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, 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.

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San Juan Basin Royalty Trust ✶ 1980—2005

2005 THIRD QUARTER REPORT

TO UNIT HOLDERS

The San Juan Basin Royalty Trust (the "Trust") received Royalty Income of $32,832,885 and interest income of $44,893 during the third quarter of 2005. There was no change in cash reserves. After deducting administrative expenses of $585,828, Distributable Income for the quarter was $32,291,950 ($.692829 per Unit). In the third quarter of 2004, Royalty Income was $34,673,819, interest income was $18,478, there was no change in cash reserves, administrative expenses were $290,676 and Distributable Income was $34,401,621 ($.738093 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2005 were as follows:

July	27.9524 cents
August	21.7075 cents
September	19.6230 cents
Quarter Total	**69.2829 cents**

The Royalty Income distributed in the third quarter of 2005 was lower than that distributed in the third quarter of 2004, primarily due to increased production costs and slightly decreased production volumes. In calculating the September 2005 distribution, Burlington Resources Oil and Gas Company LP ("BROG") reduced volumes used in calculating the Royalty payable to the Trust due to accrual adjustments for February and March production. The primary reasons for reduced production for those months were weather-related shut-downs and unscheduled pipeline maintenance. The average gas price increased from $5.25 per Mcf for the third quarter of 2004 to $5.85 per Mcf for the third quarter of 2005. In addition, in July 2004, BROG included an aggregate of $1,835,500 in calculating the Trust's July 2004 Royalty Income payment. This represented the Trust's 75% interest in settlement of certain joint interest audit issues, including claims related to natural gas liquids, gas imbalances and interest on other settled claims. Also, in July 2004, BROG adjusted the capital expenditures accrued for the properties to which the Royalty relates by approximately $1 million, resulting in a corresponding increase in the Royalty Income received by the Trust in July 2004. Interest earnings for the quarter ended September 30, 2005, as compared to the quarter ended September 30, 2004, were higher, primarily due to an increase in funds available for investment pending distribution as well as an increase in interest rates. Administrative expenses were higher primarily as a result of differences in timing in the receipt and payment of these expenses, but also as a result of complying with the new internal control over financial reporting and other requirements of the Sarbanes-Oxley Act of 2002 and costs incurred in resolving certain outstanding audit issues.

BROG has informed the Trustee that the New Mexico Oil and Gas Proceeds Withholding Tax Act (the "Withholding Tax Act") requires remitters who pay certain oil and gas proceeds from production on New Mexico properties on or after October 1, 2003, to withhold income taxes from such proceeds in the case of certain nonresident recipients. The Trustee, on advice of New Mexico counsel, has observed that "net profits interests," such as the Royalty, and other types of interests, the extent of which cannot be determined with respect to a specific share of the oil and gas production, are excluded from the withholding requirements of the Withholding Tax Act. Unit holders are reminded to consult with their tax advisors regarding the applicability of New Mexico income tax to distributions received from the Trust by a Unit holder.

The capital costs attributable to the Underlying Properties for the third quarter of 2005 and deducted by BROG in calculating Royalty Income were approximately $5.7 million. BROG's capital expenditure budget for the Underlying Properties for 2005 is estimated at $17 million of which approximately $9.1 million has been spent as of September 30, 2005; however, BROG reports that based on its actual capital requirements, its mix of projects and swings in the price of natural gas, the actual capital expenditures for 2005 could range from $15 million to $25 million. Capital expenditures were approximately $3.5 million for the third quarter of 2004. In 2004, approximately $22.3 million in capital expenditures were deducted in calculating Royalty Income. In February 2005, BROG informed the Trustee that the 2005 budget for the Underlying Properties anticipates 401 projects, including the drilling of 71 new wells to be operated by BROG and 31 wells to be operated by third parties. Of the new BROG operated wells, 19 are projected to be conventional wells completed in the Pictured Cliffs, Mesaverde and/or Dakota formations, and the remaining 52 are projected as coal seam wells completed in the Fruitland Coal formation. A total of 21 of the wells operated by third parties are projected to be conventional wells and the remaining ten are projected to be coal seam wells. BROG projects approximately $12 million to be spent on the new wells, and $5 million is to be expended in working over existing wells and in the maintenance and improvement of production facilities. BROG has announced that the budget for 2005 reflects the commencement of a shift toward increased development of conventional gas, including infill drilling to the Mesaverde and Dakota formations, and a winding down of its program for infill drilling in the Fruitland Coal formation.

