

TO OUR UNIT HOLDERS



We are pleased to present the 2018 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") owned by Hilcorp San Juan L.P. ("Hilcorp"), and 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 \$3,001,153 for the three months ended September 30, 2018, compared to \$15,120,298 during the same period in 2017. The decrease in royalty income is primarily attributable to lower natural gas prices, reductions in revenue due to Hilcorp's true-ups, and the \$7.5 million settlement amount received from Burlington in September 2017 with respect to the 2014 Litigation.

Distributable income decreased by approximately \$12 million, or 81%, to \$2.8 million (\$0.060718 per Unit) for the three months ended September 30, 2018, from \$14.8 million (\$0.318308 per Unit) for the three months ended September 30, 2017, which included aggregate true-ups in 2018 by Hilcorp of approximately \$0.1 million that decreased royalty income from \$3.1 million to \$3 million. The decrease in distributable income is primarily attributable to lower natural gas prices, a reduction of revenue from Hilcorp's true-ups of estimated versus actual revenue, and no royalty income being reported for the September 2018 distribution month. Distributable income also was higher in the third quarter of 2017 because it included \$7.5 million for settlement of the 2014 Litigation and a \$1.0 million gross credit for the reversal of accrued capital expenses. There was no distributable income in September 2018 due to capital expenditures for certain well recompletions erroneously charged to the Trust, resulting in \$140,780 in gross excess production costs (see discussion below).

Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2018 were as follows:

| | |
|----------------------|-------------------|
| July | \$0.029077 |
| August | 0.031641 |
| September | 0.000000 |
| Quarter Total | \$0.060718 |

Interest income increased by approximately \$2,200 or approximately 90% to approximately \$4,700 for the three months ended September 30, 2018 from approximately \$2,500 for the three months ended September 30, 2017. Such increases in interest income were primarily due to higher yields on short-term investments held by the Trust.

General and administrative expenses decreased approximately \$13,000, or approximately 4.5%, for the three months ended September 30, 2018 compared to the three months ended September 30, 2017. The decrease was primarily attributable to differences in timing in the receipt and payment of certain expenses by the Trust.

In September 2018, the Trustee reported that, based on capital expenditure amounts charged by Hilcorp to the Subject Interests, it would not declare a monthly cash distribution to Unit holders primarily because of excess capital expenditures in the July 2018 production month. Following the excess production costs Hilcorp charged to the Trust in the July 2018 production month that resulted in no distribution being paid by the Trust to Unit holders for September 2018, at the Trustee's request, the Trust's external compliance auditors investigated the increased capital expenditures for additional well recompletions charged to the Trust. Upon review of the information Hilcorp provided to the Trust, they discovered, and subsequently informed Hilcorp that the Trust's 75% net overriding royalty interest did not burden Hilcorp's working interest in certain wells for which the Trust was charged recompletion capital expenditures. As a result, such expenditures should not have been charged to the Trust. Hilcorp's royalty payment calculation in its October 2018 report to the Trust included a gross approximately \$2.4 million reversal of such capital expenditures, plus interest, along with the recoupment by Hilcorp of \$140,780 in gross excess production costs from the September 2018 distribution month.

The net amount of approximately \$98,000 was withdrawn from the established \$1.0 million cash reserve in September 2018 to pay Trust general and administrative expenses. Total cash reserves were \$0.9 million as of September 30, 2018. The Trust received sufficient royalty income from Hilcorp in October 2018 to replenish the cash reserve balance back to \$1.0 million. The Trustee did not increase the cash reserves during 2017 and does not anticipate any increases in 2018, although it cannot guarantee that the Trustee will not increase such cash reserves in the future.

Hilcorp is reviewing its Revised 2018 Capital Expenditure Plan that the Trust disclosed on September 20, 2018, to determine how much of the disclosed future capital expenses would remain attributable to the Trust. The Trust intends to continue to disclose promptly such information to its Unit Holders following receipt and verification.

Royalty income for the quarter ended September 30, 2018 is associated with oil and natural gas production during May through July 2018 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, 2018 and 2017 were as follows:

| | For the Three Months Ended September 30, | | | |
|--|--|---------------------------|-------------------|---------------------------|
| | 2018 | | 2017 | |
| | Natural Gas (Mcf) | Oil and Condensate (Bbls) | Natural Gas (Mcf) | Oil and Condensate (Bbls) |
| Production | | | | |
| Subject Interests | 8,589,309 | 10,149 | 6,470,208 | 16,894 |
| Royalty | 1,640,691 | 3,486 | 2,911,089 | 7,374 |
| Average Price (per Mcf/Bbl) ¹ | \$1.86 | \$56.02 | \$2.54 | \$34.71 |
| Average Price (per Mcf/Bbl) ² | \$1.76 | \$61.49 | \$2.54 | \$34.71 |

¹ Reflects Average Price (per Mcf/Bbl) before revenue true-up.

