

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2026**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _____ to _____

Commission File Number: 001-08032

SAN JUAN BASIN ROYALTY TRUST

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

75-6279898
(I.R.S. Employer
Identification No.)

Argent Trust Company, Trustee
3838 Oak Lawn Ave, Suite 1720
Dallas, Texas 75219-4518
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (855) 588-7839

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Units	SJT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of Units of beneficial interest outstanding at May 14, 2026: 46,608,796

Table of Contents

	<u>PART I. FINANCIAL INFORMATION</u>	
Item 1	<u>Financial Statements</u>	1
Item 2	<u>Trustee's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	17
Item 4	<u>Controls and Procedures</u>	17
	<u>PART II. OTHER INFORMATION</u>	
Item 1	<u>Legal Proceedings</u>	18
Item 1A	<u>Risk Factors</u>	18
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
Item 3	<u>Defaults Upon Senior Securities</u>	18
Item 4	<u>Mine Safety Disclosures</u>	18
Item 5	<u>Other Information</u>	18
Item 6	<u>Exhibits</u>	19
	<u>SIGNATURE</u>	

SAN JUAN BASIN ROYALTY TRUST

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	March 31, 2026 <u>(Unaudited)</u>	December 31, 2025 <u>(Audited)</u>
ASSETS		
Cash and short-term investments	\$ 14,380	\$ 23,298
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, 2026 and December 31, 2025, respectively)	<u>2,677,617</u>	<u>2,677,617</u>
	<u>\$ 2,691,997</u>	<u>\$ 2,700,915</u>
LIABILITIES AND TRUST CORPUS		
Distribution payable to Unit Holders	\$ —	\$ —
Cash reserves	14,380	23,298
Line of Credit Utilization	750,514	387,808
Trust corpus – 46,608,796 Units of beneficial interest authorized and outstanding	<u>1,927,103</u>	<u>2,289,809</u>
	<u>\$ 2,691,997</u>	<u>\$ 2,700,915</u>

These Condensed Financial Statements should be read in conjunction with the accompanying Notes to Financial Statements included herein.

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2026	2025
Royalty income	\$ —	\$ —
Interest income	201	8,238
Total income	201	8,238
General and administrative expenses	(371,825)	(510,636)
Change in cash reserves	8,918	502,398
Distributable income (Loss)	\$ (362,706)	\$ —
Distributable income per Unit (46,608,796 Units)	\$ (0.007782)	\$ —

These Condensed Financial Statements should be read in conjunction with the accompanying Notes to Financial Statements included herein.

CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)

	Three Months Ended March 31,	
	2026	2025
Trust corpus, beginning of period	\$ 2,289,809	\$ 2,677,617
Amortization of net overriding royalty interest	—	—
Distributable income (loss)	(362,706)	—
Distributions declared	—	—
Trust corpus, end of period	<u>\$ 1,927,103</u>	<u>\$ 2,677,617</u>
Distributions declared (per Unit)	<u>\$ —</u>	<u>\$ —</u>

These Condensed Financial Statements should be read in conjunction with the accompanying
Notes to Financial Statements included herein.

Notes to Financial Statements

1. Trust Organization and Administration

The San Juan Basin Royalty Trust (the “Trust”) was established on November 1, 1980 when Southland Royalty Company (“Southland”) conveyed to the Trust a 75% net overriding royalty interest (the “Royalty”) that burdens certain oil and gas interests (the “Subject Interests”) in properties owned by Southland and located in the San Juan Basin of northwestern New Mexico. Subsequent to the conveyance of the Royalty, through a series of sales, assignments and mergers, Southland’s successor became Hilcorp San Juan L.P. (“Hilcorp”), which acquired the Subject Interests from Burlington Resources Oil & Gas Company LP (“Burlington”) on July 31, 2017. Through an acquisition completed on March 24, 2006, Compass Bank succeeded TexasBank as trustee of the Trust. On September 7, 2007, Compass Bancshares, Inc. was acquired by Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”) and became a wholly-owned subsidiary of BBVA. Effective June 10, 2019, Compass Bank changed its name to BBVA USA. On June 1, 2021, The PNC Financial Services Group, Inc. (“PNC”) announced that it had completed the purchase of BBVA USA Bancshares, Inc., a financial holding company, including its U.S. banking subsidiary, BBVA USA, an Alabama-chartered bank and trustee of the Trust (“BBVA USA”).

On October 8, 2021, PNC Bank, an indirect wholly-owned subsidiary of PNC, succeeded BBVA USA as the trustee of the Trust following BBVA USA’s merger with and into PNC Bank. On February 15, 2024, Argent Trust Company succeeded PNC Bank as the trustee of the Trust following the resignation of PNC Bank. The defined term “Trustee” as used herein shall refer to PNC Bank for periods from October 8, 2021 through February 14, 2024, and shall refer to Argent Trust Company for periods on and after February 15, 2024. For all periods prior to October 8, 2021, use of the defined term “Trustee” herein shall refer to the entity serving as Trustee of the Trust during the applicable time period.

On November 3, 1980, 46,608,796 Units in the Trust were distributed to the Trustee for the benefit of Southland shareholders of record as of November 3, 1980, who received one Unit in the Trust for each share of Southland common stock held. The Trust’s initial public offering was completed in 1980. The Units are traded on the New York Stock Exchange. Holders of Units are referred to herein as “Unit Holders.”

The Trust is an express trust created under the laws of the state of Texas by the San Juan Basin Royalty Trust Indenture entered into on November 1, 1980, between Southland and The Fort Worth National Bank (the “Original Indenture”). The Trust refers to the Original Indenture as it was amended and restated on September 30, 2002, further amended and restated on December 12, 2007, and further amended by the First Amendment to the San Juan Basin Amended and Restated Royalty Trust Indenture on February 24, 2024 as the “Indenture” in this Quarterly Report. The terms of the Trust Indenture provide, among other things, that:

- The Trust shall not engage in any business or commercial activity of any kind or acquire any assets other than those initially conveyed to the Trust;
- The Trustee may sell up to one percent (1%) of the value (based on prior year engineering reports) of the Royalty in any 12-month period, but otherwise may not sell all or any part of the Royalty unless approved by holders of 75% of all Units outstanding. In either case, the sale must be for cash and the proceeds promptly distributed;
- The Trustee may establish a cash reserve for the payment of any liability which is contingent or uncertain in amount;
- The Trustee is authorized to borrow funds to pay liabilities of the Trust;
- The Trustee will make monthly cash distributions to Unit Holders (see Note 3); and
- The Trust will generally terminate upon the first to occur of the following events: (i) at such time as the Trust’s gross revenue for each of two successive years is less than \$1.0 million per year or (ii) the Unit Holders of at least 75% of all of the Units outstanding vote in favor of termination.

