

San Juan Basin Royalty Trust

2525 Ridgmar Boulevard, Suite 100
Fort Worth, Texas 76116
Telephone: 866/809-4553
Website: www.sjbirt.com

January 31, 2011

IMPORTANT TAX INFORMATION

TO UNIT HOLDERS:

We enclose the following material, which provides Unit holders with information necessary to compute the 2010 Federal income tax consequences of owning Units:

- (a) Grantor Trust Schedule A for 2010.
- (b) Information and Instructions.
- (c) Supplemental Tax Tables and Worksheet.
- (d) You may also receive a copy of the 2010 Form 1099 MISC and Form 1099 INT reporting tax information contained in this tax information booklet. **The amounts on the Form 1099's should be reported to the IRS, but make sure that you do not report the amounts twice.** If you accurately report the tax information contained in this tax information booklet, you should not **also** report the amounts set forth on the Form 1099's since such amounts are already provided in the tax information booklet.

Compass Bank, Trustee

By:



Vice President and Senior Trust Officer

San Juan Basin Royalty Trust

EIN 75-6279898

Cusip # 798241105

SCHEDULE A TO FORM 1041, GRANTOR TRUST FOR YEAR ENDED DECEMBER 31, 2010

Federal and State Income Tax Information
See Instructions Before Filing

PART I ROYALTY INFORMATION PER UNIT

Source	(a)	(b)	(c)	(d)	(e)
	Gross Income	Severance Tax	Net Royalty Payment	Cost Depletion Factor*	Production
San Juan Basin Properties					
New Mexico					
1. Oil	\$0.045776	\$0.004428	\$0.041348	—	0.000683BBLS
2. Gas	<u>1.839958</u>	<u>0.165499</u>	<u>1.674459</u>	—	0.366947MCF
3. Total Oil and Gas for Year	<u>\$1.885734</u>	<u>\$0.169927</u>	<u>\$1.715807</u> A	0.124548	

*Percentage Depletion per Unit of \$0.282859 may be claimed for Units purchased after October 11, 1990, if greater than Cost Depletion.

PART II OTHER INCOME AND EXPENSE PER UNIT

Item	Total
1. Interest Income	\$0.006640 B
2. Administration Expense	\$0.041308 C

PART III RECONCILIATION OF TAXABLE INCOME AND CASH DISTRIBUTION PER UNIT

Item	Total
1. Taxable Income Per Unit, Excluding Depletion (A+B-C)	\$1.681139
2. Reconciling Items	<u>0.000000</u>
3. Cash Distribution Per Unit	<u>\$1.681139</u>

San Juan Basin Royalty Trust

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I.

FEDERAL INCOME TAX INFORMATION

1. Reporting of Income and Deductions.

(a) *Direct Ownership Reporting.* The San Juan Basin Royalty Trust (the "Trust") is a Grantor Trust for Federal income tax purposes. Each Unit holder of the Trust is taxable on his pro rata share of the income and expenses of the Trust as if he were the direct owner of a pro rata share of the Trust income and assets. Thus, the taxable year for reporting a Unit holder's share of the Trust's income and expense is controlled by his taxable year and his method of accounting, not by the taxable year and method of accounting of the Trust. Therefore, a cash-basis Unit holder should report his pro rata share of income or expense of the Trust, received or paid by the Trust, during his tax year. An accrual-basis Unit holder should report his pro rata share of income or expense of the Trust accrued during his tax year. **The income of the Trust is deemed to have been received or accrued by each Unit holder at the time such income is received or accrued by the Trust on each monthly Record Date (the last business day of each month) rather than when such income is distributed by the Trust (10 business days following each monthly Record Date). In either case, the income to be reported for 2010 is associated with amounts distributed in February 2010 through January 2011, which in the aggregate correspond to the amount reported as "Cash Distribution Per Unit" in Part III on Schedule A (page 2).**

(b) *Taxable Year.*

Units held through a broker or nominee:

- Unit holders owning Units through a broker or nominee who report on a calendar year basis and who have owned the same number of Units throughout such calendar year should refer to Schedule A on page 2.
- Unit holders who purchased or sold Units in the calendar year should refer to the information on pages 8 through 10.
- Unit holders who report on the basis of a fiscal year other than the calendar year may contact the Trustee for further information.

