Hooper

Title: Senior Vice President

BNY MELLON TRUST OF DELAWARE, not in its
individual capacity but solely as Delaware
Trustee

By: /s/ Kristine K. Gullo

Name: Kristine K. Gullo

Title: Vice President

**AMENDMENT TO NET PROFITS
CONVEYANCE
OF THE
WILLIAMS COAL SEAM GAS ROYALTY
TRUST**

AMENDMENT TO NET PROFITS CONVEYANCE

This Amendment to Net Profits Conveyance (“Amendment”) is entered into this 27th day of October, 2010, by and between Williams Production Company, LLC (“WPC” or “Trustor”), a Delaware limited liability company with its principal place of business in Tulsa, Oklahoma, and Bank of America, N.A., a banking association organized under the laws of the United States of America with its principal office in Dallas, Texas, as successor Trustee (“Trustee”) of the Williams Coal Seam Gas Royalty Trust (the “Trust”). This Amendment is made to the Trustee and BNY Mellon Trust of Delaware, as successor Delaware Trustee (“Delaware Trustee”) on behalf of the Trust.

RECITALS:

WHEREAS, Williams Production Company, a Delaware corporation, has previously conveyed to the Trustee and the Delaware Trustee for the benefit of the Trust a Net Profits Interest in and to the Coalbed Methane produced from or attributable to the Underlying Properties and an Infill Net Profits Interest in and to the Coalbed Methane produced from or attributable to any Infill Wells according to that certain Net Profits Conveyance (the “Net Profits Conveyance”) dated effective as of the 1st day of October, 1992 by and between Williams Production Company, a Delaware corporation and The Williams Companies, Inc. to the Trustees of the Williams Coal Seam Gas Royalty Trust, Exhibits A-1 through A-5 to which are attached hereto as Annex I; as supplemented by that Supplemental Net Profits Conveyance (the “Supplement”) which Supplement included amended Exhibit A-3 attached hereto as Annex II, dated effective as of the 19th day of May, 2010 by and between WPC and the Trustee on behalf of the Trust (the Net Profits Conveyance as supplemented by the Supplement are collectively referred to herein as the “Conveyance”).

WHEREAS, Williams Production Company, a Delaware corporation, was converted to a Delaware limited liability company, effective December 31, 2000.

WHEREAS, Bank of America, N.A. has succeeded to the NationsBank, N.A., as Trustee of the Williams Coal Seam Gas Royalty Trust;

WHEREAS, BNY Mellon Trust of Delaware has succeeded to Chemical Bank Delaware as Delaware Trustee of the Williams Coal Seam Gas Royalty Trust;

WHEREAS, the Net Profits Conveyance was recorded in San Juan County, New Mexico at Book 1157, Page 786, in Rio Arriba County, New Mexico at Book 141, Page 172 and in La Plata County, Colorado at Reception Number 640646; and the First Supplement was recorded in San Juan County, New Mexico at Book 1511, Page 397, in Rio Arriba County, New Mexico at Book 533, Page 3063 and in La Plata County, Colorado at Reception Number 1015227.

WHEREAS, capitalized terms used herein shall have the meanings as defined for such terms in the Conveyance unless otherwise defined herein;

WHEREAS, the Trust Agreement dated as of December 1, 1992 (as amended, the “Trust Agreement”) governing the Trust authorizes the Trustee to agree to modifications of the terms of the Conveyance or to settle disputes with respect thereto under the conditions set forth in the Trust Agreement;

WHEREAS, the Net Profits Percentage (as defined in the Net Profits Conveyance) beginning in the fourth quarter of 2000 was reduced to 60% and WPC’s retained percentage of NPI Net Proceeds (as defined in the Net Profits Conveyance) was correspondingly increased to 40% in each case pursuant to Article V of the Conveyance;

WHEREAS, WPC and the Trustee desire to execute this Amendment in order to clarify certain ambiguities in the Conveyance;

NOW, THEREFORE, for good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, WPC and the Trustee hereby agree to amend the Conveyance as follows:

ARTICLE I

The last sentence of Article V of the Conveyance shall be deleted in full and replaced with the following:

After the Net Profits Percentage is first reduced pursuant to the terms hereof, said interest will remain at the reduced level and shall not subsequently be increased or decreased regardless of any subsequent change in the IRR.

