2010
SAN JUAN BASIN ROYALTY TRUST

3RD QUARTER REPORT

TO UNIT HOLDERS

The Trust received Royalty income of $19,033,188 and interest income of $3,646 during the third quarter of 2010. There was no change in cash reserves. After deducting administrative expenses of $198,836, distributable income for the quarter was $18,837,998 ($0.404173 per Unit). In the third quarter of 2009, Royalty income was $7,232,890, interest income was $194,481, administrative expenses were $435,690 and distributable income was $6,991,681 ($0.150007 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2010 were as follows:

July	**$.137865**
August	**.100562**
September	**.165746**
QUARTER TOTAL	**$.404173**

The Royalty income distributed in the third quarter of 2010 was higher than that distributed in the third quarter of 2009, primarily due to an increase in the average gas price from $2.98 per Mcf for the third quarter of 2009 to $4.72 per Mcf for the third quarter of 2010, but also as a result of material reductions in capital expenditures. Interest income was lower for the quarter ended September 30, 2010 as compared to the quarter ended September 30, 2009, primarily due to additional interest from granted audit exceptions received in August 2009. Administrative expenses were lower in 2010 primarily as a result of decreased costs associated with the settlement of litigation described below.

The capital costs attributable to the Underlying Properties for the third quarter of 2010 and deducted by Burlington Resources Oil & Gas Company LP ("BROG") in calculating Royalty income were approximately $3.1 million as compared to approximately $7.4 million of capital costs in the third quarter of 2009. BROG has informed the Trust that its budget for capital expenditures for the Underlying Properties in 2010 is estimated at $17.9 million. In addition, BROG estimates that during 2010 it will incur capital expenses in the amount of approximately $6.8 million attributable to the capital budgets for 2009 and prior years. BROG 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 2010 could range from $10 million to $45 million.

BROG anticipates 305 projects in 2010. Approximately $7.2 million of the $17.9 million budget is allocable to 43 new wells, including 41 wells scheduled to be dually completed in the Mesaverde and Dakota formations. BROG indicates that two of the new wells are projected to be drilled to Fruitland Coal or Pictured Cliffs formations. Approximately $3.8 million will be spent on workovers and facilities projects. Of the $6.8 million attributable to the budgets for prior years, approximately $4.4 million is allocable to new wells and the $2.4 million balance will be applied to miscellaneous capital projects such as workovers and operated facility projects. BROG informed the Trustee that the possible implementation of new air quality rules and rules requiring the minimization of surface disturbances, implementation of closed-loop systems for the disposal of drilling fluids and cuttings, and the restricted use of open reserve pits could reduce the number of projects due to increased compliance costs.

BROG has informed the Trust that lease operating expenses and property taxes were $8,126,778 and $270,213, respectively, for the third quarter of 2010, as compared to $7,756,942 and $213,289, respectively, for the third quarter of 2009. Many joint operating agreements call for the increase or decrease in rates charged for the drilling and operation of wells based upon an overhead adjustment factor published annually by the Council for Petroleum Accountants Societies. That factor was set at +1.9% effective as of April 1, 2010.

BROG has reported to the Trustee that during the third quarter of 2010, 11 gross (0.83 net) conventional wells were completed on the Underlying Properties. Eight gross (0.27 net) conventional wells and one gross (0.88 net) coal seam well were in progress at September, 30, 2010.

There were 22 gross (4.58 net) conventional wells, two gross (0.84 net) recompletions, one gross (0.85 net) coal seam recompletion, and 16 gross (8.23 net) coal seam wells completed on the Underlying Properties as of September 30, 2009. Seven gross (2.20 net) conventional wells were in progress at September 30, 2009.

There were 3,967 gross (1,163 net) producing wells being operated subject to the Royalty as of December 31, 2009, calculated on a well bore basis and not including multiple completions as separate wells. "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, 2010 is associated with actual gas and oil production during May 2010 through July 2010 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended September 30, 2010 and 2009 were as follows:

Three Months Ended September 30,	**2010**	2009
Gas:		
Total sales (Mcf)	**8,357,488**	8,916,522
Mcf per day	**90,842**	96,919
Average price (per Mcf)	**$ 4.72**	$ 2.98
Oil:		
Total sales (Bbls)	**17,524**	17,414
Bbls per day	**190**	189
Average price (per Bbl)	**$63.48**	$56.08

During the third quarter of 2010, average gas prices were $1.74 per Mcf higher than the average prices reported during the third quarter of 2009. The average price per barrel of oil during the third quarter of 2010 was $7.40 per barrel higher than that received for the third quarter of 2009.

BROG entered into four contracts effective April 1, 2009, for the sale of all gas produced from the Underlying Properties other than the gas covered by a pre-existing contract with New Mexico Gas Company, Inc. ("NMGC"). The current purchasers are Chevron Natural Gas, a division of Chevron USA, Inc. ("Chevron"), Pacific Gas and Electric Company ("PG&E"), BP Energy Company, Macquarie Cook Energy LLC, and NMGC. All five of such contracts provide for (i) the delivery of such gas at various delivery points through March 31, 2011 and from year-to-year thereafter, until terminated by either party on 12 months' notice; 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.

In March 2010, notice of termination of each of the Chevron, BP Energy Company and Macquarie Cook Energy LLC contracts was given such that they will terminate effective March 31, 2011. Requests for proposal will be circulated to potential purchasers of those packages of gas covered by the expiring contracts with a view toward obtaining new contracts to be effective April 1, 2011. Neither BROG, PG&E, nor NMGC gave notice of termination of their contracts such that the terms of those two contracts have been automatically extended through at least March 31, 2012.

