

SJT: 2013

San Juan Basin Royalty Trust

FIRST QUARTER REPORT

TO UNIT HOLDERS:

The Trust received Royalty income of \$3,672,228 and interest income of \$466 during the first quarter of 2013. No distribution was made in March 2013 because production costs exceeded revenues. There was a \$156,724 decrease in cash reserves that month as funds were withdrawn to pay administrative expenses. After deducting administrative expenses of \$433,125, distributable income for the quarter was \$3,396,293 (\$0.072868 per Unit). In the first quarter of 2012, Royalty income was \$14,850,493, interest income was \$347,694, administrative expenses were \$573,491 and distributable income was \$14,624,696 (\$0.313776 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the first quarter of 2013 were as follows:

January	\$0.046217
February	.026651
March	.000000
<u>Quarter Total</u>	<u>\$0.072868</u>

The Royalty income distributed in the first quarter of 2013 was lower than that distributed in the first quarter of 2012 primarily because capital expenditures in the first quarter of 2013 were more than double those for the first quarter of 2012 and due to a decrease in the average gas price from \$4.38 per Mcf for the first quarter of 2012 to \$3.64 per Mcf for the first quarter of 2013. Interest income was lower for the quarter ended March 31, 2013 as compared to the quarter ended March 31, 2012, due to a decrease in funds available for investment and to additional interest received in the first quarter of 2012 from granted audit exceptions. Administrative expenses were lower in 2013 primarily as a result of differences in timing in the receipt and payment of certain of these expenses.

The capital costs attributable to the Underlying Properties for the first quarter of 2013 and deducted by Burlington Resources Oil & Gas Company LP ("Burlington") in calculating Royalty income were approximately \$12.5 million as compared to approximately \$5.9 million of capital costs in the first quarter of 2012.

On March 27, 2013 Burlington announced the temporary suspension of its drilling program in the San Juan Basin, indicating that it plans to monitor natural gas prices and restart the program at some point in the future,

dependent upon such gas prices. Existing wells will continue to be operated. Burlington has informed the Trust that its amended budget for capital expenditures for the Underlying Properties in 2013 is estimated at \$18.5 million (\$10 million less than the capital budget announced by Burlington in January 2013). Of the \$18.5 million, approximately \$5 million will be attributable to the capital budgets for 2012 and prior years. Burlington reports that based on its actual capital requirements, the pace of regulatory approvals, the mix of projects and swings in the price of natural gas, the actual capital expenditures for 2013 could range from \$15 million to \$45 million.

Burlington anticipates 397 projects in 2013. Approximately \$8.2 million of the \$18.5 million budget is allocable to nine new wells, including seven wells scheduled to be dually completed in the Mesaverde and Dakota formations and one well to be completed in all three of the Mesaverde, Mancos Shale and Dakota formations. Approximately \$5.4 million will be spent on recompletions and miscellaneous facilities projects. In light of the challenged price environment for natural gas and natural gas liquids, Burlington will increase its recompletion activity in 2013, noting that such activity is intended to open a new zone of production at a substantially lower cost than drilling a new well. Of the \$5 million attributable to the budgets for prior years, approximately \$3 million is allocable to 30 new wells and the \$2 million balance will be applied to miscellaneous capital projects such as workovers and operated facility projects.

Lease operating expenses and property taxes were \$8,809,725 and \$239,897, respectively, for the first quarter of 2013, as compared to \$8,292,069 and \$(133,082), respectively, for the first quarter of 2012. Burlington indicates the increase in operating expenses in the first quarter 2013 is due to winter weather and increases in the work over rig count during the first quarter of 2013. Taxes for the first quarter of 2013 were higher primarily because the distribution for March 2012 included a \$279,849 adjustment for the over-accrual of ad valorem taxes.

Burlington has reported to the Trustee that during the first quarter of 2013, eight gross (5.29 net) conventional wells were completed on the Underlying Properties. Six gross (2.47 net) conventional wells were in progress at March 31, 2013.

There were eight gross (2.91 net) conventional wells completed on the Underlying Properties during the first quarter of 2012. Five gross (0.70 net) conventional wells were in progress at March 31, 2012.

There were 4,015 gross (1,158.50 net) producing wells being operated subject to the Royalty as of December 31, 2012, calculated on a well bore basis and not including multiple completions as separate wells. Of those wells, seven gross (5.00 net) are oil wells and the balance are gas wells. Burlington reports that approximately 839 gross (319.60 net) of the wells are multiple completion wells resulting in a total of 4,854 gross (1,478.10 net) completions.

"Gross" acres or wells, for purposes of this discussion, means the entire ownership interest of all parties in such properties, and Burlington's interest therein is referred to as the "net" acres or wells. In calculating the number of net wells, where a well is completed to multiple formations, Burlington indicates it (a) multiplies the working interest for each zone by a fraction equal to one divided by the total number of completions in that well bore, and (b) adds the interests so calculated for each zone to obtain the net ownership interest in that well. 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, 2013 is associated with actual gas and oil production during November 2012 through January 2013 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended March 31, 2013 and 2012 were as follows:

Three Months Ended March 31,	2013	2012
Gas:		
Total sales (Mcf)	7,320,787	8,212,735
Mcf per day	79,574	89,269
Average price (per Mcf)	\$ 3.64	\$ 4.38
Oil:		
Total sales (Bbls)	11,871	14,370
Bbls per day	129	156
Average price (per Bbl)	\$77.96	\$86.01

During the first quarter of 2013, average gas prices were \$0.74 per Mcf lower than the average prices reported during the first quarter of 2012. The average price per barrel of oil during the first quarter of 2013 was \$8.05 per barrel lower than that received for the first quarter of 2012.

