

REFINITIV

# DELTA REPORT

## 10-Q

MTR - MESA ROYALTY TRUST/TX

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	551
<div>CHANGES</div>	100
<div>DELETIONS</div>	242
<div>ADDITIONS</div>	209

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended September 30, 2023 March 31, 2024

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

For the Transition Period from to

Commission File Number: 1-7884

MESA ROYALTY TRUST

(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction of  
Incorporation or Organization)

76-6284806  
(I.R.S. Employer  
Identification No.)

The Bank of New York Mellon  
Trust Company, N.A.,  
Trustee  
601 Travis Street, Floor 16  
Houston, Texas

(Address of Principal Executive Offices)

77002  
(Zip Code)

1-713-483-6020

(Registrant's Telephone Number, Including Area Code)

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 of Beneficial Interest	MTR	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, a 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.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒  
Emerging growth company ☐

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 ☒

As of November 14, 2023 May 15, 2024 — 1,863,590 Units of Beneficial Interest were outstanding in Mesa Royalty Trust.

## DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes “forward-looking statements” about Mesa Royalty Trust (the “Trust”) and other matters discussed herein that are subject to risks and uncertainties that are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact included in this document, including, without limitation, statements under “Trustee’s Discussion and Analysis of Financial Condition and Results of Operations,” including the Trust’s or any Working Interest Owner’s (as defined in “*Note 1 — Trust Organization and Provisions*”) future financial position, status in any insolvency proceeding, business strategy, budgets, projected costs, political and regulatory matters, such as tax and environmental policy, **climate regulations**, expected market conditions and commodity pricing, **interest rates**, prices received by Working Interest Owners, plans and objectives, oil and natural gas prices, information relating to future distributions, statements regarding reconciliation and adjustment of estimated versus actual revenue and expense amounts, statements pertaining to future exploration and development activities and costs, estimates regarding production costs and expenses, estimates of cash flows, statements regarding the number of wells to be drilled and producing in future periods, and estimates regarding production and reserves, are forward-looking statements. Actual outcomes and results, which are substantially all outside of the Trust’s control, may differ materially from those projected. Forward-looking statements are generally accompanied by words such as “estimate,” “project,” “predict,” “future,” “believe,” “expect,” “anticipate,” “potential,” “possibly,” “could,” “may,” “can,” “foresee,” “plan,” “goal,” “forecast,” “assume,” “target,” “should,” “intend” or other words that convey the uncertainty of future events or outcomes. These statements are based on certain assumptions made by the Trust in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Trustee believes are appropriate under the circumstances. The Trustee (as defined herein) relies on the Working Interest Owners for information regarding the Subject Interests (as defined in “*Note 1 — Trust Organization and Provisions*”), the Royalty (as defined in “*Note 1 — Trust Organization and Provisions*”), and the Working Interest Owners themselves.

Although the information provided by the Working Interest Owners provides a reasonable basis for the forward-looking statements contained herein, no assurance can be given that such expectations will prove to be correct. The Working Interest Owners alone control historical operating data, and handle receipt and payment of funds relating to the royalty properties and payments to the Trust for the related royalty. The Trustee cannot assure that errors or adjustments or expenses accrued by the Working Interest Owners, whether historical or future, will not affect future royalty income and distributions by the Trust. However, whether actual results and developments will conform with such expectations and predictions is subject to a number of risks and uncertainties, including the risk factors discussed in Part I, Item 1A of the Trust’s Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, and those set forth from time to time in the Trust’s filings with the Securities and Exchange Commission (the “SEC”), which could affect the future results of the energy industry in general, and the Trust and Working Interest Owners 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 the Working Interest Owners’ businesses and the Trust. Such statements are **expressly qualified in their entirety by the risks and other factors discussed and are not guarantees of future performance and actual performance. 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.

## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### MESA ROYALTY TRUST STATEMENTS OF DISTRIBUTABLE INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Royalty income	\$ 357,474	\$1,201,758	\$2,982,346	\$2,971,601	\$ 183,657	\$ 845,417
Other income					(14,664)	—
Interest income	32,329	5,512	75,351	6,568	24,228	20,087
General and administrative expense	(31,131)	(56,456)	(151,479)	(178,613)		
General and administrative expenses					(46,192)	(66,074)
Income available for distribution prior to cash reserves withheld for Trust expenses	358,672	1,150,814	2,906,218	2,799,556	147,029	799,430
Cash reserves withheld for Trust expenses	(75,000)	(75,000)	(300,000)	(184,500)		
Cash reserves withheld for current Trust expenses					(25,000)	(75,000)
Distributable income	\$ 283,672	\$1,075,814	\$2,606,218	\$2,615,056	\$ 122,029	\$ 724,430
Distributable income per unit	\$ 0.1522	\$ 0.5773	\$ 1.3985	\$ 1.4032	\$ 0.0655	\$ 0.3887
Units outstanding	1,863,590	1,863,590	1,863,590	1,863,590	1,863,590	1,863,590

#### STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Cash and short-term investments	\$ 1,908,852	\$ 2,356,010
Net overriding royalty interest in oil and gas properties	42,498,034	42,498,034
Accumulated amortization	(41,169,945)	(41,104,737)
Total assets	\$ 3,236,941	\$ 3,749,307
LIABILITIES AND TRUST CORPUS		
Distributions payable	\$ 264,293	\$ 1,058,842
Trust corpus (1,863,590 units of beneficial interest authorized, issued and outstanding)	March 31, 2024 2,971,648	December 31, 2023 2,690,465
Total liabilities and trust corpus	\$ 3,236,941 (Unaudited)	\$ 3,749,307
ASSETS		
Cash and short-term investments	\$ 1,877,243	\$ 2,096,773
Net overriding royalty interest in oil and gas properties	42,498,034	42,498,034
Accumulated amortization	(41,198,061)	(41,187,341)
Total assets	\$ 3,177,216	\$ 3,407,466
LIABILITIES AND TRUST CORPUS		
Distributions payable	\$ 114,987	\$ 214,941
General and administrative expenses payable	—	151,618
Trust corpus (1,863,590 units of beneficial interest authorized, issued and outstanding)	(The accompanying notes are an integral part of these financial statements.) 3,062,229	3,040,907
Total liabilities and trust corpus	\$ 3,177,216	\$ 3,407,466

#### MESA ROYALTY TRUST

#### STATEMENTS OF CHANGES IN TRUST CORPUS (Unaudited)

Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
2023	2022	2023	2022	2024	2023

Trust corpus, beginning of period	\$2,894,058	\$ 2,574,467	\$ 2,690,465	\$ 2,496,917	\$3,040,907	\$2,690,465
Cash reserves withheld for Trust expenses	75,000	75,000	300,000	184,500		
Cash reserves withheld for current Trust expenses					25,000	75,000
Distributable income	283,672	1,075,814	2,606,218	2,615,056	122,029	724,430
Distributions to unitholders	(264,293)	(1,072,245)	(2,558,826)	(2,610,718)	(114,987)	(688,892)
Amortization of net overriding royalty interest	(15,789)	(25,896)	(65,209)	(58,615)	(10,720)	(30,558)
Trust corpus, end of period	<u>\$2,972,648</u>	<u>\$ 2,627,140</u>	<u>\$ 2,972,648</u>	<u>\$ 2,627,140</u>	<u>\$3,062,229</u>	<u>\$2,770,445</u>

(The accompanying notes are an integral part of these financial statements.)

