



TO UNIT HOLDERS

The Trust received Royalty Income of \$14,525,726 and interest income of \$1,454 during the first quarter of 2014. After deducting administrative expenses of \$437,337, distributable income for the quarter was \$14,089,843 (\$0.302300 per Unit). In the first quarter of 2013, Royalty Income was \$3,672,228, and interest income was \$466. 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 There was a \$156,724 decrease in cash reserves that month as funds were withdrawn to pay administrative expenses.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 was \$3,396,293 (\$0.072868 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the first quarter of 2014 were as follows:

January	\$.096279
February	.086724
March	.119297
Quarter Total	\$.302300

The Royalty Income distributed in the first quarter of 2014 was higher than that distributed in the first quarter of 2013 primarily because of the previously reported moratorium on the drilling of new wells announced by Burlington Resources Oil & Gas Company LP ("Burlington") in March 2013, and also due to an increase in the average gas price from \$3.64 per Mcf for the first quarter of 2013 to \$4.13 for the first quarter of 2014. Interest income was higher for the quarter ended March 31, 2014 as compared to the quarter ended March 31, 2013, due to an increase in funds available for investment. Administrative expenses were higher in 2014 primarily as a result of differences in timing in the receipt and payment of certain of these expenses.

On February 21, 2014 Burlington informed the Trustee it had discovered a failure by Burlington to properly allocate approximately \$4.3 million of severance taxes to the calculation of the Royalty during a period commencing in 2007 until the allocation was corrected in 2012, the effect of which resulted in what it characterized as an overpayment to the Trust in the amount of approximately \$3.25 million. Burlington proposed and has begun to recoup the overpayment in installments of \$361,215 starting in March 2014 and continuing in equal installments through November 2014. Burlington has elected not to charge interest on the overpayment, although it has reserved the right to do so. The Trust and its advisors are analyzing the facts and circumstances and will continue communication with Burlington on this claim.

The capital costs attributable to the Underlying Properties for the first quarter of 2014 and deducted by Burlington in calculating Royalty Income were approximately \$1.3 million as compared to approximately \$12.5 million of capital costs in the first quarter of 2013.

Burlington informed the Trust that its budget for capital expenditures for the Underlying Properties in 2014 is estimated at \$4.8 million. Of the \$4.8 million, approximately \$3 million will be attributable to the capital budgets for 2013 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 2014 could range from \$2 million to \$15 million.

Burlington anticipates 100 projects in 2014. However, in light of the challenged price environment for natural gas and natural gas liquids, Burlington anticipates no new drilling or recompletion activity to be commenced in 2014. Approximately \$1.8 million of the \$4.8 million budget is to be spent on 40 miscellaneous facilities projects. The \$3 million balance is attributable to the budgets for prior years; \$1 million is allocable to 20 new wells commenced prior to 2014 and the \$2 million balance will be applied to miscellaneous capital projects such as workovers and operated facility projects.

Burlington plans to continue the temporary suspension of its drilling program in the San Juan Basin, indicating that it currently plans to have no drilling rigs operating in the Basin during 2014. However, Burlington reported that it continually monitors natural gas prices and plans to restart the program at some point in the future, dependent upon such gas prices. Burlington reports that it is working over existing wells to help maintain production levels, and existing wells will continue to be operated.

Lease operating expenses and property taxes were \$8,999,505 and \$82,235, respectively, for the first quarter of 2014, as compared to \$8,809,725 and \$239,897, respectively, for the first quarter of 2013. Burlington indicates the increase in operating expenses in the first quarter of 2014 is due to higher overhead charges, charges from joint venture partners and maintenance and repair costs. Taxes for the first quarter of 2014 were lower primarily because of a credit that resulted from an analysis and reconciliation of estimated property taxes for 2013.

Burlington has reported to the Trustee that during the first quarter of 2014, no conventional wells were completed on the Underlying Properties. There were no wells in progress at March 31, 2014.