² Reflects Average Price (per Mcf/Bbl) after revenue true-up.

Portions of the production numbers and average sales prices in the table above for the three months ended September 30, 2018 consist of estimated oil and natural gas gross proceeds and true-ups (see discussion below).

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 capital expenditures, the aggregate sales amounts from the Subject Interests may not provide a meaningful comparison to sales attributable to the Royalty.

Gross Proceeds and Severance Tax Estimates/True-ups. The sale of the Subject Interests from Burlington to Hilcorp closed on July 31, 2017. The Trust has been advised by Hilcorp that during the transition period since its acquisition of the Subject Interests that there has been a delay in the transfer of historical information and knowledge from Burlington to Hilcorp. During this transition, the Trust has been advised by Hilcorp that for certain months it has recorded estimates of cash revenues and expenses, based on the best information available. Hilcorp has informed the Trust that it believes that its estimates have been prepared in accordance with the Conveyance.

Hilcorp's process of reconciling actual revenue and severance tax numbers versus previously reported estimated numbers (which the Trust refers to as "true-ups") from prior periods during fiscal 2017 are still occurring and being reported in 2018. Thus, distributions to the Trust from Hilcorp in any given month may be subject to adjustment based upon prior months' true-ups, plus interest due to the Trust. Generally, there is a two or three month lag in Hilcorp true-up previously reported estimated financial information; however, Hilcorp has notified the Trustee that as of the date of this Quarterly Report, it will still need to true-up the previously reported natural gas production (and for the trust distribution months of January and October 2018, oil production) and financial information for the trust distribution months of January 2018 and June through October 2018. Furthermore, Hilcorp has not yet true-up the \$1.0 million in "Other" gross proceeds included in both the December 2017 and January 2018 distributions. Upon Hilcorp's true-ups of the prior estimates paid to the Trust, any true-ups, plus interest, may result in adjustments to future distributions to Unit Holders.

For a more detailed discussion of Hilcorp's estimation and then subsequent true-up process with respect to the Trust's distributions, please see the Trust's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2018, as filed with the U.S. Securities and Exchange Commission on November 9, 2018.

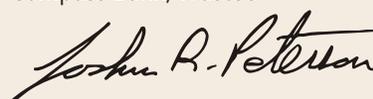
Included in this Report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of September 30, 2018, (Unaudited), and December 31, 2017, and the Condensed Statements of Distributable Income and of Changes in Trust Corpus for the three months ended September 30, 2018 and 2017 (Unaudited).

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, 2018 are as follows:

| | July | August | September |
|-----------------------------|---------------|---------------|---------------|
| Gross Income | \$ 0.034022 | \$ 0.038838 | \$ 0.000000 |
| Interest Income | \$ 0.000028 | \$ 0.000025 | \$ 0.000047 |
| Severance Tax | (\$ 0.003215) | (\$ 0.005255) | (\$ 0.000000) |
| Administration Expense | (\$ 0.001758) | (\$ 0.001967) | (\$ 0.002148) |
| Distributable Income | \$ 0.029077 | \$ 0.031641 | \$ 0.000000 |
| Percentage Depletion Factor | 0.005103 | 0.005826 | 0.000000 |
| Cost Depletion Factor | 0.008269 | 0.008513 | 0.000000 |

Compass Bank, Trustee



BY: JOSHUA R. PETERSON
Senior Vice President and Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

| | September 30, 2018 (unaudited) | December 31, 2017 |
|--|--------------------------------------|----------------------|
| Assets | | |
| Cash and Short-Term Investments | \$ 902,091 | \$ 4,415,851 |
| Net Overriding Royalty Interest in Producing Oil and Natural Gas Properties (net of accumulated amortization of \$127,228,560 and \$126,698,148 at September 30, 2018 and December 31, 2017, respectively) | 6,046,968 | 6,577,380 |
| | \$ 6,949,059 | \$10,993,231 |
| Liabilities And Trust Corpus | | |
| Distribution Payable to Unit Holders | \$ — | \$ 3,415,851 |
| Cash Reserves | 902,091 | 1,000,000 |
| Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding | 6,046,968 | 6,577,380 |
| | \$ 6,949,059 | \$10,993,231 |