3

**MESA ROYALTY TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 — Trust Organization and Provisions**

The **Mesa Royalty Trust**, (the "Trust"), created under the laws of the State of Texas, maintains its offices at the office of the Trustee, The Bank of New York Mellon Trust Company, N.A., (the "Trustee"), 601 Travis Street, Floor 16, Houston, Texas 77002. The telephone number of the Trust is 713-483-6020. The Trust has no employees. Administrative functions of the Trust are performed by the Trustee. The Trustee maintains a website for the Trust that makes available, free of charge, filings by the Trust with the Securities and Exchange Commission ("SEC") and other information. Any reports filed with the SEC are accessible through our website as soon as reasonably practicable after the Trustee electronically files such material with, or furnishes it to, the SEC. The Trust's website is <http://mtr.q4web.com/home/default.aspx>.

*Trust Corpus Description.* The Trust was created on November 1, 1979 and is now governed by the Mesa Royalty Trust Indenture (as amended, the "Trust Indenture"). Through a series of conveyances, assignments, and acquisitions, the Trust currently owns an overriding royalty interest (the "Royalty") equal to 11.44% of 90% of the Net Proceeds (as defined in the Conveyance and described below) attributable to the specified interest in certain producing oil and gas properties located in the:

- Hugoton field of Kansas (the “Hugoton Royalty Properties”);
- San Juan Basin field of New Mexico (the “San Juan Basin — New Mexico Properties”); and
- San Juan Basin field of Colorado (the “San Juan Basin — Colorado Properties”, and together with the San Juan Basin — New Mexico Properties, the “San Juan Basin Royalty Properties”, and together with the Hugoton Royalty Properties, the “Royalty Properties”).

*Trust Corpus Conveyance History.* On November 1, 1979, Mesa Petroleum Co., predecessor to Mesa Limited Partnership (“MLP”), which was the predecessor to MESA Inc., conveyed to the Trust the Royalty equal to 90% of the Net Proceeds (as defined in the Conveyance and described below) attributable to the specified interests in properties conveyed by the assignor on that date (the “Subject Interests”). The Subject Interests consisted of interests in the Royalty Properties described above. The Royalty is evidenced by counterparts of an Overriding Royalty Conveyance, dated as of November 1, 1979 (the “Conveyance”). In 1985, the Trust Indenture was amended, and the Trust conveyed to an affiliate of Mesa Petroleum Co. 88.5571% of the original Royalty (such transfer, the “1985 Assignment”). The effect of the 1985 Assignment was an overall reduction of approximately 88.56% in the size of the Trust. As a result, the Trust is now entitled to receive 11.44% of 90% of the Net Proceeds attributable to the Royalty Properties each month.

*Hugoton Royalty Properties.* On November 22, 2019, Riviera Resources, Inc. completed the sale of its interest in its remaining properties located in the Hugoton Basin to Scout Energy Group V, LP (“Scout”). Since November 23, 2019, Scout has operated the Hugoton Royalty Properties.

*San Juan Basin — Colorado Properties.* On April 30, 1991, MLP sold to Conoco, Inc. (“ConocoPhillips”) its interests in the San Juan Basin Royalty Properties (the “San Juan Basin Sale”). The Trust’s interest in the San Juan Basin Royalty Properties was conveyed from Pioneer Natural Resources’ working interest in 31,328 net producing acres in northwestern New Mexico and southwestern Colorado. ConocoPhillips sold the portion of its interests in the San Juan Basin — Colorado Properties to MarkWest Energy Partners, Ltd. (effective January 1, 1993) and Red Willow Production Company (“Red Willow”).

(effective April 1, 1992). On October 26, 1994, MarkWest Energy Partners, Ltd. sold substantially all of its interest in the San Juan Basin — Colorado Properties to BP Amoco Company (“BP”), a subsidiary of BP p.l.c. On February 28, 2020, BP completed the sale of all of its interest in the San Juan Basin — Colorado Properties to SIMCOE LLC, (“Simcoe”), an affiliate of IKAV Energy Inc. BP, under a transition services agreement with Simcoe, operated the properties until December 1, 2020. Simcoe and Red Willow currently operate the San Juan Basin — Colorado Properties.

Following Simcoe’s acquisition of BP’s interest in the San Juan Basin — Colorado Properties, there was a transition period to transfer historical information, knowledge and processes from one owner to the other. During the transition period, Net Proceeds were received by the Trust from BP through the Trust month of January 2021.

Simcoe has informed the Trustee that the amount paid to the Trust in the month of May 2021 includes adjusted proceeds for prior periods. There was unusually high pricing due to extreme winter weather in early 2021, and income for subsequent periods was reduced as pricing declined. Simcoe has also informed the Trustee that the amounts paid to the Trust in the months of May and June 2021 were subject to adjustment for certain expenses that Simcoe asserts it was entitled to deduct under the Conveyance. Simcoe is recovering such expense amounts by withholding a portion or all of the Net Proceeds that would otherwise be payable to the Trust. In March 2023, Simcoe informed the Trustee that Simcoe performed a true-up of its production for the periods of 2020 through 2022, and a true-up report was received by the Trustee. Net Proceeds from the San Juan Basin — Colorado Properties operated by Simcoe were received by the Trust in the first quarter of 2023, indicating that the Trust was no longer in a deficit position with Simcoe at that time. In June 2023, Simcoe informed the Trustee that the true-up previously performed by Simcoe included revenues only and did not include any true-up for joint interest billing amounts. The result is that Due to the true-up for joint interest billing amounts, the Trust remains in a deficit position with Simcoe as of the quarter ended September 30, 2023 March 31, 2024 and no Royalty income was received by the Trust from Simcoe for the three months ended September 30, 2023 March 31, 2024.

