

SAN JUAN BASIN

ROYALTY TRUST

2020 THIRD QUARTER

TO OUR UNIT HOLDERS

We are pleased to present the 2020 3rd 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.

There was no Royalty income distributed to the Trust in the three months ended September 30, 2020 due to excess production costs from the April 2020 production month. No Royalty income was distributed to the Trust in the third quarter of 2019 primarily due to Hilcorp's increased capital spending pursuant to its 2019 capital spending plan. The average natural gas price increased from \$1.26 per Mcf for the three months ended September 30, 2019 to \$1.46 per Mcf for the three months ended September 30, 2020. Production of natural gas from the Subject Interests decreased from 6,925,842 Mcf for the three months ended September 30, 2019 to 5,786,304 Mcf for the three months ended September 30, 2020.

There was no distributable income in either of the three month periods ended September 30, 2020 and 2019. There was no distributable income in the third quarter of 2020 due primarily to lower gas production and to true-ups of prior periods by Hilcorp resulting in excess production costs from the April 2020 production month. Gross excess production costs applicable to the Subject Interests were \$92,000 as of September 30, 2020, with 75%, or \$69,000 (net) allocated to the Trust.

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

July	\$0.000000
August	0.000000
September	0.000000
Quarter Total	\$0.000000

Interest income was lower for the three months ended September 30, 2020, as compared to the same period in 2019 due primarily to lower yields on short-term investments and lower cash balances.

General and administrative expenses decreased approximately 15% for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The decrease was primarily attributable to differences in timing in the receipt and payment of certain expenses by the Trust.

The Trust withdrew approximately \$0.3 million from its cash reserve during the third quarter of 2020 to pay the Trust's general and administrative expenses due to the Trust receiving no Royalty income during that period. Total cash reserves were approximately \$0.6 million as of September 30, 2020. The primary purpose of the cash reserves is to have sufficient funds to cover monthly general and administrative expenses in the event that there is insufficient Royalty income to cover such expenses. The Trustee replenishes the cash reserve following withdrawals once it begins to receive Royalty income from Hilcorp, and after the third quarter the Trustee was able to replenish the Trust's cash reserves by \$0.4 million to bring the cash reserve balance back to the previously established amount of \$1.0 million by October 2020. The Trustee does not anticipate any increases to the cash reserve above a level of \$1.0 million in 2020, although it cannot guarantee that the Trustee will not increase such cash reserves in the future.

Hilcorp's capital expenditures decreased approximately \$4.6 million, or \$99% for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The decrease was attributable to Hilcorp's reduced capital spending plan that the Trust announced on February 24, 2020 (the "2020 Plan"). The 2020 Plan calls for total capital spending of \$0.3 million for fiscal 2020.

Royalty income for the three months ended September 30, 2020 is associated with oil and natural gas production during May through July 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 September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30,			
	2020		2019	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	5,786,304	14,195	6,925,842	26,139
Royalty	946,233	6,245	(2,567,495) ¹	17,512
Average Price (per Mcf/Bbl)	\$1.46	\$28.09	\$1.26	\$45.29

¹The 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 pursuant to its 2019 CapEx Plan. The allocation formula for natural gas produced a negative volume due to excess production costs for natural gas during the three months ended September 30, 2019.

The Trust recognizes production during the month in which Hilcorp pays to the Trust the related net proceeds attributable to the Royalty. 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 or 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 continues to request periodic updates from Hilcorp as to its production and financial expectations with respect to the Subject Interests due to any effects caused by 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; however, both the Trust and Hilcorp continue to monitor the impact that Covid-19 may have on production, including as it relates to personnel availability in New Mexico and other Subject Interest areas. 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. Specifically, the Trust has noted that prices have declined, which may lead to further reductions from expected negative true-ups for reported estimates from earlier periods in 2020.

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 September 30, 2020 are as follows:

	July	August	September
Gross Income	\$ 0.000000	\$ 0.000000	\$ 0.000000
Interest Income	\$ 0.000004	\$ 0.000002	\$ 0.000002
Severance Tax	\$ 0.000000	\$ 0.000000	\$ 0.000000
Administration Expense	\$ 0.002200	\$ 0.002156	\$ 0.001873
Distributable Income	\$ 0.000000	\$ 0.000000	\$ 0.000000
Percentage Depletion Factor	0.000000	0.000000	0.000000
Cost Depletion Factor	0.000000	0.000000	0.000000

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

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Cash and Short-Term Investments	\$ 602,910	\$ 1,079,421
Net Overriding Royalty Interest in Producing Oil and Natural Gas Properties (net of accumulated amortization of \$128,103,458 and \$127,823,321 at September 30, 2020 and December 31, 2019, respectively)	5,172,070	5,452,207
	<u>\$ 5,774,980</u>	<u>\$ 6,531,628</u>
Liabilities And Trust Corpus		
Distribution Payable to Unit Holders	\$ –	\$ 79,421
Cash Reserves	602,910	1,000,000
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	5,172,070	5,452,207
	<u>\$ 5,774,980</u>	<u>\$ 6,531,628</u>

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Royalty Income	\$ –	\$ –	\$ 6,039,129	\$ 8,957,770
Interest Income	396	5,633	6,010	23,347
Total Income	396	5,633	6,045,139	8,981,117
General and Administrative Expenses	(290,344)	(340,084)	(1,238,724)	(1,388,971)
Decrease in Cash Reserves	289,948	334,451	397,090	419,394
Distributable Income	\$ –	\$ –	\$ 5,203,505	\$ 8,011,540
Distributable Income per Unit (46,608,796 Units)	\$ 0.000000	\$ 0.000000	\$ 0.111642	\$ 0.171890

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Trust Corpus, Beginning of Period	\$ 5,172,070	\$ 5,586,320	\$ 5,452,207	\$ 5,844,727
Amortization of Net Overriding Royalty Interest	–	–	(280,137)	(258,407)
Distributable Income	–	–	5,203,505	8,011,540
Distributions Declared	–	–	(5,203,505)	(8,011,540)
Trust Corpus, End of Period	\$ 5,172,070	\$ 5,586,320	\$ 5,172,070	\$ 5,586,320
Distributions Declared (per Unit)	\$ 0.000000	\$ 0.000000	0.111642	\$ 0.171890

These Condensed Financial Statements and the other information presented in this Report should be read in conjunction with the information presented 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 September 30, 2020, as filed with the U.S. Securities and Exchange Commission on November 16, 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," "expects," 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, the impact of the Covid-19 pandemic on production and demand, 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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