Units held in direct registration or certificate form: An individualized letter summarizing taxable income for the calendar year is enclosed.

(c) *Types and Reporting of Trust Income and Deductions.*

- (i) The Trust holds a net overriding royalty in oil and gas properties known as the San Juan Basin Properties-New Mexico (hereinafter referred to as the Royalty). In general, the net overriding royalty income is computed monthly based on proceeds realized in the preceding month by the owner of the interests from which the Royalty was created from oil and gas produced in an earlier month less the applicable costs and expenses, and is received by the Trustee on the last day of the monthly period. The gross amount of net overriding royalty income received by the Trust from the Royalty during the period covered is reported in Column (a) of Part I (page 2).
- (ii) Severance tax paid by the Trust during the period covered is reported in Column (b) of Part I (page 2).
- (iii) Interest income received by the Trustee during the period covered is reported as Item 1 of Part II (page 2).
- (iv) Administration expenses are paid on the last day of the month in which they accrue. The amount so accrued and paid during the period covered is reported as Item 2 of Part II (page 2).

- (d) *Unit Multiplication.* Because each schedule reflects only results on a per-Unit basis, it will be necessary to multiply the gross royalty income, severance tax, and percentage depletion shown in Part I and the interest income and administration expense shown in Part II by the number of Units owned by a Unit holder during the applicable period to obtain the amount to be reported on his tax return. Income and expenses (other than depletion) may be computed directly from the appropriate schedules. Cost depletion per Unit must be computed as provided in the Computation of Depletion instructions below.
- (e) *Individual Taxpayers.* For Unit holders who hold the Units as an investment and who file *Form 1040* for a period beginning in 2010, it is suggested that the items of income and deduction computed from the appropriate schedules be reported in the following manner:

Item	Form 1040
Gross Royalty Income	Line 4, Part I, Schedule E
Depletion	Line 20, Part I, Schedule E
Severance Tax	Line 16, Part I, Schedule E
Interest Income	Line 1, Part I, Schedule B
Administration Expense	Line 18, Part I, Schedule E

On the following pages, we have reproduced page 1 of *Schedule E to Form 1040*, and page 2 of *Schedule B to Form 1040*. The specific location of each item of income and expense above are identified on each form. These pages are entitled “Individual Unit Holder’s Specific Location of Items of Income and Expense on Schedules E and B.”

For the convenience of Unit holders who acquired or sold Units during 2010, Tables 1 through 6 are included on pages 9, 10 and 11 to assist in the computation of gross royalty income, severance tax, interest income, administration expenses, and depletion. These tables are only for those Unit holders who have a calendar year as their taxable year.

- (f) *Nominee Reporting.* Nominees and brokers should report the distributions from the Trust as royalty income on *Form 1099-MISC*. The taxable amount before depletion should be reported per the attached schedules. In years where there are no reconciling items, the net taxable income excluding depletion, see instruction 2, will equal the cash distributions from the Trust.
2. **Computation of Depletion.** Each Unit holder’s allowable depletion on Units acquired before October 12, 1990 is his cost depletion with respect to the Royalty. For Units acquired after October 11, 1990 each Unit holder’s allowable depletion is the greater of cost depletion or percentage depletion with respect to the Royalty.

- (a) *Percentage Depletion.* The tax law allows percentage depletion on proven properties acquired after October 11, 1990. For Units acquired after such date, the Unit holder should compute both percentage depletion and cost depletion, and claim the larger amount as a deduction on his or her income tax return. The percentage depletion factors are provided in Table 3.