*San Juan Basin — New Mexico Properties.* Starting from the date of the San Juan Basin Sale and ending on July 31, 2017, ConocoPhillips operated substantially all of the San Juan Basin — New Mexico Properties, except a small an immaterial number of properties that had been assigned to XTO Energy, Inc. ("XTO") effective January 1, 2005. On July 31, 2017, ConocoPhillips sold its San Juan Basin assets to Hilcorp San Juan LP ("Hilcorp"), an affiliate of Hilcorp Energy Company. On March 29, 2018, XTO sold to Hilcorp its interests in the San Juan Basin — New Mexico Properties. Hilcorp currently operates all of the San Juan Basin — New Mexico Properties.

In past periods, Hilcorp used estimates for revenues and expenses and made payments to the Trust based on those estimates. Hilcorp subsequently performed true-up reconciliations of those revenue and expense amounts which resulted in either charges to or credits for the Trust. The Trust recognized these amounts in accordance with the Trust's modified cash basis of accounting. With the assistance of a third party consultant, the The Trust is conducting a review of the reconciliation calculations by engaged with Hilcorp and in reviewing the amount of Net Proceeds calculated in past and paid in certain past periods and expects to conclude this review in 2023. current periods.

As used in this report, Scout refers to the current operator of the Hugoton Royalty Properties, Hilcorp refers to the current operator of the San Juan Basin — New Mexico Properties, and Simcoe and Red Willow refer to the current co-operators of certain tracts of land included in the San Juan Basin — Colorado Properties, unless otherwise indicated. Scout, Simcoe, Red Willow and Hilcorp are each individually referred to herein as "Working Interest Owner" or collectively as the "Working Interest Owners."

5

The Royalty Properties are required to be operated by the Working Interest Owners in accordance with reasonable and prudent business judgment and good oil and gas field practices. Each Working Interest Owner has the right to abandon any well or lease if, in its opinion, such well or lease ceases to produce or is not capable of producing oil, gas or other minerals in commercial quantities. Each Working Interest Owner markets the production on terms deemed by it to be the best reasonably obtainable in the circumstances. See "Contracts" under Part I, Item 1 of the Trust's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The Trustee has no power or authority to exercise any control over the operation of the Royalty Properties or the marketing of production therefrom. In addition, the Trust does not undertake or control any capital projects or make capital expenditures related to any of the Royalty Properties.

5

*Trustee and Terms of Trust Indenture.* The Trust is a passive entity whose purposes are limited to: (1) converting the Royalty to cash, either by retaining it and collecting the proceeds of production (until production has ceased or the Royalty is otherwise terminated) or by selling or otherwise disposing of the Royalties; and (2) distributing such cash, net of amounts for payments of liabilities to the Trust, to the unitholders. The Trust has no sources of liquidity or capital resources other than the revenues, if any, attributable to the Royalties and interest on cash held by the Trustee as a reserve for liabilities or for distribution. The terms of the Trust, the Trust Indenture and agreements with the Working Interest Owners provide, among other things, that:

- (a) the Trust cannot engage in any business or investment activity or purchase any assets;
- (b) the Royalty can be sold in part or in total for cash upon approval by the unitholders;
- (c) the Trustee can establish cash reserves and borrow funds to pay liabilities of the Trust and can pledge assets of the Trust to secure payment of the borrowings;
- (d) the Trustee will make cash distributions to the unitholders in January, April, July and October each year as discussed more fully in "Note 2 — Basis of Presentation";

(e) the Trust will terminate upon the first to occur of the following events: (i) at such time as the Trust's Royalty income for two successive years is less than \$250,000 per year or (ii) a vote by the unitholders in favor of termination. Upon termination of the Trust, the Trustee will sell for cash all the assets held in the Trust estate and make a final distribution to unitholders of any funds remaining after all Trust liabilities have been satisfied; and

(f) Scout, Hilcorp and Simcoe will reimburse the Trust for 59.34%, 27.45% and 1.77%, respectively, of for general and administrative expenses of the Trust.

*Trustee's Fees.* Pursuant to the Trust Indenture, the Trust pays the Trustee fees for its services each quarter. The net amount of these reimbursements is included in the general and administrative expenses of the Trust. For the quarter ended September 30, 2023 March 31, 2024, the Trustee was due \$118,750 for its services. The Trust paid \$108,288 of this amount to the Trustee, and \$10,462 was allocated to offset against interest due to the Trust under the Trust Indenture. The Trustee was due \$356,250 for its services for the nine months ended September 30, 2023. The Trust paid \$324,865 of this amount to the Trustee and \$31,385 was allocated to offset against interest due to the Trust under the Trust Indenture. The Trust Indenture requires that cash being held by the Trustee earn interest at 1.5% below the prime rate, which would have yielded the Trust a 6.00% annualized return from January 1, 2023 through February 1, 2023, a 6.25% annualized return from February 2, 2023 through March 22, 2023, a 6.50% annualized return from March 23, 2023 through May 3, 2023, a 6.75% annualized return from May 4, 2023 through July 25, 2023 and a 7.00% annualized return from July 26, 2023 January 1, 2024 through September 30, 2023 March 31, 2024. However, due to the current interest rate environment, the Trustee was

6

unable to obtain an account in which such an interest rate was available. In the event such an interest rate is unavailable in the future, the Trustee intends to allocate certain of its fees due to the Trust to meet the minimum interest rate payable under the Trust Indenture. In future periods the Trustee will continue to allocate a portion of the fees earned for its services to the Trust until all remaining interest due to the Trust is fully offset.

The Working Interest Owners partially reimburse the Trust each quarter for amounts paid in connection with the Trustee's services. For the quarter ended September 30, 2023 March 31, 2024, the Trustee's fees were \$108,288 and the Working Interest Owners reimbursed a sum of \$95,897 to the Trustee, which was the same amount reimbursed for the quarter ended September 30, 2022. For the nine months ended September 30, 2023, the Trustee's fees were \$324,865 and the Working Interest Owners reimbursed a sum of \$287,691 to the Trustee, which was the same amount reimbursed for the nine months ended September 30, 2022 March 31, 2023.