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

There were 4,007 gross (1,156.70 net) producing wells being operated subject to the Royalty as of December 31, 2013, 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 852 gross (325.19 net) of the wells are multiple completion wells resulting in a total of 4,859 gross (1,481.89 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, 2014 is associated with actual gas and oil production during November 2013 through January 2014 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended March 31, 2014 and 2013 were as follows:

Three Months Ended March 31,	2014	2013
Gas:		
Total sales (Mcf)	7,769,282	7,320,787
Mcf per day	84,449	79,574
Average price (per Mcf)	\$ 4.13	\$ 3.64
Oil:		
Total sales (Bbls)	18,737	11,871
Bbls per day	204	129
Average price (per Bbl)	\$ 81.92	\$ 77.96

During the first quarter of 2014, average gas prices were \$0.49 per Mcf higher than the average prices reported during the first quarter of 2013. The average price per barrel of oil during the first quarter of 2014 was \$3.96 per barrel higher than that received for the first quarter of 2013.

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. The Chevron contract has been amended by agreement of the parties and its term has been extended through March 31, 2015, and thereafter until terminated by either party upon six months notice to the other.

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”). 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 and entered into two contracts effective April 1, 2013 with Shell and EDF Trading North America, LLC (“EDF”) for a term expiring March 31, 2014. Following another round of requests for proposal, Burlington has entered into two new contracts with Shell and EDF for the purchase of those volumes through March 31, 2015.

All four of the current contracts provide for (i) the delivery of such gas at various delivery points through their respective termination dates; 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, each of which is effective for a term of 15 years, which commenced April 1, 2010. Burlington has signed a similar agreement with EFS which was 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, 2014, (Unaudited), and December 31, 2013, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended March 31, 2014 and 2013.

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.sjbrt.com, or from the Trustee upon request.

Income and expense (per Unit) and depletion factors for the three months ended March 31, 2014 are as follows:

	January	February	March
Gross income	\$0.109117	\$0.100351	\$0.143073
Interest income	\$0.000011	\$0.000011	\$0.000010
Severance tax	(\$0.011099)	(\$0.010022)	(\$0.019767)
Administration expense	(\$0.001748)	(\$0.003617)	(\$0.004018)
Percentage depletion factor	0.016368	0.015053	0.021461
Cost depletion factor	0.012263	0.010937	0.012939

Compass Bank, Trustee



LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2014	December 31 2013
Assets	(Unaudited)	
Cash and short-term investments	\$ 5,746,534	\$ 4,650,682
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of \$122,702,942 and \$122,306,532 at March 31, 2014 and December 31, 2013, respectively)	10,572,586	10,968,996
	\$ 16,319,120	\$ 15,619,678
Liabilities And Trust Corpus		
Distribution payable to Unit Holders	\$ 5,560,292	\$ 4,464,440
Cash reserves	186,242	186,242
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding	10,572,586	10,968,996
	\$ 16,319,120	\$ 15,619,678

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	<i>Three Months Ended March 31,</i>	
	2014	2013
Royalty income	\$ 14,525,726	\$ 3,672,228
Interest income	1,454	466
Decrease in cash reserves	0	156,724
Total revenue	14,527,180	3,829,418
General and administrative expenditures	(437,337)	(433,125)
Distributable income	\$ 14,089,843	\$ 3,396,293
Distributable income per Unit (46,608,796 Units)	\$ 0.302300	\$ 0.072868

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	<i>Three Months Ended March 31,</i>	
	2014	2013
Trust corpus, beginning of period	\$ 10,968,996	\$ 12,163,460
Amortization of net overriding royalty interest	(396,410)	(95,502)
Distributable income	14,089,843	3,396,293
Distributions declared	(14,089,843)	(3,396,293)
Trust corpus, end of period	\$ 10,572,586	\$ 12,067,958

CALCULATION OF ROYALTY INCOME

	<i>Three Months Ended March 31,</i>	
	2014	2013
Gross Proceeds of Sales from the Underlying Properties:		
Gas proceeds	\$ 32,106,422	\$ 26,659,224
Oil proceeds	1,535,014	925,468
Total	33,641,436	27,584,692
Less Production Costs:		
Severance tax – Gas	3,711,609	2,646,862
Severance tax – Oil	157,675	94,180
Lease operating expense and property tax	9,081,740	9,049,622
Capital expenditures	1,322,778	12,533,245
Unreconciled production costs in excess of gross proceeds	0	(1,635,521)
Total	14,273,802	22,688,388
Net profits	19,367,634	4,896,304
Net overriding royalty interest	75%	75%
Royalty Income	\$ 14,525,726	\$ 3,672,228

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, 2014.

SAN JUAN BASIN ROYALTY TRUST

FIRST QUARTER REPORT 2014

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 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.

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.

SAN JUAN BASIN ROYALTY TRUST

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