For Unit holders who acquired their Units before October 12, 1990, no percentage depletion is allowable under the exemption for independent producers and royalty owners provided by IRC Section 613A (c), because the Royalties were proven properties at the time of their transfer. No percentage depletion is allowable under the exemption for certain gas wells provided by IRC Section 613A (b), because none of the gross income from the Royalties constitutes income from “fixed contract gas” under that section.

- (b) *Cost Depletion.* To compute cost depletion, each Unit holder who owned the same number of Units throughout all 12 months of the calendar year should multiply his basis in the Royalty (reduced by prior years’ depletion, if any) by the factor indicated on Column (d) of Part I of Schedule A on page 2, which factor was obtained by dividing the estimated quantity of reserves at the beginning of the year into the quantity produced and sold during the period.

A Cost Depletion Worksheet is included on page 12 to assist Unit holders in computing their cost depletion deduction. The Worksheet is divided into two parts. Part A pertains to Units that have been held the entire calendar year and Part B pertains to Units that were acquired or sold during the year. Unit holders who use Part B should obtain their cost depletion factors for their applicable period of ownership in 2010 from Table 6. Notes are contained in the Specific Instructions for Cost Depletion Worksheet on page 11 to explain certain aspects of the depletion calculation.

**Individual Unit Holder's
Specific Location of Items of Income and Expense
On Schedule E**

**SCHEDULE E
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on return

Supplemental Income and Loss
(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2010

Attachment
Sequence No. **13**

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use Schedule C or C-EZ (see page E-3). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

1	List the type and address of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days or • 10% of the total days rented at fair rental value? (See page E-3)	Yes	No
A				A	
B				B	
C				C	

		Properties			Totals (Add columns A, B, and C.)
		A	B	C	
Income:					
3	Rents received	3			3
4	Royalties received	4			4
Expenses:					
5	Advertising	5			
6	Auto and travel (see page E-4)	6			
7	Cleaning and maintenance	7			
8	Commissions	8			
9	Insurance	9			
10	Legal and other professional fees	10			
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see page E-5)	12			12
13	Other interest	13			
14	Repairs	14			
15	Supplies	15			
16	Taxes	16			
17	Utilities	17			
18	Other (list) ▶	18			
19	Add lines 5 through 18.	19			19
20	Depreciation expense or depletion (see page E-5)	20			20
21	Total expenses. Add lines 19 and 20	21			
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-5 to find out if you must file Form 6198	22			
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See page E-5 to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23	()	()
24	Income. Add positive amounts shown on line 22. Do not include any losses	24			24
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			25
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26			26

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11344L

Schedule E (Form 1040) 2010

Gross Royalty Income
Line 4

Severance Tax
Line 16
Administration Expenses
Line 18

Depletion
Line 20

3. **Reconciliation of Net Income and Cash Distributions.** The difference between the per-Unit taxable income for a period and the per-Unit cash distributions, if any, reported for such period (even though distributed in a later period) is attributable to adjustments in Part III, Line 2 of Schedule A on page 2, labeled Reconciling Items. The Reconciling Items consist of items which are not currently deductible, such as increases in the cash reserves established by the Trustee for the payment of future expenditures, capital items and items which do not constitute taxable income such as reductions in previously established cash reserves. It is expected that normally the Reconciling Items will be negligible.
4. **Adjustments to Basis.** Each Unit holder should reduce his tax basis in the Royalty and in his Units by the amount of depletion allowable with respect to such Royalty.
5. **Federal Income Tax Reporting of Units Sold.** The sale, exchange, or other disposition of a Unit is a taxable transaction for Federal income tax purposes. Gain or loss is computed under the usual tax principles as the difference between the selling price and the adjusted basis of a Unit. The adjusted basis in a Unit is the original cost or other basis of the Unit reduced (but not below zero) by any depletion which reduced the adjusted basis of the interest in the Royalty represented by such Unit. For Unit holders who acquired their Units after 1986, upon subsequent disposition of such Unit, a portion of the gain (if any) will be recaptured as ordinary income to the extent of the depletion which reduced the adjusted basis of such Unit. Unit holders should consult their tax advisers for further information.
6. **Portfolio Income.** Royalty Income is generally considered portfolio income under the passive loss rules enacted by the Tax Reform Act of 1986. Therefore, it appears that Unit holders should not consider the taxable income from the Trust to be passive income in determining net passive income or loss. Unit holders should consult their tax advisers for further information.
7. **Tax Shelter Registration.** A tax shelter registration number is not a requirement for the San Juan Basin Royalty Trust. The rules for tax shelter registration apply only to those entities whose public offering occurred after August 31, 1984. Since the San Juan Basin Royalty Trust was established in 1980, the Trust is not subject to the 1984 rule.
8. **Units held in an IRA.** In most cases, payments from Units held in an IRA are tax-deferred, and no tax reporting is required. However, Unit holders should consult their tax advisers regarding their particular circumstances.
9. **WHFIT Classification.** The Trust is a widely held fixed investment trust (“WHFIT”) classified as a non-mortgage widely held fixed investment trust (“NMWHFIT”) for federal income tax purposes. The Trustee, 2525 Ridgmar Boulevard, Suite 100, Fort Worth, Texas 76116, EIN: 63-0476286, telephone number 1-866-809-4553, e-mail address: sjt@bbvacompass.com, is the representative of the Trust that will provide tax information in accordance with the applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT and a NMWHFIT. Tax information is also posted by the Trustee at www.sjbrt.com.