*Discussion of Net Proceeds.* The Conveyance provides for a monthly computation of Net Proceeds. Net Proceeds is defined in the Conveyance as the "Gross Proceeds" received by the Working Interest Owners during a particular period, minus certain production and capital costs for such period. "Gross Proceeds" is defined in the Conveyance as the amount received by the Working Interest Owners from the sale of "Subject Minerals", subject to certain adjustments. "Subject Minerals" means all oil, gas and other minerals,

6

whether similar or dissimilar, in and under, and which may be produced, saved and sold from, and which accrue and are attributable to, the Subject Interests from and after November 1, 1979. "Production costs" means, generally, costs incurred on an accrual basis by the Working Interest Owners in operating the Royalty Properties, including capital and non-capital costs. If production and capital costs exceed Gross Proceeds for any month, the excess, plus interest thereon at 120% of the prime rate of Bank of America, is recovered out of future Gross Proceeds prior to the making of further payment to the Trust. The Trust, however, is generally not liable for any operating costs or other costs or liabilities attributable to the Royalty Properties or minerals produced therefrom. The Trust is not obligated to return any Royalty income received in any period.



The Working Interest Owners are required to maintain books and records sufficient to determine the amounts payable under the Royalty. Additionally, in the event of a controversy between a Working Interest Owner and any purchaser as to the correct sales price for any production, amounts received by such Working Interest Owner and promptly deposited by it with an escrow agent are not considered to have been received by such Working Interest Owner, and, therefore, are not subject to being payable with respect to the Royalty until the controversy is resolved; but all amounts thereafter paid to such Working Interest Owner by the escrow agent will be considered amounts received from the sale of production. Similarly, operating costs include any amounts a Working Interest Owner is required to pay whether as a refund, interest or penalty to any purchaser because the amount initially received by such Working Interest Owner as the sales price was in excess of that permitted by the terms of any applicable contract, statute, regulation, order, decree or other obligation. Within 30 days following the close of each calendar quarter, the Working Interest Owners are required to deliver to the Trustee a statement of the computation of Net Proceeds attributable to such quarter.

The brief discussions of the Trust Indenture and the Conveyance contained herein are qualified in their entirety by reference to the Trust Indenture and the Conveyance themselves, which are exhibits to the Trust's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** and are available upon request from the Trustee.

#### **Note 2—Basis of Presentation**

The accompanying unaudited financial information has been prepared by the Trustee in accordance with the instructions to Form 10-Q. The preparation of the financial statements requires estimates and

7

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assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The Trustee believes such information includes all the disclosures necessary to make the information presented not misleading. The information furnished reflects all adjustments which are, in the opinion of the Trustee, necessary for a fair presentation of the results for the interim periods presented. The financial information should be read in conjunction with the financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. The Trust considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Subsequent events were evaluated through the issuance date of the financial statements.

In accordance with the Conveyance, the Working Interest Owners are obligated to calculate and pay the Trust each month an amount equal to 11.44% of 90% of the Net Proceeds (as defined in the Conveyance) attributable to the month.

The net overriding royalty interest is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If circumstances require the net

7

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overriding royalty interest to be tested for possible impairment, the Trust first compares undiscounted cash flows expected to be generated by the net overriding royalty interest to its carrying value. If the carrying value of the net overriding royalty interest is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. The fair value of the net overriding royalty interest is measured using valuation techniques consistent with the income approach, converting future cash flows to a single discounted amount.

The financial statements of the Trust are prepared on the following modified cash basis of accounting:

(a) Royalty income recorded for a month is the amount computed and paid by the Working Interest Owners to the Trustee for such month rather than either the value of a portion of the oil and gas produced by the Working Interest Owners for such month or the amount subsequently determined to be the Trust's proportionate share of the Net Proceeds for such month;

(b) Interest income, interest receivable and distributions payable to unitholders include interest to be earned on short-term investments from the financial statement date through the next date of distribution;

(c) Trust general and administrative expenses, net of reimbursements, are recorded in the month they are included in the calculation of the monthly distribution amount;

(d) Amortization of the Royalty is computed on a unit-of-production basis and is charged directly to trust corpus because such amount does not affect distributable income; and

(e) Distributions payable are determined on a monthly basis and are payable to unitholders of record as of the last business day of each month or such later date as the Trustee determines is required to comply with applicable law or stock exchange requirements. However, cash distributions are made quarterly in January, April, July and October, and include interest earned from the monthly record dates to the date of distribution.

This basis for reporting distributable income is considered to be the most meaningful because distributions to the unitholders for a month are based on net cash receipts for such month. However, these statements differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America because, under such principles, Royalty income for a month

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8

would be based on Net Proceeds from production for such month without regard to when calculated or received, general and administrative expenses would be recorded in the month they accrue, and interest income for a month would be calculated only through the end of such month.

#### **Note 3—Legal Proceedings**

There are no pending legal proceedings to which the Trust is a named party. The Trustee has been advised by the Working Interest Owners that the Trust may be subject to litigation in the ordinary course of business for certain matters that include the Royalty Properties. While each of the Working Interest Owners has advised the Trustee that it does not currently believe any of the pending litigation will have a material adverse effect net to the Trust, in the event such matters were adjudicated or settled in a material amount and charges were made against Royalty income, such charges could have a material impact on future Royalty income.

#### **Note 4—Income Tax Matters**

In a technical advice memorandum dated February 26, 1982, the Internal Revenue Service (the "IRS") advised the Dallas District Director that the Trust is classifiable as a grantor trust and not as an association

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8

taxable as a corporation. As a grantor trust, the Trust incurs no federal income tax liability and each unitholder is subject to tax on the unitholder's pro rata share of the income and expense of the Trust as if the unitholder were the direct owner of a pro rata share of the Trust's assets. In addition, there is no state tax liability for the period.

Individuals, estates, and trusts with income above certain thresholds are subject under Section 1411 of the Code to an additional 3.8% tax — also known as the Net Investment Income Tax ("NIIT") — on their net investment income. Grantor trusts such as the Trust are not subject to the NIIT; however, the unitholders may be subject to the tax. For these purposes, investment

income would generally include certain income derived from investments, such as the royalty income derived from the units and gain realized by a unitholder from a sale of units.

The Trustee assumes that some Trust units are held by a middleman, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in street name). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust ("WHFIT") for U.S. federal income tax purposes. The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, Floor 16, Houston, Texas 77002, telephone number 713-483-6020, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT.

Notwithstanding the foregoing, the middlemen holding units on behalf of unitholders, and not the Trustee of the Trust, are solely responsible for complying with the information reporting requirements under the Treasury Regulations with respect to such units, including the issuance of IRS Forms 1099 and certain written tax statements. Unitholders whose units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the units.

