2011
San Juan Basin Royalty Trust

Q3

TO UNIT HOLDERS:

The Trust received Royalty income of $17,886,286 and interest income of $1,329 during the third quarter of 2011. There was no change in cash reserves. After deducting administrative expenses of $227,539, distributable income for the quarter was $17,660,076 ($0.378900 per Unit). In the third quarter of 2010, Royalty income was $19,033,188, interest income was $3,646, administrative expenses were $198,836 and distributable income was $18,837,998 ($0.404173 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2011 were as follows:

July	$.129817
August	.115652
September	.133431
QUARTER TOTAL	$.378900

The Royalty income distributed in the third quarter of 2011 was lower than that distributed in the third quarter of 2010 primarily due to higher capital costs in the third quarter of 2011. The average gas price increased from $4.72 per Mcf for the third quarter of 2010 to $4.94 per Mcf for the third quarter of 2011. Interest income was lower for the quarter ended September 30, 2011 as compared to the quarter ended September 30, 2010, due primarily to a decrease in funds available for investment and an interest adjustment relating to an audit exception. Administrative expenses were higher in 2011 primarily as a result of differences in timing in the receipt and payment of these expenses.

The capital costs attributable to the Underlying Properties for the third quarter of 2011 and deducted by Burlington Resources Oil & Gas Company LP ("BROG") in calculating Royalty income were approximately $6.5 million as compared to approximately $3.1 million of capital costs in the third quarter of 2010. BROG had informed the Trust that its budget for capital expenditures for the Underlying Properties in 2011 was estimated at $13.6 million. Of the $13.6 million, approximately $3.25 million will be attributable to the capital budgets for 2010 and prior years. BROG initially reported 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 2011 could range from $5 million to $35 million, but BROG more recently indicated it projects capital expenditures will range from $17 million to $20 million. In addition to the drilling activity, there has been significant activity related to compressor optimization (right sizing) and plunger lift optimization in the third quarter of 2011.

BROG anticipates 417 projects in 2011. Approximately $8.3 million of the $13.6 million budget is allocable to 38 new wells, including 33 wells scheduled to be dually completed in the Mesaverde and Dakota formations. BROG indicates that five of the new wells are projected to be drilled to Fruitland Coal, Fruitland Sand or Pictured Cliffs formations. Approximately $2 million will be spent on workovers and facilities projects. Of the $3.25 million attributable to the budgets for prior years, approximately $2.45 million is allocable to new wells and the $800,000 balance will be applied to miscellaneous capital projects such as workovers and operated facility projects. Although the estimated project count for new wells is slightly lower for 2011 as compared to 2010, BROG points out that the Trust's interest in those properties to be developed is higher than those drilled last year.

BROG has informed the Trust that lease operating expenses and property taxes were $8,938,611 and $150,406, respectively, for the third quarter of 2011, as compared to $8,126,778 and $270,213, respectively, for the third quarter of 2010. BROG indicates the increase in operating expenses in the third quarter 2011 is due to the application of expenses of approximately $613,000 incurred in 2010 but not recorded until 2011. Taxes for the third quarter were lower because, commencing in April 2011, BROG reduced its accrual for taxes from $90,000 per month to $50,000 per month. BROG adjusts its accruals for taxes based upon actual property taxes paid in the prior year.

BROG has reported to the Trustee that during the third quarter of 2011, 14 gross (1.61 net) conventional wells and one gross (0.22 net) coal seam well were completed on the Underlying Properties. Six gross (0.08 net) conventional wells and one gross (0.66 net) coal seam well were in progress at September 30, 2011.

There were 11 gross (0.83 net) conventional wells completed on the Underlying Properties during the third quarter of 2010. 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 4,016 gross (1,173 net) producing wells being operated subject to the Royalty as of December 31, 2010, 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, 2011 is associated with actual gas and oil production during May 2011 through July 2011 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended September 30, 2011 and 2010 were as follows:

Three Months Ended September 30,	2011	2010
GAS:		
Total sales (Mcf)	8,565,498	8,357,488
Mcf per day	93,103	90,842
Average price (per Mcf)	$ 4.94	$ 4.72
OIL:		
Total sales (Bbls)	14,701	17,524
Bbls per day	160	190
Average price (per Bbl)	$84.89	$63.48

During the third quarter of 2011, average gas prices were $0.22 per Mcf higher than the average prices reported during the third quarter of 2010. The average price per barrel of oil during the third quarter of 2011 was $21.41 per barrel higher than that received for the third quarter of 2010.

BROG previously 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 then current purchasers were 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. 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 terminated effective March 31, 2011. Requests for proposal were 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, 2013.

BROG has now entered into three new contracts effective April 1, 2011, for the sale of the gas produced from the Underlying Properties but not sold under the two pre-existing contracts. The purchasers under such new contracts are Chevron, PG&E and Salt River Project Agricultural Improvement and Power District (“SRP”). All five of the current contracts provide for (i) the delivery of such gas at various delivery points through March 31, 2013 and from year-to-year thereafter, until terminated by either party on 12 months’ notice (except for the SRP contract which terminates March 31, 2012); 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.