Gas produced from the Underlying Properties is processed at one of the following five plants: Chaco, Val Verde, Milagro, Ignacio, and Kutz, all located in the San Juan Basin. All of such gas other than that processed at Kutz is being sold to Chevron USA, Inc. ("Chevron") under a contract with Burlington dated April 1, 2011 which provides for the delivery of gas through March 31, 2013 and from year to year thereafter. Because neither party gave notice of termination, the term of the Chevron contract has automatically been extended through at least March 31, 2014.

Gas produced from the Underlying Properties and processed at Kutz was being sold under three separate contracts with Pacific Gas and Electric Company ("PG&E"), Shell Energy North America (US), LP ("Shell") and New Mexico Gas Company, Inc. ("NMGC"). A fourth contract for the purchase of summer-only supplies by Salt River Project Agricultural Improvement and Power District expired October 2012. The NMGC contract for the sale of certain winter-only supplies of the Kutz gas is for a five-year term

expiring March 31, 2017. Both PG&E and Shell gave notice of the termination of their respective contracts effective March 31, 2013. Burlington circulated requests for proposal soliciting bids for the purchase of those volumes commencing April 1, 2013 and Burlington has entered into two new contracts effective April 1, 2013 with Shell and EDF Trading North America, LLC for the purchase of those volumes through March 31, 2014.

All four of the current contracts provide for (i) the delivery of such gas at various delivery points through their respective termination dates and from year to year thereafter, until terminated by either party upon notice of between six and twelve months; and (ii) 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.

Burlington contracts with Williams Four Corners, LLC ("WFC") and Enterprise Field Services, LLC ("EFS") for the gathering and processing of virtually all of the gas produced from the Underlying Properties. Four new contracts were entered into with WFC to be effective for terms of 15 years commencing April 1, 2010. Burlington has also signed a new agreement with EFS effective November 1, 2011 for a term of 15 years. Burlington has disclosed to the Trust a summary of that agreement which the Trust has reviewed with its consultants, subject to conditions of confidentiality.

Confidentiality agreements with gatherers and 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.

Included in this report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of March 31, 2013, (Unaudited), and December 31, 2012, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended March 31, 2013 and 2012.

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.

Income and expense (per Unit) and depletion factors for the three months ended March 31, 2013 are as follows:

	January	February	March
Gross income	\$ 0.052423	\$ 0.035021	\$ 0.000000
Interest income	\$ 0.000001	\$ 0.000004	\$ 0.000005
Severance tax	\$(0.005152)	\$(0.003502)	\$(0.000000)
Administration expense	\$(0.001053)	\$(0.004872)	\$(0.003368)
Percentage depletion factor	0.007863	0.005253	0.000000
Cost depletion factor	0.004715	0.003137	0.000000

Compass Bank, Trustee

LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2013	December 31, 2012
Assets	(Unaudited)	
Cash and short-term investments	\$ 0	\$ 1,420,096
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of \$121,207,570 and \$121,112,068 at March 31, 2013 and December 31, 2012, respectively)	12,067,958	12,163,460
	\$12,067,958	\$ 13,583,556
Liabilities and Trust Corpus		
Distribution payable to Unit Holders	\$ 0	\$ 1,264,307
Cash reserves	0	155,789
Trust corpus—46,608,796 Units of beneficial interest authorized and outstanding	12,067,958	12,163,460
	\$12,067,958	\$ 13,583,556

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
Royalty income	\$ 3,672,228	\$ 14,850,493
Interest income	466	347,694 ⁽¹⁾
Decrease in cash reserves	156,724	0
Total revenue	3,829,418	15,198,187
General and administrative expenditures	(433,125)	(573,491)
Distributable income	\$ 3,396,293	\$ 14,624,696
Distributable income per Unit (46,608,796 Units)	\$ 0.072868	\$ 0.313776

(1) Includes \$345,830 in interest on the late payment of gross proceeds as a result of the ongoing negotiation of compliance audit exceptions.

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
Trust corpus, beginning of period	\$12,163,460	\$ 13,145,058
Amortization of net overriding royalty interest	(95,502)	(334,989)
Distributable income	3,396,293	14,624,696
Distributions declared	(3,396,293)	(14,624,696)
Trust corpus, end of period	\$12,067,958	\$ 12,810,069

CALCULATION OF ROYALTY INCOME

	Three Months Ended March 31,	
	2013	2012
Gross Proceeds of Sales from the Underlying Properties:		
Gas proceeds	\$26,659,224	\$ 35,940,492
Oil proceeds	925,468	1,235,903
Total	27,584,692	37,176,395
Less Production Costs:		
Severance tax—Gas	2,646,862	3,199,795
Severance tax—Oil	94,180	115,595
Lease operating expense and property tax	9,049,622	8,158,987
Capital expenditures	12,533,245	5,901,361
Unreconciled production costs in excess of gross proceeds	(1,635,521)	0
Total	22,688,388	17,375,738
Net profits	4,896,304	19,800,657
Net overriding royalty interest	75%	75%
Royalty Income	\$ 3,672,228	\$ 14,850,493

These financial statements should be read in conjunction with the condensed financial statements and notes thereto included in the Trust's Form 10-Q filing for the quarterly period ending March 31, 2013.

BURLINGTON: Burlington Resources Oil & Gas Company LP, a corporate subsidiary of ConocoPhillips and the principal operator of the Underlying Properties.

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 Burlington, which was carved out of the Underlying Properties.

UNDERLYING PROPERTIES: The working, royalty and other interests owned by Southland Royalty Company, the predecessor to Burlington, 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, equal to the number of shares of common stock of Southland Royalty Company outstanding at the close of business on November 3, 1980.

Glossary of Terms

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 and 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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