II.

STATE INCOME TAX RETURNS

All revenues from the Trust are from sources within New Mexico, which has an income tax calculated similarly to the Federal income tax. Royalty income of the Trust will be subject to New Mexico income tax. Unit holders should consult their tax advisers regarding state income tax filing requirements. The website for the New Mexico Taxation & Revenue Department is www.state.nm.us/tax. Forms and instructions can be printed from the website. For information and general assistance with filing a New Mexico return, call (505) 827-0700.

The Trustee has been informed that the New Mexico Oil and Gas Proceeds 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 interest, 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.

III. TAX ISSUES

To our knowledge, all other major Federal income tax issues relating to the Trust have been resolved by the Internal Revenue Service in a manner consistent with the tax consequences described in these instructions.

SUPPLEMENTAL TAX TABLES AND WORKSHEET

In addition to Schedule A and Instructions, the Supplemental Tax Tables and Worksheet are provided for certain Unit holders. For purposes of computing income and expenses (excluding cost depletion), Tables 1-6 should only be used by calendar-year Unit holders who acquired, sold or exchanged Units during 2010. Unit holders who have a taxable year other than December 31 should continue to use monthly tax Schedules B-1 through B-12 which are available on the Trust's website. Unit holders who have held the same number of Units the entire year should use Schedule A on page 2. The Supplemental Tax Tables and Worksheet are comprised of six tables and a Cost Depletion Worksheet.

To assist all Unit holders in calculating their cost depletion deduction, Table 6 and the Cost Depletion Worksheet are provided on pages 11 and 12. Notes are contained in the Specific Instructions for the Cost Depletion Worksheet to explain and assist in preparing a Unit holder's cost depletion deduction.

EXAMPLE:

A brief example to illustrate the computation of the income, expenses, and depletion deduction should be helpful. Assume a Unit holder purchased 1,000 Units for \$24,000 (the holder's Basis) on May 12, 2010 and sold these Units on November 16, 2010. For these Units the Unit holder received cash distributions for May through October; therefore, the income, expenses, and depletion deduction attributable to these Units will be for this same period.

To use each table (1-6) for this example a Unit holder should go down the left-hand column to the specific month when the Units were purchased and then across the page to the column which corresponds to the month for which the last cash distribution was received. In the above example, the Unit holder should go down the left-hand column to the fifth line (May) and across the page to the column titled October. This procedure would be repeated on each of the six tables. The income and expense in the above example are summarized below.