ARTICLE II

The last sentence of Article XIV of the Conveyance shall be deleted in full and replaced with the following:

The Trustee will not assign or convey the Royalty Interests except as provided under the Trust Agreement; however any assignee of the Trustee (and any successor assignee) of the Royalty Interests will have the right to further assign, sell, transfer, convey, mortgage, or pledge the Royalty Interests without limitation except as provided in the following sentence. For the purpose of maintaining uniformity of ownership in the Underlying Properties, neither the Trustee, its assignee nor any successor assignee (collectively, the “Assigning Parties”) shall sell, encumber, transfer or make other disposition of its interest in the Royalty Interests and the other rights created by the Conveyance unless such disposition covers either (i) the entire interest of the Assigning Party in the Royalty Interests, such other rights and all of the Underlying Properties; or (ii) an equal undivided percent of the Assigning Party’s present interest in the Royalty Interests, such other rights and all of the Underlying Properties. Any attempted sale, assignment, encumbrance, transfer or other disposition made in violation of the restrictions contained in the preceding sentence shall be void ab initio and of no force and effect whatsoever.

If, at any time the Royalty Interests are divided among and owned by four or more co-owners, WPC, at its discretion, may request such co-owners to appoint a single representative or

agent with full authority to receive notices and payments, such representative or agent to be selected by a majority interest of such co-owners. In addition, if the Royalty Interests are divided among and owned by more than one owner and WPC receives conflicting demands or instructions from such co-owners as to the ownership interests of the Royalty Interests or other rights created by the Conveyance (including conflicting claims as to the right to receive any payments made thereunder), then (a) WPC shall be entitled to interplead any such disputed amounts into a court having jurisdiction over the matter, (b) WPC shall have no further obligation to such co-owners as to the interpleaded amounts including no obligation to pay interests on such disputed amounts and (c) WPC shall be entitled to recover all reasonable attorney fees and court costs incurred by WPC in connection with such interpleader action from the funds so interpleaded and, to the extent that such fees and costs are not so recovered, then the disputing co-owners shall promptly reimburse WPC for the amount of such fees and costs.

If, at any time the Royalty Interests are divided among and owned by two or more co-owners, any exercise of any audit right hereunder shall be exercised only upon request by a majority interest of such co-owners and any such exercise and resulting audit shall be for the benefit of all such co-owners and shall be conducted by a single auditing firm acting on behalf of all such co-owners. In no event shall such co-ownership give rise to duplicate audit rights by such co-owners or audit rights under the Conveyance greater than those that existed prior to the creation of such co-ownership.

ARTICLE III

Except as supplemented and amended hereby, all of the other terms and provisions of the Conveyance shall remain in full force and effect.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed in its name and behalf and delivered on the 27th day of October, 2010.

Williams Production Company, LLC

Bank Of America, N.A.,
Trustee of the Williams Coal Seam Gas
Royalty Trust

By: /s/ Jeffrey Schmuhl
Name: Jeffrey Schmuhl
Title: Attorney-in-Fact

By: /s/ Ron E. Hooper
Name: Ron E. Hooper
Title: Senior Vice President and Administrator

**GAS PURCHASE AGREEMENT
BETWEEN
WPX GAS RESOURCES COMPANY
AND
WILLIAMS PRODUCTION COMPANY, LLC**

Dated effective as of
August 1, 2010

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GAS PURCHASE AGREEMENT

This Gas Purchase Agreement (the "Agreement") is made and entered into effective for all purposes as of August 1, 2010, by and between **WPX GAS RESOURCES COMPANY**, a Delaware corporation (hereinafter referred to as "Buyer") and **WILLIAMS PRODUCTION COMPANY, LLC**, a Delaware limited liability company (hereinafter referred to as "Seller").

RECITALS

WHEREAS, Seller has a supply of Gas to be produced from the Wells which Seller desires to sell; and

WHEREAS, Seller's interest in and to the Wells is not subject to any commitment or obligations by Seller in conflict with the terms and conditions of this Agreement; and

WHEREAS, the parties hereto intend to provide for and desire to enter into a contract for the sale by Seller and the purchase by Buyer of Gas produced from the Wells pursuant to the provisions of this Agreement;

NOW THEREFORE, in consideration of the foregoing premises and the mutual promises, agreements and covenants herein set forth, Seller and Buyer agree as follows:

I. DEFINITIONS

Unless another definition is expressly stated, the following terms, where used and whether or not capitalized in this Agreement, and all recitals, exhibits, and appendices contained in or attached to this Agreement have the following meanings:

1.01 "**Btu**" means British thermal unit.

