

SAN JUAN BASIN ROYALTY TRUST

2022 THIRD
QUARTER

TO OUR UNIT HOLDERS

We are pleased to present the 2022 3rd Quarter Report (this "Report") of the San Juan Basin Royalty Trust (the "Trust") to the holders (the "Unit Holders") of units of beneficial interest in the Trust (the "Units"). The principal asset of the Trust is a 75% net overriding royalty interest (the "Royalty") that is 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").

Royalty income distributed by Hilcorp to the Trust, which consists of monthly net proceeds attributable to the Royalty, was approximately \$21.3 million for the three months ended September 30, 2022, compared to \$6.1 million for the three months ended September 30, 2021. The average natural gas price increased from \$2.74 per Mcf for the three months ended September 30, 2021, to \$6.32 per Mcf for the three months ended September 30, 2022. Production of natural gas from the Subject Interests decreased from 6,410,955 Mcf for the three months ended September 30, 2021, to 6,032,747 Mcf for the three months ended September 30, 2022.

Distributable income, which is the amount that the Trust distributes to the Unit Holders from the Royalty income, less the amount of expenses paid by the Trust and any changes in cash reserves, increased from \$5.7 million (\$0.121735 per Unit) for the three months ended September 30, 2021, to \$21 million (\$0.452950 per Unit) for the three months ended September 30, 2022.

Based on 46,608,796 Units outstanding, the per-Unit distributions during the third quarter of 2022 were as follows:

| | |
|----------------------|--------------------|
| July | \$ 0.145185 |
| August | 0.183448 |
| September | 0.124317 |
| Quarter Total | \$ 0.452950 |

Interest income was higher for the three months ended September 30, 2022, as compared to the same period in 2021 due primarily to increased funds available for investment and to higher yields on short-term investments.

General and administrative expenses decreased approximately 36% for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The decrease was primarily attributable to differences in timing in the receipt and payment of certain expenses by the Trust.

Total cash reserves were \$1.0 million as of September 30, 2022. The Trustee does not anticipate any increases to the cash reserve above a level of \$1.0 million in 2022, although it cannot guarantee that the Trustee will not increase such cash reserves in the future.

Hilcorp's capital expenditures increased approximately \$254,591, or 241.53%, from a credit of \$(105,409) for the three-months ended September 30, 2021, to a cost of \$149,182 for the three months ended September 30, 2022. The increase is due primarily to a credit of \$171,049 received from Hilcorp in the third quarter of 2021 as a result of true-ups for capital costs for the production months of January through April 2021. Capital expenditures incurred for projects worked during the three months ended September 30, 2022 increased by 127% from \$65,640 for the three months ended September 30, 2021 to \$149,182 for the three months ended September 30, 2022.

Royalty income for the three months ended September 30, 2022 is associated with oil and natural gas production during May through July 2022 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 September 30, 2022 and 2021 were as follows:

| | For the Three Months Ended September 30, | | | |
|------------------------------------|------------------------------------------|---------------------------|-------------------|---------------------------|
| | 2022 | | 2021 | |
| | Natural Gas (Mcf) | Oil and Condensate (Bbls) | Natural Gas (Mcf) | Oil and Condensate (Bbls) |
| Production | | | | |
| Subject Interests | 6,032,747 | 12,971 | 6,410,955 | 13,935 |
| Royalty | 3,660,384 | 9,181 | 2,643,866 | 9,266 |
| Average Price (per Mcf/Bbl) | \$6.32 | \$97.93 | \$2.74 | \$58.92 |



Based on Hilcorp's reporting methodology, the Trust recognizes production during the month in which the related Royalty income is paid to the Trust. 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 natural gas and oil, 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 natural gas and oil sales attributable to the Royalty are based upon an allocation formula dependent on such factors as price and cost, including capital expenditures, 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.

Income and expense (per Unit) and depletion factors for the three months ended September 30, 2022 are as follows:

| | July | August | September |
|------------------------------------|---------------|---------------|---------------|
| Gross Income | \$ 0.167278 | \$ 0.211015 | \$ 0.144515 |
| Interest Income | \$ 0.000042 | \$ 0.000090 | \$ 0.000132 |
| Severance Tax | (\$ 0.020507) | (\$ 0.025350) | (\$ 0.018973) |
| Administration Expense | (\$ 0.001628) | (\$ 0.002307) | (\$ 0.001357) |
| Distributable Income | \$ 0.145185 | \$ 0.183448 | \$ 0.124317 |
| Percentage Depletion Factor | 0.025092 | 0.031652 | 0.021677 |
| Cost Depletion Factor | 0.014372 | 0.015223 | 0.013908 |

PNC Bank, National Association, Trustee

BY: ROSS C. DURR, RPL
Senior Vice President
Oil, Gas, and Mineral Interest Director



CONDENSED STATEMENTS OF ASSETS, LIABILITIES, AND TRUST CORPUS

| | September 30, 2022 | December 31, 2021 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| | (Unaudited) | (Audited) |
| Assets | | |
| Cash and Short-term Investments | \$ 6,794,280 | \$ 6,240,726 |
| Net Overriding Royalty Interest in Producing Oil and Gas Properties (net of accumulated amortization of \$130,145,078 and \$129,584,681 at September 30, 2022 and December 31, 2021, respectively) | 3,130,450 | 3,690,847 |
| Total Assets | \$ 9,924,730 | \$ 9,931,573 |
| Liabilities and Trust Corpus | | |
| Distribution Payable to Unit Holders | \$ 5,794,280 | \$ 5,240,726 |
| Cash Reserves | 1,000,000 | 1,000,000 |
| Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding | 3,130,450 | 3,690,847 |
| Total Liabilities | \$ 9,924,730 | \$ 9,931,573 |

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------------------------|----------------------------------|---------------------|---------------------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Royalty Income | \$ 21,345,765 | \$ 6,059,606 | \$ 49,959,187 | \$ 21,837,483 |
| Interest Income | 12,293 | 237 | 14,329 | 1,006 |
| Total Income | 21,358,058 | 6,059,843 | 49,973,516 | 21,838,489 |
| General and Administrative Expenses | (246,581) | (385,910) | (1,149,770) | (1,247,306) |
| Distributable Income | \$ 21,111,477 | \$ 5,673,933 | \$ 48,823,746 | \$ 20,591,183 |
| Distributable Income Per Unit (46,608,796 Units) | \$ 0.452950 | \$ 0.121735 | \$ 1.047521 | \$ 0.441787 |

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------------------|----------------------------------|---------------------|---------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Trust Corpus, Beginning of Period | \$ 3,291,011 | \$ 4,385,805 | \$ 3,690,847 | \$ 5,123,834 |
| Amortization of Net Overriding Royalty Interest | (160,561) | (356,469) | (560,397) | (1,094,498) |
| Distributable Income | 21,111,477 | 5,673,933 | 48,823,746 | 20,591,183 |
| Distributions Declared | (21,111,477) | (5,673,933) | (48,823,746) | (20,591,183) |
| Trust Corpus, End of Period | \$ 3,130,450 | \$ 4,029,336 | \$ 3,130,450 | \$ 4,029,336 |
| Distributions Declared (Per Unit) | \$ 0.452950 | \$ 0.121735 | \$ 1.047521 | \$ 0.441787 |

These Condensed Financial Statements and the other information presented in this Report should be read in conjunction with the information 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 September 30, 2022, as filed with the U.S. Securities and Exchange Commission on November 14, 2022.



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,” 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, and the results of the Trust’s activities. Such statements are based on certain assumptions of PNC Bank, NA, 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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