



SAN JUAN BASIN

ROYALTY TRUST

2020 FIRST QUARTER

TO OUR UNIT HOLDERS

We are pleased to present the 2020 1st Quarter Report (this "Report") of the San Juan Basin Royalty Trust (the "Trust"). The principal asset of the Trust is a 75% net overriding royalty interest (the "Royalty") carved out of certain oil and gas leasehold and royalty interests in properties located in the San Juan Basin of New Mexico (the "Subject Interests"). The Subject Interests are owned by Hilcorp San Juan L.P. ("Hilcorp"), and were previously owned by Burlington Resources Oil & Gas Company LP ("Burlington"), a wholly-owned subsidiary of ConocoPhillips.

Royalty income distributed to the Trust, which consists of monthly net proceeds attributable to the Royalty, was approximately \$5.1 million for the three months ended March 31, 2020, compared to \$6.5 million during the same period in 2019. The decrease in Royalty income is primarily attributable to decreased natural gas production and lower natural gas prices.

Distributable income decreased from \$6.0 million (\$0.129050 per Unit) for the three months ended March 31, 2019 to \$4.6 million (\$0.099085 per Unit) for the three months ended March 31, 2020. The decrease in distributable income was primarily attributable to lower natural gas production and lower natural gas prices in 2020 offset by lower production costs, resulting in lower Royalty income.

Based on 46,608,796 Units outstanding, the per-Unit distributions during the first quarter of 2020 were as follows:

January	\$0.029963
February	0.036971
March	0.032151
Quarter Total	\$0.099085

Interest income was lower for the three months ended March 31, 2020 as compared to the same period in 2019 due to lower yields on short-term investments held by the Trust.

General and administrative expenses decreased approximately \$0.1 million or 16% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The decrease was primarily attributable to differences in timing in the receipt and payment of certain expenses by the Trust.

Total cash reserves were \$1.0 million as of March 31, 2020. The Trustee does not anticipate any increase or decrease to the cash reserves in 2020, although it cannot guarantee that the Trustee will not increase such cash reserves in the future.

Capital expenditures by Hilcorp decreased \$0.7 million or 92% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The decrease was attributable to Hilcorp's reduced capital spending plan, which the Trust announced on February 24, 2020 (the "2020 Plan"). The 2020 Plan calls for total capital spending of \$0.3 million.

Royalty income for the quarter ended March 31, 2020 is associated with oil and natural gas production during November 2019 through January 2020 from the Subject Interests. Production of oil and natural gas and related average sales prices attributable to each of the Subject Interests and the Royalty for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31,			
	2020		2019	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	6,863,999	7,425	7,393,915	10,821
Royalty	2,378,674	4,442	2,624,050	5,237
Average Price (per Mcf/Bbl)	\$2.02	\$51.94	\$2.52	\$40.96

The Trust recognizes production during the month in which the related net proceeds attributable to the Royalty are paid to the Trust. Royalty income for a calendar year is based on the actual natural gas and oil production during the period beginning with November of the preceding calendar year through October of the current calendar year. Sales volumes attributable to the Royalty are determined by dividing the net profits by the Trust from the sale of oil and natural gas, respectively, by the prices received for sales of such volumes from the Subject Interests, taking into consideration production taxes attributable to the Subject Interests. Because the oil and natural gas sales attributable to the Royalty are based upon an allocation formula dependent on such factors as price and cost, including Hilcorp's capital expenditures and the timing of Hilcorp's true-ups of prior reported estimated oil and natural gas production data, the aggregate sales amounts from the Subject Interests may not provide a meaningful comparison to sales attributable to the Royalty.

Future true-ups will impact future royalty proceeds, but will not change the reported amounts due to the accounting basis used.

The Trust requested additional updates from Hilcorp as to its production and financial expectations with respect to the Subject Interests due to the ongoing Covid-19 pandemic and the recent fluctuations in oil and gas pricing. Hilcorp has informed the Trust that, given the current natural gas pricing environment, Hilcorp does not anticipate materially reducing any of the Subject Interests' production or taking any of the Subject Interests' wells offline. Hilcorp further informed the Trust that it does not anticipate that Covid-19 will have any material impact on its operation of the Subject Interests or on its payments of Royalty Income to the Trust. However, the impact of the Covid-19 pandemic on Hilcorp and the Subject Interests is still unknown and any such impact could result in actual results being different than Hilcorp's expectations.

