

# SAN JUAN BASIN ROYALTY TRUST

2022 FIRST  
QUARTER

## TO OUR UNIT HOLDERS

We are pleased to present the 2022 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”).

Royalty income distributed by Hilcorp to the Trust, which consists of 75% of the monthly net proceeds attributable to the Royalty, was approximately \$14.9 million for the three months ended March 31, 2022 compared to \$8.2 million during the same period in 2021. The average natural gas price increased from \$2.64 per Mcf for the three months ended March 31, 2021 to \$4.79 per Mcf for the three months ended March 31, 2022. Production of natural gas from the Subject Interests increased from 5,703,850 Mcf for the three months ended March 31, 2021 to 6,231,076 Mcf for the three months ended March 31, 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 \$7.8 million (0.166304 per Unit) for the three months ended March 31, 2021 to \$14.4 million (\$0.308294 per Unit) for the three months ended March 31, 2022. The increase in distributable income was primarily attributable to higher natural gas prices.

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

|               |             |
|---------------|-------------|
| January       | \$ 0.103446 |
| February      | 0.085744    |
| March         | 0.119104    |
| Quarter Total | \$ 0.308294 |

Interest income was lower for the three months ended March 31, 2022, as compared to the same period in 2021, due primarily to lower yields on short-term investments held by the Trust.

General and administrative expenses increased approximately 13% for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021. 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, 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 decreased approximately \$142,400 for the three months ended March 31, 2022, compared to the three months ended March 31, 2021. The decrease is due primarily to differences in timing in the payment of these expenditures along with capital expenditures attributable to the prior year’s budget.

Royalty income for the three months ended March 31, 2022 is associated with oil and natural gas production during November 2021 through January 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 March 31, 2022 and 2021 were as follows:

|                                    | For the Three Months Ended March 31, |                           |                   |                           |
|------------------------------------|--------------------------------------|---------------------------|-------------------|---------------------------|
|                                    | 2022                                 |                           | 2021              |                           |
|                                    | Natural Gas (Mcf)                    | Oil and Condensate (Bbls) | Natural Gas (Mcf) | Oil and Condensate (Bbls) |
| <b>Production</b>                  |                                      |                           |                   |                           |
| <b>Subject Interests</b>           | 6,231,076                            | 6,040                     | 5,703,850         | 8,865                     |
| <b>Royalty</b>                     | 3,299,952                            | 3,537                     | 3,109,560         | 5,710                     |
| <b>Average Price (per Mcf/Bbl)</b> | \$4.79                               | \$65.97                   | \$2.64            | \$36.13                   |





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 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 capital expenditures, the aggregate sales amounts from the Subject Interests may not provide a meaningful comparison to sales attributable to the Royalty.

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 future Covid-19 restrictions or outbreaks 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 the current state of the Covid-19 pandemic 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 continued Covid-19 pandemic or future restrictions or outbreaks on Hilcorp and the Subject Interests is still unknown and any such impact could result in actual results being different from Hilcorp’s expectations.

Included in this Report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of March 31, 2022, (Unaudited), and December 31, 2021, and the Condensed Statements of Distributable Income and of Changes in Trust Corpus for the three months ended March 31, 2022 and 2021. (Unaudited).

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](http://www.sjbrt.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, 2022 are as follows:

|                                    | January       | February      | March         |
|------------------------------------|---------------|---------------|---------------|
| <b>Gross Income</b>                | \$ 0.122379   | \$ 0.100704   | \$ 0.143418   |
| <b>Interest Income</b>             | \$ 0.000002   | \$ 0.000001   | \$ 0.000001   |
| <b>Severance Tax</b>               | (\$ 0.016072) | (\$ 0.013009) | (\$ 0.017942) |
| <b>Administration Expense</b>      | (\$ 0.002863) | (\$ 0.001952) | (\$ 0.006373) |
| <b>Distributable Income</b>        | \$ 0.103446   | \$ 0.085744   | \$ 0.119104   |
| <b>Percentage Depletion Factor</b> | 0.018357      | 0.015106      | 0.021513      |
| <b>Cost Depletion Factor</b>       | 0.031379      | 0.022614      | 0.014833      |

PNC Bank, National Association, Trustee

BY: JAMES R. WILHARM  
 Senior Vice President  
 Director of Trust Real Estate Services





## CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

|  | March 31, 2022      | December 31, 2021   |
|--|---------------------|---------------------|
|  | (Unaudited)         | (Audited)           |
| <b>Assets</b>  |                     |                     |
| Cash and Short-Term Investments  | \$ 6,551,299        | \$ 6,240,726        |
| Net Overriding Royalty Interest in Producing Oil and Gas Properties<br>(net of accumulated amortization of \$129,838,708 and \$129,584,681<br>at March 31, 2022 and December 31, 2021, respectively) | 3,436,820           | 3,690,847           |
|  | <b>\$ 9,988,119</b> | <b>\$ 9,931,573</b> |
| <b>Liabilities and Trust Corpus</b>  |                     |                     |
| Distribution Payable to Unit Holders   | \$ 5,551,299        | \$ 5,240,726        |
| Cash Reserves  | 1,000,000           | 1,000,000           |
| Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized<br>and Outstanding   | 3,436,820           | 3,690,847           |
|  | <b>\$ 9,988,119</b> | <b>\$ 9,931,573</b> |

## CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

|  | Three Months Ended March 31, |              |
|--|------------------------------|--------------|
|  | 2022                         | 2021         |
| Royalty Income                                   | \$ 14,890,491                | \$ 8,212,088 |
| Interest Income                                  | 207                          | 412          |
| Total Income                                     | 14,890,698                   | 8,212,500    |
| Expenditures – General and Administrative        | (521,471)                    | (461,258)    |
| Distributable Income                             | \$ 14,369,227                | \$ 7,751,242 |
| Distributable Income Per Unit (46,608,796 Units) | \$ 0.308294                  | \$ 0.166304  |

## CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

|   | Three Months Ended March 31, |              |
|---|------------------------------|--------------|
|   | 2022                         | 2021         |
| Trust Corpus, Beginning of Period               | \$ 3,690,847                 | \$ 5,123,834 |
| Amortization of Net Overriding Royalty Interest | (254,027)                    | (365,151)    |
| Distributable Income                            | 14,369,227                   | 7,751,242    |
| Distributions Declared                          | (14,369,227)                 | (7,751,242)  |
| Trust Corpus, End of Period                     | \$ 3,436,820                 | \$ 4,758,683 |
| Distributions Declared (Per Unit)               | \$ 0.308294                  | \$ 0.166304  |

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, 2022, as filed with the U.S. Securities and Exchange Commission on May 16, 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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## PAYING AGENT / TRANSFER AGENT / REGISTRAR

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