2. Net Overriding Royalty Interest and Distribution to Unit Holders

The amounts to be distributed to Unit Holders (“Monthly Distribution Amounts”) are determined on a monthly basis by the Trustee. The Monthly Distribution Amount is an amount equal to the sum of cash received by the Trustee during a calendar month attributable to the Royalty, any reduction in cash reserves and any other cash receipts of the Trust, including interest, reduced by the sum of liabilities paid and any increase in cash reserves. If the Monthly Distribution Amount for any monthly period is a negative number, then the distribution will be zero for such month and such negative amount will be carried forward and deducted from future monthly distributions until the cumulative distribution calculation becomes a positive number, at which time a distribution will be made. Unit Holders of record will be entitled to receive the calculated Monthly Distribution Amount for each month on or before 10 business days after the monthly record date, which is generally the last business day of each calendar month.

The cash received by the Trustee consists of the Net Proceeds generated by the owner of the Subject Interests multiplied by 75%.

The initial carrying value of the Royalty of \$133,275,528 represented Southland's historical net book value at the date of the transfer of the Trust. Accumulated amortization as of March 31, 2026, was \$130,597,911.

3. Basis of Presentation

The preceding condensed statement of assets, liabilities, and trust corpus as of December 31, 2025, which has been derived from audited financial statements, and the unaudited interim condensed financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2025. In the opinion of the Trustee and based upon information provided to the Trust by Hilcorp, the present owner of Subject Interests originally owned by Southland in properties located in the San Juan Basin of northwestern New Mexico, all adjustments, consisting only of normal recurring adjustments, have been included that are necessary to fairly present the assets, liabilities and trust corpus of the Trust at March 31, 2026, and the distributable income and changes in trust corpus for the three-month periods ended March 31, 2026 and 2025. The distributable income for such interim period is not necessarily indicative of the distributable income for the full year.

The condensed financial statements of the Trust are prepared on the following basis and are not intended to present the financial position and results of operations of the Trust in conformity with U.S. generally accepted accounting principles ("GAAP"):

- The Net Overriding Royalty Conveyance (as amended to date, the "Conveyance") conveyed to the Trust a 75% net overriding royalty interest that burdens the Subject Interests. The Trust receives royalty income ("Royalty Income") equal to 75% of the Net Proceeds attributable to the Subject Interests. "Net Proceeds," as used in the Conveyance, means the excess of Gross Proceeds received by Hilcorp during a particular period over Production Costs for such period. "Gross Proceeds" means the amount received by Hilcorp from the sale of production attributable to the Subject Interests, subject to certain adjustments (e.g., fuel, gathering and transportation). "Production Costs" include both capital and non-capital costs incurred by Hilcorp in operating the Subject Interests including development drilling, production and processing costs, applicable taxes, and operating charges. The calculation of Net Proceeds by Hilcorp for any month may include adjustments to proceeds and costs for prior months, which will affect the Royalty Income paid to the Trust and the distribution to Unit Holders for that month.
- Although permitted under the Conveyance that transferred the Royalty to the Trust, Hilcorp has informed the Trust that, for wells operated by Hilcorp, it generally does not intend to accrue lease operating expenses to the Trust.
- Hilcorp has informed the Trust that Gross Proceeds are typically reported to the Trust based on actual volumes and pricing. Proceeds from production in the first month are generally received by Hilcorp in the second month, the Royalty Income is paid by Hilcorp to the Trustee in the third month, and distribution by the Trustee to the Unit Holders is made in the fourth month. Net Proceeds for a calendar year are typically based on the actual oil and natural gas production during the period beginning with November of the preceding calendar year through October of the current calendar year.
- Hilcorp has notified the Trust that non-operated revenue is reported to the Trust based on a three-month lag from operated revenues. Non-operated revenue for a calendar year is typically based on the actual natural gas and oil production during the period beginning with August of the preceding calendar year through July of the current calendar year.
- Trust expenses recorded are based on liabilities paid and cash reserves established from Royalty Income for liabilities and contingencies.
- Distributions to Unit Holders are recorded when declared by the Trustee.
- The Conveyance provides that any excess Production Costs applicable to the Subject Interests over Gross Proceeds from such properties ("Excess Production Costs") must be recovered from future Net Proceeds before Royalty Income is again paid to the Trust. The Trust is not obligated to reimburse Hilcorp for any Excess Production Costs if future Gross Proceeds from the Subject Interests are insufficient to cover such costs.
- Depletion and any impairment are recorded as a reduction in trust corpus instead of an expense.

The financial statements of the Trust differ from financial statements prepared in accordance with GAAP because revenues are not accrued in the month of production; certain cash reserves may be established for liabilities and contingencies, which would not be accrued in financial statements prepared in accordance with GAAP; expenses are recorded when paid, instead of when incurred; and amortization of the Royalty is calculated on a unit-of-production basis and is charged directly to the Trust corpus instead of as an expense. Most accounting pronouncements apply to entities whose financial statements are prepared in accordance with GAAP, directing such entities to accrue or defer revenues and expenses in a period other than when such revenues were received, or expenses were paid. Because the Trust's financial statements are prepared on the modified cash basis, as described above, most accounting pronouncements

are not applicable to the Trust's financial statements. This comprehensive basis of accounting corresponds to the accounting permitted for royalty trusts by the SEC, as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

The Trustee routinely reviews the Trust's royalty interests in oil and natural gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust's royalty interests may not be recoverable, an impairment will be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows and is charged directly to the Trust corpus instead of as an expense. There was no impairment of the Trust's assets as of March 31, 2026 or 2025.

4. Liquidity and Going Concern

In each of the months from May 2024 through March 2026, 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 June 2025, the Trust was able to use cash reserves to pay the Trust's liabilities from May 2024 through May 2025. As of March 31, 2026, the balance of cash reserves was \$14,380.

The Trust is permitted to borrow funds against the Royalty to cover the Trust's operating expenses. On May 21, 2025, the Trust entered into a promissory note (the "Note") to establish a line of credit (the "Line of Credit") in the amount of \$2,000,000 with Texas Bank, together with a mortgage to secure that Note. The Line of Credit bears interest at a rate of prime plus 1% per annum (8.5% at June 30, 2025) and matures on May 21, 2027. The Trust is required to make interest-only payments on the Note until May 21, 2027, at which time, the Trust will be required to also make monthly payments toward the principal. The Line of Credit is secured by substantially all of the assets of the Trust, including (a) all mineral interests owned by the Trust, (b) the oil, gas, and other minerals attributable to those mineral interests, (c) the personal property related to those mineral interests, and (d) the proceeds of the sale of the property described in (a) through (c), above. The agreement securing repayment of the Line of Credit contains customary covenants and events of default. The Line of Credit is intended to cover the Trust's administrative expenses until the Trust receives Royalty Income in amounts sufficient to (a) repay the balance of Excess Production Costs, (b) replenish a reserve in the amount of at least \$2,000,000, and (c) repay the Note in full, after which time, the Trust will resume distributions to the holders of the Trust's Units of beneficial interest.

