

SAN JUAN BASIN ROYALTY TRUST

2022 SECOND
QUARTER

TO OUR UNIT HOLDERS

We are pleased to present the 2022 2nd 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 \$13.7 million for the three months ended June 30, 2022, compared to \$7.6 million during the same period in 2021. The average natural gas price increased from \$2.77 per Mcf for the three months ended June 30, 2021, to \$4.54 per Mcf for the three months ended June 30, 2022. Production of natural gas from the Subject Interests decreased from 7,517,056 Mcf for the three months ended June 30, 2021, to 6,073,883 Mcf for the three months ended June 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 \$7.2 million (\$0.153748 per Unit) for the three months ended June 30, 2021, to \$13.3 million (\$0.286277 per Unit) for the three months ended June 30, 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 second quarter of 2022 were as follows:

April	\$ 0.082883
May	0.091781
June	0.111613
Quarter Total	\$ 0.286277

Interest income was higher for the three months ended June 30, 2022, as compared to the same period in 2021 due primarily to higher yields on short-term investments held by the Trust.

General and administrative expenses decreased approximately 4.6% for the three months ended June 30, 2022, compared to the three months ended June 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 June 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 decreased approximately \$56,000 for the three months ended June 30, 2022, compared to the three months ended June 30, 2021. The decrease was primarily attributable 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 June 30, 2022, is associated with natural gas and oil production during February through April 2022 from the Subject Interests. Production of natural gas and oil and related average sales prices attributable to each of the Subject Interests and the Royalty for the three months ended June 30, 2022, and 2021 were as follows:

	For the Three Months Ended June 30,			
	2022		2021	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	6,073,883	8,250	7,517,056	10,596
Royalty	3,324,092	5,574	2,765,560	6,509
Average Price (per Mcf/Bbl)	\$4.54	\$92.63	\$2.77	\$50.59



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.

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 Interests’ 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, including a resurgence of Covid-19 lockdowns in Asia, may extend existing supply chain disruptions and order backlogs for materials or services needed to maintain production in the Subject Interest areas, or have other unknown impacts on Hilcorp and the Subject Interests, and any such impact could result in actual results being different from Hilcorp’s expectations.

	April	May	June
Gross Income	\$ 0.098405	\$ 0.107921	\$ 0.131472
Interest Income	\$ 0.000002	\$ 0.000012	\$ 0.000025
Severance Tax	(\$ 0.012518)	(\$ 0.014222)	(\$ 0.016630)
Administration Expense	(\$ 0.003006)	(\$ 0.001930)	(\$ 0.003254)
Distributable Income	\$ 0.082883	\$ 0.091781	\$ 0.111613
Percentage Depletion Factor	0.014761	0.016188	0.019721
Cost Depletion Factor	0.011177	0.013878	0.014450

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

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Assets		
Cash and Short-Term Investments	\$ 6,202,132	\$ 6,240,726
Net Overriding Royalty Interest in Producing Oil and Gas Properties (net of accumulated amortization of \$129,984,517 and \$129,584,681 at June 30, 2022, and December 31, 2021, respectively)	3,291,011	3,690,847
	\$ 9,493,143	\$ 9,931,573
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ 5,202,132	\$ 5,240,726
Cash Reserves	1,000,000	1,000,000
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	3,291,011	3,690,847
	\$ 9,493,143	\$ 9,931,573

