San Juan Basin Royalty Trust

2008 First Quarter Report to Unit holders

The San Juan Basin Royalty Trust received Royalty income of $25,576,418 and interest income of $164,379 during the first quarter of 2008. There was no change in cash reserves. After deducting administrative expenses of $610,074, distributable income for the quarter was $25,130,723 ($.539184 per Unit). In the first quarter of 2007, Royalty income was $23,948,749, interest income was $624,781, there was no change in cash reserves, administrative expenses were $565,648 and distributable income was $24,007,882 ($0.515094 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the first quarter of 2008 were as follows:

January	$.222595
February	.235957
March	.080632
Quarter Total	$.539184

The Royalty income distributed in the first quarter of 2008 was higher than that distributed in the first quarter of 2007. The average gas price increased from $6.04 per Mcf for the first quarter of 2007 to $6.97 per Mcf for the first quarter of 2008. However, gas volumes decreased in the quarter ended March 31, 2008 as compared to the quarter ended March 31, 2007. Burlington Resources Oil & Gas Company LP ("BROG") has informed the Trust that the decrease in reported volumes was due primarily to unplanned down-time at a plant operated by a third party, poor weather conditions that hampered its ability to monitor and keep wells online, and, in part to the natural production decline curve. Production and development costs for the first quarter of 2008 were approximately $2.9 million lower than those for the first quarter of 2007, principally as a result of reduced capital expenditures. Interest income was lower for the quarter ended March 31, 2008, as compared to the quarter ended March 31, 2007, primarily due to additional interest BROG paid to the Trust in January and February of 2007 as a result of the granting of certain audit exceptions. Administrative expenses were higher in 2008 primarily as a result of differences in timing in the receipt and payment of these expenses and costs relating to the special meeting of Unit holders held in December 2007.

The capital costs attributable to the Underlying Properties for the first quarter of 2008 and deducted by BROG in calculating Royalty income were approximately $6.2 million. BROG has informed the Trust that it has revised the 2008 budget for capital expenditures for the Underlying Properties to $24.4 million, an increase from the $18.3 million that was previously disclosed in the Trust's press release dated February 19, 2008. Approximately 35% of the planned expenditures will be on Fruitland Coal formation projects with the remainder to be spent on conventional projects. In addition, BROG estimates that during 2008 it will incur capital expenses in the amount of approximately $5 million attributable to the capital budgets for 2007 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 2008 could range from $15 million to $50 million.

BROG anticipates 361 projects in 2008 at an aggregate cost of $24.4 million. Approximately $19.7 million of that budget is allocable to 70 new wells, including 37 wells scheduled to be dually completed in the Mesaverde and Dakota formations at an aggregate projected cost of approximately $9.4 million, and four wells to be completed to the Dakota formation at an aggregate cost of approximately $2.3 million. BROG indicates that 16 of the new wells, at an aggregate cost of approximately $7.3 million, are projected to be drilled to formations producing coal seam gas. BROG also mentioned that the possible implementation of new rules restricting the use of open reserve pits could reduce the number of projects due to increased compliance costs. Of the $5 million attributable to the budgets for prior years, approximately $2 million is allocable to new wells to be operated by BROG, an estimated $1 million is allocable to new wells to be operated by others, and the $2 million balance will be applied to miscellaneous capital projects such as workovers and operated facility projects.

BROG has informed the Trust that lease operating expenses and property taxes were $8,083,988 and $245,295, respectively, for the first quarter of 2008, as compared to $6,414,898 and $322,178, respectively, for the first quarter of 2007. BROG reports that lease operating expenses were higher in the first quarter of 2008 compared to the first quarter of 2007 primarily due to continued increases in the cost of contract services and materials, as demand for these items continues to increase. New drilling results in annual increases in salt water disposal and compression costs and, additionally, the overhead rate determined by the Council of Petroleum Accountants Societies ("COPAS") is adjusted annually. The COPAS overhead rate used for the first quarter of 2008 was 6.4%, whereas the rate used for the first quarter of 2007 was 5.1%.

BROG has reported to the Trustee that during the first quarter of 2008, three gross (2.56 net) coal seam wells and 23 gross (0.41 net) conventional wells were completed on the Underlying Properties. Four gross (1.44 net) coal seam wells and 21 gross (1.42 net) conventional wells were in progress at March 31, 2008.

There were 15 gross (9.31 net) coal seam wells and ten gross (6.02 net) conventional wells completed on the Underlying Properties as of March 31, 2007. Two gross (0.82 net) coal seam wells, one gross (0.64 net) coal seam payadd, one gross (0.34 net) coal seam recompletion, 11 gross (5.83 net) conventional wells, 16 gross (10.20 net) payadds, seven gross (1.15 net) recompletions, and 34 gross (21.55 net) restimulations were in progress at March 31, 2007.