The Inflation Reduction Act (IRA) was signed into law on August 16, 2022, and includes a number of tax-related provisions. The IRA did not have any significant impact on the Trust's financial position or results of operations.

Each unitholder should consult its own tax advisor with respect to its particular circumstances.

9

#### Note 5 — Excess Production Costs

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
Hugoton Properties	\$180,426	\$ —	\$386,460	\$200,330
San Juan Basin – Colorado Properties – Simcoe	57,575	206,432	53,441	59,223
San Juan Basin – Colorado Properties – Red Willow	2,597	2,884	4,287	1,178
San Juan Basin – New Mexico Properties – Hilcorp	—	—	—	—
Total	<u>\$240,598</u>	<u>\$209,316</u>	<u>\$444,188</u>	<u>\$260,731</u>

Excess production costs result when costs, charges, and expenses attributable to a Royalty Property exceed the revenue received from the sale of oil, gas, and other hydrocarbons produced from such property. The excess production costs are recoverable by the Working Interest Owners before any distribution of Royalty income from the properties will be made to the Trust. As a result of excess production costs incurred in one monthly operating period and then recovered in a subsequent monthly operating period, the Royalty

9

income paid to the Trust may not agree to the Trust's royalty interest in the Net Proceeds (as defined in the Conveyance). Excess production costs are reported by the Working Interest Owners for prior production months and may be based upon estimates that are subject to adjustment in future periods.

#### Note 6 — Distributable Income Per Unit

The Trust's Royalty income from the Royalty Properties and its distributions to unitholders are heavily influenced by commodity prices received by Working Interest Owners. Commodity prices may fluctuate widely in response to (i) relatively minor changes in the supply of and demand for oil and natural gas, (ii) market uncertainty and (iii) a variety of additional factors that are beyond the

Trustee's control. Royalty income may be based upon spot market prices or on prices determined by contract.

The Trustee, acting pursuant to the Trust Indenture, may withhold Royalty income for future unknown contingent liabilities and expenses (such cumulative withholding being the "Contingent Reserve"). The Trustee reserves the right to determine whether or not to release cash reserves in future periods with respect to any reimbursement expenses. At any given time, the Contingent Reserve is included in cash and short-term investments. The Trustee utilizes the Contingent Reserve in its discretion in accordance with the Conveyance, and adjusts the balance of the Contingent Reserve as necessary when funds are added or removed. The net effects of such adjustments for the three months ended September 30, 2023 March 31, 2024 and 2023 resulted in the balance of the Contingent Reserve being equal to \$1,213,837 \$1,407,705 as of September 30, 2022 March 31, 2023 and equal to \$1,644,560 \$1,762,256 as of September 30, 2023 March 31, 2024.

The effect on distributable income per unit of adjustments to the Contingent Reserve is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Distributable income before reserve for contingent liabilities and expenses	\$ 358,672	\$ 1,150,814	\$ 2,906,218	\$ 2,799,556
Increase in the Contingent Reserve	(389,803)	(1,207,270)	(3,057,698)	(2,978,170)
Withdrawal from the Contingent Reserve	295,424	1,128,701	2,710,306	2,789,331
Distributable income available for distribution	\$ 264,293	\$ 1,072,245	\$ 2,558,826	\$ 2,610,718
Distributable income available for distribution per unit	\$ 0.1418	\$ 0.5754	\$ 1.3731	\$ 1.4009
Units outstanding	10 1,863,590	1,863,590	1,863,590	1,863,590

	Three Months Ended March 31,	
	2024	2023
Distributable income before reserve for contingent liabilities and expenses	\$ 147,029	\$ 799,430
Increase in the Contingent Reserve	(207,884)	(865,504)
Withdrawal from the Contingent Reserve	175,842	754,966
Distributable income available for distribution	\$ 114,987	\$ 688,892
Distributable income available for distribution per unit	\$ 0.0617	\$ 0.3697
Units outstanding	1,863,590	1,863,590

## Item 2. Trustee's Discussion and Analysis of Financial Condition and Results of Operations

The following review of the financial condition and results of operations of Mesa Royalty Trust (the "Trust") should be read in conjunction with the financial statements and notes thereto. The discussion of net production attributable to the Hugoton Royalty Properties and San Juan Basin Royalty Properties (as each is defined below) represents production volumes that are to a large extent hypothetical as the Trust does not own and is not entitled to any specific production volumes. Any discussion of "actual" production volumes represents the hydrocarbons that were produced from the properties in which the Trust has an overriding royalty interest. See Note 7 to the financial statements in the Trust's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

The Trust was created on November 1, 1979 and is now governed by the Mesa Royalty Trust Indenture (as amended, the "Trust Indenture"). Through a series of conveyances, assignments, and acquisitions, the

Trust currently owns an overriding royalty interest (the "Royalty") equal to 11.44% of 90% of the Net Proceeds (as defined and described in an Overriding Royalty Conveyance dated as of November 1, 1979 (the "Conveyance")) attributable to the specified interest in certain producing oil and gas properties located in the:

- Hugoton field of Kansas (the "Hugoton Royalty Properties");
- San Juan Basin field of New Mexico (the "San Juan Basin — New Mexico Properties"); and
- San Juan Basin field of Colorado (the "San Juan Basin — Colorado Properties", and together with the San Juan Basin — New Mexico Properties, the "San Juan Basin Royalty Properties", and together with the Hugoton Royalty Properties, the "Royalty Properties").

Pursuant to past conveyances, Scout, Hilcorp, Simcoe and Red Willow are the operators of certain portions of the Hugoton Royalty Properties and San Juan Basin Royalty Properties (each of Scout, Hilcorp, Simcoe, and Red Willow being a "Working Interest Owner", and together, the "Working Interest Owners"). As used in this report, Scout refers to the current operator of the Hugoton Royalty Properties, Hilcorp refers to the current operator of the San Juan Basin — New Mexico Properties, and Simcoe and Red Willow refer to the current co-operators of certain tracts of land included in the San Juan Basin — Colorado Properties, unless otherwise indicated.

The Trust is a passive entity whose purposes are limited to: (1) converting the Royalties to cash, either by retaining them and collecting the proceeds of production (until production has ceased or the Royalties are otherwise terminated) or by selling or otherwise disposing of the Royalties; and (2) distributing such cash, net of amounts for payments of liabilities to the Trust, to the unitholders. The Trust has no sources of liquidity or capital resources other than the revenues, if any, attributable to the Royalties and interest on cash held by the Trustee as a reserve for liabilities or for distribution. The Trust does not undertake or control any capital projects or make capital expenditures. While the Trust's Royalty income is net of capital expenditures, these capital expenditures are controlled and paid by the Working Interests Owners, and the Trust receives Royalty income net of these expenses. In addition, the Trust does not have any off-balance sheet arrangements or other contingent obligations.