Funds from the Line of Credit were utilized to pay Trust administrative expenses, net of interest earned on Trust cash accounts, from June 2025 through March 2026. As of March 31, 2026, the outstanding balance on the Line of Credit was \$750,514. Cash reserves were utilized to pay interest accrued on the Line of Credit for the months of July 2025 through March 2026, such that the balance of cash reserves maintained by the Trust as of March 31, 2026 was currently \$14,380.

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 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 of assets or the amounts and classifications of liabilities that may result should the Trust be unable to continue as a going concern.

5. Federal Income Taxes

For federal income tax purposes, the Trust constitutes a fixed investment trust that is taxed as a grantor trust. A grantor trust is not subject to tax at the trust level. The Unit Holders are considered to own the Trust's income and principal as though no trust were in existence. The income of the Trust is deemed to have been received or accrued by each Unit Holder at the time such income is received or accrued by the Trust rather than when distributed by the Trust.

The Trust is a widely held fixed investment trust ("WHFIT") classified as a non-mortgage widely held fixed investment trust ("NMWHFIT") for federal income tax purposes. The Trustee is the representative of the Trust that will provide tax information in accordance with the applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT and a NMWHFIT.

The Royalty constitutes an "economic interest" in oil and natural gas properties for federal income tax purposes. Unit Holders must report their share of the production revenues of the Trust as ordinary income from oil and natural gas royalties and are entitled to

claim depletion with respect to such income. The Royalty is treated as a single property for depletion purposes. The Trust has on file technical advice memoranda confirming such tax treatment.

Under present law, the Trust's production and sale of natural gas from coal seam wells does not qualify for tax credit under Section 45K of the Code (the "Section 45 Tax Credit"). Congress has at various times since 2002 considered energy legislation, including provisions to reinstate the Section 45 Tax Credit in various ways and to various extents, but no legislation that would qualify the Trust's current production for such credit has been enacted. No prediction can be made as to what future tax legislation affecting Section 45K of the Code may be proposed or enacted or, if enacted, its impact, if any, on the Trust and the Unit Holders.

The classification of the Trust's income, for purposes of the passive loss rules, may be important to a Unit Holder. Royalty Income, such as that derived through the Trust, will generally be treated as portfolio income that may not be offset or reduced by passive losses.

The Trustee is of the opinion that the material tax positions taken by the Trust, related to the Trust's pass-through status and state tax positions, would more likely than not be sustained by examination. As of March 31, 2026, the Trust's tax years 2022 and thereafter remain subject to examination.

Each Unit Holder should consult his or her own tax advisor regarding tax compliance matters related to such Unit Holder's interest in the Trust.

6. Commitments and Contingencies

Contingencies related to the Subject Interests that are unfavorably resolved would generally be reflected by the Trust as reductions to future Royalty Income payments to the Trust with corresponding reductions to cash distributions to Unit Holders. See Note 3 Basis of Presentation, for a summary of the terms of the Conveyance with respect to recovery of costs.

Hilcorp transitioned to a new accounting system in 2021. During and immediately following the transition period, revenue and severance taxes on the distributions to the Trust were estimated. Then, in 2021 and 2022, various adjustments were made to reconcile actual revenue and severance taxes to the previously reported estimates. Hilcorp conducted a process review of the new accounting system that included review of production volume allocations for 2017 through 2020 and resulted in reallocations of affected volumes for many of the Trust properties. In February 2026, Hilcorp applied a negative prior period adjustment of (\$3,472,228) gross ((\$2,604,171) net to the Trust) for the period from 2017 through 2020. The Trust's joint interest auditors are reviewing the negative prior period adjustment, as previously certain underpayments were identified for this same period from 2017 through 2020 which culminated in a payment to the Trust in 2023 of \$1,037,093.45.

The Trustee regularly engages with Hilcorp on an ongoing basis regarding Hilcorp's accounting and reporting to the Trust. The Trust's third-party compliance auditors continue to audit payments made by Hilcorp to the Trust, inclusive of sales revenues, production costs, capital expenditures, adjustments, actualizations, and recoupments. The Trust's auditing process has also included detailed analyses of Hilcorp's pricing and rates charged. As previously disclosed in the Trust's filings, these revenues and costs (along with all costs) are the subject of the Trust's ongoing comprehensive audit process by professional consultants and outside counsel to help evaluate compliance with the underlying operative Trust agreements and evaluate potential remedies in the event there is suspected non-compliance.

7. Certain Contracts

As part of the transition from Burlington to Hilcorp, Hilcorp has assumed, or been assigned, all the natural gas purchase, gathering and processing contracts affecting the Subject Interests. Natural gas produced from the Subject Interests is processed at the following sites: Ignacio, Val Verde, San Juan Gas Complex, and Milagro, all located in the San Juan Basin. Hilcorp sells natural gas produced from the Subject Interests under various contracts. The Trust is not a party to any of the purchase, gathering or processing contracts, and thus the Trust has limited knowledge regarding the terms of the various contracts and lacks the ability to influence such terms. As part of the 1996 settlement of litigation filed by the Trustee in 1992 against Burlington and Southland, the Trustee and Burlington established a formal protocol pursuant to which compliance auditors, retained by the Trustee, have access to Burlington and its successors' books and records, which protocol has been adopted by Hilcorp.

8. Significant Customers

Information as to significant purchasers of oil and natural gas production attributable to the Trust's economic interests is included in Note 7 above.

9. Development Costs

Hilcorp's capital budget plans for the Subject Interests are delivered to the Trustee at the beginning of each calendar year. The estimates are subject to change, based on, among other things, Hilcorp's actual capital requirements, the pace of regulatory approvals, the mix of projects and swings in the price of natural gas.

Both the estimated annual capital expenditures and the actual expenses reported by Hilcorp include amounts attributable to capital budgets for prior years because capital expenditures are deducted in calculating Royalty Income in the month they accrue and projects within a given year's budget often extend into subsequent years. Further, Hilcorp's accounting period for capital expenditures runs from January through December 31 of each calendar year, which corresponds and is reported in Trust Distribution months March of the same calendar year through February of the following calendar year. In addition, with respect to wells not operated by Hilcorp, Hilcorp's share of capital expenditures may not be paid until the following year(s) after those expenses were incurred by the operator.

On February 19, 2026, the Trust announced that Hilcorp had provided the Trust with its 2026 capital project plan for the Subject Interests (the "2026 Plan"), and Hilcorp has estimated its 2026 capital expenditures for the Subject Interests to be approximately \$14.0 million.