There were 3,823 gross (1,111 net) producing wells being operated subject to the Royalty as of December 31, 2007, calculated on a well bore basis and not including multiple completions as separate wells. Unit Holders will be provided a copy of the current well list upon written request to the Trustee.

"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 March 31, 2008 is associated with actual gas and oil production during November 2007 through January 2008 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Gas:		
Total sales (Mcf)	8,559,117	8,943,584
Mcf per day	93,033	97,213
Average price (per Mcf)	$ 6.97	$ 6.04
Oil:		
Total sales (Bbls)	12,698	18,382
Bbls per day	138	200
Average price (per Bbl)	$ 88.58	$ 54.76

Gas and oil sales attributable to the Royalty for the quarters ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Gas sales (Mcf)	4,723,823	4,278,905
Oil sales (Bbls)	6,922	8,908

Sales volumes attributable to the Royalty are determined by dividing the net profits received by the Trust and attributable to oil and gas, respectively, by the prices received for sales volumes from the Underlying Properties, taking into consideration production taxes attributable to the Underlying Properties. Since the oil and gas sales attributable to the Royalty are based on an allocation formula that is dependent on such factors as price and cost, including capital expenditures, the aggregate production volumes from the Underlying Properties may not provide a meaningful comparison to volumes attributable to the Royalty.

During the first quarter of 2008, average gas prices were $0.93 per Mcf higher than the average prices reported during the first quarter of 2007. The average price per barrel of oil during the first quarter of 2008 was $33.82 per barrel higher than that received for the first quarter of 2007 due to increases in oil prices in world markets generally, including the posted prices applicable to oil sales attributable to the Royalty.

BROG previously entered into two contracts for the sale of all volumes of gas produced from the Underlying Properties. These contracts provided for (i) the sale of such gas to Duke Energy and Marketing, L.L.C. and PNM Gas Services, respectively, (ii) the delivery of such gas at various delivery points through March 31, 2005, and from year-to-year thereafter until terminated by either party on 12 months' notice, and (iii) the sale of such gas at prices which fluctuate in accordance with published indices for gas sold in the San Juan Basin of northwestern

New Mexico. Effective January 1, 2004, the rights and obligations of Duke Energy and Marketing L.L.C. were assumed by ConocoPhillips Company ("ConocoPhillips") pursuant to an Assignment and Novation Agreement. By correspondence dated March 25, 2004, BROG notified ConocoPhillips of BROG's election to terminate such contract as of March 31, 2005. BROG then prepared a form of request for proposal and circulated it to a number of potential purchasers, including ConocoPhillips, inviting them to bid for the purchase of the gas currently sold under the contract expiring March 31, 2005. Effective as of April 1, 2005, BROG entered into two new contracts for the sale of all volumes of gas produced from the Underlying Properties and formerly sold to ConocoPhillips. These new contracts provide for (i) the sale of such gas to ChevronTexaco Natural Gas, a division of Chevron U.S.A. Inc. ("ChevronTexaco"), and Coral Energy Resources, L.P. ("Coral"), respectively, (ii) the delivery of such gas at various delivery points through March 31, 2007, and from year-to-year thereafter until terminated by either party on 12 months' notice, and (iii) 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. With respect to BROG's contract with PNM Gas Services, BROG and PNM Gas Services entered into a letter agreement dated January 31, 2005, pursuant to which the term of that contract was adjusted to coincide with the contracts with ChevronTexaco and Coral. During March of 2008, both ChevronTexaco and Coral notified BROG of their election to terminate their respective contracts effective March 31, 2009. Requests for proposal will be circulated to potential purchasers of the packages of gas covered by the expiring contracts. Neither party gave notice of termination with respect to the PNM contract, and accordingly, the term of that contract has been extended at least through March 31, 2010.

Confidentiality agreements with 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 14, 2008, BROG notified the Trust that the distribution for March would be reduced by $4,921,578, an amount described as the Trust's portion of what Burlington had paid to settle a legal matter. On March 16, 2008, following inquiry from the Trust, Burlington reported that on August 15, 2007, it had reached an agreement settling all claims asserted by the United States of America, acting through the Department of Justice and the United States Department of the Interior, itself acting through the Minerals Management Service and the Bureau of Indian Affairs on behalf of itself and on behalf of various individual Indian mineral owners; the Cheyenne and Arapaho Tribes, the Jicarilla Apache Tribe, the Southern Ute Tribe and the Ute Mountain Ute Tribe in the United States District Court for the Eastern District of Texas, captioned United States of America ex rel. Harrold E. ("Gene") Wright v. AGIP Petroleum Co. et al., Civil Action No. 5:03CV264 (formerly 9:98-CV-30) (E.D. Tex.). BROG, on behalf of itself and the Trust, paid $105,304,226 to settle claims for underpayment of royalty alleged to be owed on natural gas production, including production from properties burdened by the Trust, for production periods between March 1, 1988, and March 31, 2005.