#### **Note Regarding Forward-Looking Statements**

This Form 10-Q includes "forward-looking statements" about the Trust and other matters discussed herein that are subject to risks and uncertainties that are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this

11

document, including, without limitation, statements under "Trustee's Discussion and Analysis of Financial Condition and Results of Operations," including the Trust's or any Working Interest Owner's future financial position, status in any insolvency proceeding, business strategy, budgets, projected costs, political and regulatory matters, such as tax and environmental policy, climate regulations, expected market conditions and commodity pricing, interest rates, prices received by Working Interest Owners, plans and objectives, oil and natural gas prices, information relating to future distributions, statements regarding reconciliation and adjustment of estimated versus actual revenue and expense amounts, statements pertaining to future exploration and development activities and costs, estimates regarding production costs and expenses, estimates of cash flows, statements regarding the number of wells to be drilled and producing in future periods, and estimates regarding production and reserves, are forward-looking statements. Actual outcomes and results, which are substantially all outside of the Trust's control, may differ materially from those projected. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "future,"

"future," "believe," "expect," "anticipate," "potential," "possibly," "could," "may," "can," "foresee," "plan," "goal," "forecast," "assume," "target," "should," "intend" or other words that convey the uncertainty of future events or outcomes. These statements are based on certain assumptions made by the Trust in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Trustee believes are appropriate under the circumstances. The Trustee relies on the Working Interest Owners for information regarding the Subject Interests (as defined herein in "Note 1 — Trust Organization and Provisions"), the Royalty, and the Working Interest Owners themselves.

Although the information provided by the Working Interest Owners provides a reasonable basis for the forward-looking statements contained herein, no assurance can be given that such expectations will prove to be correct. The Working Interest Owners alone control historical operating data, and handle receipt and payment of funds relating to the royalty properties and payments to the Trust for the related royalty. The Trustee cannot assure that errors or adjustments or expenses accrued by the Working Interest Owners, whether historical or future, will not affect future royalty income and distributions by the Trust. However, whether actual results and developments will conform with such expectations and predictions is subject to a number of risks and uncertainties, including the risk factors discussed in Part I, Item 1A of the Trust's Annual Report on Form 10-K for the year ended December 31, 2022, December 31, 2023 and those set forth from time to time in the Trust's filings with the Securities and Exchange Commission (the "SEC"), which could affect the future results of the energy industry in general, and the Trust and Working Interest Owners 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 the Working Interest Owners' businesses and the Trust. Such statements are expressly qualified in their entirety by the risks and other factors discussed and are not guarantees of future performance and actual performance. 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.

#### SUMMARY OF ROYALTY INCOME, PRODUCTION AND AVERAGE PRICES (Unaudited)

Royalty income is computed after deducting the Trust's proportionate share of capital costs, operating costs and interest on any cost carryforward from the Trust's proportionate share of "Gross Proceeds," as defined in the Conveyance.

The Trust's Royalty income from the Royalty Properties and its distributions to unitholders are heavily influenced by commodity prices received by Working Interest Owners. Commodity prices

may fluctuate widely in response to (i) relatively minor changes in the supply of and demand for oil and natural gas, (ii) market uncertainty and (iii) a variety of additional factors that are beyond the Trustee's control. Royalty income may be based upon spot market prices or on prices determined by contract.

The following summary illustrates the net effect of the components of the actual Royalty computation for the periods indicated.

Three Months Ended September 30,						
	2023			2022		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
The Trust's proportionate share of Gross proceeds <sup>(1)(5)</sup>	\$ 678,704	\$ 323,349	\$ 30,137	\$ 1,435,109	\$ 589,790	\$ 32,213
Less the Trust's proportionate share of:						
Capital costs recovered	(19,300)	(9,998)	(891)	(41,881)	(19,292)	(1,108)
Operating costs	(427,220)	(199,938)	(11,858)	(521,273)	(185,099)	(8,044)
Net proceeds <sup>(2)</sup>	\$ 232,184	\$ 113,413	\$ 17,388	\$ 871,955	\$ 385,399	\$ 23,061
Royalty income <sup>(2)</sup>	\$ 219,784	\$ 120,302	\$ 17,388	\$ 799,008	\$ 380,016	\$ 22,734
Average sales price	\$ 2.31	\$ 23.27	\$ 62.12	\$ 6.20	\$ 37.59	\$ 98.04
Average production costs <sup>(3)</sup>	\$ 4.69	\$ 40.61	\$ 45.55	\$ 4.37	\$ 20.22	\$ 39.47
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Net production volumes attributable to the Royalty paid <sup>(4)</sup>	95,219	5,170	280	128,780	10,110	232

  

Nine Months Ended September 30,							Three Months Ended March 31,			
	2023			2022			2024			
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas
The Trust's proportionate share of Gross proceeds <sup>(1)(5)</sup>	\$ 4,315,688	\$ 1,021,338	\$ 58,995	\$ 3,865,490	\$ 1,686,052	\$ 92,682				
The Trust's proportionate share of Gross Proceeds <sup>(1)(5)</sup>							\$ 593,568	\$ 310,644	\$ 13,987	\$ 1,424,39
Less the Trust's proportionate share of:										
Capital costs recovered	(113,452)	(35,664)	(1,294)	(105,733)	(48,610)	(3,417)	(35,570)	(27,836)	(1,795)	(54,005)
Operating costs	(1,796,148)	(502,974)	(18,630)	(1,708,878)	(654,832)	(29,063)	(596,006)	(249,953)	(6,840)	(799,971)
Net proceeds <sup>(2)</sup>	\$ 2,406,088	\$ 482,700	\$ 39,071	\$ 2,050,879	\$ 982,610	\$ 60,202	\$ (38,008)	\$ 32,855	\$ 5,352	\$ 570,41
Royalty income <sup>(2)</sup>	\$ 2,426,226	\$ 517,049	\$ 39,071	\$ 1,942,887	\$ 970,398	\$ 58,316	\$ 99,696	\$ 78,609	\$ 5,352	\$ 632,13
Average sales price	\$ 5.78	\$ 27.52	\$ 66.11	\$ 6.40	\$ 44.79	\$ 91.31	\$ 2.16	\$ 23.34	\$ 67.01	\$ 3.2
Average production costs <sup>(3)</sup>	\$ 4.55	\$ 28.67	\$ 33.71	\$ 5.97	\$ 32.47	\$ 50.86	\$ 13.69	\$ 82.49	\$ 108.10	\$ 4.4
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)	(Mcf)
Net production volumes attributable to the Royalty paid <sup>(4)</sup>	419,621	18,786	591	303,793	21,664	639	46,146	3,367	80	191,99

(1) Gross Proceeds from natural gas liquids attributable to each of the Hugoton Royalty Properties and San Juan Basin Royalty Properties are reported by the Working Interest Owners net of a volumetric in-kind processing fee retained by Scout and Hilcorp, respectively.

