Q3

SJT: 2013

San Juan Basin Royalty Trust

THIRD QUARTER REPORT

TO UNIT HOLDERS:

The Trust received Royalty Income of $13,743,934 and interest income of $1,240 during the third quarter of 2013. After deducting administrative expenses of $288,883, distributable income for the quarter was $13,456,291 ($0.288708 per Unit). In the third quarter of 2012, Royalty Income was $4,926,020, interest income was $11,950, administrative expenses were $320,679 and distributable income was $4,617,291 ($0.099066 per Unit). Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2013 were as follows:

July	$.103917
August	.090166
September	.094625
Quarter Total	$.288708

The Royalty Income distributed in the third quarter of 2013 was higher than that distributed in the third quarter of 2012 primarily due to an increase in the average gas price from $2.44 per Mcf for the third quarter of 2012 to $3.64 per Mcf for the third quarter of 2013, but also as a result of lower capital expenditures during the third quarter of 2013. Interest income was lower for the quarter ended September 30, 2013 as compared to the quarter ended September 30, 2012, due to the receipt in 2012 of $10,933 in interest on the late payment of net proceeds as a result of the ongoing negotiation of compliance audit issues. Administrative expenses were lower in 2013 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 2013 and deducted by Burlington Resources Oil & Gas Company LP ("Burlington") in calculating Royalty Income were approximately $1.6 million as compared to approximately $4.1 million of capital costs in the third quarter of 2012.

Burlington informed the Trust that its amended budget for capital expenditures for the Underlying Properties in 2013 is estimated at $18.5 million ($10 million less than the capital budget announced by Burlington in January 2013). Of the $18.5 million, approximately $5 million will be attributable to the capital budgets for 2012 and prior years. Burlington 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 2013 could range from $15 million to $45 million. Although the reported $20.9 million of capital expenditures for the nine months ended September 30, 2013 already exceed the estimated budget, on March 27, 2013 Burlington announced the temporary suspension of its drilling program in the San Juan Basin, indicating that it plans to monitor natural gas prices and restart the program at some point in the future, dependent upon such gas prices. Existing wells will continue to be operated.

Burlington anticipates 397 projects in 2013. Approximately $8.2 million of the $18.5 million budget is allocable to nine new wells, including seven wells scheduled to be dually completed in the Mesaverde and Dakota formations and one well to be completed in all three of the Mesaverde, Mancos Shale and Dakota formations. Approximately $5.4 million will be spent on recompletions and miscellaneous facilities projects. In light of the challenged price environment for natural gas and natural gas liquids, Burlington will increase its recompletion activity in 2013, noting that such activity is intended to open a new zone of production at a substantially lower cost than drilling a new well. Of the $5 million attributable to the budgets for prior years, approximately $3 million is allocable to 30 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 $9,946,510 and $168,858, respectively, for the third quarter of 2013, as compared to $9,017,423 and $139,489, respectively, for the third quarter of 2012. Burlington indicates the increase in operating expenses in the third quarter of 2013 is due to increased well workover activities in the third quarter of 2013. With the temporary suspension of its drilling program for new wells, Burlington reports that it is working over existing wells to help maintain production levels. Taxes for the third quarter of 2013 were higher primarily because of increases in the production volume and average price of natural gas.

As previously reported, and as related to the 2012 results reported herein, Burlington has indicated that as a result of a miscalculation by Burlington (the "2012 Calculation Error"), lease operating expenses and capital expenditures were understated by approximately 25% during the months of April through July 2012, which caused the Royalty Income due the Trust to be overpaid by approximately $3,386,861. As permitted by the Royalty Conveyance document, Burlington offset the overpayment against Royalty Income payable to the Trust over four consecutive months commencing with August 2012.

Burlington has reported to the Trustee that during the third quarter of 2013, one gross (0.03 net) conventional well was completed on the Underlying Properties. There were no wells in progress at September 30, 2013.

