SJT 2012 3rd Quarter

The Trust received Royalty income of $4,926,020 and interest income of $11,950 during the third quarter of 2012. There was no change in cash reserves. After deducting administrative expenses of $320,679, distributable income for the quarter was $4,617,291 ($0.099066 per Unit). In the third quarter of 2011, Royalty income was $17,886,286, interest income was $1,329, administrative expenses were $227,539 and distributable income was $17,660,076 ($0.378900 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2012 were as follows:

July	$.052155
August	.036122
September.	.010789
Quarter Total	$.099066

The Royalty income distributed in the third quarter of 2012 was lower than that distributed in the third quarter of 2011 primarily due to a decrease in the average gas price from $4.94 per Mcf for the third quarter of 2011 to $2.44 per Mcf for the third quarter of 2012. Interest income was higher for the quarter ended September 30, 2012 as compared to the quarter ended September 30, 2011, due to additional interest received in September from granted audit exceptions. Administrative expenses were higher in 2012 primarily as a result of differences in timing in the receipt and payment of certain of these expenses.

The capital costs attributable to the Underlying Properties for the third quarter of 2012 and deducted by Burlington Resources Oil & Gas Company LP ("BROG") in calculating Royalty income were approximately $4.1 million as compared to approximately $6.5 million of capital costs in the third quarter of 2011. However, BROG indicates that actual drilling costs were approximately $3.1 million higher in the third quarter of 2011. A miscalculation by BROG for the months of April through July 2012 caused lease operating expenses and capital expenditures to be understated by approximately 25% (the "2012 Calculation Error"). The 2012 Calculation Error caused capital costs to be understated by $333,644 in July 2012 and to be overstated by a total of $985,356 in August and September 2012 as that error was corrected.

As a result of the 2012 Calculation Error, the Royalty income due the Trust for those four months was overpaid by approximately $3,386,861. BROG has communicated to the Trust that, as permitted under the terms of the Royalty conveyance document, it intends to offset the overpayment against Royalty income payable to the Trust over four consecutive months beginning with August 2012. Based upon the additional monthly lease operating expenses and capital expenditures BROG has reported it will use in order to recover the overpayment, the Royalty income distributions to the Trust were reduced by approximately $742,779 in August, $1,090,583 in September, $767,122 in October and an estimated reduction of $786,377 is anticipated in November 2012.

BROG has informed the Trust that its budget for capital expenditures for the Underlying Properties in 2012 is estimated at $20.8 million. Of the $20.8 million, approximately $5 million will be attributable to the capital budgets for 2011 and prior years. BROG reported in February 2012 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 2012 could range from $5 million to $35 million.

BROG anticipates 383 projects in 2012. Approximately $12.4 million of the $20.8 million budget is allocable to 21 new wells, including nine wells scheduled to be dually completed in the Mesaverde and Dakota formations and 12 wells to be completed in all three of the Mesaverde, Mancos Shale and Dakota formations. BROG indicates that evaluation of the Mancos Shale formation is in the very early stages. There are plans for a horizontal Mancos well beginning in the fourth quarter of 2012. Approximately $3.4 million will be spent on workovers and facilities projects. Of the $5 million attributable to the budgets for prior years, approximately $3 million is allocable to 20 new wells and the $2 million balance will be applied to miscellaneous capital projects such as workovers and operated facility projects.

Lease operating expenses and property taxes were $9,017,423 and $139,489, respectively, for the third quarter of 2012, as compared to $8,938,611 and $150,406, respectively, for the third quarter of 2011. The 2012 Calculation Error resulted in lease operating expenses being understated by $214,859 in July 2012 and overstated in August and September 2012 by a total of $1,459,127 as that error was corrected. Adjusting lease operating expenses for the third quarter of 2012 for the 2012 Calculation Error indicates actual lease operating expenses of $8,273,155, an amount which is $665,456 lower than lease operating expenses in the third quarter of 2011. But BROG also reports the figure for 2011 included a one-time audit adjustment of $612,964 in BROG's favor such that actual lease operating expenses for the third quarter of 2012 were only nominally lower than for the third quarter of the prior year. Taxes for the third quarter of 2012 were lower because in April 2012, BROG reduced its accrual for taxes from $50,135 per month to $46,496 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 2012, four gross (0.69 net) conventional wells were completed on the Underlying Properties. Seven gross (2.98 net) conventional wells were in progress at September 30, 2012.

There were 14 gross (1.61 net) conventional wells and one gross (0.22 net) coal seam well completed on the Underlying Properties during the third quarter of 2011. 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 4,049 gross (1,180.50 net) producing wells being operated subject to the Royalty as of December 31, 2011, calculated on a well bore basis and not including multiple completions as separate wells. Of those wells, seven gross (5.50 net) are oil wells and the balance are gas wells. BROG reports that approximately 828 gross (324.5 net) of the wells are multiple completion wells resulting in a total of 4,877 gross (1,505 net) completions.

"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. In calculating the number of net wells, where a well is completed to multiple formations, BROG 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 September 30, 2012 is associated with actual gas and oil production during May 2012 through July 2012 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended September 30, 2012 and 2011 were as follows:

	Three Months Ended September 30,	
	2012	**2011**
Gas:		
Total sales (Mcf)	8,503,327	8,565,498
Mcf per day	92,427	93,103
Average price (per Mcf)	$ 2.44	$ 4.94
Oil:		
Total sales (Bbls)	14,290	14,701
Bbls per day	155	160
Average price (per Bbl)	$ 76.52	$ 84.89

During the third quarter of 2012, average gas prices were $2.50 per Mcf lower than the average prices reported during the third quarter of 2011. BROG has reported that although the price of natural gas has been depressed as a result of increased supply related to shale gas development and other factors, the prices of natural gas liquids produced in conjunction with that gas have not been so adversely affected and have mitigated somewhat the price declines for the gas. BROG reports that production volumes for July 2012 were overstated. The offset for the overstatement resulted in lower reported volumes for August 2012. When revenues were divided by those lower reported volumes to determine the average gas price for the month, the result was a somewhat inflated $4.14 per Mcf for August. Had the overstatement and resulting setoff not occurred, the average price would have been $2.72 per Mcf for July and $3.26 per Mcf for August 2012. The average price per barrel of oil during the third quarter of 2012 was $8.37 per barrel lower than that received for the third quarter of 2011.