(2)

Royalty income is computed after deducting the Trust's proportionate share of capital costs, operating costs and interest on any cost carryforward from the Trust's proportionate share of Gross Proceeds. As a result of excess production costs incurred in one monthly operating period and then recovered in a subsequent monthly operating period, the Royalty income paid to the Trust may not agree to the Trust's Royalty interest in the Net Proceeds (as defined in the Conveyance). The excess production costs are

13

recoverable by the Working Interest Owners before any distribution of Royalty income will be made to the Trust. See "Note 5 — Excess Production Costs" in the Notes to Financial Statements contained in Item 1 of this Form 10-Q.

Also, as a result of Royalty income reported by the Working Interest Owners in one quarterly operating period and received by the Trustee in a subsequent quarterly operating period, the Royalty income paid to the Trust may not agree to the Trust's Royalty interest in the Net Proceeds.

- (3) Average production costs attributable to the Royalty are calculated as stated capital costs plus operating costs, divided by stated net production volumes attributable to the Royalty paid. As noted above in footnote (2), production costs may be incurred in one operating period and then recovered in a subsequent operating period, which may cause Royalty income paid to the Trust not to agree to the Trust's Royalty interest in the Net Proceeds.
- (4) Net production volumes attributable to the Royalty are determined by dividing Royalty income by the average sales price received. Any differences noted are due to rounding.

14

- (5) Subject to adjustments to actual current production and costs to account for historical monthly reconciliations as they are completed. See Trustee's Discussion and Analysis of Financial Condition and Results of Operations — *Operational Overview* — San Juan Basin Royalty Properties of this Form 10-Q.

Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

#### Financial Review

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Royalty income	\$ 357,474	\$1,201,758	\$ 183,657	\$ 845,417
Other income			(14,664)	—
Interest income	32,329	5,512	24,228	20,087
General and administrative expense	(31,131)	(56,456)	(46,192)	(66,074)
Income available for distribution prior to cash reserves withheld for Trust expenses	358,672	1,150,814	147,029	799,430
Cash reserves withheld for Trust expenses	(75,000)	(75,000)		
Cash reserves withheld for current Trust expenses			(25,000)	(75,000)
Distributable income	\$ 283,672	\$1,075,814	122,029	724,430
Distributable income per unit	\$ 0.1522	\$ 0.5773	\$ 0.0655	\$ 0.3887
Units outstanding	1,863,590	1,863,590	1,863,590	1,863,590

**Royalty and Interest Income.** The Trust's Royalty and other income was \$357,474 \$183,657 for the quarter ended September 30, 2023 March 31, 2024, as compared to \$1,201,758 \$845,417 for the quarter ended September 30, 2022 March 31, 2023. All of the Royalty income received in



the quarter ended September 30, 2023 March 31, 2024 and the majority of the Royalty income received in the quarter ended September 30, 2022 March 31, 2023 was from Hilcorp. A portion of the Royalty income received in the quarter ended September 30, 2022 was from Scout. The decrease in Royalty income was primarily a result of decreases in pricing reported and net production for natural gas, natural gas liquids and oil and condensate, as reported by Hilcorp, partially offset by increases in net production volumes operating expenses for natural gas for Hilcorp, decreases liquids and oil and condensate and increases in capital costs expenses for

14

natural gas, natural gas liquids and oil and condensate, for Hilcorp and a decrease offset in part by decreases in operating expense expenses for natural gas liquids for Hilcorp in the quarter ended September 30, 2023, March 31, 2024 as compared to the quarter ended June 30, 2022 March 31, 2023.

The Trust's interest interest income for the quarters ended September 30, 2023 March 31, 2024 and 2022 2023 was \$32,329 \$24,228 and \$5,512, \$20,087, respectively. The increase in interest income received by the Trust was primarily a result of increases to the United States Prime Rate in the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. In accordance with the Trust Indenture and as explained below, interest on cash on hand was paid at a rate equivalent to a 6.75% annualized return from May 4, 2023 through July 25, 2023 and a 7.00% annualized return from July 26, 2023 January 1, 2024 through September 30, 2023 March 31, 2024.

*General and Administrative Expense.* General and administrative expense was \$31,131 \$46,192 and \$56,456 \$66,074 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The decrease for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022 was primarily a result of the timing of expenses received and paid by the Trust. The Trustee's fees are included in general and administrative expense.

For the quarter ended September 30, 2023 March 31, 2024, the Trustee was due \$118,750 for its services. The Trust paid \$108,288 of this amount to the Trustee, and \$10,462 was allocated to offset against interest due to the Trust

15

under the Trust Indenture. The Trust Indenture requires that cash being held by the Trustee earn interest at 1.5% below the prime rate, which would have yielded the Trust a 6.00% annualized return from January 1, 2023 through February 1, 2023, a 6.25% annualized return from February 2, 2023 through March 22, 2023, a 6.50% annualized return from March 23, 2023 through May 3, 2023, a 6.75% annualized return from May 4, 2023 through July 25, 2023 and a 7.00% annualized return from July 26, 2023 January 1, 2024 through September 30, 2023 March 31, 2024. However, due to the current interest rate environment, the Trustee was unable to obtain an account in which such an interest rate was available. In the event such an interest rate is unavailable in the future, the Trustee intends to allocate certain of its fees due to the Trust to meet the minimum interest rate payable under the Trust Indenture. In future periods the Trustee will continue to allocate a portion of the fees earned for its services to the Trust until all remaining interest due to the Trust is fully offset.

*Unreimbursed Expenses and the Contingent Reserve.* The Working Interest Owners partially reimburse the Trust each quarter for amounts paid in connection with the Trustee's services. For the quarter ended September 30, 2023 March 31, 2024, the Trustee's fees were \$108,288 and the Working Interest Owners reimbursed a sum of \$95,897 to the Trustee, which was the same amount reimbursed for the quarter ended September 30, 2022 March 31, 2023. As of each of the quarters ended September 30, 2023 March 31, 2024 and 2022, 2023, there were \$0 and \$0, respectively, of unreimbursed expenses.