Hilcorp informed the Trust that its 2026 Plan for the Subject Interests includes 32 projects. Approximately \$11.5 million of the \$14.0 million budget in the 2026 Plan will be allocated to nine new vertical drill projects to be completed in the Mesaverde, Mancos, and Dakota formations and six new horizontal drill projects in the Mancos formation. Hilcorp also informed the Trust that costs associated with the six new horizontal drill projects include drilling costs only. Completion costs for the horizontal wells are expected to be included in Hilcorp's 2027 capital plan for the Subject Interests, which is expected to be provided to the Trust sometime in the first quarter of 2027. Approximately \$2.0 million of the \$14.0 million budget of the 2026 Plan will be allocated to 17 projects for recompletions and workovers in the Fruitland Coal and Pictured Cliffs formations, and approximately \$0.5 million of the \$14.0 million budget will be allocated to facilities projects related to natural gas compression and other facilities projects. Hilcorp further informed the Trust that its 2026 Plan is subject to revision if Hilcorp revises its assumptions underlying the 2026 Plan, and that actual capital costs may vary from these estimates. Hilcorp advised the Trustee that there were two workover wells completed, no new wells completed, and three wells in progress during the three months ended March 31, 2026.

10. Excess Production Costs

Excess Production Costs occur when Production Costs and capital expenditures exceed the Gross Proceeds for a certain period. Excess Production Costs accrued due to significant lease operating expenses and capital expenditures associated with Hilcorp's drilling of two new horizontal wells. For the twelve months ended December 31, 2025, net proceeds of \$12,809,471, which amount would otherwise have been payable to the Trust as royalty income, were applied to the balance of the Excess Production Costs. The balance of cumulative Excess Production Costs, as of December 31, 2025, was approximately \$8,438,536 gross (\$6,328,902 net to the Trust). As of March 31, 2026, the balance of cumulative Excess Production Costs was \$6,186,819 (\$4,640,115 net to the Trust). Hilcorp will not pay Royalty Income to the Trust, and no cash distributions will be made by the Trust until the balance of Excess Production Costs is extinguished, Trust liabilities are paid in full, and the Trust's cash reserves are replenished.

	<u>Underlying Properties</u>	<u>Net to the Trust</u>
Cumulative Excess Production Costs remaining at 12/31/2025	\$ 8,438,536	\$ 6,328,902
Net Excess Production Costs (recovery) for the quarter ended 3/31/2026	\$ 2,251,717	\$ 1,688,787
Total remaining to be recovered at 3/31/2026	<u>\$ 6,186,819</u>	<u>\$ 4,640,115</u>

11. Settlements and Litigation

None.

12. Trustee Fees

Trustee fees for the period ending March 31, 2026 were \$31,013. For the period ended March 31, 2025, Trustee fees were \$49,638.

13. Subsequent Events

On April 20, 2026 the Trust announced that it would not declare a monthly cash distribution to the holders of its Units of beneficial interest (the “Unit Holders”) due to Excess Production Costs accrued during prior periods for the Trust’s Royalty interest burdening the Subject Interests, as well as continued low natural gas pricing.

Item 2. Trustee’s Discussion and Analysis of Financial Condition and Results of Operations. Overview

Introduction

The following discussion and analysis is intended to help the reader understand the Trust’s financial condition, results of operations, liquidity and capital resources. This discussion and analysis should be read in conjunction with the Trust’s unaudited condensed financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q (“Quarterly Report”) and the Trust’s audited financial statements and the accompanying notes included in the Trust’s 2025 Annual Report.

Cautionary Statement Regarding Forward Looking Statements

Certain information included in this Quarterly Report contains, and other materials filed or to be filed by the Trust with the SEC (as well as information included in oral statements or other written statements made or to be made by the Trust) may contain or include, forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the Securities Act of 1933, as amended. Such forward-looking statements may involve or may concern, among other things, the amount and variability in capital expenditures by Hilcorp, drilling activity, development activities, production efforts and volumes, hydrocarbon prices, estimated future net revenues, estimates of reserves, the results of the Trust’s activities, the differences between Hilcorp’s estimated revenue and actual revenue, and regulatory matters. Such forward-looking statements generally are accompanied by words such as “may,” “will,” “based,” “estimate,” “expect,” “predict,” “project,” “anticipate,” “believe,” “plan,” “intend,” or other words that convey the uncertainty of future events or outcomes. Such statements are based on certain assumptions of the Trustee and by Hilcorp, 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.

You should not place undue reliance on any forward-looking statements. All forward-looking statements speak as of the date of this Quarterly Report. The Trust does not undertake any obligation to release publicly any revisions to the forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events, unless required by applicable law.

Overview

The Trust is an express trust created under the laws of the state of Texas by the San Juan Basin Royalty Trust Indenture entered into on November 1, 1980, between Southland and The Fort Worth National Bank (the “Original Indenture”). The Trust refers to the Original Indenture as it was amended and restated on September 30, 2002, further amended and restated on December 12, 2007, and further amended by the First Amendment to the San Juan Basin Amended and Restated Royalty Trust Indenture on February 24, 2024 as the “Indenture” in this Quarterly Report.

PNC Bank, National Association (“PNC Bank”), served as the previous Trustee of the Trust from October 8, 2021, through February 14, 2024. Effective February 15, 2024, Argent Trust Company, a Tennessee chartered trust company (“Argent”), became the Trustee of the Trust. The principal office of the Trust is 3838 Oak Lawn Avenue, Suite 1720, Dallas, Texas 75219 (telephone number (855) 588-7839). Argent Trust Company, as successor trustee of the Trust, is subject to the terms and conditions of the Indenture. The defined term “Trustee” as used herein shall refer to PNC Bank (which maintains its offices at 2200 Post Oak Blvd., Floor 18, Houston, TX 77056) for periods from October 8, 2021, until February 14, 2024, and shall refer to Argent Trust Company (which maintains its offices at 3838 Oak Lawn Ave, Suite 1720, Dallas, Texas 75219) for periods on and after February 15, 2024.

The Conveyance and the Royalty

Pursuant to the Net Overriding Royalty Conveyance effective November 1, 1980, Southland conveyed the Royalty that burdens the Subject Interests in properties located in the San Juan Basin of northwestern New Mexico to the Trust. Subsequent to the Conveyance of the Royalty, through a series of sales, assignments and mergers, Southland's successor became Hilcorp, which acquired the Subject Interests from Burlington Resources Oil & Gas Company LP ("Burlington"), an indirect wholly-owned subsidiary of ConocoPhillips, on July 31, 2017.

The Royalty constitutes the principal asset of the Trust. The beneficial interest in the Royalty is divided into 46,608,796 units (the "Units") representing undivided fractional interests in the beneficial interest of the Trust equal to the number of shares of the common stock of Southland outstanding as of the close of business on November 3, 1980. Each stockholder of Southland of record at the close of business on November 3, 1980, received one freely tradable Unit for each share of the common stock of Southland then held. Holders of Units in the Trust are referred to herein as "Unit Holders."

On August 30, 2023, the Trustee entered into a First Amendment to the Conveyance (the "Amendment"). The Amendment was entered into (i) pursuant to the terms of the Compromise and Settlement Agreement entered into August 30, 2023, which resolved certain disputed expenses for the period from 2017 through 2020 by payment to the Trust and (ii) to modify certain terms of the Conveyance of the Royalty with respect to expenses associated with the operator's saltwater disposal facilities.

