San Juan Basin Royalty Trust

2007 First Quarter Report to Unit holders

The San Juan Basin Royalty Trust received Royalty income of $23,948,749 and interest income of $624,781 during the first quarter of 2007. There was no change in cash reserves. After deducting administrative expenses of $565,648, distributable income for the quarter was $24,007,882 ($.515094 per Unit). In the first quarter of 2006, Royalty income was $50,481,086, interest income was $491,660, there was no change in cash reserves, administrative expenses were $482,550 and distributable income was $50,490,196 ($1.083276 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the first quarter of 2007 were as follows:

January..	$.181827
February..	.217184
March...	.116083
Quarter Total	$.515094

The Royalty income distributed in the first quarter of 2007 was lower than that distributed in the first quarter of 2006. The average gas price decreased from $8.44 per Mcf for the first quarter of 2006 to $6.04 per Mcf for the first quarter of 2007, and gas volumes decreased in the quarter ended March 31, 2007 as compared to the quarter ended March 31, 2006. Burlington Resources Oil & Gas Company LP ("BROG") has informed the Trust that the decrease in reported volumes was due in part to the natural production decline curve and in part to the correction in the first quarter of 2007 for overaccruals of gas production allocated to the Trust in 2006. Production costs for the first quarter of 2007 were approximately $2.1 million lower than those for the first quarter of 2006, principally as a result of lower natural gas severance taxes. Interest income for the quarter ended March 31, 2007, as compared to the quarter ended March 31, 2006, was higher, primarily due to additional interest paid to the Trust by BROG in January and February of 2007 as a result of the granting of certain audit exceptions. Administrative expenses were higher in 2007 primarily as a result of differences in timing in the receipt and payment of these expenses.

The capital costs attributable to the Underlying Properties for the first quarter of 2007 and deducted by BROG in calculating Royalty income were approximately $10.9 million. BROG has informed the Trust that its budget for capital expenditures for the Underlying Properties in 2007 is estimated at $28.0 million. Approximately $24.0 million of that budget is allocable to 112 new wells, including 33 wells scheduled to be dually completed in the Mesaverde and Dakota formations and ten wells scheduled to be dually completed in the Fruitland Coal and Pictured Cliffs formations. BROG indicates that a total of 34 of the new wells, at an aggregate cost of approximately $11.4 million, are projected to be drilled to formations producing coal seam gas. BROG reports that based on its actual capital requirements, the pace of regulatory approvals, and the mix of projects and swings in the price of natural gas, the actual capital expenditures for 2007 could range from $20.0 million to $50.0 million. BROG anticipates 416 projects, including the drilling of 67 new wells to be operated by BROG and 45 wells to be operated by third parties. Of the new BROG operated wells, 48 are projected to be conventional wells completed or dually completed to the Pictured Cliffs, Mesaverde, and/or Dakota formations, seven are scheduled to be dually completed to both conventional and coal seam formations, and the remaining 12 are projected to be completed in the Fruitland Coal formation. A total of 30 of the wells operated by third parties are projected to be conventional wells, and the remaining 15 are to be coal seam wells, with five of the 15 projected coal seam wells to be dually completed in the Fruitland Coal and Pictured Cliffs formations. The budget for 2007 reflects the continuation of a shift toward increased development of conventional gas and a reduction of BROG's program for infill drilling in the Fruitland Coal formation.

BROG has informed the Trust that lease operating expenses and property taxes were $6,414,898 and $322,178, respectively, for the first quarter of 2007, as compared to $ 4,960,655 and $196,866, respectively, for the first quarter of 2006. Lease operating expenses were higher in the first quarter of 2007 primarily due to increased production activity as well as an increase in overhead rates. Property taxes were higher in the first quarter of 2007 due to an adjustment of $101,242 made in January 2007 for the under accrual of property taxes during 2006, as well as an increase in tax accruals for 2007 of approximately $8,000 per month.

BROG has reported to the Trust that during the first quarter of 2007, 15 gross (9.31 net) coal seam wells and ten gross (6.02 net) conventional wells were completed on the Underlying Properties.