1.02 "**Day**" means the period of time defined as "day" or "daily" in the effective tariff or other operating rules, policies or procedures of the Receiving Pipeline applicable to the Gas transportation service.

1.03 "**Gas**" or "Natural Gas" means any mixture of hydrocarbons or of hydrocarbons and noncombustible gases, in a gaseous state, consisting essentially of methane produced from or attributable to the WI Properties.

1.04 "**Month**" means the period of time defined as "Month" or "Monthly" in the effective tariff or other operating rules, policies or procedures of the Receiving Pipeline applicable to the transportation service.

1.05 "**NPI**" means, collectively, the Royalty Interests (as defined in the NPI Conveyance) granted to Bank of America, N.A. acting in the capacity as Trustee for the Williams Coal Seam Gas Royalty Trust, or its assignee, pursuant to the terms of the NPI Conveyance.

1.06 "**NPI Conveyance**" means the Net Profits Conveyance dated effective as of October 1, 1992 by and among Williams Production Company, The Williams Companies, Inc., Bank of America, N.A. (as successor in interest to NationsBank of Texas, N.A., as Trustee of Seller, and The Bank of New York Mellon Trust Company, N.A. (as successor in interest to Chemical Bank Delaware), as Delaware Trustee of

Seller, as such has been supplemented and amended by the Supplemental Net Profits Conveyance entered by and between Williams Production Company LLC and Bank of America, N.A., as Trustee of Seller, and also for the benefit of the Bank of New York Mellon Trust Company, N.A., as Delaware Trustee of Seller, as such has been further amended by the Amendment to Net Profits Conveyance of even date herewith between Williams Production Company LLC and Bank of America, N.A., as Trustee of Seller, and also for the benefit of the Bank of New York Mellon Trust Company, N.A.

1.07 **“Receiving Pipeline”** means the pipeline(s) which receive Gas at the Delivery Point for Buyer.

1.08 **“Tax”** means any tax levied, assessed or claimed to be due by any federal, state, county, tribal or municipal government or any other governmental or tribal agency.

1.09 **“Unit(s)”** means the units organized under the Federal Mineral Leasing Act of 1920 and any amendments thereto.

1.10 **“Wells”** means any well described on Exhibit A and any well which is added by reason of the expansion of a participating area included in a Unit covered by this Agreement, which produce Gas from the Seller’s Wells.

1.11 **“Working Day”** means a calendar day Monday through Friday and excludes Saturday, Sunday and nationally recognized holidays.

II. QUANTITY; COMMITMENT; RESERVATION

2.01 **Quantity:** Subject to the terms and conditions herein, Seller agrees to sell and deliver to Buyer and Buyer agrees to purchase and accept from Seller a quantity of Gas on a per MMBtu basis equal to all of Seller’s interest in all Gas produced from the Wells subject to applicable operating and Gas balancing agreements covering the Wells.

2.02 **Commitment:** Seller hereby commits and dedicates to the performance of this Agreement all of Seller’s interest in the Gas produced from the Wells.

2.03 **Reservation:** Seller specifically reserves and excepts the following quantities of Gas from the quantities to be delivered under the terms of this Agreement:

a. All volumes of Gas which Seller may require for fuel for operation and development of the properties or Units to which such Wells are or shall be committed.

b. All volumes of Gas which are contractually required as of the date hereof for delivery to others under the existing terms of the Seller’s leases or Unit operating agreements provided for with respect to such Unit to which such Wells are or shall be committed.

c. All liquid hydrocarbons, oil or condensate, removed by Seller by means of drips or conventional gas liquid separators from the Gas produced from or attributable to the Wells prior to the point of measurement.

d. The right to process, or cause the processing of, all Gas delivered hereunder prior to the Delivery Point, for the extraction of ethane, propane, butanes, pentanes and heavier hydrocarbons together with so much methane as is necessarily removed in the employment of customary processes for

the extraction of all such components and such Gas as is required for fuel or is otherwise lost in such extraction process) reserving to Seller all right, title, and interest to all such components extracted and to all Gas used or otherwise lost in such extraction process. Seller agrees, however, that Gas delivered hereunder shall not by reason of any such extraction process be rendered incapable of meeting the quality specifications set forth in this Agreement.

e. The right to operate or manage the Wells in such manner as Seller, in Seller's sole discretion, may deem advisable and, acting as a prudent operator or working interest owner, to drill new Wells, repair or rework old Wells, renew or extend, in whole or in part, any lease or unit subject to this contract and abandon any Well or surrender, release or terminate any lease not deemed by Seller capable of producing Gas in commercial quantities.

f. The right to use Gas for cycling, repressuring and pressure maintenance on the Wells or Units to which the Wells are or shall be committed; however, Gas so used shall be tendered by Seller to Buyer for purchase hereunder when such Gas becomes available for delivery.

g. Gas reasonably necessary for gas-lifting of oil produced on or attributable to the leases; provided, however, if Seller uses substantial volumes of Gas for such gas-lifting operations Seller shall deliver such Gas pursuant to the terms hereof at the conclusion of each operation, or as it is produced, at a pressure sufficient to enable such Gas to enter the system of the Receiving Pipeline at the pressure then existing therein.

