



SAN JUAN BASIN ROYALTY TRUST

2025 FIRST QUARTER

TO OUR UNIT HOLDERS

Argent Trust Company, as trustee ("Trustee") presents the 2025 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"). The Trust makes monthly distributions to the Unit Holders of the excess of the preceding month's royalty income received over expenses incurred. Upon receipt, royalty income is invested in short-term investments until its subsequent distribution.

The Royalty income distributed to the Trust by Hilcorp (the "Royalty Income") decreased for the three months ended March 31, 2025, compared to the same period of 2024, 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 May 15, 2025, or Note 9 to the financial statements, Development Costs, in the 10-K filing dated March 31, 2025, for details regarding Hilcorp's 2024 capital project plan.

There was no Distributable Income for the three months ended March 31, 2025. This was a decrease from \$4.1 million (\$0.087806 per Unit) in Distributable Income for the three months ended March 31, 2024. The decrease in Distributable Income was primarily attributable to significantly increased capital expenditures and a sharp decline in natural gas prices.

Interest income decreased for the three months ended March 31, 2025, as compared to the same period in 2024, due to the lack of Royalty Income and the reduction in cash reserves held by the Trustee.

General and administrative expenses decreased by \$505,541 (50%) for the three months ended March 31, 2025 compared to the three months ended March 31, 2024. The decrease was due to differences in timing of the receipt and payment of certain expenses by the Trust, as well as expenses in the first half of 2024 associated with the transition to Argent Bank as Trustee of the Trust.

Total cash reserves were \$258,521 as of March 31, 2025. 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

previously 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 project plan for the Subject Interests, 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 of \$1,541,479, along with interest income, were utilized to pay the balance of Trust administrative expenses remaining (after applying interest income) each month from May 2024 through March 2025, when the Trust did not receive any Royalty Income. Prior to any distributions to Unit holders, the Trustee plans to replenish the cash reserves and continue to increase the cash reserves to \$2,000,000.

The Trust's principal source of liquidity and capital is Royalty Income. The Trust's distribution of income to Unit Holders is funded by Royalty Income after payment of Trust expenses. The Trust is not liable for any production costs or liabilities attributable to the Royalty. If at any time the Trust receives more than the amount due under the Royalty, it is not obligated to return such overpayment, but the amounts payable to it for any subsequent period are reduced by such amount, plus interest, at a rate specified in the Conveyance. If the Trustee determines that the Trust does not have sufficient funds to pay its liabilities, the Trustee may borrow funds on behalf of the Trust, in which case no distributions will be made to Unit Holders until such borrowings are repaid in full. The Trustee may not sell or dispose of any part of the assets of the Trust without the affirmative vote of the Unit Holders of 75% of all the Units outstanding; however, the Trustee may sell up to 1% of the value of the Royalty (as determined pursuant to the Indenture) during any 12-month period without the consent of the Unit Holders.

In each of the months from May 2024 through March 2025, the Trust did not receive any Royalty Income, and interest income received was insufficient to pay Trust liabilities. Since the Trust did not receive Royalty Income from Hilcorp and interest income was insufficient to pay the Trust's liabilities during the period from May 2024 through March 2025, the Trust was able to use cash reserves to pay the Trust's liabilities. The Trust expects to continue to draw on cash reserves for all Trust liabilities not covered by interest income until such time as the Trust begins receiving Royalty Income again. The Trust is permitted to borrow funds against the Royalty to cover the Trust's operating expenses until such time as the Trust extinguishes the balance of Excess Production Costs incurred in 2024 and 2025 and receives sufficient Royalty Income to replenish cash reserves. As of March 31, 2025, the balance of cash reserves held by the Trust to cover Trust liabilities was \$258,521.

The anticipated deficit in income to pay the Trust’s liabilities described above raises substantial doubt about the Trust’s ability to continue as a going concern within one year after issuance date of the financial statements. The Trustee, on behalf of the Trust, is currently negotiating a commercial line of credit to cover the Trust’s liabilities once cash reserves are depleted.

The accompanying financial statements have been prepared assuming that the Trust will continue as a going concern; however, the above conditions raise substantial doubt about the Trust’s ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification.

Royalty Income for the three months ended March 31, 2025, is associated with natural gas and oil production during the period from November 2024 through January 2025. Royalty Income for the three months ended March 31, 2024, is associated with natural gas and oil production from the Subject Interests during the period from November 2023 through January 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 March 31, 2025, and 2024 were as follows:

	For the Three Months Ended March 31,			
	2025		2024	
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	Natural Gas (Mcf)	Oil and Condensate (Bbls)
Production				
Subject Interests	7,620,893	8,348	5,595,016	5,821
Royalty	(1,627,218)	3,201	1,726,619	3,160
Average Price (per Mcf/Bbl)	\$2.99	\$61.97	\$3.19	\$63.75

	January	February	March
Gross Income	\$ 0.000000	\$ 0.000000	\$ 0.000000
Interest Income	\$ 0.000075	\$ 0.000058	\$ 0.000044
Severance Tax	(\$ 0.000000)	(\$ 0.000000)	(\$ 0.000000)
Administration Expense	(\$ 0.002426)	(\$ 0.003044)	(\$ 0.005485)
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

Argent Trust Company, Trustee

Nancy Willis

NANCY WILLIS
Director, Royalty Trust Services



CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2025	December 31, 2024
	(Unaudited)	(Audited)
Assets		
Cash and Short-term Investments	\$ 258,521	\$ 760,920
Net Overriding Royalty Interest in Producing Oil and Gas Properties (net of accumulated amortization of \$130,597,911 and \$130,597,911 at March 31, 2025 and December 31, 2024, respectively)	2,677,617	2,677,617
	\$ 2,936,138	\$ 3,438,537
Liabilities and Trust Corpus		
Distribution Payable to Unit Holders	\$ —	\$ —
Cash Reserves	258,521	760,920
Trust Corpus – 46,608,796 Units of Beneficial Interest Authorized and Outstanding	2,677,617	2,677,617
	\$ 2,936,138	\$ 3,438,537

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2025	2024
Royalty Income	\$ —	\$ 5,091,060
Interest Income	8,238	17,655
Total Income	8,238	5,108,715
General and Administrative Expenses	(510,636)	(1,016,171)
Cash Reserves (Withheld) Used for Trust Expenses	502,398	—
Distributable Income	\$ —	\$ 4,092,544
Distributable Income Per Unit (46,608,796 Units)	\$ —	\$ 0.087806

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2025	2024
Trust Corpus, Beginning of Period	\$ 2,677,617	\$ 2,753,249
Amortization of Net Overriding Royalty Interest	—	(49,476)
Distributable Income	—	4,092,544
Distributions Declared	—	(4,092,544)
Trust Corpus, End of Period	\$ 2,677,617	\$ 2,703,773
Distributions Declared (Per Unit)	\$ —	\$ 0.087806

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, 2025, as filed with the U.S. Securities and Exchange Commission on May 15, 2025.



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.

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