The income, expense and depletion deduction calculations for the above example are summarized below:

EXAMPLE

<u>DESCRIPTION</u>	<u>TABLE</u>	<u>AMOUNT PER UNIT</u>	<u>X</u>	<u>UNITS OR BASIS</u>	<u>=</u>	<u>AMOUNT</u>
Gross Royalty Income	1	0.952656	X	1,000 UNITS	=	\$ 952.66
Severance Tax	2	0.084176	X	1,000 UNITS	=	84.18
Interest Income	4	0.000155	X	1,000 UNITS	=	0.16
Administration Expense	5	0.013821	X	1,000 UNITS	=	13.82
Percentage Depletion*	3	0.142897	X	1,000 UNITS	=	142.90
Cost Depletion**	6	0.063734	X	\$24,000 BASIS	=	\$1,529.62

* Percentage Depletion may be claimed for Units purchased after October 11, 1990, if greater than Cost Depletion. For units acquired after such date, the Unit holder should compute both percentage depletion and cost depletion and claim the larger amount. Taxpayers should consult their tax advisors regarding deductibility of percentage depletion.

** See Specific Instructions for Cost Depletion Worksheet on page 11 and the Cost Depletion Worksheet on page 12.

San Juan Basin Royalty Trust

Table 1
2010 Gross Royalty Income
(Cumulative \$ per Unit)

	2010											
	January	February	March	April	May	June	July	August	September	October	November	December
For a Unit acquired of record during the month of:	And the last cash distribution on such Unit was attributable to the monthly record date for the month of:											
January	0.149446	0.311771	0.519505	0.691113	0.912989	1.045544	1.198687	1.311196	1.495445	1.643769	1.763833	1.885734
February		0.162325	0.370059	0.541667	0.763543	0.896098	1.049241	1.161750	1.345999	1.494323	1.614387	1.736288
March			0.207734	0.379342	0.601218	0.733773	0.886916	0.999425	1.183674	1.331998	1.452062	1.573963
April				0.171608	0.393484	0.526039	0.679182	0.791691	0.975940	1.124264	1.244328	1.366229
May					0.221876	0.354431	0.507574	0.620083	0.804332	0.952656	1.072720	1.194621
June						0.132555	0.285698	0.398207	0.582456	0.730780	0.850844	0.972745
July							0.153143	0.265652	0.449901	0.598225	0.718289	0.840190
August								0.112509	0.296758	0.445082	0.565146	0.687047
September									0.184249	0.332573	0.452637	0.574538
October										0.148324	0.268388	0.390289
November											0.120064	0.241965
December												0.121901

Table 2
2010 Severance Tax
(Cumulative \$ per Unit)

	2010											
	January	February	March	April	May	June	July	August	September	October	November	December
For a Unit acquired of record during the month of:	And the last cash distribution on such Unit was attributable to the monthly record date for the month of:											
January	0.013592	0.028509	0.047437	0.063167	0.079395	0.091804	0.105986	0.116312	0.133346	0.147343	0.158537	0.169927
February		0.014917	0.033845	0.049575	0.065803	0.078212	0.092394	0.102720	0.119754	0.133751	0.144945	0.156335
March			0.018928	0.034658	0.050886	0.063295	0.077477	0.087803	0.104837	0.118834	0.130028	0.141418
April				0.015730	0.031958	0.044367	0.058549	0.068875	0.085909	0.099906	0.111100	0.122490
May					0.016228	0.028637	0.042819	0.053145	0.070179	0.084176	0.095370	0.106760
June						0.012409	0.026591	0.036917	0.053951	0.067948	0.079142	0.090532
July							0.014182	0.024508	0.041542	0.055539	0.066733	0.078123
August								0.010326	0.027360	0.041357	0.052551	0.063941
September									0.017034	0.031031	0.042225	0.053615
October										0.013997	0.025191	0.036581
November											0.011194	0.022584
December												0.011390

Table 3
2010 Percentage Depletion Factors
(Cumulative)