2.04 Verification: Upon written request from Buyer, Seller shall furnish Buyer, as available, all information concerning engineering, tests and basic geological data on all Wells. Such data shall include, but is not limited to, all production data and flow potential data now or hereafter in existence. Seller shall furnish Buyer information concerning production allowable and proration status with respect to each Well connected under this Agreement.

III. DELIVERY OF GAS

3.01 Delivery Point: The delivery point shall be the point or points which is the interconnect between the gathering facilities of Williams Field Services Company ("WFS"), or Enterprise Field Services, LLC ("Enterprise"), and the Wells or in the vicinity of the Wells as described in Exhibit A to this Agreement or such other points as the parties may agree upon in writing from time to time (the "Delivery Point").

3.02 Transportation: Seller shall be responsible for all arrangements necessary to deliver Gas sold hereunder to the Delivery Point and Buyer shall be responsible for all arrangements necessary to receive Gas purchased hereunder at the Delivery Point. This Agreement is conditioned upon and subject to the ability of Buyer to maintain arrangements satisfactory to the Buyer for the gathering and transportation of Gas at and from the Delivery Point. Neither party shall be liable to the other for any inability to purchase or sell Gas hereunder if such inability results either from the failure of any Gas gatherer or Gas transporter to render service to Buyer or the inability of Buyer to reasonably maintain gathering or transportation arrangements satisfactory to Buyer.

3.03 Delivery Pressure, Quality, and Measurement: Seller shall deliver Gas sold hereunder to Buyer in accordance with the effective tariffs or other operating rules, policies or procedures of the Receiving Pipeline. The Gas delivered by Seller shall be of merchantable quality and of the same quality and heating value for the Gas as specified in the effective tariff or other operating rules, policies or procedures of the Receiving Pipeline at the point where title to the Gas transfers to Buyer hereunder. Measurement

shall be performed by the Receiving Pipeline in accordance with the effective tariffs or other operating rules, policies or procedures of the Receiving Pipeline.

3.04 **Title:** Title, ownership and risk of loss of the Gas sold hereunder shall pass from Seller and vest in Buyer upon delivery and acceptance of Gas at the Delivery Point.

3.05 **Delivery Rate:** Both parties shall be obligated to use reasonable efforts to avoid causing pipeline imbalances and to determine the cause of any pipeline imbalances for which a charge or penalty may be imposed. The party responsible for such imbalance charge or penalty, shall be obligated to pay such imbalance charge or penalty regardless of whether it is the shipper on the subject pipeline.

IV. PRICE AND TERM

4.01 **Price and Term:** This Agreement shall have an effective date of August 1, 2010 and shall continue in full force and effect until December 31, 2015 (Primary Term). Upon expiration of the Primary Term, this Agreement shall continue on a year to year basis subject to termination upon thirty (30) days advance written notice from either party to the other. The price for Gas delivered to the Delivery Point and sold by Seller and purchased by Buyer shall be an amount equal to the Index Price per MMBtu (dry basis) as defined under paragraph 4.04 less any deductions under paragraph 4.03.

4.02 **Included Costs Prior to the Delivery Point:** The price provided for hereunder is inclusive of all royalties, transportation or gathering charges (except as expressly set forth in paragraph 4.04 below), processing charges, Taxes, expenses and costs arising or attributable to the Gas prior to its delivery to the Delivery Point. Seller retains the obligation, if any, to pay proceeds due royalty owners or any other persons entitled thereto.

4.03 **Deductions After the Delivery Point:** Buyer shall deduct from the price all applicable gathering and processing costs including gathering, transportation charges, fuel displacement, compression, treating and similar costs necessary to effect delivery from the Delivery Point to either the outlet of Blanco Hub facilities jointly owned by Northwest Pipeline Corporation, Gas Company of New Mexico and Transwestern Pipeline Company or delivery into El Paso Natural Gas Company's mainline facilities located in San Juan County, New Mexico or such other points as the parties may agree upon in writing from time to time (collectively referred to as "Mainline Point").