The Trustee

The primary function of the Trustee is to collect Royalty Income, to pay all expenses and charges of the Trust, and to distribute the remaining available income to the Unit Holders. The amount of income distributable to Unit Holders, which the Trust refers to as "Distributable Income," depends on the amount of Royalty Income and interest received by the Trust, as well as the amount of expenses paid by the Trust and any change in cash reserves. The Trust has no employees, officers, or directors. The Trustee performs all administrative functions of the Trust. Argent Trust Company has served as Trustee since February 15, 2024.

Hilcorp

Hilcorp is the principal operator of the majority of the Subject Interests and is responsible, subject to the terms of a prior agreement with the Trust, for marketing the oil and natural gas production from such properties, either under existing sales contracts or under future arrangements, at the best prices and on the best terms it shall deem reasonably obtainable under the circumstances. A very high percentage of the Royalty Income is attributable to the production and sale of natural gas, from the Subject Interests, by Hilcorp. Accordingly, the market price and demand for natural gas produced and sold from the San Juan Basin heavily influences the amount of Royalty Income distributed by the Trust and, by extension, the price of the Units.

Natural Gas and Oil. The sale of San Juan Basin assets, including the Subject Interests, from Burlington to Hilcorp closed on July 31, 2017. Under the terms of the sale, Hilcorp is required to make payments to Burlington if natural gas prices are above a certain price. Hilcorp has confirmed that in accordance with the Conveyance, Hilcorp will not charge the Trust any portion of such payments.

Gross Proceeds and Severance Tax Estimates. The Trustee has engaged and continues to engage with Hilcorp on an ongoing basis regarding Hilcorp's accounting and reporting to the Trust. The Trust's third-party compliance auditors continue to audit payments made by Hilcorp to the Trust, inclusive of sales revenues, production costs, capital expenditures, adjustments, actualizations, and recoupments. The Trust's auditing process has also included detailed analyses of Hilcorp's pricing and rates charged. As previously disclosed in the Trust's filings, these revenues and costs (along with all costs) are the subject of the Trust's ongoing comprehensive audit process by professional consultants and outside counsel to help evaluate compliance with the underlying operative Trust agreements and evaluate potential remedies in the event there is suspected non-compliance.

Hilcorp transitioned to a new accounting system in 2021. During and immediately following the transition period, revenue and severance taxes on the distributions to the Trust were estimated. Then, in 2021 and 2022, various adjustments were made to reconcile actual revenue and severance taxes to the previously reported estimates. Hilcorp conducted a process review of the new accounting system that included review of production volume allocations for 2017 through 2020 and resulted in reallocations of affected volumes for many of the Trust properties. In February 2026, Hilcorp applied a negative prior period adjustment of (\$3,472,228) gross ((\$2,604,171) net to the Trust) for the period from 2017 through 2020. The Trust's joint interest auditors are reviewing the negative prior period adjustment, as previously certain underpayments were identified for this same period from 2017 through 2020 which culminated in a payment to the Trust in 2023 of \$1,037,093.45.

The amount of Gross Proceeds also depends on the volumes of natural gas and oil produced from the Subject Interests. Under the terms of the Indenture, the Trust cannot acquire new natural gas and oil assets, and as a result, Royalty Income is dependent on the natural gas and oil volumes attributable to the Subject Interests. Although Hilcorp and other operators of the Subject Interests may conduct drilling operations or well recompletions in the near term, the Subject Interests are depleting assets; Hilcorp has informed the

Trust that it is unable to estimate the productive life of the Subject Interests. The reduction in proved reserve quantities is a common measure of depletion. Hilcorp's (or a future operator's) capital investments in the Subject Interests will affect the quantity of proved reserves and can offset any reduction in proved reserves. Lower commodity prices may also reduce the volume of natural gas and oil produced from the Subject Interests by Hilcorp.

On February 19, 2026, the Trust announced that Hilcorp had provided the Trust with its 2026 capital project plan for the Subject Interests (the "2026 Plan"), and Hilcorp has estimated its 2026 capital expenditures for the Subject Interests to be approximately \$14.0 million.

Hilcorp informed the Trust that its 2026 Plan for the Subject Interests includes 32 projects. Approximately \$11.5 million of the \$14.0 million budget in the 2026 Plan will be allocated to nine new vertical drill projects to be completed in the Mesaverde, Mancos, and Dakota formations and six new horizontal drill projects in the Mancos formation. Hilcorp also informed the Trust that costs associated with the six new horizontal drill projects include drilling costs only. Completion costs for the horizontal wells are expected to be included in Hilcorp's 2027 capital plan for the Subject Interests, which is expected to be provided to the Trust sometime in the first quarter of 2027. Approximately \$2.0 million of the \$14.0 million budget of the 2026 Plan will be allocated to 17 projects for recompletions and workovers in the Fruitland Coal and Pictured Cliffs formations, and approximately \$0.5 million of the \$14.0 million budget will be allocated to facilities projects related to natural gas compression and other facilities projects. Hilcorp further informed the Trust that its 2026 Plan is subject to revision if Hilcorp revises its assumptions underlying the 2026 Plan, and that actual capital costs may vary from these estimates. As of March 31, 2026, Hilcorp has spent \$0.76 million of the \$9.0 million budgeted under the 2026 Plan.

Under the terms of the Conveyance, production costs are deducted from Gross Proceeds in calculating Net Proceeds, which is multiplied by 75% to calculate Royalty Income. "Production Costs" generally means costs incurred on an accrual basis by Hilcorp in operating the Subject Interests, including both capital and non-capital costs. For example, these costs include development drilling, production and processing costs, applicable taxes and operating charges. However, Hilcorp informed the Trust that for wells operated by Hilcorp it did not intend to accrue lease operating expenses to the Trust. If Production Costs exceed Gross Proceeds in any month, the excess is recovered out of future Gross Proceeds prior to making any further payments to the Trust. However, the Trust is not otherwise liable for any Production Costs or other costs or liabilities attributable to the Subject Interests or the minerals produced therefrom. 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. The Trust and the Trustee have very limited authority to control the amount and timing of Production Costs.

The Trustee continues to engage with Hilcorp regarding its ongoing accounting and reporting to the Trust, and the Trust's third-party compliance auditors continue to audit all payments made by Hilcorp to the Trust, including adjustments, true-ups, and recoupments. In addition, the Trustee continues to consult with outside counsel to review the rights of the Trust with respect to these matters and to evaluate any available potential legal remedies.

Factors that Affect Net Proceeds. Generally, Net Proceeds are affected by (a) disruptions caused by weather, particularly winter storms that disrupt access to the production fields, (b) the timing and size of Hilcorp's capital expenditures, and other Production Costs, and (c) commodity prices.

Weather. Hilcorp has advised the Trust that it is possible for it to experience disruptions during the winter months that could impact Hilcorp's ability to access fields and maintain production.