	2010											
	January	February	March	April	May	June	July	August	September	October	November	December
For a Unit acquired of record during the month of:	And the last cash distribution on such Unit was attributable to the monthly record date for the month of:											
January	0.022417	0.046766	0.077926	0.103667	0.136948	0.156831	0.179802	0.196678	0.224315	0.246564	0.264574	0.282859
February		0.024349	0.055509	0.081250	0.114531	0.134414	0.157385	0.174261	0.201898	0.224147	0.242157	0.260442
March			0.031160	0.056901	0.090182	0.110065	0.133036	0.149912	0.177549	0.199798	0.217808	0.236093
April				0.025741	0.059022	0.078905	0.101876	0.118752	0.146389	0.168638	0.186648	0.204933
May					0.033281	0.053164	0.076135	0.093011	0.120648	0.142897	0.160907	0.179192
June						0.019883	0.042854	0.059730	0.087367	0.109616	0.127626	0.145911
July							0.022971	0.039847	0.067484	0.089733	0.107743	0.126028
August								0.016876	0.044513	0.066762	0.084772	0.103057
September									0.027637	0.049886	0.067896	0.086181
October										0.022249	0.040259	0.058544
November											0.018010	0.036295
December												0.018285

Table 4
2010 Interest Income
(Cumulative \$ per Unit)

For a Unit
acquired of record
during the month of:

And the last cash distribution on such Unit was
attributable to the monthly record date for the month of:

		2010											
		January	February	March	April	May	June	July	August	September	October	November	December
January	_____	0.004413	0.004442	0.004470	0.004496	0.004534	0.004573	0.004612	0.004651	0.004651	0.004651	0.006074	0.006640
February	_____		0.000029	0.000057	0.000083	0.000121	0.000160	0.000199	0.000238	0.000238	0.000238	0.001661	0.002227
March	_____			0.000028	0.000054	0.000092	0.000131	0.000170	0.000209	0.000209	0.000209	0.001632	0.002198
April	_____				0.000026	0.000064	0.000103	0.000142	0.000181	0.000181	0.000181	0.001604	0.002170
May	_____					0.000038	0.000077	0.000116	0.000155	0.000155	0.000155	0.001578	0.002144
June	_____						0.000039	0.000078	0.000117	0.000117	0.000117	0.001540	0.002106
July	_____							0.000039	0.000078	0.000078	0.000078	0.001501	0.002067
August	_____								0.000039	0.000039	0.000039	0.001462	0.002028
September	_____									0.000000	0.000000	0.001423	0.001989
October	_____										0.000000	0.001423	0.001989
November	_____											0.001423	0.001989
December	_____												0.000566

Table 5
2010 Trust Administration Expense
(Cumulative \$ per Unit)

For a Unit
acquired of record
during the month of:

And the last cash distribution on such Unit was
attributable to the monthly record date for the month of:

		2010											
		January	February	March	April	May	June	July	August	September	October	November	December
January	_____	0.002262	0.006012	0.014622	0.023323	0.026457	0.031235	0.032370	0.034031	0.035501	0.037144	0.038951	0.041308
February	_____		0.003750	0.012360	0.021061	0.024195	0.028973	0.030108	0.031769	0.033239	0.034882	0.036689	0.039046
March	_____			0.008610	0.017311	0.020445	0.025223	0.026358	0.028019	0.029489	0.031132	0.032939	0.035296
April	_____				0.008701	0.011835	0.016613	0.017748	0.019409	0.020879	0.022522	0.024329	0.026686
May	_____					0.003134	0.007912	0.009047	0.010708	0.012178	0.013821	0.015628	0.017985
June	_____						0.004778	0.005913	0.007574	0.009044	0.010687	0.012494	0.014851
July	_____							0.001135	0.002796	0.004266	0.005909	0.007716	0.010073
August	_____								0.001661	0.003131	0.004774	0.006581	0.008938
September	_____									0.001470	0.003113	0.004920	0.007277
October	_____										0.001643	0.003450	0.005807
November	_____											0.001807	0.004164
December	_____												0.002357

SPECIFIC INSTRUCTIONS FOR COST DEPLETION WORKSHEET

Note 1: The original basis of your Units must be determined from your records and generally will be the amount paid for the Units including broker's commissions or the fair market value of such Units on the date they were distributed (November 3, 1980). However, there could be other taxable events which cause the original basis to be revised. For example, the original basis of Units passing through an estate could be changed to reflect the fair market value of the Units on date of death. Please consult your tax adviser concerning your original basis.