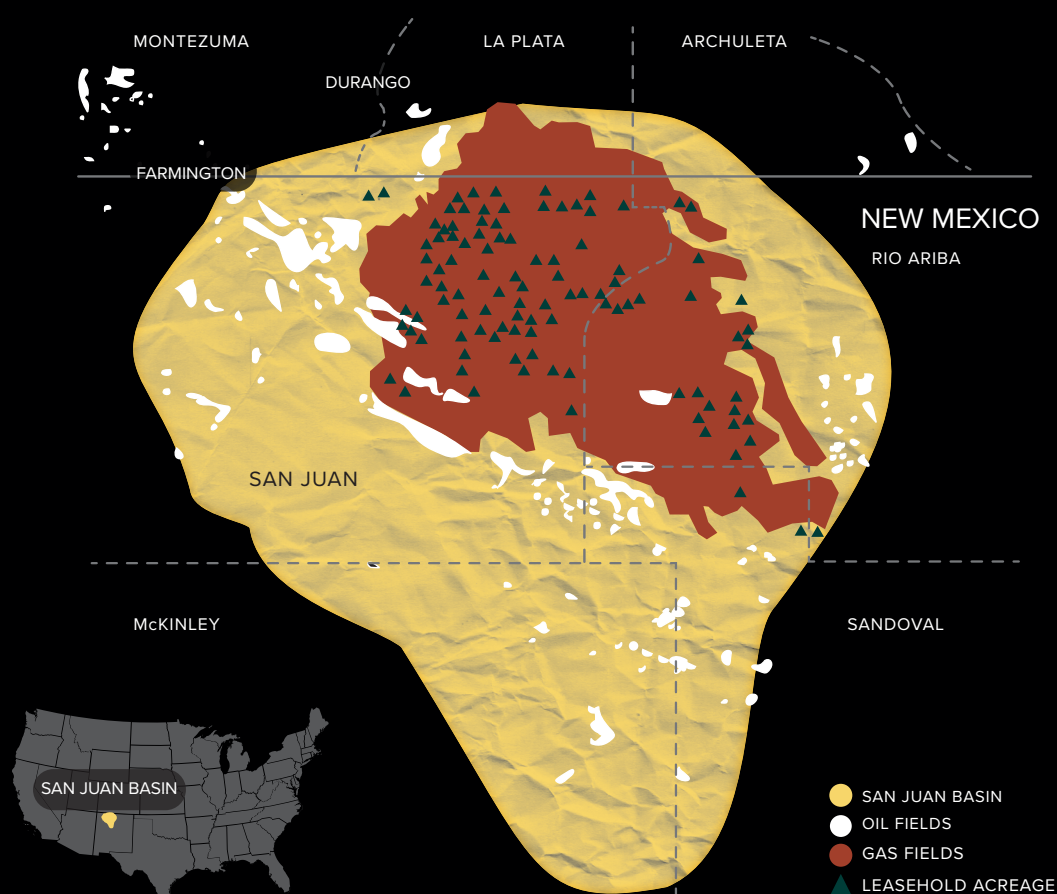
CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Royalty Income	\$ 13,722,931	\$ 7,565,789	\$ 28,613,422	\$ 15,777,876
Interest Income	1,829	357	2,036	770
Total Income	13,724,760	7,566,146	28,615,458	15,778,646
General and Administrative Expenses	(381,718)	(400,138)	(903,189)	(861,395)
Distributable Income	\$ 13,343,042	\$ 7,166,008	\$ 27,712,269	\$ 14,917,251
Distributable Income Per Unit (46,608,796 Units)	\$ 0.286277	\$ 0.153748	\$ 0.594571	\$ 0.320052

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Trust Corpus, Beginning of Period	\$ 3,436,820	\$ 4,758,683	\$ 3,690,847	\$ 5,123,834
Amortization of Net Overriding Royalty Interest	(145,809)	(372,878)	(399,836)	(738,029)
Distributable Income	13,343,042	7,166,008	27,712,269	14,917,251
Distributions Declared	(13,343,042)	(7,166,008)	(27,712,269)	(14,917,251)
Trust Corpus, End of Period	\$ 3,291,011	\$ 4,385,805	\$ 3,291,011	\$ 4,385,805
Distributions Declared (Per Unit)	\$ 0.286277	\$ 0.153748	\$ 0.594571	\$ 0.320052

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 June 30, 2022, as filed with the U.S. Securities and Exchange Commission on August 15, 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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