There were four gross (0.69 net) conventional wells completed on the Underlying Properties during the third quarter of 2012. Seven gross (2.98 net) conventional wells were in progress at September 30, 2012.

There were 4,015 gross (1,158.50 net) producing wells being operated subject to the Royalty as of December 31, 2012, calculated on a well bore basis and not including multiple completions as separate wells. Of those wells, seven gross (5.00 net) are oil wells and the balance are gas wells. Burlington reports that approximately 839 gross (319.60 net) of the wells are multiple completion wells resulting in a total of 4,854 gross (1,478.10 net) completions.

“Gross” acres or wells, for purposes of this discussion, means the entire ownership interest of all parties in such properties, and Burlington’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, Burlington 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, 2013 is associated with actual gas and oil production during May 2013 through July 2013 from the Underlying Properties. Gas and oil sales from the Underlying Properties for the three months ended September 30, 2013 and 2012 were as follows:

Three Months Ended September 30,	2013	2012
Gas:		
Total sales (Mcf)	8,820,946	8,503,327
Mcf per day	95,880	92,427
Average price (per Mcf)	$ 3.64	$ 2.44
Oil:		
Total sales (Bbls)	15,346	14,290
Bbls per day	167	155
Average price (per Bbl)	$86.48	$76.52

During the third quarter of 2013, average gas prices were $1.20 per Mcf higher than the average prices reported during the third quarter of 2012. The average price per barrel of oil during the third quarter of 2013 was $9.96 per barrel higher than that received for the third quarter of 2012.

Gas produced from the Underlying Properties is processed at one of the following five plants: Chaco, Val Verde, Milagro, Ignacio, and Kutz, all located in the San Juan Basin. All of such gas other than that processed at Kutz is being sold to Chevron USA, Inc. (“Chevron”) under a contract with Burlington dated April 1, 2011 which provides for the delivery of gas through March 31, 2013 and from year to year thereafter. The Chevron contract has been amended by agreement of the parties and its term has been extended through at least March 31, 2015.

Gas produced from the Underlying Properties and processed at Kutz was being sold under three separate contracts with Pacific Gas and Electric Company (“PG&E”), Shell Energy North America (US), LP (“Shell”) and New Mexico Gas Company, Inc. (“NMGC”). The NMGC contract for the sale of certain winter-only supplies of the Kutz gas is for a five-year term expiring March 31, 2017. Both PG&E and Shell gave notice of the termination of their respective contracts effective March 31, 2013. Burlington circulated requests for proposal soliciting bids for the purchase of those volumes commencing April 1, 2013 and Burlington has entered into two new contracts effective April 1, 2013 with Shell and EDF Trading North America, LLC for the purchase of those volumes through March 31, 2014.

All four of the current contracts provide for (i) the delivery of such gas at various delivery points through their respective termination dates and from year-to-year thereafter, until terminated by either party upon notice of between six and twelve months; 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.

Burlington 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 contracts were entered into with WFC to be effective for terms of 15 years commencing April 1, 2010. Burlington has also signed an agreement with EFS effective November 1, 2011 for a term of 15 years. Burlington has disclosed to the Trust a summary of that agreement which the Trust has reviewed with its consultants, subject to conditions of confidentiality.

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, 2013 (Unaudited), and December 31, 2012, and the Unaudited Condensed Statements of Distributable Income and of Change in Trust Corpus for the three months ended September 30, 2013 and 2012.

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, 2013 are as follows:

	July	August	September
Gross income	$ 0.117232	$ 0.103066	$ 0.107472
Interest income	$ 0.000006	$ 0.000009	$ 0.000011
Severance tax	$(0.011641)	$(0.010373)	$(0.010877)
Administration expense	$(0.001681)	$(0.002536)	$(0.001981)
Percentage depletion factor	0.017585	0.015460	0.016121
Cost depletion factor	0.013355	0.011987	0.013287