BROG determined that the portion of that settlement allocable to the Trust is $6,078,917 in principal, together with $486,187 of interest, totaling $6,562,104. That amount was offset against the revenues used in calculating net profits for the month of March and the royalty distribution was calculated based on the Trust's 75% net overriding royalty interest which resulted in the $4,921,578 reduction in the March distribution. BROG indicates that the portion allocated to the Trust was determined by it based upon a comparison of the properties burdened by the Trust in proportion to all of the properties associated with the litigation settlement. The

Trust's consultants will analyze the settlement and audit the calculation of the amount determined by BROG to be allocable to the Trust.

On April 28, 2008, the Trust filed a suit against BROG relating to the Arbitration Award in its favor issued in November 2005, in the amount of $7,683,699. The litigation is 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 Trust alleges breach of contract and breach of the covenant of good faith and fair dealing and seeks a judgment for damages in the amount of $5,025,000, plus interest and punitive damages. The purpose of the arbitration was to resolve certain joint interest audit issues. The arbitrator ruled in favor of the Trust on all five of the issues submitted to arbitration. BROG filed suit in Harris County, Texas alleging that the award should be modified or vacated, and seeking to recover its attorneys' fees. The trial court denied BROG's motion to vacate, granted the Trust's application to confirm and rendered a final judgment in favor of the Trust. BROG paid the award as it related to four of the five issues and appealed the award as to the fifth. In August 2007, the appellate court reversed the judgment of the trial court and vacated the award as it related to the unpaid balance. The appellate court also remanded the case to the District Court, where BROG has indicated it will again pursue its claim for attorneys' fees and costs. With respect to that fifth issue, the Trust had asked for damages based on either of two alternative claims. The appellate court ruled that the alternative claim selected by the arbitrator in awarding the Trust approximately $5,000,000 was not technically included within the scope of what the parties intended to submit to arbitration. The appellate court did not rule on whether or not the arbitrator properly decided the fifth issue in favor of the Trust. The litigation filed in New Mexico seeks recovery on the claim which had been resolved in favor of the Trust by the arbitrator

Included in this report are the Condensed Statements of Assets, Liabilities and Trust corpus as of March 31, 2008 (Unaudited), and December 31, 2007, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended March 31, 2008 and 2007.

Unit holders of record for the first quarter of 2008 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

By:

LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2008 (Unaudited)	December 31, 2007
ASSETS		
Cash and short-term investments	$ 3,873,014	$ 9,042,528
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of $113,837,466 and $113,394,640 at March 31, 2008 and December 31, 2007, respectively)	19,438,062	19,880,888
	$ 23,311,076	$ 28,923,416
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit Holders	$ 3,758,156	$ 8,927,670
Cash reserves	114,858	114,858
Trust corpus - 46,608,796 Units of beneficial interest authorized and outstanding	19,438,062	19,880,888
	$ 23,311,076	$ 28,923,416

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2008	2007
Royalty income	$ 25,576,418	$ 23,948,749
Interest income	164,379	624,781
	25,740,797	24,573,530
General and administrative expenditures	610,074	565,648
Distributable income	$ 25,130,723	$ 24,007,882
Distributable income per Unit (46,608,796 Units)	$ 0.539184	$ 0.515094

The accompanying notes to condensed financial statements are an integral part of these statements.

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2008	2007
Trust corpus, beginning of period	$ 19,880,888	$ 21,823,390
Amortization of net overriding royalty interest	(442,826)	(374,714)
Distributable income	25,130,723	24,007,882
Distributions declared	(25,130,723)	(24,007,882)
Total corpus, end of period	$ 19,438,062	$ 21,448,676

The accompanying notes to condensed financial statements are an integral part of these statements.

Royalty income received by the Trust for the three months ended March 31, 2008 and 2007, respectively, was computed as shown in the following table:

CALCULATION OF ROYALTY INCOME

	Three Months Ended March 31,	
	2008	2007
Gross proceeds of sales from the Underlying Properties:		
Gas proceeds	$ 53,108,214	$ 53,976,801
Oil proceeds	1,124,793	1,006,513
Total	54,233,007	54,983,314
Less production costs:		
Severance tax – Gas	5,436,476	5,288,138
Severance tax – Oil	117,911	91,501
Lease operating expense and property tax	8,329,283	6,737,076
Capital expenditures	6,247,446	10,934,934
Total	20,131,116	23,051,649
Net profits	34,101,891	31,931,665
Net overriding royalty interest	75%	75%
Royalty income	$ 25,576,418	$ 23,948,749

The accompanying notes to condensed financial statements are an integral part of these statements.

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.

Except for historical information contained in this report, the statements in this report are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. 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 are uncertainties include, among other things, volatility of oil and gas prices, governmental regulation or action, litigation and uncertainties about estimates of reserves. These and other risks are described in the Trust's reports and other filings with the Securities and Exchange Commission.

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