Two gross (0.82 net) coal seam wells, one gross (.64 net) coal seam payadd, one gross (0.34 net) coal seam recompletion, 11 gross (5.83 net) conventional wells, 16 gross (10.20 net) payadds, seven gross (1.15 net) recompletions, and 34 gross (21.55 net) restimulations were in progress at March 31, 2007.

There were three gross (0.23 net) coal seam wells, one gross (0.04 net) miscellaneous coal seam project, two gross (0.08 net) coal seam payadds, four gross (0.03 net) conventional wells, one gross (0.0008 net) payadd, and one gross (0.84 net) restimulation completed on the Underlying Properties as of March 31, 2006. Fifty-two gross (18.35 net) coal seam wells, eight gross (4.90 net) coal seam recompletions, two gross (0.004 net) coal seam restimulations, 139 gross (31.60 net) conventional wells, three gross (0.23 net) payadds, nine gross (5.20 net) recompletions, and seven gross (5.04 net) restimulations were in progress at March 31, 2006.

There were 4,616 gross (1,286 net) producing wells being operated subject to the Royalty as of December 31, 2006. Unit Holders will be provided a copy of the list of those wells upon written request to the Trustee.

"Gross" acres or wells, for purposes of this discussion, means the entire ownership interest of all parties in such properties, and BROG's interest therein is referred to as the "net" acres or wells. A "payadd" is the completion of an additional productive interval in an existing completed zone in a well.

Royalty income for the quarter ended March 31, 2007 is associated with actual gas and oil production during November 2006 through January 2007 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended March 31, 2007 and 2006 were as follows:

	Three Months Ended March 31,	
	2007	**2006**
Gas:		
Total sales (Mcf)	8,943,584	10,830,512
Mcf per day	97,213	117,723
Average price (per Mcf)	$ 6.04	$ 8.44
Oil:		
Total sales (Bbls)	18,382	18,598
Bbls per day	200	202
Average price (per Bbl)	$ 54.76	$ 56.54

Gas and oil sales attributable to the Royalty for the quarters ended March 31, 2007 and 2006 were as follows:

	Three Months Ended March 31,	
	2007	**2006**
Gas sales (Mcf)	4,278,905	6,532,486
Oil sales (Bbls)	8,908	11,153

Sales volumes attributable to the Royalty are determined by dividing the net profits received by the Trust and attributable to oil and gas, respectively, by the prices received for sales volumes from the Underlying Properties, taking into consideration production taxes attributable to the Underlying Properties. Since the oil and gas sales attributable to the Royalty are based on an allocation formula that is dependent on such factors as price and cost, including capital expenditures, the aggregate production volumes from the Underlying Properties may not provide a meaningful comparison to volumes attributable to the Royalty.

During the first quarter of 2007, average gas prices were $2.40 lower than the average prices reported during the first quarter of 2006. The average price per barrel of oil during the first quarter of 2007 was $1.78 per barrel lower than that received for the first quarter of 2006 due to decreases in oil prices in world markets generally, including the posted prices applicable to oil sales attributable to the Royalty.