BROG has informed the Trust that lease operating expenses and property taxes were $6,115,517 and $184,056, respectively, for the third quarter of 2005, as compared to $4,644,449 and $195,518, respectively, for the third quarter of 2004.

BROG has reported to the Trustee that during the third quarter of 2005, seven gross (1.09 net) coal seam wells, one gross (0.88 net) coal seam recavitation, two gross (0.61 net) coal seam recompletions, and 17 gross (3.20 net) conventional wells were completed on the Underlying Properties.

Sixty-five gross (7.28 net) coal seam wells, two gross (0.86 net) coal seam recompletions, 55 gross (9.71 net) conventional wells, 11 gross (1.74 net) payadds, three gross (0.92 net) recompletions, and five gross (3.11 net) restimulations were in progress at September 30, 2005.

There were three gross (0.005 net) conventional wells, seven gross (5.59 net) recompletions, one gross (0.88 net) restimulation, eight gross (2.72 net) coal seam wells, one gross (0.87 net) coal seam recompletion, and one gross (0.007 net) miscellaneous coal seam project completed on the Underlying Properties as of September 30, 2004. Thirty-four gross (5.75 net) conventional wells, seven gross (3.12 net) recompletions, three gross (2.24 net) restimulations, five gross (1.73 net) payadds, 77 gross (7.68 net) coal seam wells, five gross (2.74 net) coal seam recompletions, and one gross (0.06 net) miscellaneous coal seam project were in progress at September 30, 2004.

"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 September 30, 2005 is associated with actual gas and oil production during May 2005 through July 2005 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended September 30, 2005 and 2004 were as follows:

	2005	2004
GAS:		
Total Sales (Mcf)	10,466,804	10,859,313
Mcf per Day	113,770	118,036
Average Price (per Mcf)	$5.85	$5.25
OIL:		
Total Sales (Bbls)	17,020	21,091
Bbls per Day	185	229
Average Price (per Bbl)	$49.70	$35.53

Gas and oil sales attributable to the Royalty for the quarters ended September 30, 2005 and 2004 were as follows:

	2005	2004
Gas Sales (Mcf)	6,163,750	6,859,527
Oil Sales (Bbls)	10,017	13,296

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 third quarter of 2005, average gas prices were $.60 higher than the average prices reported during the third quarter of 2004. The average price per barrel of oil during the third quarter of 2005 was $14.17 per barrel higher than that received for the third quarter of 2004 due to increases 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 twelve month's 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., and Coral Energy Resources, L.P., 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 twelve month's 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 have entered into a letter agreement dated January 31, 2005, pursuant to which the parties waive the right to terminate the underlying contract as of March 31, 2006, so that the term of that contract will continue until at least March 31, 2007, and from year-to-year thereafter until terminated by either party upon twelve month's notice to the other. Unit holders are referred to Note 6 of the Notes to Financial Statements in the Trust's 2004 Annual Report for further information concerning the marketing of gas produced from the Underlying Properties.

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.

Included in this report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of September 30, 2005 (Unaudited), and December 31, 2004, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended September 30, 2005 and 2004.

Unit holders of record for the third quarter of 2005 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.

TexasBank, Trustee

By: Lee Anderson

Lee Ann Anderson

Vice President and Trust Officer

San Juan Basin Royalty Trust

Condensed Statements of Assets, Liabilities and Trust Corpus

	Three months ended (unaudited) 09.30.2005	12.31.2004
ASSETS		
Cash and Short-Term Investments	$ 9,260,904	$ 10,140,045
Net Overriding Royalty Interest in Producing Oil and Gas Properties (net of accumulated amortization of $108,717,540 and $106,600,707 at September 30, 2005 and December 31, 2004, respectively)	24,557,988	26,674,821
TOTAL	$ 33,818,892	$ 36,814,866
LIABILITIES AND TRUST CORPUS		
Distribution Payable to Unit Holders	$ 9,146,046	$ 10,025,187
Cash Reserves	114,858	114,858
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	24,557,988	26,674,821
TOTAL	$ 33,818,892	$ 36,814,866

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Trust's 2004 Annual Report

(1) In July 2004, an aggregate of $1,835,500 (the Trust's 75% interest in the total $2,447,333 settlement) was included by BROG in calculating the Trust's Royalty payment in connection with the settlement of certain joint interest audit issues.