Capital Expenditures. The timing and size of capital expenditures by Hilcorp have impacted and continue to impact Net Proceeds. Hilcorp's capital expenditures decreased approximately \$13,288,790, from \$14,047,360 for the three months ended March 31, 2025 to \$758,570 for the three months ended March 31, 2026. The decrease in capital costs for the period was primarily attributable to a lower capital project spending budget for Hilcorp's 2025 plan.

Excess Production Costs. Excess Production Costs ("Excess Production Costs") occur when Production Costs (including capital expenditures and lease operating expenses) exceed the Gross Proceeds for a certain period. In 2024, Excess Production Costs accrued due to significant lease operating expenses and capital expenditures associated with Hilcorp San Juan L.P. ("Hilcorp") drilling of two new horizontal wells. As of December 31, 2025, the balance of Excess Production Costs was \$8,438,536 gross (\$6,328,902 net to the Trust). As of March 31, 2025, the balance of Excess Production Costs was \$6,186,819 (\$4,640,115 net to the Trust). Hilcorp will not pay Royalty Income to the Trust, and no cash distributions will be made by the Trust until the balance of Excess Production Costs is extinguished. Further, no cash distribution will be made by the Trust until all Trust liabilities are paid in full, and the Trust's cash reserves are replenished.

Commodity Prices. The Trust's income and monthly distributions from the Subject Interests are heavily influenced by the price of natural gas and oil. These prices may fluctuate widely in response to relatively minor changes in the supply of and demand for natural gas and oil based on market uncertainty or a variety of additional factors that are beyond the Trustee's control.

Hilcorp has multiple gas purchase agreements that set forth the prices it will receive for the natural gas and oil produced from the Subject Interests. There is a differential in the prices reflected in the market indices and the prices received and reported because the prices received and reported vary by purchase agreement, and they are determined after deducting gathering, processing, and marketing costs for both gas and natural gas liquids. These purchase agreements and costs are subject to a comprehensive audit process by professional accountants and consultants.

Results of Operations – for the Three Months Ended March 31, 2025 and 2024

Royalty Income. Royalty Income consists of 75% of the monthly Net Proceeds attributable to the Royalty. Royalty Income for the three months ended March 31, 2026, and 2025 was determined as shown in the following table:

	For the Three Months Ended March 31,	
	2026	2025
Gross proceeds from the Subject Interests:		
Natural gas	\$ 18,091,551	\$ 23,206,718
Oil	481,603	513,695
Other ⁽¹⁾	(3,472,228)	—
Total	15,100,926	23,720,413
Production Costs:		
Severance tax – gas	1,812,644	2,149,355
Severance tax – oil	55,647	57,218
Lease operating expense and property tax	10,222,348	7,958,418
Capital expenditures	758,570	14,047,360
Total Production Costs	12,849,209	24,212,351
Royalty profits (losses)	2,251,717	(491,938)
Cumulative Excess Production Costs ⁽²⁾	(2,251,717)	491,938
Net profits	—	—
Net overriding royalty interest	75%	75%
Royalty Income	\$ —	\$ —

- (1) Other revenue consists of a (\$3,472,228) gross ((\$2,604,171) net to the Trust) prior period adjustment from the 2017 through 2020 joint venture audit. The Trust's joint interest auditors are reviewing that negative prior period adjustment.
- (2) For the three months ended March 31, 2026, net proceeds of \$2,251,717, which amount would otherwise have been payable to the Trust as royalty income, were applied to the balance of the Excess Production Costs. The Conveyance provides that Excess Production Costs must be recovered from future Net Proceeds before Royalty Income is again paid to the Trust. The Trust is not obligated to reimburse Hilcorp for any excess Production Costs if future Gross Proceeds from the Subject Interests are insufficient to cover such costs. The balance of Excess Production Costs as of March 31, 2025 was \$6,186,819 (\$4,640,115 net to the Trust).

There was no Royalty Income distributed to the Trust for the three months ended March 31, 2026 and 2025, due primarily to substantially higher capital project spending associated with Hilcorp's drilling of two new horizontal wells in 2024. Additionally, Royalty Income was affected by continued low natural gas prices and an increase in lease operating expenses. The average natural gas price decreased from \$2.99 per Mcf for the three months ended March 31, 2025, to \$2.85 per Mcf for the three months ended March 31, 2026. Production of natural gas from the Subject Interests decreased from 7,620,893 Mcf for the three months ended March 31, 2025, to 6,351,787 Mcf for the three months ended March 31, 2026.

Gross Proceeds from Subject Interests. Total Gross Proceeds decreased approximately \$8.6 million, or 36.3%, for the three months ended March 31, 2026, compared to the three months ended March 31, 2025. The decreases were primarily due to a leveling of production volumes from the two new horizontal wells Hilcorp drilled in 2024 and a prior period adjustment of \$3.5 million.

Capital Expenditures. The timing and size of capital expenditures by Hilcorp have impacted and continue to impact Net Proceeds. Hilcorp's capital expenditures decreased approximately \$13,288,790, from \$14,047,360 for the three months ended March 31, 2025 to

\$758,570 for the three months ended March 31, 2026. The decrease in capital costs for the period was primarily attributable to a lower capital project spending budget for Hilcorp's 2025 plan.

On February 19, 2026, the Trust announced that Hilcorp had provided the Trust with its 2026 capital project plan for the Subject Interests (the "2026 Plan"), and Hilcorp has estimated its 2026 capital expenditures for the Subject Interests to be approximately \$14.0 million.

Hilcorp informed the Trust that its 2026 Plan for the Subject Interests includes 32 projects. Approximately \$11.5 million of the \$14.0 million budget in the 2026 Plan will be allocated to nine new vertical drill projects to be completed in the Mesaverde, Mancos, and Dakota formations and six new horizontal drill projects in the Mancos formation. Hilcorp also informed the Trust that costs associated with the six new horizontal drill projects include drilling costs only. Completion costs for the horizontal wells are expected to be included in Hilcorp's 2027 capital plan for the Subject Interests, which is expected to be provided to the Trust sometime in the first quarter of 2027. Approximately \$2.0 million of the \$14.0 million budget of the 2026 Plan will be allocated to 17 projects for recompletions and workovers in the Fruitland Coal and Pictured Cliffs formations, and approximately \$0.5 million of the \$14.0 million budget will be allocated to facilities projects related to natural gas compression and other facilities projects. Hilcorp further informed the Trust that its 2026 Plan is subject to revision if Hilcorp revises its assumptions underlying the 2026 Plan, and that actual capital costs may vary from these estimates. As of March 31, 2026, Hilcorp has spent \$0.76 million of the \$9.0 million budgeted under the 2026 Plan.

Severance Taxes. Aggregate severance taxes decreased approximately \$0.3 million, or 15%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The decrease was primarily attributable to the decrease in the price of gas. Severance taxes represented approximately 12% of Gross Proceeds for the three months ended March 31, 2026 compared to approximately 9% for the same period of 2025.

Lease Operating Expenses and Property Taxes. Lease operating expenses and property taxes increased \$2.26 million or 28.4%, for the three months ended March 31, 2026 compared to the three months ended March 31, 2025.