4.04 **Index Price and/or Alternative Index Price:** "Index Price" shall mean ninety-seven (97%) percent of the posted index price (per MMBtu, dry basis) published in Inside FERCs Gas Market Report for "El Paso Natural Gas Company, San Juan" as published in the first issue of each Month during which Gas is delivered, until Buyer determines, on a one-time basis, that the average of the posted index price as published in the first and second issue of the month is more representative of the pricing customs of the Buyer's market than only the first issue of the month. In the event a Blanco Hub posted index price is at some time in the future reported by Inside FERCs Gas Market Report, then the Index Price shall be ninety-seven percent (97%) of the Blanco Hub posted index price ("Alternative Index Price") which shall be substituted in place of the "El Paso Natural Gas Co., San Juan Basin" posted index. In the event the publishers of Inside FERCs Gas Market Report determine there is insufficient data to publish a posted index price for "El Paso Natural Gas Company, San Juan Basin" or the "Blanco Hub", and Inside FERC instead publishes a range of prices, then ninety-seven percent (97%) of the average of the range of prices shall be substituted in place of the posted index price (the "Replacement Index Price").

4.05 **Replacement Index Price:** In the event the publisher of the Index Price, the Alternative Index Price or the Replacement Index Price ceases publication of any of the foregoing referenced indices,

substantially alters the method by which any of the foregoing referenced indices are calculated, substantially alters the source of data utilized in calculating any of the foregoing referenced indices or otherwise substantially alters any of the foregoing referenced indices, then in that event Buyer and Seller shall promptly notify the other in writing of such event and shall mutually agree in writing on an index price (less three percent) to replace the Index Price, the Alternative Index Price or the Replacement Index Price within thirty (30) Working Days (herein referred to as the "Index Negotiation Period") following the date of such written notice. In the event that Buyer and Seller are unable to agree on a Replacement Index Price within the Index Negotiation Period, then in that event the parties shall submit the determination of such Replacement Index Price to arbitration as provided for in paragraphs 4.06 through 4.10 below.

4.06 Selection of the Arbitrator: Not later than ten (10) Working Days following expiration of the Index Negotiation Period provided for in paragraph 4.05 above, Buyer and Seller shall mutually select and appoint a qualified neutral third party as arbitrator not having any prior, current or future affiliation or association with Seller or Buyer, to determine a Replacement Index Price. If at the end of such ten (10) Working Day period the arbitrator has not been selected and appointed, then upon written request of either party an arbitrator shall be promptly selected by the American Arbitration Association ("AAA"), which shall select and appoint an arbitrator (such third party whether appointed by the parties or by the AAA herein referred to as "Arbitrator") with the following minimum qualifications:

- a. A minimum of ten (10) years (immediately prior to the appointment) general experience in the purchase and sale of natural gas.
- b. A minimum of three (3) years experience pricing natural gas in the San Juan Basin, including the Blanco Hub.

4.07 Arbitration: Upon selection and appointment of the Arbitrator each party shall deliver to the other party and to the Arbitrator within ten (10) Working Days of the appointment of the Arbitrator a written proposal stating a proposed Replacement Index Price together with supporting materials and documentation. The other party may submit its written counterproposal together with supporting materials and documentation within ten (10) Working Days of receipt of the written proposal from the party initiating arbitration, to both that party and the Arbitrator. The Arbitrator may request additional information or documentation from either party, which information or documentation shall be timely provided. Upon receipt of each party's proposal the Arbitrator shall determine the Replacement Index Price to be used in accordance with the following instructions, unless the parties agree in writing upon other instructions:

- a. The Replacement Index Price selected shall be representative of the Market Price for Gas delivered to the Blanco Hub less three percent (3%).
- b. "Market Price" shall mean the market price per MMBtu of Gas (dry basis) sold and purchased for a period of thirty (30) Days (or a lesser term if Monthly indices are not published) inclusive of at least all costs and adjustments set forth under Section 4.02.
- c. The Replacement Index Price shall be reported on a Monthly basis in a publication of general circulation or dissemination.
- d. The Arbitrator shall determine the Replacement Index Price no later than sixty (60) Working Days after the Arbitrator's appointment.

