

SAN JUAN BASIN ROYALTY TRUST

2024 THIRD QUARTER

SAN JUAN BASIN ROYALTY TRUST

TO OUR UNIT HOLDERS

Argent Trust Company, as trustee ("Trustee") presents the 2024 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").

The Royalty income distributed to the Trust by Hilcorp (the "Royalty Income") decreased for the three months ended September 30, 2024, compared to the same period of 2023, due primarily to Hilcorp's substantially higher capital expenditures and lease operating expenses in 2024 under Hilcorp's 2024 capital project plan for the Subject Interests in 2024 (the "2024 Plan"). Please see Item 2. Trustee's Discussion and Analysis of Financial Condition and Results of Operations in the 10-Q SEC filing dated November 14, 2024, or Item 7. Trustee's Discussion and Analysis of Financial Condition and Results of Operations under the Liquidity and Capital Resources, 2024 Capital Expenditure Budget in the 10-K filing dated April 1, 2024, for details regarding Hilcorp's 2024 capital project plan.

Additionally, Royalty Income was affected by a decline in natural gas prices. The average natural gas price decreased from \$2.04 per Mcf for the three months ended September 30, 2023, to \$1.49 per Mcf for the three months ended September 30, 2024. Production of natural gas from the Subject Interests decreased from 5,989,625 Mcf for the three months ended September 30, 2023, to 5,691,025 Mcf for the three months ended September 30, 2024.

There was no distributable income for the three months ended September 30, 2024. This was a decrease from \$3.9 million (\$0.084685 per Unit) for the three months ended September 30, 2023. The decrease in distributable income was primarily attributable to the decrease in Royalty Income paid to the Trust as a result of Hilcorp's significantly increased production costs and a sharp decline in natural gas prices. Interest income decreased for the three months ended September 30, 2024, as compared to the same period in 2023 primarily due to the decrease in Royalty Income.

General and administrative expenses decreased slightly by approximately 2% for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The decrease was primarily attributable to differences in timing of the receipt and payment of certain expenses by the Trust.

The Trustee is authorized to determine, in its discretion, the amount of cash reserves needed to cover liabilities and contingencies of the Trust. The Trustee historically has maintained a cash reserve in the amount of \$1,000,000. However, to cover Trust Expenses during any period of revenue shortfall, which has resulted and could continue to result from lower commodity prices or increased capital expenditures under Hilcorp's 2024 Plan, the Trustee increased the cash reserves in March and April of 2024, such that total cash reserves were \$1,800,000 as of April 30, 2024. Cash reserves totaling \$700,581, along with interest income of \$36,662, were utilized to pay Trust administrative expenses during the period from May through September 2024, when the Trust did not receive any Royalty Income. Total cash reserves were \$1,099,699 as of September 30, 2024. Prior to any future distributions to Unit Holders, the Trustee plans to replenish the cash reserves and continue to increase the cash reserves to \$2,000,000.

The timing and size of capital expenditures by Hilcorp have and will continue to impact Royalty Income. Hilcorp's capital expenditures increased approximately \$10,450,220 for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase in capital costs was primarily attributable to the significantly higher capital expenditures and lease operating expenses in 2024 under Hilcorp's 2024 Plan. Hilcorp advised the Trustee that there were ten workover wells completed, two new wells in progress, and 11 workover wells in progress during the nine months ended September 30, 2024.

For the three months ended September 30, 2024, aggregate capital and non-capital costs incurred by Hilcorp ("Production Costs") exceeded the total amount received by Hilcorp from the sale of production attributable to the Subject Interests, subject to certain adjustments ("Gross Proceeds") by \$10,294,620 (\$7,720,965 net to the Trust) and \$11,517,368 (\$8,638,026 net to the Trust) respectively. The cumulative balance of excess Production Costs as of September 30, 2024, was \$11,517,368 (\$8,638,026 net to the Trust). There were no excess Production Costs for the three months ended September 30, 2023, and there was no cumulative balance of excess Production Costs as of September 30, 2023. The Conveyance provides that any excess Production Costs applicable to the Subject Interests over the amount of Gross Proceeds from such properties must be recovered from future Net Proceeds before Royalty Income is again paid to the Trust (where "Net Proceeds" is the amount by which Gross Proceeds received by Hilcorp for a period exceed Production Costs for the period). As such, the cumulative balance of excess Production Costs as of September 30, 2024, is to be recovered in future periods when the Gross Proceeds exceed Production Costs for such period.