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 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 upon notice of between six and twelve months (except for the SRP contract which terminated 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. Requests for proposals were circulated soliciting bids for the purchase of those volumes sold under the SRP contract which expired March 31, 2012. Contracts are now in place for the sale of those volumes to PG&E, Shell Energy North America (US), LP and SRP on delivery and pricing terms substantially the same as the other contracts described in this paragraph and also for terms expiring March 31, 2013.

On or about January 4, 2012 the operator of the Lybrook gas processing plant took that facility out of service and rerouted gas formerly treated there to its Ignacio plant. Because the NMGC system is not interconnected with the Ignacio plant it became impossible for BROG to sell gas to NMGC under the contract described above such that BROG declared a *force majeure* event and terminated the NMGC contract. BROG negotiated a contract to sell the NMGC volumes to Chevron at prices and terms acceptable to the Trust's consultants for the period through the March 31, 2013 termination date of the prior NMGC contract.

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. BROG has also signed a new agreement with EFS effective November 1, 2011 for a term of 15 years. BROG has disclosed to the Trust a summary of that agreement which the Trust has reviewed with its consultants, 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.

Included in this report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of September 30, 2012 (Unaudited), and December 31, 2011, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended September 30, 2012 and 2011.

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, 2012 are as follows:

	July	***August***	***September***
Gross income	$0.060059	$0.042004	$0.014334
Interest income	$0.000008	$0.000008	$0.000240
Severance tax	($0.005481)	($0.003879)	($0.001349)
Administration expense	($0.002431)	($0.002012)	($0.002438)
Percentage depletion factor	0.009009	0.006301	0.002150
Cost depletion factor	0.007830	0.005018	0.002178

Compass Bank, Trustee

LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

ASSETS	**September 30, 2012 (Unaudited)**	**December 31, 2011**
Cash and short-term investments	$ 658,629	$ 7,101,319
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of $120,998,010 and $120,130,470 at September 30, 2012 and December 31, 2011, respectively)	12,277,518	13,145,058
	$ 12,936,147	$ 20,246,377
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit holders	$ 502,840	$ 6,945,530
Cash reserves	155,789	155,789
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding	12,277,518	13,145,058
	$ 12,936,147	$ 20,246,377

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Royalty income	$ 4,926,020	$ 17,886,286	$ 30,359,217	$ 48,843,626
Interest income	11,950(1)	1,329	569,686(2)	685,855(3)
Total revenue	4,937,970	17,887,615	30,928,903	49,529,481
General and administrative expenditures	320,679	227,539	1,308,187	1,276,041
Distributable income	$ 4,617,291	$ 17,660,076	$ 29,620,716	$ 48,253,440
Distributable income per Unit (46,608,796 Units)	$ 0.099066	$ 0.378900	$ 0.635520	$ 1.035285

(1) Includes $ 10,933 in interest on the late payment of gross proceeds as a result of the ongoing negotiation of compliance audit exceptions.
(2) Includes $566,110 in interest on the late payment of gross proceeds as a result of the ongoing negotiation of compliance audit exceptions.
(3) Includes $555,177 in interest on the late payment of gross proceeds as a result of the ongoing negotiation of compliance audit exceptions.

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Trust corpus, beginning of period ..	$12,475,033	$13,986,056	$13,145,058	$14,745,884
Amortization of net overriding royalty interest.....................................	(197,515)	(403,228)	(867,540)	(1,163,056)
Distributable income	4,617,291	17,660,076	29,620,716	48,253,440
Distributions declared....................	(4,617,291)	(17,660,076)	(29,620,716)	(48,253,440)
Trust corpus, end of period	$12,277,518	$13,582,828	$12,277,518	$13,582,828

Royalty Income received by the Trust for the three months and nine months ended September 30, 2012 and 2011, respectively, was computed as shown in the following table:

CALCULATION OF ROYALTY INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Gross proceeds of sales from the Underlying Properties				
Gas proceeds	$20,716,421	$42,209,984	$ 83,538,936	$114,961,156
Oil proceeds	1,093,450	1,248,036	3,202,212	3,600,453
Other			(246,332)(1)	
Total ………………………..	21,809,871	43,458,020	86,494,816	118,561,609
Less production costs:				
Severance tax – gas	1,909,830	3,872,807	7,487,678	10,559,177
Severance tax – oil	109,232	115,679	310,920	359,139
Lease operating expense and property tax	9,156,912	9,089,017	24,330,247	26,720,319
Capital expenditures	4,065,870	6,532,136	13,887,015	15,798,139
Total	15,241,844	19,609,639	46,015,860	53,436,774
Net profits	6,568,027	23,848,381	40,478,956	65,124,835
Net overriding royalty interest	75%	75%	75%	75%
Royalty Income	$ 4,926,020	$ 17,886,286	$ 30,359,217	$ 48,843,626

(1) Reduction of April revenue as part of the ongoing negotiation of compliance audit exceptions.

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, 2012.

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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