4.08 Price Payable Prior to and During Arbitration: In the event arbitration is invoked pursuant to

paragraphs 4.05 through 4.07 of this Agreement, then during the Index Negotiation Period through and until the Arbitrator has determined the Replacement Index Price the price to be paid for all Gas covered by this Agreement shall be the last price in effect before arbitration was invoked. Upon the conclusion of the arbitration the price shall be adjusted retroactively to the date the applicable index was altered or ceased publication and each party shall pay to the other such amounts due under the Replacement Index Price within twenty (20) Working Days following the Arbitrator's decision.

4.09 Finality of Award; Costs of Arbitration: The determination of the Arbitrator shall be final and binding on the parties, save in the event of manifest material error or misconduct by the Arbitrator. Each party shall bear its own costs and expenses and share equally the costs and expenses of the Arbitrator and the arbitration.

4.10 Supplemental Arbitration Rules: In the event that the procedures or rules for arbitrating the matter set forth above or in the event of the absence of procedures or rules necessary to arbitrate the matter then the foregoing procedures and rules shall be supplemented by and the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

V. BILLING AND PAYMENT

5.01 Billing: Buyer shall obtain from the Receiving Pipeline information on the quantity of Gas delivered hereunder. A statement setting forth and accounting for the quantity of Gas delivered to Buyer and the price per MMBtu to be paid by Buyer shall be furnished to Seller at the time of the Monthly payment (defined in paragraph 5.02 below). If a discrepancy occurs between Seller's documentation and Buyer's documentation, Buyer will render payment on the undisputed volume. Upon agreement as to volume between Seller, Buyer and the Receiving Pipeline, the parties shall remit and/or refund payments to make such adjustments as are necessary. The records of the Receiving Pipeline shall control in the event of a difference or dispute between Seller's records and Buyer's records.

5.02 Payment: Buyer shall render the payment to Seller by wire transfer for the Gas delivered during any Month on the latter of (i) the last Day of the Month next following the Month in which Gas is delivered or (ii) seven (7) Days after receipt by Buyer from the Receiving Pipelines or Seller of all necessary information.

5.03 Auditing: Each party shall have the right at reasonable hours to examine the records of the other party to the extent necessary to verify the accuracy of any statement made hereunder. In the event of any inaccuracy, any necessary adjustments in the billing shall be promptly made; provided that no adjustment for any billing and payment shall be made after the lapse of two (2) years from the rendition thereof.

VI. TAXES AND CHARGES

Seller shall pay, or cause to be paid, all Taxes or other sums due on production, gathering, processing or severance of the Gas prior to delivery to Buyer at the Delivery Point. All such Taxes shall be paid by Seller directly to the taxing authority unless Buyer is required by law to collect and remit such Taxes, in which event Buyer shall withhold from payments to Seller an amount required to be collected and remitted by Buyer. In those states in which Buyer, as the first purchaser, is required to remit Taxes or file a response, Seller shall, upon the request of Buyer, provide Buyer with any necessary additional information. If any such Tax is claimed, assessed or levied on Buyer, then Seller shall reimburse Buyer for the amount of such Tax. Buyer is entitled to purchase Gas free from sales, use or gross receipts Taxes arising upon delivery of the Gas and Buyer shall, upon request of Seller, furnish Seller with any applicable exemption certificates.

VII. WARRANTY OF TITLE

Seller warrants title to all Gas delivered hereunder, that it has the right to sell and transfer title to the same and that said Gas is free and clear of all liens, claims and encumbrances. In the event of any adverse claim being asserted against the Gas, Buyer shall have the right to withhold payment, of sums due hereunder up to the amount of the claim until such claim shall have been finally determined or until Seller shall have furnished other adequate securities to Buyer. Seller shall indemnify, defend and hold Buyer harmless from and against any loss, damage, cost or expense including court costs, witness and attorney fees and expenses arising out of breach of the foregoing warranties.

VIII. INDEMNITY

Buyer shall indemnify, defend and hold Seller harmless from and against all loss, cost and expense, including court costs and attorney fees, for any claims, suits, judgments, demands actions or liabilities growing out of the operations conducted or performance hereunder by Buyer or arising while the Gas is in Buyer's exclusive control and possession. Seller shall indemnify, defend and hold Buyer harmless from and against any loss, cost and expense, including court costs and attorney fees, for any claims, suits, judgments, demands, actions or liabilities growing out of Seller's operation hereunder or arising while the Gas is in Seller's exclusive control and possession.