Royalty Income for the three months ended September 30, 2024, is associated with natural gas and oil production from the Subject Interests during the period from May 2024 through July 2024.

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 September 30, 2024, and 2023 were as follows:

	For the Three Months Ended September 30,			
	2024		2023	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	5,691,025	11,111	5,989,625	17,292
Royalty	(6,683,813)	6,460	1,426,197	12,025
Average Price (per Mcf/Bbl)	\$1.49	\$70.63	\$2.04	\$62.00

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.

Included in this Report are the Condensed Statements of Assets, Liabilities and Trust Corpus as of September 30, 2024, (Unaudited), and December 31, 2023, and the Condensed Statements of Distributable Income and of Changes in Trust Corpus for the three months ended September 30, 2024 and 2023 (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, 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 September 30, 2024 are as follows:

	July	August	September
Gross Income	\$ 0.000000	\$ 0.000000	\$ 0.000000
Interest Income	\$ 0.000139	\$ 0.000067	\$ 0.000122
Severance Tax	(\$ 0.000000)	(\$ 0.000000)	(\$ 0.000000)
Administration Expense	(\$ 0.001152)	(\$ 0.004027)	(\$ 0.003114)
Reconciliation Item ⁽¹⁾	\$ 0.001013	\$ 0.003892	\$ 0.002992
Distributable Income	\$ 0.000000	\$ 0.000000	\$ 0.000000
Percentage Depletion Factor	0.000000	0.000000	0.000000
Cost Depletion Factor	0.000000	0.000000	0.000000

⁽¹⁾ The reconciliation item for July, August, and September reflect the decrease to the expense reserve of \$47,206, \$181,396, and \$139,442, respectively, to pay Trust expenses for each month.

Argent Trust Company, Trustee



NANCY WILLIS
Director, Royalty Trust Services

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 Argent Trust Company, 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.

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets		
Cash and Short-term Investments	\$ 1,099,699	\$ 1,574,347
Net Overriding Royalty Interest in Producing Oil and Gas Properties (net of accumulated amortization of \$130,597,911 and \$130,522,279 at September 30, 2024 and December 31, 2023, respectively)	2,677,617	2,753,249
	\$ 3,777,316	\$ 4,327,596
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ —	\$ 574,347
Cash Reserves	1,099,699	1,000,000
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	2,677,617	2,753,249
	\$ 3,777,316	\$ 4,327,596

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Royalty Income	\$ —	\$ 4,320,039	\$ 6,945,974	\$ 49,256,075
Interest Income	18,463	19,773	73,331	119,075
Total Income	18,463	4,339,812	7,019,305	49,375,150
General and Administrative Expenses	(386,507)	(392,762)	(2,161,377)	(1,369,320)
Cash Reserves (Withheld) Used for Trust Expenses	368,044	—	300,301	—
Distributable Income	\$ —	\$ 3,947,050	\$ 5,158,229	\$ 48,005,830
Distributable Income Per Unit (46,608,796 Units)	\$ —	\$ 0.084685	\$ 0.110670	\$ 1.029974

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Trust Corpus, Beginning of Period	\$ 2,677,617	\$ 2,812,651	\$ 2,753,249	\$ 2,968,707
Amortization of Net Overriding Royalty Interest	—	(28,873)	(75,632)	(184,929)
Distributable Income	—	3,947,050	5,158,229	48,005,830
Distributions Declared	—	(3,947,050)	(5,158,229)	(48,005,830)
Trust Corpus, End of Period	\$ 2,677,617	\$ 2,783,778	\$ 2,677,617	\$ 2,783,778
Distributions Declared (Per Unit)	\$ —	\$ 0.084685	\$ 0.110670	\$ 1.029974

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, 2024, as filed with the U.S. Securities and Exchange Commission on November 14, 2024.

SAN JUAN BASIN ROYALTY TRUST

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