



Mesa Royalty Trust (MTR)

Updated November 28th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$4.83	5 Year Annual Expected Total Return:	-2.7%	Market Cap:	\$9.0 M
Fair Value Price:	\$3.50	5 Year Growth Estimate:	-2.0%	Ex-Dividend Date:	11/28/2025
% Fair Value:	138%	5 Year Valuation Multiple Estimate:	-6.2%	Dividend Payment Date:	01/30/2026
Dividend Yield:	10.4%	5 Year Price Target	\$3.16	Years Of Dividend Growth:	N/A
Dividend Risk Score:	F	Sector:	Energy	Rating:	Sell

Overview & Current Events

Mesa Royalty Trust was formed in 1979 and is based in Houston, Texas. It holds overriding royalty interests in natural gas and oil properties in the Hugoton field of Kansas and the San Juan Basin of New Mexico and Colorado. The Trust does not operate the assets it receives 11.44% of 90% of the net proceeds from production on these properties after operating and marketing costs, with the interests managed and developed by third-party working interest owners such as Hilcorp San Juan LP, Scout Energy Group, Simcoe LLC, and Red Willow Production Company. The Trust has a market cap of just \$9.0 million.

On November 13th, 2025, Mesa Royalty Trust reported its Q3 results for the quarter ended September 30th, 2025. The Trust recorded distributable income of \$0.0477 per unit before reserve adjustments, which after net changes to the Contingent Reserve resulted in \$0.0386 per unit actually distributed, up from \$0.0055 in the same quarter of the prior year.

Royalty income of \$128,993 came entirely from the San Juan Basin, New Mexico properties operated by Hilcorp, while the Hugoton and San Juan Basin Colorado properties again generated no royalty income, as operating costs and prior-period adjustments continued to exceed revenues. Excess production costs increased to \$929,446 as of quarter-end, up from \$793,838 at year-end 2024, and must be recovered before cash flow from those properties can resume. We believe the company has an earnings power of \$0.50.

We have set the same figure as the “dividend power”. Note that the stated dividend changes every month, and because outlets use the forward next-12-month estimates based on the latest monthly variable, the featured yield can vary from 2% to 8% from month to month. Thus, we choose to utilize a stable figure for more meaningful total return estimates.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPU	\$1.03	\$0.65	\$1.58	\$1.15	\$0.88	\$0.30	\$0.41	\$1.98	\$1.53	\$0.25	\$0.50	\$0.45
DPS	\$1.03	\$0.65	\$1.51	\$1.19	\$0.91	\$0.29	\$0.42	\$1.97	\$1.49	\$0.21	\$0.50	\$0.45
Shares¹	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9

Mesa Royalty Trust’s performance over the past decade reflects the interplay of commodity pricing, production decline, and operator costs across its Hugoton and San Juan Basin properties. Distributable EPU dipped in 2016 with weak gas prices, and then rebounded to \$1.58 in 2017 as realized prices improved. The 2018-2019 period, saw lower payouts in line with softer gas markets. Late 2019 brought an operator shift when Scout Energy assumed control of the Hugoton properties from Riviera.

The COVID-19 crisis in 2020 drove distributable EPU down to \$0.30, with the Trust also affected by excess production costs that temporarily squeezed cash flow. Recovery in prices in 2021 hiked payouts softly, and the 2022–2023 periods delivered a windfall, with \$1.98 and \$1.53 per unit respectively, as natural gas and NGL prices surged. That momentum faded in 2024, when lower commodity realizations and higher excess cost balances cut distributions back to just \$0.25.

¹ Share count is in millions.

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On reserves, Mesa reports only the royalty slice, with independent engineers (Miller & Lents) updating proved-reserve estimates annually. The standardized measure of future royalty income fell from about \$31.1 million at year-end 2023 to about \$8.9 million at year-end 2024, driven by lower prices, lower net production, and ongoing depletion (classic late-life field dynamics for Hugoton and San Juan Basin gas).