IX. FORCE MAJEURE

9.01 **General:** If either party is rendered unable, wholly or in part, by Force Majeure (hereafter defined) to perform or comply with any obligation or condition of this Agreement such obligation or condition shall be suspended during the period of the inability so caused and such party shall be relieved of liability and shall suffer no prejudice for failure to perform the same during such period; provided, however, obligations to make payments hereunder shall not be suspended, and the party claiming the occurrence of an event of Force Majeure shall promptly advise the other party of that Force Majeure event, and the cause of suspension (other man strikes or lockouts) shall be remedied so far as possible with reasonable dispatch. The settlement of strikes or lockouts shall be entirely within the discretion of the party experiencing such.

9.02 **Defined:** The term "Force Majeure" as used in this Agreement shall mean by way of example and not by way of limitation acts of God, strikes, lockouts or other industrial disturbances (including those affecting the parties transporting Gas for Buyer or gathering Gas for Seller), acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, explosion or other casualty, storms, floods, washouts, arrests and restraints of government (federal, state, local, civil, tribal or military), including Tax, price or other regulation or order, and of people, civil disturbances, the breakage, freezing, rupture or blockage of lines of pipe, interruption of necessary third-party transportation arrangements, and any other cause or causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable, wholly or in part, to prevent or overcome; provided, the term Force Majeure shall not mean or include any cause which by the exercise of reasonable diligence the party claiming suspension could overcome or could have prevented.

X. REGULATORY AUTHORITY

This Agreement and each provision hereof shall be subject to all valid applicable federal, state, county, municipal and tribal laws and to the orders, rules and regulations of any duly constituted federal, state, county,

municipal or tribal regulatory body or authority having jurisdiction. Either party shall have the right to contest the validity of any such law, order, rule or regulation and neither acquiescence therein or compliance therewith for any period of time shall be construed as a waiver of such right.

XI. CONFIDENTIALITY OF TERMS

The terms of this Agreement shall not be disclosed to any person or party except when disclosure is (i) required by law including filings with federal or state taxing authorities; (ii) requested by Buyer's or Seller's independent public accountants; (iii) required pursuant to a loan or financing agreement; (iv) required to be disclosed in connection with the prosecution or defense of any litigation; or (v) is otherwise agreed in writing to be disclosed.

XII. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, provided that this Agreement shall not be transferred or assigned, by operation of law or otherwise, by either party without the other party's prior written consent which consent shall not be unreasonably withheld.

XIII. MISCELLANEOUS

13.01 Relationship: It is not the purpose of the parties hereto to create a partnership, joint venture or association, or the relationship of agency or employer-employee and neither this Agreement nor any of the operations hereunder shall be construed or considered as creating any such relationship.

13.02 Choice of Law: THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF OKLAHOMA (EXCLUDING OKLAHOMA CHOICE OF LAW) AND VENUE SHALL BE IN THE STATE OF OKLAHOMA.

13.03 Attorney Fees: If it becomes necessary for either party to either initiate legal action to enforce or obtain compliance with any provision of this Agreement or to defend any legal action initiated by a party, the prevailing party in such action shall be entitled to recovery of all of its costs and expenses incurred in such legal proceeding, including reasonable attorney fees and expenses, court costs, and expert witness, and consulting fees and expenses. The provisions of this Section 13.03 do not apply to the determination of a Replacement Index Price pursuant to paragraphs 4.05 through 4.10 above.

13.04 Changes: Any change, modification, amendment, or alteration of this Agreement shall be in writing and signed by the parties hereto and no course of dealing between the parties prior or subsequent to the date of this Agreement shall be construed to change, modify, amend, alter or waive the terms hereof. During the Primary Term only, Seller and Buyer shall not make any change, modification, amendment or alteration of this Agreement (which shall include any exercise of a termination right hereunder) that would adversely affect the revenues received by Buyer hereunder, without the prior written consent of the owners of the NPI who collectively hold at least a majority ownership of the NPI. Notwithstanding any provision contained in this Agreement to the contrary during the Primary Term only, the owners of the NPI shall be third party beneficiaries of this Section 13.04.

13.05 Waivers: No waiver by a party of its rights or of any default by the other party under this Agreement shall operate or be construed as a continuing waiver of such rights or as a waiver of any future default, whether of a like or different character.

13.06 **Headings:** The headings or captions in this Agreement are for the convenience of the parties in identification of the provisions hereof and shall not be considered when interpreting or construing the provisions of this Agreement, or determining the rights, obligations or liabilities of any party hereto.

13.07 **Recitals:** The recitals contained herein form a part of this Agreement and should be considered when determining the rights, obligations or liabilities of any party hereto.