Note 2: When Units are acquired, sold or exchanged during the year, the cost depletion factor is calculated using one of the following procedures:

(a) *UNITS ACQUIRED PRIOR TO 2010 AND SOLD DURING 2010.*

Example: A Unit holder acquired Units prior to 2010 and sold them in June 2010. To calculate his cost depletion for the year, the Unit holder would use the cost depletion factor for January through May obtained from Table 6. In this example, the cost depletion factor would be 0.051455

(b) *UNITS ACQUIRED AND SOLD DURING 2010.*

Example: A Unit holder acquired Units in February 2010 and sold them in November 2010. To calculate her cost depletion for the year, the Unit holder would use the cost depletion factor for February through October obtained from Table 6. In this example, the cost depletion factor would be 0.095365.

(c) *UNITS ACQUIRED DURING 2010 AND STILL OWNED AT THE END OF 2010.*

Example: A Unit holder acquired Units in March 2010 and still owned them at the end of 2010. To calculate his cost depletion for the year, the Unit holder would use the cost depletion factor for March through December obtained from Table 6. In this example, the cost depletion factor would be 0.105258.

Table 6
2010 Cost Depletion Factors
(Cumulative)

For a Unit acquired of record during the month of:	2010											
And the last cash distribution on such Unit was attributable to the monthly record date for the month of:	January	February	March	April	May	June	July	August	September	October	November	December
January _____	0.009391	0.019290	0.030886	0.041022	0.051455	0.061848	0.073239	0.082349	0.093943	0.104756	0.115001	0.124548
February _____		0.009899	0.021495	0.031631	0.042064	0.052457	0.063848	0.072958	0.084552	0.095365	0.105610	0.115157
March _____			0.011596	0.021732	0.032165	0.042558	0.053949	0.063059	0.074653	0.085466	0.095711	0.105258
April _____				0.010136	0.020569	0.030962	0.042353	0.051463	0.063057	0.073870	0.084115	0.093662
May _____					0.010433	0.020826	0.032217	0.041327	0.052921	0.063734	0.073979	0.083526
June _____						0.010393	0.021784	0.030894	0.042488	0.053301	0.063546	0.073093
July _____							0.011391	0.020501	0.032095	0.042908	0.053153	0.062700
August _____								0.009110	0.020704	0.031517	0.041762	0.051309
September _____									0.011594	0.022407	0.032652	0.042199
October _____										0.010813	0.021058	0.030605
November _____											0.010245	0.019792
December _____												0.009547

San Juan Basin Royalty Trust

2010 Cost Depletion Worksheet

The following may help you calculate your cost depletion to be reported on your Federal Income Tax Return.

A. If you *owned* the Units for the *entire year*, your cost depletion would be calculated as follows:

Original Basis (NOTE 1)	Depletion Allowed or Allowable in Prior Years	Original Basis Less Depletion Allowed or Allowable in Prior Years	Cost Depletion Factor	X	Cost Depletion
_____	_____	_____	_____	_____	_____

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_____	_____	_____	0.124548	X	_____
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B. If you *sold* or *acquired* Units *during the year*, your cost depletion for the portion of the year the Units were held would be calculated as follows:

Original Basis (NOTE 1)	Depletion Allowed or Allowable in Prior Years	Original Basis Less Depletion Allowed or Allowable in Prior Years	Partial Year Cost Depletion Factor (NOTE 2)	X	Cost Depletion
_____	_____	_____	_____	_____	_____

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_____	_____	_____	_____	X	_____
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(Notes 1 and 2 are contained in the Specific Instructions for the Cost Depletion Worksheet on page 11).