We expect Mesa Royalty Trust's reserves to continue to trend lower as they are gradually depleted (usually by 4-6% per annum). However, we believe that higher oil prices can offset some of that headwind. Thus, we expect a decline of just 2% in EPU and DPS over the medium-term.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	19.2	14.3	8.0	12.9	12.8	20.0	12.2	5.6	11.1	---	9.7	7.0
Avg. Yld.	5.2%	7.0%	11.9%	8.0%	8.1%	4.8%	8.4%	17.9%	8.8%	1.9%	10.4%	14.3%

Mesa Royalty Trust's P/E swings because both earnings per unit and the unit price move sharply with gas prices. In down years like 2016 and 2020, low earnings inflated P/E into the teens and 20s, while boom years like 2017 and 2022 drove ratios into single digits. These extremes are one-offs from commodity cycles. Given reserves decline 4 % to 6% annually and distributions shrink over time, a P/E around 7 is a reasonable midpoint. It's high enough to reflect cash flow volatility, but low enough to price in depletion. Thus, we believe the stock is overvalued today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

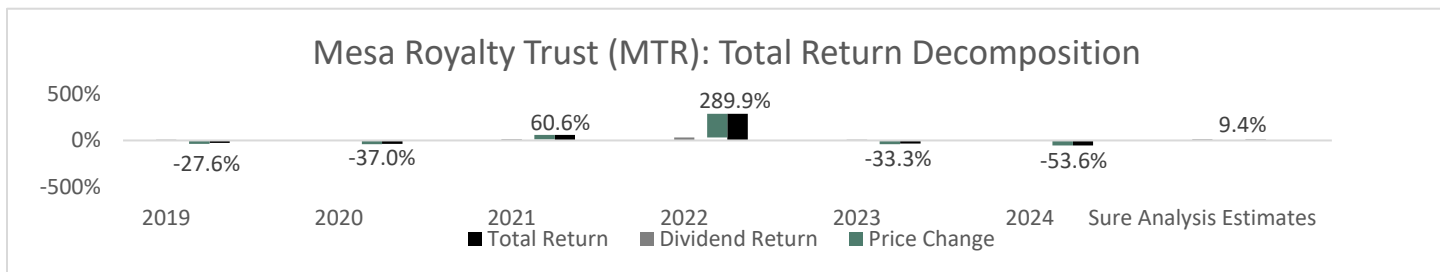
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	100%	100%	96%	103%	103%	97%	102%	99%	97%	84%	100%	100%

Mesa Royalty Trust pays out essentially 100% of its distributable cash flow, but this isn't a red flag since the trust exists solely to pass through whatever net proceeds remain after operators deduct costs. The trade-off is that distributions are inherently volatile, rising in commodity upcycles and shrinking when prices or volumes fall. Regarding safety and quality, the Trust holds long-lived gas interests in the Hugoton and San Juan basins, but reserves are steadily depleting and it has no ability to acquire new assets. Its competitive advantage is also nonexistent, as royalty trusts are passive vehicles with no operational control, though the structure does provide clean exposure to commodity price cycles without debt. Recession resiliency is also limited, because while natural gas demand is steadier than oil in downturns, Mesa's cash flows still swing with prices, and the trust has no buffer beyond withholding distributions in weak periods.

Final Thoughts & Recommendation

Mesa Royalty Trust can be an appealing vehicle for investors seeking pure, unleveraged exposure to natural gas prices and pass-through cash flow, with the simplicity of a debt-free structure and direct link between commodity cycles and distributions. However, it is not a long-term investment, as the Trust has no reinvestment ability, no operational control, and steadily declining reserves that guarantee shrinking payouts over time. Its value lies in short- to medium-term income or tactical commodity exposure, not in compounding capital over decades. Thus, we rate the stock a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2	1	3	2	2	1	1	4	3	1
Operating Profit	2	1	3	2	2	1	1	4	3	0
Operating Margin	92.2%	88.8%	96.7%	90.8%	89.0%	67.5%	83.3%	89.0%	84.1%	64.0%
Net Profit	2	1	3	2	2	1	1	4	3	0
Net Margin	92.6%	88.3%	92.7%	94.2%	92.3%	65.0%	86.6%	88.7%	82.1%	52.7%

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4	4	4	3	3	3	3	4	3	3
Cash & Equivalents	1	2	2	2	1	1	-	2	2	2
Goodwill & Int. Ass.	-	-	-	-	-	2	1	1	1	1
Total Liabilities	0	1	1	1	0	-	0	1	0	0
Shareholder's Equity	4	3	3	3	3	3	2	3	3	3

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	41.5%	29.5%	72.1%	62.2%	54.7%	20.1%	29.5%	113.1%	77.5%	11.9%
Return on Equity	49.7%	33.7%	86.2%	75.4%	63.1%	21.1%	30.9%	141.5%	96.8%	12.7%
ROIC	49.7%	33.7%	86.2%	75.4%	63.1%	21.1%	30.9%	141.5%	96.8%	12.7%
Shares Out.	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Revenue/Share	1.11	0.73	1.63	1.26	0.99	0.45	0.49	2.22	1.81	0.40

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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