

SAN JUAN BASIN

ROYALTY TRUST

2020 SECOND QUARTER

TO OUR UNIT HOLDERS

We are pleased to present the 2020 2nd Quarter Report (this "Report") of the San Juan Basin Royalty Trust (the "Trust"). The principal asset of the Trust is a 75% net overriding royalty interest (the "Royalty") carved out of certain oil and gas leasehold and royalty interests in properties located in the San Juan Basin of New Mexico (the "Subject Interests"). The Subject Interests are owned by Hilcorp San Juan L.P. ("Hilcorp"), and were previously owned by Burlington Resources Oil & Gas Company LP ("Burlington"), a wholly-owned subsidiary of ConocoPhillips.

Royalty income distributed to the Trust, which consists of monthly net proceeds attributable to the Royalty, was \$970,722 for the three months ended June 30, 2020, compared to \$2,408,205 during the same period in 2019. The decrease in Royalty income was due primarily to lower natural gas prices and a slight decrease in natural gas production.

Distributable income decreased by approximately \$1.4 million, or 71%, to \$0.6 million (\$0.012557 per Unit) for the three months ended June 30, 2020 from \$2.0 million (\$0.042840 per Unit) for the three months ended June 30, 2019. The decrease in distributable income was primarily attributable to lower natural gas prices and lower gas production in 2020 offset by lower production costs, resulting in lower Royalty income. There was no distributable income in June 2020 due primarily to decreased natural gas prices and natural gas production along with true-ups of prior periods by Hilcorp, resulting in gross excess production costs applicable to the Subject Interests of \$1.6 million, with 75%, or \$1.2 million (net), allocated to the Trust.

Based on 46,608,796 Units outstanding, the per-Unit distributions during the second quarter of 2020 were as follows:

April	\$0.008296
May	0.004261
June	0.000000
Quarter Total	\$0.012557

Interest income was lower for the three months ended June 30, 2020, as compared to the same period in 2019 due to lower yields on short-term investments and lower cash balances.

General and administrative expenses decreased approximately 2% for the three months ended June 30, 2020, as compared to the three months ended June 30, 2019. The decrease was primarily attributable to differences in timing in the receipt and payment of certain expenses by the Trust.

The Trust withdrew approximately \$0.1 million from its established \$1.0 million cash reserve in June 2020 to pay the Trust's general and administrative expenses due to the Trust receiving no Royalty income in June 2020. Total cash reserves were approximately \$0.9 million as of June 30, 2020. The primary purpose of the cash reserves is to have sufficient funds to cover monthly general and administrative expenses in the event that there is insufficient Royalty income to cover such expenses. The Trustee will replenish the cash reserve once it begins to receive Royalty income from Hilcorp sufficient to cover its monthly expenses. The Trustee does not anticipate any increases to the cash reserve above a level of \$1.0 million in 2020, although it cannot guarantee that the Trustee will not increase such cash reserves in the future.

Hilcorp's capital expenditures decreased approximately \$2.2 million, or \$100% for the three months ended June 30, 2020 compared to the three months ended June 30, 2019. The decrease was attributable to Hilcorp's reduced capital spending plan, which the Trust announced on February 24, 2020 (the "2020 Plan"). The 2020 Plan calls for total capital spending of \$0.3 million for fiscal 2020.

Royalty income for the three months ended June 30, 2020 is associated with oil and natural gas production during February 2020 through April 2020 from the Subject Interests. Production of oil and natural gas and related average sales prices attributable to each of the Subject Interests and the Royalty for the three months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended June 30,			
	2020		2019	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	6,871,522	11,896	6,970,358	16,750
Royalty	(1,373,556) ¹	5,721	739,859	9,997
Average Price (per Mcf/Bbl)	\$0.92	\$21.74	\$1.74	\$48.32

¹The oil and natural gas sales attributable to the Royalty are based upon an allocation formula dependent on such factors as price and cost. The allocation formula for natural gas produced a negative volume due to excess production costs for natural gas in June 2020. Gross excess production costs applicable to the Subject Interests were \$1.6 million as of June 30, 2020, with 75%, or \$1.2 million (net) allocated to the Trust.

The Trust recognizes production during the month in which Hilcorp pays to the Trust the related net proceeds attributable to the Royalty. Royalty income for a calendar year is based on the actual natural gas and oil production during the period beginning with November of the preceding calendar year through October of the current calendar year. Sales volumes attributable to the Royalty are determined by dividing the net profits by the Trust from the sale of oil and natural gas, respectively, by the prices received for sales of such volumes from the Subject Interests, taking into consideration production taxes attributable to the Subject Interests. Because the oil and natural gas sales attributable to the Royalty are based upon an allocation formula dependent on such factors as price and cost, including Hilcorp's capital expenditures and the timing of Hilcorp's true-ups or prior reported estimated oil and natural gas production data, the aggregate sales amounts from the Subject Interests may not provide a meaningful comparison to sales attributable to the Royalty. Future true-ups will impact future royalty proceeds, but will not change the reported amounts due to the accounting basis used.