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 were entered into with WFC to be effective for terms of 15 years commencing April 1, 2010. The new contracts consolidated and replaced 18 prior contracts with WFC. BROG indicates that the new contracts 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.

Although BROG was unable to reach agreement with EFS contemporaneously with the WFC contracts on gathering and processing, BROG reported on November 4, 2011 that it has recently signed a new agreement with EFS and that it is working on a summary of that agreement which it will share with the Trust, subject to conditions of confidentiality. 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.

On March 31, 2006, a subsidiary of ConocoPhillips completed its acquisition of Burlington Resources, Inc., BROG’s parent. As a result, ConocoPhillips became the parent of Burlington Resources, Inc., which in turn, is the parent of BROG. On July 14, 2011, ConocoPhillips announced that its board of directors approved the separation of the company’s refining and marketing business from its exploration and production business. According to ConocoPhillips, both businesses will be stand-alone, publicly traded corporations after the separation, which ConocoPhillips expects to complete by the first half of 2012. The Trustee will continue to monitor this situation’s effect on the Trust, if any.

Included in this report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of September 30, 2011 (Unaudited), and December 31, 2010, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended September 30, 2011 and 2010.

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 September 30, 2011 are as follows:

	July	August	September
Gross income	$ 0.144991	$ 0.130363	$ 0.148366
Interest income	$ 0.000013	$(0.001127)	$ 0.000000
Severance tax	$(0.013353)	$(0.011976)	$(0.013496)
Administration expense	$(0.001834)	$(0.001609)	$(0.001439)
Percentage depletion factor	0.021749	0.019554	0.022255
Cost depletion factor	0.009188	0.008337	0.009821

Compass Bank, Trustee

LAAnderson

LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2011	December 31, 2010
ASSETS	(Unaudited)	
Cash and short-term investments	$ 6,374,847	$ 5,223,123
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of $119,692,700 and $118,529,644 at September 30, 2011 and December 31, 2010, respectively)	13,582,828	14,745,884
	$ 19,957,675	$ 19,969,007
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit holders	$ 6,219,058	$ 5,067,334
Cash reserves	155,789	155,789
Trust corpus—46,608,796 Units of beneficial interest authorized and outstanding	13,582,828	14,745,884
	$ 19,957,675	$ 19,969,007

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Royalty income	$ 17,886,286	$ 19,033,188	$ 48,843,626	$ 63,485,843
Interest income	1,329	3,646	685,855	216,735
Total revenue	17,887,615	19,036,834	49,529,481	63,702,578
General and administrative expenditures	227,539	198,836	1,276,041	1,654,681
Distributable income	$ 17,660,076	$ 18,837,998	$ 48,253,440	$ 62,047,897
Distributable income per Unit (46,608,796 Units)	$ 0.378900	$ 0.404173	$ 1.035285	$ 1.331249

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Trust corpus, beginning of period	$ 13,986,056	$ 15,801,981	$ 14,745,884	$ 16,843,731
Amortization of net overriding royalty interest	(403,228)	(540,605)	(1,163,056)	(1,582,355)
Distributable income	17,660,076	18,837,998	48,253,440	62,047,897
Distributions declared	(17,660,076)	(18,837,998)	(48,253,440)	(62,047,897)
Trust corpus, end of period	$ 13,582,828	$ 15,261,376	$ 13,582,828	$ 15,261,376

Royalty Income received by the Trust for the three months and nine months ended September 30, 2011 and 2010, respectively, was computed as shown in the following table:

CALCULATION OF ROYALTY INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
GROSS PROCEEDS OF SALES FROM THE UNDERLYING PROPERTIES:				
Gas proceeds	$ 42,209,984	$ 39,469,691	$114,961,156	$126,416,015(1)
Oil proceeds	1,248,036	1,112,462	3,600,453	3,054,682
Total	43,458,020	40,582,153	118,561,609	129,470,697
LESS PRODUCTION COSTS:				
Severance tax—gas	3,872,807	3,634,900	10,559,177	11,285,302
Severance tax—oil	115,679	111,545	359,139	291,433
Lease operating expense and property tax	9,089,017	8,396,991	26,720,319	24,522,938
Capital expenditures	6,532,136	3,061,133	15,798,139	8,723,233
Total	19,609,639	15,204,569	53,436,774	44,822,906
Net profits	23,848,381	25,377,584	65,124,835	84,647,791
Net overriding royalty interest	75%	75%	75%	75%
ROYALTY INCOME	$ 17,886,286	$ 19,033,188	$ 48,843,626	$ 63,485,843

(1)Includes $2.6 million from the May 2010 settlement of litigation.

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, 2011.

GLOSSARY OF TERMS

BROG: 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 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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