

San Juan Basin Royalty Trust

2021 First Quarter

TO OUR UNIT HOLDERS

We are pleased to present the 2021 1st 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”), and were previously owned by Burlington Resources Oil & Gas Company LP, a wholly-owned subsidiary of ConocoPhillips.

Royalty income distributed by Hilcorp to the Trust, which consists of monthly net proceeds attributable to the Royalty, was approximately \$8.2 million for the three months ended March 31, 2021, compared to \$5.1 million during the same period in 2020. The increase in Royalty income is attributable primarily to higher natural gas prices and lower lease operating expenses.

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 change in cash reserves, increased from \$4.6 million (\$0.099085 per Unit) for the three months ended March 31, 2020 to \$7.8 million (\$0.166304 per Unit) for the three months ended March 31, 2021. The increase in distributable income was primarily attributable to higher natural gas prices and lower lease operating expenses offset by lower production.

Based on 46,608,796 Units outstanding, the per-Unit distributions during the first quarter of 2021 were as follows:

January	\$ 0.058599
February	0.054662
March	0.053043
Quarter Total	\$ 0.166304

Interest income was lower for the three months ended March 31, 2021, as compared to the same period in 2020, due primarily to lower yields on short-term investments held by the Trust.

General and administrative expenses increased approximately 1.7%, for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The increase 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 March 31, 2021. The Trustee does not anticipate any increase or decrease to the cash reserves in 2021, although it cannot guarantee that the Trustee will not increase such cash reserves in the future.

Capital expenditures by Hilcorp increased approximately \$167,000 for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily attributable to differences in timing in the payment of these expenditures along with capital expenditures attributable to the prior year’s budget. Hilcorp’s 2021 capital project plan for the Subject Interests calls for total capital spending of \$0.3 million for fiscal 2021.

Royalty income for the three months ended March 31, 2021 is associated with oil and natural gas production during November 2020 through January 2021 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 March 31, 2021 and 2020 were as follows:

	For the Three Months Ended March 31,			
	2021		2020	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	5,703,850	8,865	6,863,999	7,425
Royalty	3,109,560	5,710	2,378,674	4,442
Average Price (per Mcf/Bbl)	\$2.64	\$36.13	\$2.02	\$51.94



The Trust recognizes production during the month in which the related net proceeds attributable to the Royalty are 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 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 of 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 Covid-19 has not had, nor does it 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 continuing impact of the ongoing Covid-19 pandemic, including additional surges or mutations and required or recommended pandemic mitigation efforts,

on Hilcorp and the Subject Interests remains unknown and any such impact could result in actual results being different from Hilcorp's expectations, despite the lack of a materially adverse impact to-date of the pandemic.

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 March 31, 2021 are as follows:

	January	February	March
Gross Income	\$ 0.056190	\$ 0.058324	\$ 0.070601
Interest Income	\$ 0.000003	\$ 0.000003	\$ 0.000004
Severance Tax	\$ 0.005363	(\$ 0.000955)	(\$ 0.013332)
Administration Expense	(\$ 0.002957)	(\$ 0.002710)	(\$ 0.004230)
Distributable Income	\$ 0.058599	\$ 0.054662	\$ 0.053043
Percentage Depletion Factor	0.008429	0.008749	0.010590
Cost Depletion Factor	0.015970	0.019446	0.035849

BBVA USA, Trustee

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

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Assets		
Cash and Short-Term Investments	\$ 3,472,277	\$ 1,286,468
Net Overriding Royalty Interest in Producing Oil and Natural Gas Properties (net of accumulated amortization of \$128,516,845 and \$128,151,694 at March 31, 2021 and December 31, 2020, respectively)	4,758,683	5,123,834
	\$ 8,230,960	\$ 6,410,302
Liabilities And Trust Corpus		
Distribution Payable to Unit Holders	\$ 2,472,277	\$ 286,468
Cash Reserves	1,000,000	1,000,000
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	4,758,683	5,123,834
Total Liabilities	\$ 8,230,960	\$ 6,410,302

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2021	2020
Royalty Income	\$ 8,212,088	\$ 5,068,407
Interest Income	412	3,562
Total Income	8,212,500	5,071,969
Expenditures – General and Administrative	(461,258)	(453,707)
Distributable Income	\$ 7,751,242	\$ 4,618,262
Distributable Income per Unit (46,608,796 Units)	\$ 0.166304	\$ 0.099085

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2021	2020
Trust Corpus, Beginning of Period	\$ 5,123,834	\$ 5,452,207
Amortization of Net Overriding Royalty Interest	(365,151)	(198,028)
Distributable Income	7,751,242	4,618,262
Distributions Declared	(7,751,242)	(4,618,262)
Trust Corpus, End of Period	\$ 4,758,683	\$ 5,254,179
Distributions Declared (per Unit)	0.166304	\$ 0.099085

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 March 31, 2021, as filed with the U.S. Securities and Exchange Commission on May 17, 2021.



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 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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