BROG 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 have been entered into with WFC to be effective for terms of 15 years commencing April 1, 2010. The new contracts will consolidate and replace 18 prior contracts with WFC. BROG indicates that the new contracts are anticipated to provide some modest reductions in fees and also improved services, including more rigorous line pressure controls and the right to install compression facilities as needed.

However, BROG reports that it has been unable to reach agreement with EFS on gathering and processing contracts, and it has joined a group of 51 others in an administrative proceeding before the New Mexico Public Utility Commission, complaining, *inter alia*, that EFS is insisting upon above-market rates and refusing to agree to essential pressure control services. Gas is currently being gathered and processed by EFS on a month-to-month basis, but EFS has delivered notice to BROG terminating those contracts effective December 1, 2010. BROG indicates it has received alternative offers from EFS for the gathering and processing of the subject gas after that date, and that while BROG does not anticipate any major interruption in flow, it considers the alternate offers from EFS to be commercially and operationally inferior to the terminated agreements. BROG is presently evaluating its options, and the Trustee will continue to monitor this matter as it may relate to the Trust.

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.

Following mediation conducted on April 8 and 23, 2010, BROG and the Trust entered into a settlement of previously reported litigation styled *San Juan Basin Royalty Trust vs. Burlington Resources Oil & Gas Company, L.P.*, No. D1329-CV-08-751, in the District Court of Sandoval County, New Mexico, 13th Judicial District. The dispute subject to the mediation arose out of an arbitrator's award in 2005 in favor of the Trust. That award effectively resolved five compliance audit issues, but BROG argued in subsequent litigation that one of those issues was beyond the scope of the matters agreed to be submitted to arbitration. Pursuant to the settlement, the litigation was dismissed, BROG paid $2,600,000 to the Trust in May 2010, and released its claims for attorneys' fees.

Included in this report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of September 30, 2010 (Unaudited), and December 31, 2009, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended September 30, 2010 and 2009.

Unit holders of record for the third quarter of 2010 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

LAAnderson

LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2010	*December 31,* 2009
ASSETS	*(Unaudited)*	
Cash and short-term investments	**$ 7,880,992**	$ 5,341,482
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of $118,014,152 and $116,431,797 at September 30, 2010 and December 31, 2009, respectively)	**15,261,376**	16,843,731
	$ 23,142,368	$ 22,185,213
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit Holders	**$ 7,725,203**	$ 5,185,693
Cash reserves	**155,789**	155,789
Trust corpus—46,608,796 Units of beneficial interest authorized and outstanding	**15,261,376**	16,843,731
	$ 23,142,368	$ 22,185,213

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended September 30, 2010	2009	*Nine Months Ended September 30,* 2010	2009
Royalty income	**$ 19,033,188**	$ 7,232,890	**$ 63,485,843**	$ 19,257,575
Interest income	**3,646**	194,481	**216,735**	197,892
Total revenue	**19,036,834**	7,427,371	**63,702,578**	19,455,467
General and administrative expenditures	**198,836**	435,690	**1,654,681**	1,706,123
Distributable income	**$ 18,837,998**	$ 6,991,681	**$ 62,047,897**	$ 17,749,344
Distributable income per Unit (46,608,796 Units)	**$ 0.404173**	$ 0.150007	**$ 1.331249**	$ 0.380814

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended September 30, 2010	2009	*Nine Months Ended September 30,* 2010	2009
Trust corpus, beginning of period	**$ 15,801,981**	$17,572,134	**$ 16,843,731**	$ 17,927,498
Amortization of net overriding royalty interest	**(540,605)**	(293,925)	**(1,582,355)**	(649,289)
Distributable income	**18,837,998**	6,991,681	**62,047,897**	17,749,344
Distributions declared	**(18,837,998)**	(6,991,681)	**(62,047,897)**	(17,749,344)
Trust corpus, end of period	**$ 15,261,376**	$17,278,209	**$ 15,261,376**	$ 17,278,209

Royalty Income received by the Trust for the three months and nine months ended September 30, 2010 and 2009, respectively, was computed as shown in the following table:

CALCULATION OF ROYALTY INCOME

	Three Months Ended September 30, 2010	2009	*Nine Months Ended September 30,* 2010	2009
GROSS PROCEEDS OF SALES FROM THE UNDERLYING PROPERTIES:				
Gas proceeds	**$ 39,469,691**	$26,539,822(1)	**$126,416,015(2)**	$ 85,149,264
Oil proceeds	**1,112,462**	976,542	**3,054,682**	1,980,659
Total	**40,582,153**	27,516,364	**129,470,697**	87,129,923
LESS PRODUCTION COSTS:				
Severance tax—gas	**3,634,900**	2,381,417	**11,285,302**	7,685,851
Severance tax—oil	**111,545**	94,969	**291,433**	193,945
Other	**—**	—	**—**	1,020(3)
Lease operating expense and property tax	**8,396,991**	7,970,231	**24,522,938**	25,266,377
Capital expenditures	**3,061,133**	7,425,894	**8,723,233**	28,305,963
Total	**15,204,569**	17,872,511	**44,822,906**	61,453,156
Net profits	**25,377,584**	9,643,853	**84,647,791**	25,676,767
Net overriding royalty interest	**75%**	75%	**75%**	75%
ROYALTY INCOME	**$ 19,033,188**	$ 7,232,890	**$ 63,485,843**	$ 19,257,575

(1) In August 2009, gas proceeds included $540,069 resulting from granted audit exceptions.
(2) In May 2010, gas proceeds included $2,600,000 received in settlement of litigation.
(3) Reflects the fee for BROG volume exchanges during the production month of April 2009.

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 September 30, 2010.

{ 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.

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