Excess Production Costs. For the three months ended March 31, 2026, net proceeds of \$2,251,717, which amount would otherwise have been payable to the Trust as royalty income, were applied to the balance of the Excess Production Costs. The Conveyance provides that Excess Production Costs must be recovered from future Net Proceeds before Royalty Income is again paid to the Trust. The Trust is not obligated to reimburse Hilcorp for any excess Production Costs if future Gross Proceeds from the Subject Interests are insufficient to cover such costs. As such, the cumulative balance of Excess Production Costs as of March 31, 2026, is to be recovered in future periods when the Gross Proceeds exceed Production Costs for such period. The balance of Excess Production Costs as of March 31, 2025 was \$6,186,819 (\$4,640,115 net to the Trust).

Distributable Income. Distributable Income for the three months ended March 31, 2026, and 2025 was determined as shown in the following table:

	Three Months Ended March 31,	
	2026	2025
Royalty income	\$ —	\$ —
Interest income	201	8,238
Total income	201	8,238
General and administrative expenses	(371,825)	(510,636)
Cash reserves (withheld) used for Trust expenses	8,918	502,398
Distributable Income (Loss)	\$ (362,706)	\$ —
Distributable Income per Unit (46,608,796 Units)	\$ (0.007782)	\$ —

Distributable Income decreased \$0.36 million to (\$362,706) for the three months ended March 31, 2026. The decrease in Distributable Income was primarily attributable to Hilcorp's application of a negative prior period adjustment of (\$3,472,228) gross ((\$2,604,171) net to the Trust) for the period from 2017 through 2020, as well as a sharp decline in natural gas prices, and the continued application of Net Proceeds to the cumulative balance of Excess Production Costs.

Interest Income. Interest income decreased for the three months ended March 31, 2026, as compared to the same periods in 2025 primarily due to the lack of Royalty Income and the reduction in cash reserves held by the Trustee.

General & Administrative Expenses. General and administrative expenses decreased by \$138,812 (27%) for the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The decrease was primarily attributable to decreasing Trust expenses such as printing and publishing, and differences in timing of the receipt and payment of certain expenses by the Trust.

Cash Reserves. Total cash reserves were \$14,380 as of March 31, 2026. 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 had cash reserves of \$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. From June 2025 through March 2026, cash reserves were used to pay interest on the Line of Credit. Prior to any distributions to Unit Holders, the Trustee plans to replenish the cash reserves and continue to increase the cash reserves to at least \$2,000,000.

Liquidity and Capital Resources

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 December 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 June 2025, the Trust was able to use cash reserves to pay the Trust's liabilities from May 2024 through May 2025. As of March 31, 2026, the balance of cash reserves held by the Trust to cover Trust liabilities was \$14,380.

The Trust is permitted to borrow funds against the Royalty to cover the Trust's operating expenses. On May 21, 2025, the Trust established the Line of Credit with Texas Bank, and intends to use the funds as needed to cover the Trust's administrative expenses until the Trust receives Royalty Income in amounts sufficient to (a) repay the balance of Excess Production Costs, (b) replenish a reserve in the amount of \$2,000,000, and (c) repay the Note in full, after which time, the Trust will resume distributions to the holders of the Trust's Units of beneficial interest.

Funds from the Line of Credit were utilized to pay Trust administrative expenses, net of interest earned on Trust cash accounts, from June 2025 through March 2026. As of March 31, 2026, the outstanding balance on the Line of Credit was \$750,514. Cash reserves were utilized to pay interest accrued on the Line of Credit for the months of July 2025 through March 2026, such that the balance of cash reserves maintained by the Trust is currently \$14,380.

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 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 of assets or the amounts and classifications of liabilities that may result should the Trust be unable to continue as a going concern.

Natural Gas and Oil Production

The natural gas volumes reported to the Trust by Hilcorp are based on plant residue gas volumes plus equivalent volumes for natural gas liquids. Hilcorp converts one barrel of natural gas liquids to six Mcf of natural gas using industry standards.

Royalty Income for the three months ended March 31, 2026, is associated with natural gas and oil production during the period from November 2025 through January 2026. Royalty Income for the three months ended March 31, 2025, is associated with natural gas and oil production from the Subject Interests during the period from November 2024 through January 2025.

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, 2026, and 2025 were as follows:

For the Three Months Ended March 31,

	2026			2025		
	Natural Gas (Mcf)	Oil and Condensate (Bbls)	BOE	Natural Gas (Mcf)	Oil and Condensate (Bbls)	BOE
Production						
Subject Interests	6,351,787	9,706	1,068,337	7,620,893	8,348	1,278,497
Royalty	1,514,001	5,400	257,734	(1,627,218)	3,201	(268,002)
Average Price (per Mcf/Bbl)	\$ 2.85	\$ 49.62		\$ 2.99	\$ 61.97	

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.

Production Volumes

Natural Gas

Natural gas production volumes decreased for the Subject Interests by 1,269,106 Mcf (17%) and increased for the Royalty by 3,141,219 (193%), respectively for the three months ended March 31, 2026, as compared to the same period in 2025. Royalty volume is calculated using a formula determined by revenue less expenses. Excess production costs contributed to negative volumes for gas for the Royalty in 2025. The decrease in production volume for the Subject Interests is attributed to the leveling of production from the two new horizontal wells that Hilcorp drilled in 2024. Natural gas production is also influenced by the line pressure of the natural gas gathering systems in the San Juan Basin.

Oil

Oil production volumes increased for the Subject Interests and Royalty by 1,358 Bbls (16.3%) and 2,199 Bbls (68.7%), respectively for the three months ended March 31, 2026, as compared to the same period in 2025. These changes generally resulted from changes in demand and market conditions.

Sales Prices

Natural Gas

The average realized natural gas price per Mcf decreased for the three months ended March 31, 2026, as compared to the same periods in 2025. This decrease was primarily due to a decrease in the El Paso Natural Gas Company, San Juan Basin Index pricing.

Oil

The average realized oil price per Bbl decreased for the three months ended March 31, 2026 as compared to the same periods in 2025. This increase was primarily due to an decrease in the WTI benchmark oil price.

Marketing

There were no changes to the contracts pursuant to which Hilcorp sells production from the Subject Interests and for the gathering and processing of production during the three months ended March 31, 2026.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

For a discussion of significant accounting policies and estimates that impact the Trust's financial statements, see Part I, Item 1. Unaudited Financial Statements, Note 3 Basis of Presentation in this Quarterly Report and Part II, Item 8. Financial Statements and Supplemental Data contained in the Trust's Annual Report on Form 10-K for the year ended December 31, 2025.

Hilcorp Information

As a holder of a net overriding royalty interest, the Trust's reporting of financial information is reliant upon Hilcorp to accurately and timely report information regarding Hilcorp and its affiliates; the Subject Interests, including the operations, acreage, well and completion count, working interests, production volumes, sales revenues, capital expenditures, operating expenses, reserves, drilling plans, drilling results and leasehold terms related to the Subject Interests, and factors and circumstances that have or may affect the foregoing. See Part I, Item 4. Controls and Procedures.