Compass Bank, Trustee

LEE ANN ANDERSON
Vice President and Senior Trust Officer

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

		September 30, 2013		December 31, 2012
Assets		(Unaudited)		
Cash and short-term investments	$	4,596,596	$	1,420,096
Net overriding royalty interest in producing oil and gas properties (net of accumulated amortization of $121,897,448 and $121,112,068 at September 30, 2013 and December 31, 2012, respectively)		11,378,080		12,163,460
	$	15,974,676	$	13,583,556
Liabilities and Trust Corpus				
Distribution payable to Unit Holders	$	4,410,354	$	1,264,307
Cash reserves		186,242		155,789
Trust corpus—46,608,796 Units of beneficial interest authorized and outstanding		11,378,080		12,163,460
	$	15,974,676	$	13,583,556

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2013	2012	2013	2012
Royalty income	$13,743,934	$ 4,926,020	$ 23,653,832	$ 30,359,217
Interest income	1,240	11,950(1)	1,904	569,686(2)
Total revenue	13,745,174	4,937,970	23,655,736	30,928,903
General and administrative expenditures	288,883	320,679	1,236,950	1,308,187
Increase in cash reserves	—	—	29,518	—
Distributable income	$13,456,291	$ 4,617,291	$ 22,389,268	$ 29,620,716
Distributable income per Unit (46,608,796 Units)	$ 0.288708	$ 0.099066	$ 0.480366	$ 0.635520

(1) Includes $10,933 in interest on the late payment of gross proceeds as part of the ongoing negotiation of compliance audit exceptions.

(2) Includes $566,110 in interest on the late payment of gross proceeds as part 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,*	
	2013	2012	2013	2012
Trust corpus, beginning of period	$11,847,943	$ 12,475,033	$ 12,163,460	$ 13,145,058
Amortization of net overriding royalty interest	(469,863)	(197,515)	(785,380)	(867,540)
Distributable income	13,456,291	4,617,291	22,389,268	29,620,716
Distributions declared	(13,456,291)	(4,617,291)	(22,389,268)	(29,620,716)
Trust corpus, end of period	$11,378,080	$ 12,277,518	$ 11,378,080	$ 12,277,518

CALCULATION OF ROYALTY INCOME

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2013	2012	2013	2012
Gross proceeds of sales from the Underlying Properties:				
Gas proceeds	$32,093,034	$ 20,716,421	$ 87,411,806	$ 83,538,936
Oil proceeds	1,327,173	1,093,450	3,468,538	3,202,212
Other	—	—	—	(246,332)(3)
Total	33,420,207	21,809,871	90,880,344	86,494,816
Less production costs:				
Severance tax—gas	3,211,029	1,909,830	8,700,422	7,487,678
Severance tax—oil	142,805	109,232	363,063	310,920
Other	—	—	4,430(2)	—
Lease operating expense and property tax	10,115,368	9,156,912	29,354,213	24,330,247
Capital expenditures	1,625,759(1)	4,065,870	20,919,774	13,887,015
Total	15,094,961	15,241,844	59,341,902	46,015,860
Net profits	18,325,246	6,568,027	31,538,442	40,478,956
Net overriding royalty interest	75%	75%	75%	75%
Royalty Income	$13,743,934	$ 4,926,020	$ 23,653,832	$ 30,359,217

(1) Includes $387,100 credit due to a downward revision in the capital accrual rate.

(2) Interest on excess production cost.

(3) 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, 2013.

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 Burlington, which was carved out of the Underlying Properties.

UNDERLYING PROPERTIES: The working, royalty and other interests owned by Southland Royalty Company, the predecessor to Burlington, 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.

Glossary of Terms

San Juan Basin Royalty Trust
Compass Bank, Trustee
300 W. Seventh Street, Suite B
Fort Worth, Texas 76102
Toll-free: 866.809.4553
Outside U.S. telephone: 904.230.3401
www.sjbrt.com
sjt@bbvacompass.com

Paying Agent/Transfer Agent/Registrar
Computershare Investor Services
www.computershare.com
Customer Service: 312.360.5154