BROG previously entered into two contracts for the sale of all volumes of gas produced from the Underlying Properties. These contracts provided for (i) the sale of such gas to Duke Energy and Marketing, L.L.C. and PNM Gas Services, respectively, (ii) the delivery of such gas at various delivery points through March 31, 2005, and from year-to-year thereafter until terminated by either party on 12 months' notice, and (iii) the sale of such gas at prices which fluctuate in accordance with published indices for gas sold in the San Juan Basin of northwestern New Mexico. Effective January 1, 2004, the rights and obligations of Duke Energy and Marketing L.L.C. were assumed by ConocoPhillips Company ("ConocoPhillips") pursuant to an Assignment and Novation Agreement. By correspondence dated March 25, 2004, BROG notified ConocoPhillips of BROG's election to terminate such contract as of March 31, 2005. BROG then prepared a form of request for proposal and circulated it to a number of potential purchasers, including ConocoPhillips, inviting them to bid for the purchase of the gas currently sold under the contract expiring March 31, 2005. Effective as of April 1, 2005, BROG entered into two new contracts for the sale of all volumes of gas produced from the Underlying Properties and formerly sold to ConocoPhillips. These new contracts provide for (i) the sale of such gas to ChevronTexaco Natural Gas, a division of Chevron U.S.A. Inc. ("ChevronTexaco"), and Coral Energy Resources, L.P. ("Coral"), respectively, (ii) the delivery of such gas at various delivery points through March 31, 2007, and from year-to-year thereafter until terminated by either party on 12 months' notice, and (iii) the sale of such gas at prices which fluctuate in accordance with the published indices for gas sold in the San Juan Basin of northwestern New Mexico. With respect to BROG's contract with PNM Gas Services, BROG and PNM Gas Services entered into a letter agreement dated January 31, 2005, pursuant to which the term of that contract was adjusted to coincide with the contracts with ChevronTexaco and Coral. Neither BROG nor any of ChevronTexaco, Coral nor PNM gave notice by March 31, 2007 to terminate the three contracts described above for the sale of all volumes of gas produced from the Underlying Properties and, accordingly, the terms of those contracts have been extended at least through March 31, 2009.

Confidentiality agreements with purchasers of gas produced from the Underlying Properties prohibit public disclosure of certain terms and conditions of gas sales contracts with those entities, including specific pricing terms and gas receipt points. Such disclosure could compromise the ability to compete effectively in the marketplace for the sale of gas produced from the Underlying Properties.

On November 11, 2005, an Arbitration Award was issued in favor of the Trust in the aggregate amount of $7,683,699 in arbitration styled *San Juan Basin Royalty Trust vs. Burlington Resources Oil & Gas Company LP.* The purpose of the arbitration was to resolve certain joint interest audit issues as between the parties to the arbitration. On November 21, 2005, BROG filed its Original Petition to Vacate or to Modify or Correct Arbitration Award in the case styled *Burlington Resources Oil & Gas Company LP vs. San Juan Basin Royalty Trust,* No. 2005-74370, in the District Court of Harris County, Texas, 281st Judicial District. In this litigation, BROG alleged that the award in favor of the Trust should be vacated or modified because one of the issues decided was beyond the scope of the matters agreed to be arbitrated, the award was issued in manifest disregard of applicable law, and a portion of the award was barred by limitations. BROG also sought to recover its attorneys' fees. The Trust filed an answer and counterclaim in the litigation filed by BROG denying those allegations and asking that the arbitrator's award be confirmed. On April 20, 2006, the Court entered an Order denying BROG's motion to vacate and granting the Trust's application to confirm the Arbitration Award and on June 6, 2006, rendered a final judgment in favor of the Trust. However, on May 22, 2006, BROG filed a Notice of Appeal indicating its desire to appeal from the Order and any final judgment confirming the Arbitration Award and on July 5, 2006, filed a Motion for New Trial in the District Court of Harris County, Texas, urging substantially similar arguments made at the hearing. The Trust responded to the Motion for New Trial and served BROG with post-judgment discovery requests. BROG's Motion for New Trial was overruled on August 4, 2006. BROG's distribution to the Trust for July 2006 included $1,534,182 representing a portion of the Arbitration Award, plus accrued interest. Of this amount, $1,325,826 (the equivalent of $994,370 grossed up to account for the Trust's 75% net overriding royalty interest) was included in calculating the net proceeds paid to the Trust, and the accrued interest thereon was $539,812. The balance of the Arbitration Award is pending BROG's appeal, which has been assigned No. 01-06-00485-CV in the First Court of Appeals in Houston, Texas. On August 24, 2006, BROG filed its Supersedeas Bond to secure payment of the balance of the Arbitration Award, plus interest, if the appeal is dismissed or BROG does not perform the adverse judgment which becomes final on appeal. The briefs of the parties have been filed in the First Court of Appeals and oral arguments were heard on April 24, 2007. The parties will prepare and file letter briefs in support of the positions argued on April 24, 2007 and will then await a ruling on the merits of the appeal. No reliable estimate can be given as to when the First Court of Appeals will act and it should be noted that the ruling of the Court on the merits of the appeal will itself be subject to possible discretionary review by the Texas Supreme Court.