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

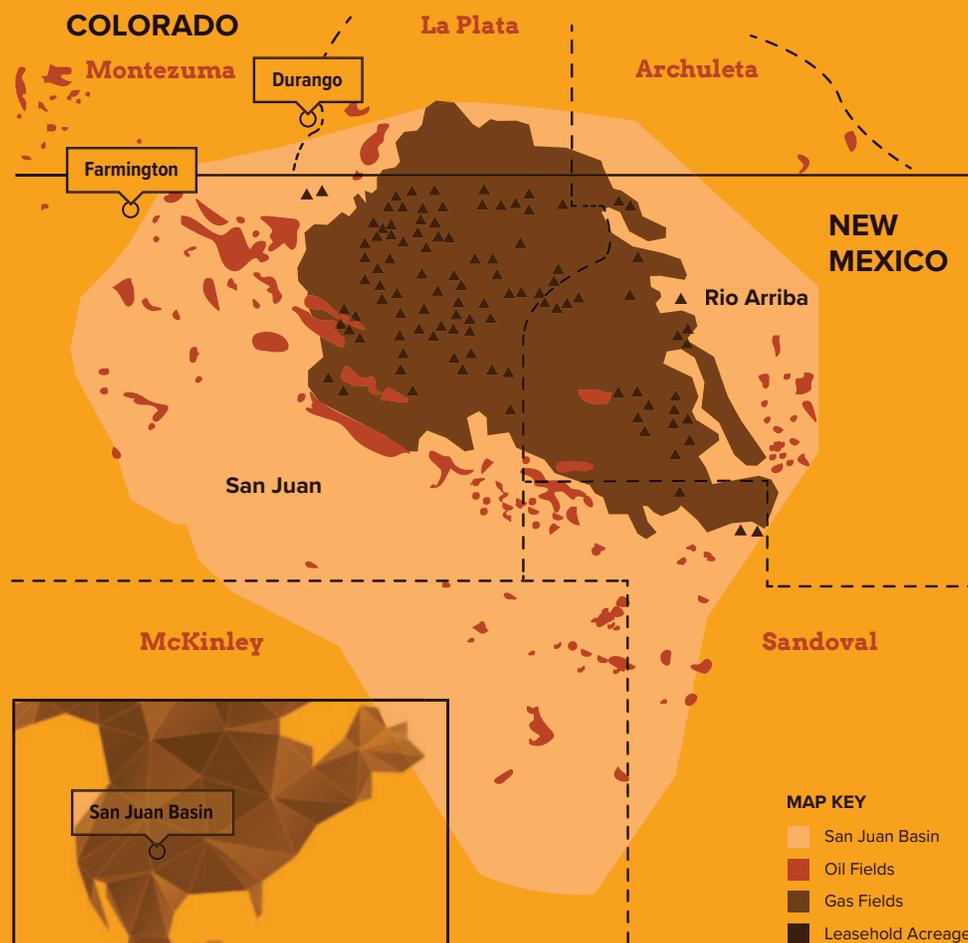
| | Three Months Ended September 30, | | Nine Months September June 30, | |
|--|----------------------------------|---------------------------|--------------------------------|---------------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Royalty Income | \$ 3,001,153 | \$15,120,298 ¹ | \$12,638,486 | \$30,179,499 ¹ |
| Interest Income | 4,648 | 2,446 | 13,890 | 5,305 |
| Total Income | 3,005,801 | 15,122,744 | 12,652,376 | 30,184,804 |
| General and Administrative Expenses | (273,736) | (286,756) | (1,161,023) | (1,220,375) |
| Decrease in Cash Reserves | 97,909 | — | 97,909 | — |
| Distributable Income | \$ 2,829,974 | \$14,835,988 | \$11,589,262 | \$28,964,429 |
| Distributable Income per Unit (46,608,796 Units) | \$ 0.060718 | \$ 0.318308 | \$ 0.248650 | \$ 0.621437 |

¹ Includes \$7.5 million received for settlement of the 2014 Litigation and a \$1.0 million gross credit for the reversal of accrued capital expenses.

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|---------------------|---------------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Trust Corpus, Beginning of Period | \$ 6,157,350 | \$ 7,206,408 | \$ 6,577,380 | \$ 7,784,379 |
| Amortization of Net Overriding Royalty Interest | (110,382) | (287,797) | (530,412) | (865,768) |
| Distributable Income | 2,829,974 | 14,835,988 | 11,589,262 | 28,964,429 |
| Distributions Declared | (2,829,974) | (14,835,988) | (11,589,262) | (28,964,429) |
| Trust Corpus, End of Period | \$ 6,046,968 | \$ 6,918,611 | \$ 6,046,968 | \$ 6,918,611 |

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, 2018, as filed with the U.S. Securities and Exchange Commission on November 9, 2018.



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 “based,” “except,” “predict,” “project,” “believe,” “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 Compass Bank, 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

Compass Bank, Trustee
 300 West Seventh Street, Suite B
 Fort Worth, Texas 76102
 Toll-free: 866.809.4553
 Outside U.S. telephone: 904.230.3401
www.sjbtr.com
slt.us@bbva.com

PAYING AGENT / TRANSFER AGENT / REGISTRAR

Computershare Investor Services
www.computershare.com
 Customer Service: 312.360.5154