(2) In March 2005, as part of the ongoing negotiations between the Trust and BROG concerning a number of revenue and expense audit issues, $833,851 was included in calculating net proceeds paid to the Trust by BROG in settlement of claims for interest on late payments of net proceeds and in settlement of certain other audit issues. Of that amount, $822,077 was included in settlement of claims for additional revenue and $11,774 was included in settlement of claims concerning disputed lease operating expenses.

(3) In May 2005, as part of the ongoing negotiations between the Trust and BROG concerning a number of revenue and expense audit issues, $988,392 was included in calculating net proceeds paid to the Trust by BROG in settlement of certain of those audit issues. Of that amount, $982,038 was included in net proceeds paid to the Trust by BROG in settlement of claims for additional revenue and $6,354 was included in net proceeds in settlement of claims concerning disputed lease operating expenses.

Condensed Statements of Distributable Income (unaudited)

	Three months ended 09.30.2005	09.30.2004	Nine months ended 09.30.2005	09.30.2004
Royalty Income	$ 32,832,885	$ 34,673,819	$ 107,370,970	$ 81,379,357
Interest Income	44,893	18,478	110,249	38,992
Decrease in Cash Reserves	–	–	–	–
TOTAL REVENUE	32,877,778	34,692,297	107,481,219	81,418,349
General and Administrative Expenditures	585,828	290,676	1,933,994	1,333,044
Increase in Cash Reserves	–	–	–	–
Distributable Income	$ 32,291,950	$ 34,401,621	$ 105,547,225	$ 80,085,305
Distributable Income per Unit (46,608,796 Units)	0.692829	0.738093	2.264533	1.718245

Condensed Statements of Changes in Trust Corpus (unaudited)

	Three months ended 09.30.2005	09.30.2004	Nine months ended 09.30.2005	09.30.2004
Trust Corpus, Beginning of Period	$ 25,197,903	$ 28,338,910	$ 26,674,821	$ 29,822,820
Amortization of Net Overriding Royalty Interest	-639,915	-850,220	-2,116,833	-2,334,130
Distributable Income	32,291,950	34,401,621	105,547,225	80,085,305
Distribution Declared	-32,291,950	-34,401,621	-105,547,225	-80,085,305
Trust Corpus, End of Period	$ 24,557,988	$ 27,488,690	$ 24,557,988	$ 27,488,690

Calculation of Royalty Income (unaudited)

	Three months ended 09.30.2005	09.30.2004	Nine months ended 09.30.2005	09.30.2004
GROSS PROCEEDS FROM THE UNDERLYING PROPERTIES:				
Gas	$ 61,276,528	$ 56,977,514	$ 188,240,413	$ 150,416,797
Oil	845,878	749,444	2,478,003	1,918,288
Other	–	2,447,333[1]	2,405,486[2][3]	2,447,333[1]
TOTAL	$ 62,122,406	$ 60,174,291	$ 193,123,902	$ 154,782,418
PRODUCTION COSTS:				
Severance Tax – Gas	6,296,781	5,571,441	18,964,311	14,838,895
Severance Tax – Oil	87,509	75,507	254,395	196,443
Lease Operating and Property Tax	6,299,573	4,839,967	16,308,566[2][3]	13,703,408
Other	–	–	42,505	42,763
Capital Expenditures	5,661,363	3,455,618[4]	14,392,832	17,495,100[4]
TOTAL	18,345,226	13,942,533	49,962,609	46,276,609
Less Excess Production and Interest from Prior Year	–	–	–	–
Net Profits	43,777,180	46,231,758	143,161,293	108,505,809
Net Overriding Royalty Interest	75%	75%	75%	75%
Royalty Income	$ 32,832,885	$ 34,673,819	$ 107,370,970	$ 81,379,357

(4) In July 2004, BROG reduced the capital expenditures accrued for the Underlying Properties for the month of July by approximately $1 million, resulting in a corresponding increase in the Royalty Income received by the Trust in July 2004.