Included in this report are the Condensed Statements of Assets, Liabilities and Trust corpus as of March 31, 2007 (Unaudited), and December 31, 2006, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended March 31, 2007 and 2006.

Unit holders of record for the first quarter of 2007 will continue to receive an individualized tax information letter on a quarterly and an annual basis. Unit holders owning units in nominee name may obtain monthly tax information from the Trust's website at www.sjbrt.com, or from the Trustee upon request.

Compass Bank, Trustee

By:

LEE ANN ANDERSON
Vice President and Senior Trust Officer
San Juan Basin Royalty Trust

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

ASSETS	March 31, 2007 (Unaudited)	December 31, 2006
Cash and short-term investments	$ 5,525,326	$ 4,657,886
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of $111,826,852 and $111,452,138 at March 31, 2007 and December 31, 2006, respectively)	21,448,676	21,823,390
	$ 26,974,002	$ 26,481,276
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit Holders	$ 5,410,468	$ 4,543,028
Cash reserves	114,858	114,858
Trust corpus - 46,608,796 Units of beneficial interest authorized and outstanding	21,448,676	21,823,390
	$ 26,974,002	$ 26,481,276

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
Royalty income	$ 23,948,749	$ 50,481,086
Interest income	624,781	491,660
	24,573,530	50,972,746
General and administrative expenditures	565,648	482,550
Distributable income	$ 24,007,882	$ 50,490,196
Distributable income per Unit (46,608,796 Units)	$ 0.515094	$ 1.083276

The accompanying notes to condensed financial statements are an integral part of these statements.

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
Trust corpus, beginning of period	$ 21,823,390	$ 23,881,494
Amortization of net overriding royalty interest	(374,714)	(603,557)
Distributable income	24,007,882	50,490,196
Distributions declared	(24,007,882)	(50,490,196)
Total corpus, end of period	$ 21,448,676	$ 23,277,937

The accompanying notes to condensed financial statements are an integral part of these statements.

Royalty income received by the Trust for the three months ended March 31, 2007 and 2006, respectively, was computed as shown in the following table:

CALCULATION OF ROYALTY INCOME

	Three Months Ended March 31,	
	2007	2006
Gross proceeds of sales from the Underlying Properties:		
Gas proceeds	$ 53,976,801	$ 91,455,578
Oil proceeds	1,006,513	1,051,494
Total	54,983,314	92,507,072
Less production costs:		
Severance tax – Gas	5,288,138	8,778,228
Severance tax – Oil	91,501	104,921
Lease operating expense and property tax	6,737,076	5,157,521
Other	–	–
Capital expenditures	10,934,934	11,158,287
Total	23,051,649	25,198,957
Less excess production and interest from prior year	-0-	-0-
Net profits	31,931,665	67,308,115
Net overriding royalty interest	75%	75%
Royalty income	$ 23,948,749	$ 50,481,086

GLOSSARY OF TERMS

Distributable Income: An amount paid to Unit holders equal to the Royalty income received by the Trustee during a given period plus interest, less the general and administrative expenses of the Trust, adjusted by any changes in cash reserves.

Royalty: The principal asset of the Trust: the 75% net overriding royalty interest conveyed to the Trust on November 3, 1980, by Southland Royalty Company, the predecessor to BROG, which was carved out of the Underlying Properties.

Underlying Properties: The working, royalty and other interests owned by Southland Royalty Company, the predecessor to BROG, in properties located in the San Juan Basin of northwestern New Mexico, out of which the Royalty was carved.

Units of Beneficial Interest: The units of ownership of the Trust, equally to the number of shares of common stock of Southland Royalty Company outstanding at the close of business on November 3, 1980.

Except for historical information contained in this report, the statements in this report are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. 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 are uncertainties include, among other things, volatility of oil and gas prices, governmental regulation or action, litigation and uncertainties about estimates of reserves. These and other risks are described in the Trust's reports and other filings with the Securities and Exchange Commission.

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