Unit Holders of record will continue to receive an annual individualized tax information letter. All Unit Holders may obtain monthly tax information from the Trust's website at www.sjbtr.com, or from the Trustee upon request by calling toll-free or writing the Trustee at the contact information at the bottom of this Report

Income and expense (per Unit) and depletion factors for the three months ended March 31, 2019 are as follows:

	January	February	March
Gross Income	\$ 0.034015	\$ 0.044067	\$ 0.037899
Interest Income	\$ 0.000015	\$ 0.000027	\$ 0.000035
Severance Tax	(\$ 0.002766)	(\$ 0.003055)	(\$ 0.001417)
Administration Expense	(\$ 0.001301)	(\$ 0.004068)	(\$ 0.004366)
Distributable Income	\$ 0.029963	\$ 0.036971	\$ 0.032151
Percentage Depletion Factor	0.005102	0.006610	0.005685
Cost Depletion Factor	0.010135	0.012002	0.014185

BBVA USA, Trustee



BY: JOSHUA R. PETERSON
Head of Trust Real Assets & Mineral Resources and Senior Vice President



CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2020	December 31, 2019
	(Unaudited)	
Assets		
Cash and Short-Term Investments	\$ 2,498,537	\$ 1,079,421
Net Overriding Royalty Interest in Producing Oil and Natural Gas Properties (net of accumulated amortization of \$128,021,349 and \$127,823,321 at March 31, 2020 and December 31, 2019, respectively)	5,254,179	5,452,207
	<u>\$ 7,752,716</u>	<u>\$ 6,531,628</u>
Liabilities And Trust Corpus		
Distribution Payable to Unit Holders	\$ 1,498,537	\$ 79,421
Cash Reserves	1,000,000	1,000,000
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	5,254,179	5,452,207
Total Liabilities	<u>\$ 7,752,716</u>	<u>\$ 6,531,628</u>

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2020	2019
Royalty Income	\$ 5,068,407	\$ 6,549,564
Interest Income	3,562	8,051
Total Income	5,071,969	6,557,615
Expenditures – General and Administrative	(453,707)	(542,778)
Distributable Income	<u>\$ 4,618,262</u>	<u>\$ 6,014,837</u>
Distributable Income per Unit (46,608,796 Units)	<u>\$ 0.099085</u>	<u>\$ 0.129050</u>

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2020	2019
Trust Corpus, Beginning of Period	\$ 5,452,207	\$ 5,844,727
Amortization of Net Overriding Royalty Interest	(198,028)	(171,675)
Distributable Income	4,618,262	6,014,837
Distributions Declared	(4,618,262)	(6,014,837)
Trust Corpus, End of Period	<u>\$ 5,254,179</u>	<u>\$ 5,673,052</u>
Distributions Declared (per Unit)	<u>\$ 0.099085</u>	<u>\$ 0.129050</u>

These Condensed Financial Statements and the other information presented in this Report should be read in conjunction with the information in the Trust's Quarterly Report on Form 10-Q (including but not limited to the Condensed Financial Statements and notes thereto) for the quarterly period ending March 31, 2020, as filed with the U.S. Securities and Exchange Commission on May 11, 2020.



Except for historical information contained in this Report, the statements in this Report may contain or include forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements generally are accompanied by words such as “may,” “will,” “estimate,” “anticipate,” “should,” “plan,” “intend,” or other words that convey the uncertainty of future events or outcomes. Forward-looking statements and the financial prospects of San Juan Basin Royalty Trust are subject to a number of risks and uncertainties that may cause actual results in future periods to differ materially from the forward-looking statements. These risks and uncertainties include, among other things, volatility of oil and gas prices, governmental regulation or action, litigation, uncertainties about estimates of reserves, capital expenditures, drilling activity, development activities, production efforts and volumes, and the results of the Trust’s activities. Such statements are based on certain assumptions of BBVA USA, the Trustee and by Hilcorp, the owner of the working interest through the reporting period, with respect to future events; are based on an assessment of, and are subject to, a variety of factors deemed relevant by the Trustee and Hilcorp; and involve risks and uncertainties. However, whether actual results and developments will conform with such expectations and predictions is subject to a number of risks and uncertainties which could affect the future results of the energy industry in general, and the Trust and Hilcorp in particular, and could cause those results to differ materially from those expressed in such forward-looking statements. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on Hilcorp’s business and the Trust. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such forward-looking statements. The Trust undertakes no obligation to publicly update or revise any forward-looking statements, except as required by applicable law.

San Juan Basin Royalty Trust

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