For information on the Trust's exposure to market risk, please see Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" contained in the Trust's Annual Report on Form 10-K for the year ended December 31, 2025.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

None.

Item 4. Controls and Procedures.

The Trust maintains a system of internal disclosure controls and procedures that is designed to ensure that the information required to be disclosed in the Trust's filings under the Exchange Act is recorded, processed, summarized, and reported within the times specified in the SEC's rules and forms. In its evaluation of its disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by Hilcorp, the owner of the properties. Consequently, the Trust's ability to timely and accurately disclose relevant information in its periodic reports is dependent upon Hilcorp's timely delivery of accurate oil and gas revenue and production cost information and, therefore, the Royalty Income owed to the Trust.

The Conveyance that transferred the royalty to the Trust obligates Hilcorp to provide the Trust with certain financial and operational information, including information concerning calculations of Royalty Income owed to the Trust. Once the Trust receives the financial information from Hilcorp, the Trust engages independent public accountants, compliance auditors, attorneys, and petroleum engineers in order to assist the Trustee in evaluating the accuracy and completeness of the information required to be disclosed in the Trust's periodic reports. These outside professionals advise the Trustee in its review and compilation of this information for inclusion in this Quarterly Report on Form 10-Q and the other periodic reports provided by the Trust to the SEC.

The Trustee continues to engage with Hilcorp regarding its ongoing accounting and reporting to the Trust, and the Trust's third-party compliance auditors continue to audit payments made by Hilcorp to the Trust, inclusive of sales revenues, production costs, capital expenditures, adjustments, actualizations, and recoupments. The Trust's auditing process has also included detailed analysis of Hilcorp's pricing and rates charged. As previously disclosed in the Trust's filings, these revenues and costs (along with all costs) are the subject of the Trust's ongoing comprehensive audit process by our professional consultants and outside counsel to help evaluate compliance with the underlying operative Trust agreements and evaluate potential remedies in the event there is suspected non-compliance.

The Trustee has evaluated the Trust's internal disclosure controls and procedures as of March 31, 2026, and has concluded that such disclosure controls and procedures are effective, at the "reasonable assurance" level (as such term is used in Rule 13a-15(f) of the Exchange Act), to ensure that material information received from Hilcorp is gathered on a timely basis to be included in the Trust's periodic reports and recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Additionally, during the three months ended March 31, 2026, there were no changes in the Trust's internal control over financial reporting (as such term is used in Rule 13a-15(f) of the Exchange Act) that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting. Because the Trust does not have, nor does the Indenture provide for, officers, a board of directors or an independent audit committee, the Trustee has reviewed neither the Trust's disclosure controls and procedures nor the Trust's internal control over financial reporting in concert with management, a board of directors or an independent audit committee.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes in the risk factors disclosed under Part I, Item 1A of the Trust's Annual Report on Form 10-K for the year ended December 31, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

The Trust does not have any directors or officers, and as a result, no such person adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K, during the most recent fiscal quarter. Because the Trust does not have officers, directors, or employees, it has not adopted insider trading policies and procedures governing the purchase, sale, or other disposition of Trust securities by such persons.

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
(4)(a)	<u>San Juan Basin Amended and Restated Royalty Trust Indenture, dated December 12, 2007, filed as Exhibit 99.2 to the Trust's Current Report on Form 8-K filed with the SEC on December 14, 2007, and incorporated herein by reference. *</u>
(4)(b)	<u>Net Overriding Royalty Conveyance from Southland Royalty Company to The Fort Worth National Bank, as Trustee, dated November 1, 1980 (without Schedules), filed as Exhibit 4(b) to the Trust's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2006, on March 1, 2007, and incorporated herein by reference. *</u>
(4)(c)	<u>Assignment of Net Overriding Interest (San Juan Basin Royalty Trust), dated September 30, 2002, between Bank One, N.A. and Texas Bank, filed as Exhibit 4(c) to the Trust's Quarterly Report on Form 10-Q filed with the SEC for the quarter ended September 30, 2002, and incorporated herein by reference. *</u>
(4)(f)	<u>First Amendment to the San Juan Basin Amended and Restated Royalty Trust Indenture, dated February 15, 2024, filed as Exhibit 4(f) to the Trust's Current Report on Form 8-K filed with the SEC on February 15, 2024, and incorporated herein by reference*</u>
31	<u>Certification required by Rule 13a-14(a), dated May 15, 2025, by Nancy Willis, Director of Royalty Trust Services of the Trust**</u>
32	<u>Certification required by Rule 13a-14(b), dated May 15, 2025, by Nancy Willis, Director of Royalty Trust Services of the Trust***</u>

* A copy of this exhibit is available to any Unit Holder (free of charge) upon written request to the Trustee, Argent Trust Company, 3838 Oak Lawn Avenue, Suite 1720, Dallas, Texas 75219.

** Filed herewith.

*** Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARGENT TRUST COMPANY, AS TRUSTEE OF
THE SAN JUAN BASIN ROYALTY TRUST

/s/ Nancy Willis
By: Nancy Willis
Director of Royalty Trust Services

Date: May 14, 2026

(The Trust has no directors or executive officers.)

CERTIFICATION

I, Nancy Willis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of San Juan Basin Royalty Trust, for which Argent Trust Company acts as Trustee;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, distributable income and changes in trust corpus of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including any consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors:

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves persons who have a significant role in the registrant's internal control over financial reporting.

In giving the certifications in paragraphs 4 and 5 above, I have relied to the extent I consider reasonable on information provided to me by Hilcorp San Juan L.P.

Date: May 14, 2026

By: /s/ Nancy Willis

Nancy Willis
Director of Royalty Trust Services
Argent Trust Company

EXHIBIT 32

CERTIFICATION OF THE TRUSTEE*

OF THE SAN JUAN BASIN ROYALTY TRUST PURSUANT TO 18 U.S.C. § 1350

In connection with the accompanying report on Form 10-Q for the quarter ended March 31, 2026 and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy Willis, Director of Royalty Trust Services of Argent Trust Company, the Trustee of the San Juan Basin Royalty Trust (the "Trust"),*not in its individual capacity but solely as Trustee of the Trust, hereby certify that:

1. The Report fully complies in all material respects with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (as explained in Note 1 to the Trust's financial statements contained in the Report, in accordance with the Securities and Exchange Commission Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts, the Trust prepares its financial statements in a manner that differs from generally accepted accounting principles; such presentation is customary to other royalty trusts); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

ARGENT TRUST COMPANY, AS TRUSTEE OF THE
SAN JUAN BASIN ROYALTY TRUST

By: /s/ Nancy Willis

Name: Nancy Willis

Title: Director of Royalty Trust Services
Argent Trust Company

Date: May 14, 2026

* The Trust has no executive officers.