13.08 **Context of Words:** In this Agreement, unless there is something in the subject matter or context inconsistent herewith (i) words importing the singular shall include the plural and vice versa; (ii) words importing gender shall include the masculine, feminine and neuter genders, and (iii) references to the Agreement shall include all exhibits attached hereto.

13.09 **Severability:** In the event that any of the non-material provisions of this Agreement are determined to be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

13.10 **Limit of Liability:** NEITHER PARTY SHALL BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL, SPECIAL, EXEMPLARY, PUNITIVE OR SIMILAR DAMAGES INCLUDING, WITHOUT LIMITATION, DAMAGES TO THE WELLS, THE RESERVOIR, THE RESERVES OR PRODUCTION FROM THE WELLS.

13.11 **Exhibits:** The exhibits referenced in this Agreement are incorporated and made a part of this Agreement as if fully set forth herein.

13.12 **Equal Opportunity:** This Agreement hereby incorporates by reference to the same extent and with the same force and effect as if set forth herein in full, the provisions of, as amended, (i) Section 202 of Executive Order 11246 and Title 41 CFR Section 60-1.4 prohibiting discrimination against any employee or applicant on the basis of race, color, religion, sex or national origin; (ii) 29 U.S.C. Section 701 and 41 CFR Section 60-741.4, requiring contractors to take affirmative action in the employment and advancement of qualified handicapped individuals; (iii) 38 U.S.C. Section 2012 and 41 CFR Section 60-250.4, requiring contractors to take affirmative action in the employment and advancement of qualified disabled veterans and veterans of the Vietnam era; and (iv) Executive Order 11625 providing for the participation of minority business enterprises in governmental procurement at both the prime and subcontract level.

13.13 **Dispute Resolution:** The parties agree in the event of a dispute (other than the determination of a Replacement Index Price as provided in paragraphs 4.05 through 4.10 above) to negotiation and submission of such dispute to alternative dispute resolution (“ADR”) before pursuing litigation.

13.14 **Entire Agreement:** Unless otherwise provided herein, this Agreement constitutes the entire agreement of the parties. Seller and Buyer covenant and agree that this Agreement shall be deemed and considered for all purposes as prepared through the joint efforts of the parties and shall not be interpreted or construed against one party or the other as a result of the preparation, submittal or other event of a party or the negotiation, drafting or execution hereof.

IN WITNESS WHEREOF the parties have executed the foregoing on the day and year first above set forth.

BUYER:

WPX GAS RESOURCES COMPANY

By: /s/ Neal Buck

Name: Neal Buck

Title: Vice President

SELLER:

**WILLIAMS PRODUCTION COMPANY,
LLC**

By: /s/ Jeffrey Schmuhl

Name: Jeffrey Schmuhl

Title: Director

[Ernst & Young Letterhead]

November 17, 2010

The Trustee
Williams Coal Seam Gas Royalty Trust

We are aware of the incorporation by reference in the Registration Statement (Form S-3 No. 333-70394-01) of the Williams Coal Seam Gas Royalty Trust for the registration of 3,568,791 trust units of beneficial interest, of our report dated November 17, 2010 relating to the unaudited condensed interim financial statements of the Williams Coal Seam Gas Royalty Trust that are included in its Form 10-Q for the quarter ended September 30, 2010.

Very truly yours,
/s/ Ernst & Young LLP

**CERTIFICATION REQUIRED BY
RULE 13a-14(a) OR RULE 15d-14(a)**

I, Ron E. Hooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Williams Coal Seam Gas Royalty Trust, for which Bank of America, N.A., 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;
 - 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 Williams Production Company.

Date: November 17, 2010

By: /s/ RON E. HOOPER

Ron E. Hooper

Senior Vice President and Administrator

Bank of America, N.A.

**CERTIFICATION FURNISHED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Williams Coal Seam Gas Royalty Trust (the "Trust") on Form 10-Q for the period ended September 30, 2010, 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. 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.

Date: November 17, 2010

BANK OF AMERICA, N.A., TRUSTEE FOR
WILLIAMS COAL SEAM GAS ROYALTY TRUST

By: /s/ RON E. HOOPER
Ron E. Hooper
Senior Vice President and Administrator
Bank of America, N.A.

A signed original of this written statement required by Section 906 has been provided to Williams Coal Seam Gas Royalty Trust and will be retained by Williams Coal Seam Gas Royalty Trust and furnished to the Securities and Exchange Commission or its staff upon request.