The Trust continues to request periodic updates from Hilcorp as to its production and financial expectations with respect to the Subject Interests due to any effects caused by the ongoing Covid-19 pandemic and the recent fluctuations in oil and gas pricing. Hilcorp has informed the Trust that, given the current natural gas pricing environment, Hilcorp does not anticipate materially reducing any of the Subject Interests' production or taking any of the Subject Interests' wells offline; however, both the Trust and Hilcorp continue to monitor the impact that Covid-19 may have on production, including as it relates to personnel availability in New Mexico and other Subject Interest areas. Hilcorp further informed the Trust that it does not anticipate that Covid-19 will have any material impact on its operation of the Subject Interests or on its payments of Royalty income to the Trust. However, the impact of the Covid-19 pandemic on Hilcorp and the Subject Interests is still unknown and any such impact could result in actual results being different than Hilcorp's expectations. Specifically, the Trust has noted that prices have declined, which may lead to further reductions from expected negative true-ups for reported estimates from earlier periods in 2020.

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.sjbtr.com, or from the Trustee upon request by calling toll-free or writing the Trustee at the contact information at the bottom of this Report.

Income and expense (per Unit) and depletion factors for the three months ended June 30, 2020 are as follows:

	April	May	June
Gross Income	\$ 0.015037	\$ 0.007657	\$ 0.000000
Interest Income	\$ 0.000027	\$ 0.000011	\$ 0.000006
Severance Tax	(\$ 0.001247)	(\$ 0.000621)	(\$ 0.000000)
Administration Expense	(\$ 0.005521)	(\$ 0.002786)	(\$ 0.002305)
Distributable Income	\$ 0.008296	\$ 0.004261	\$ 0.000000
Percentage Depletion Factor	0.002256	0.001149	0.000000
Cost Depletion Factor	0.007851	0.007208	0.000000

BBVA USA, Trustee



BY: JOSHUA R. PETERSON
Head of Trust Real Assets & Mineral Resources and Senior Vice President

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Cash and Short-Term Investments	\$ 892,858	\$ 1,079,421
Net Overriding Royalty Interest in Producing Oil and Natural Gas Properties (net of accumulated amortization of \$128,103,458 and \$127,823,321 at June 30, 2020 and December 31, 2019, respectively)	5,172,070	5,452,207
Total Assets	\$ 6,064,928	\$ 6,531,628
Liabilities And Trust Corpus		
Distribution Payable to Unit Holders	\$ –	\$ 79,421
Cash Reserves	892,858	1,000,000
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	5,172,070	5,452,207
Total Liabilities	\$ 6,064,928	\$ 6,531,628

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Royalty Income	\$ 970,722	\$ 2,408,205	\$ 6,039,129	\$ 8,957,770
Interest Income	2,052	9,664	5,613	17,714
Total Income	972,774	2,417,869	6,044,742	8,975,484
General and Administrative Expenses	(494,672)	(506,109)	(948,379)	(1,048,887)
Decrease in Cash Reserves	107,142	84,943	107,142	84,943
Distributable Income	\$ 585,244	\$ 1,996,703	\$ 5,203,505	\$ 8,011,540
Distributable Income per Unit (46,608,796 Units)	\$ 0.012557	\$ 0.042840	\$ 0.111642	\$ 0.171890

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Trust Corpus, Beginning of Period	\$ 5,254,179	\$ 5,673,052	\$ 5,452,207	\$ 5,844,727
Amortization of Net Overriding Royalty Interest	(82,109)	(86,732)	(280,137)	(258,407)
Distributable Income	585,244	1,996,703	5,203,505	8,011,540
Distributions Declared	(585,244)	(1,996,703)	(5,203,505)	(8,011,540)
Trust Corpus, End of Period	\$ 5,172,070	\$ 5,586,320	\$ 5,172,070	\$ 5,586,320
Distributions Declared (per Unit)	\$ 0.012557	\$ 0.042840	\$ 0.111642	\$ 0.171890

These Condensed Financial Statements and the other information presented in this Report should be read in conjunction with the information presented in the Trust's Quarterly Report on Form 10-Q (including but not limited to the Condensed Financial Statements and notes thereto) for the quarterly period ending June 30, 2020, as filed with the U.S. Securities and Exchange Commission on August 10, 2020.



Except for historical information contained in this Report, the statements in this Report may contain or include forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements generally are accompanied by words such as "may," "will," "estimate," "anticipate," "should," "plan," "intend," "expects," or other words that convey the uncertainty of future events or outcomes. 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, uncertainties about estimates of reserves, capital expenditures, drilling activity, development activities, production efforts and volumes, the impact of the Covid-19 pandemic on production and demand, and the results of the Trust's activities. Such statements are based on certain assumptions of BBVA USA, the Trustee and by Hilcorp, the owner of the working interest through the reporting period, with respect to future events; are based on an assessment of, and are subject to, a variety of factors deemed relevant by the Trustee and Hilcorp; and involve risks and uncertainties. However, whether actual results and developments will conform with such expectations and predictions is subject to a number of risks and uncertainties which could affect the future results of the energy industry in general, and the Trust and Hilcorp in particular, and could cause those results to differ materially from those expressed in such forward-looking statements. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on Hilcorp's business and the Trust. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such forward-looking statements. The Trust undertakes no obligation to publicly update or revise any forward-looking statements, except as required by applicable law.

San Juan Basin Royalty Trust

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