The terms of the Trust Indenture provide, among other things, that the Trustee may establish cash reserves and borrow funds to pay liabilities of the Trust, and may pledge assets of the Trust to secure payment of the borrowings in accordance with the Trust Indenture. At any given time, the amount reserved for such future unknown contingent liabilities and expenses (such cumulative withholding being the "Contingent Reserve") is included in cash and short-term investments. The Trustee utilizes the Contingent Reserve in its discretion in accordance with the Conveyance, and adjusts the balance of the Contingent Reserve as necessary when funds are added or removed. The net effects of such adjustments for the three months ended September 30, 2023 March 31, 2024 and 2023 resulted in the balance of the Contingent Reserve being equal to \$1,213,837 \$1,407,705 as of September 30, 2022 March 31, 2023 and equal to \$1,644,560 \$1,762,256 as of September 30, 2023 March 31, 2024. The Trustee intends to increase the Contingent Reserve to a total of \$2.0 million.

**Distributable Income Available for Distribution.** The portion of the Trust's distributable income available for distribution each period includes the Royalty income received from the Working Interest Owners during such period, plus interest income earned to the date of distribution (if any) and increases or withdrawals from the Contingent Reserve (if any). Distributable income available for distribution for the quarter ended September 30, 2023 March 31, 2024 was \$264,293, \$114,987, representing \$0.1418 \$0.0617 per unit, as compared to \$1,072,245, \$688,892,

15

representing \$0.5754 \$0.3697 per unit, for the quarter ended September 30, 2022 March 31, 2023. Based on 1,863,590 units outstanding for the quarters ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, the per unit distributions for each month in such periods were as follows:

	2023	2022
July	\$0.0580	\$0.0956
August	0.0410	0.2932
September	0.0428	0.1866
	\$0.1418	\$0.5754
	2024	2023
January	\$0.0252	\$0.1581
February	0.0087	0.0998
March	0.0278	0.1118
	\$0.0617	\$0.3697

#### Operational Review

##### Global Oil Market Impact in 2023 2024

Ongoing uncertainty around production from Russia and actions of OPEC create volatility that continues to affect the oil and gas industry and market prices. Average oil and gas prices during the first,

16

second and third quarters of 2023 generally declined compared to quarterly average prices during 2022. Oil prices have been impacted by certain actions by OPEC+, uneven global supply and demand trends, Russia's invasion into Ukraine and hostilities and heightened geopolitical risks in the Middle East, among other factors. Global and domestic natural gas markets have experienced volatility due to macroeconomic conditions, infrastructure and logistical constraints, weather, and geopolitical issues, among other factors. If commodity prices for crude oil and natural gas fall or remain volatile, monthly distributions to unitholders could be substantially reduced or there may be no distributions in future periods. Additionally, inflation remains While inflationary pressures in the

United States' economy have begun to subside, high interest rates and continues global supply disruptions continue to increase affect the cost of labor and supplies. Changes in addition, changes in economic conditions, including rising relatively high interest rates and lower global economic activity, could result in additional shifts in demand and supply in for future periods. The sharp increases in High levels of inflation and interest rates coupled with shipping and supply chain disruptions are expected to increase expenses for Working Interest Owners and are expected to have an adverse impact on Royalty income during 2023, 2024.

#### Hugoton Royalty Properties

Natural gas and natural gas liquids production attributable to the Hugoton Royalty Properties accounted for none of the Royalty income of the Trust during the third first quarter of 2024 or 2023.

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Royalty income attributable to Hugoton Royalty Properties	\$ —	\$447,679	\$ —	\$ —
Operating costs attributable to Hugoton Royalty Properties	\$373,544	\$385,553	\$550,033	\$564,156
Capital expenditures attributable to Hugoton Royalty Properties	\$ 11,369	\$ 24,597	\$ 155	\$ 46,757

**Royalty Income.** Royalty income attributable to the Hugoton Royalty Properties decreased to was \$0 in both the third first quarter of 2023 from \$447,679 in 2024 and the third first quarter of 2022, 2023. The decrease lack of Royalty income was primarily a result of actual expenses being greater than actual revenues for the three months ended March 31, 2024 and 2023, as reported by Scout. The Trustee is in ongoing discussions with Scout regarding financial and operational information required to be delivered to the Trustee for purposes of timely disclosures by the Trust. In addition, with the assistance of a third party consultant, the Trust has requested information and is engaged with Scout in reviewing certain the amount of Scout's financial and operational statements and the Net Proceeds payable by Scout to the Trust, in past and current periods.

16

**Operating Costs and Capital Expenditures.** Operating costs were \$373,544 \$550,033 in the third first quarter of 2024, as compared to \$564,156 in the first quarter of 2023, as compared to \$385,553 in the third quarter a decrease of 2022, approximately 2.5%. Capital expenditures attributable to the Hugoton Royalty Properties were \$11,369 \$155 in the third first quarter of 2023, 2024 as compared to \$24,597 \$46,757 in the third first quarter of 2022, 2023. As reported by Scout, the higher capital expenditures in Q1 2023 were primarily due to stronger pricing in Q1 2023 which provided more opportunities for capital investment. With lower pricing in Q1 2024, Scout has not pursued those same investments.

17

	Three Months Ended September 30,						Three Months Ended March 31,					
	2023			2022			2024			2023		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price	\$ 3.01	\$15.12	\$ —	\$ 8.69	\$28.83	\$ —	\$ 3.55	\$17.44	\$ —	\$ 5.92	\$20.10	\$ —
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)

Actual production volumes attributable to the Royalty paid for Hugoton Royalty Properties	82,067	7,084	—	84,309	4,355	—	76,175	5,350	—	77,686	3,374	—
Net production volumes attributable to the Royalty paid for Hugoton Royalty Properties	—	—	—	43,917	2,297	—	—	—	—	—	—	—

**Average Sales Price.** Average sales prices per thousand cubic feet ("Mcf") of natural gas and barrel ("Bbl") for natural gas liquids for the Hugoton Royalty Properties are directly dependent on the prices Scout realizes for natural gas sold under short-term and multi-month contracts **at market clearing prices** to multiple purchasers. Overall **sales prices received reported** for natural gas from Hugoton Royalty Properties were lower for the three months ended **September 30, 2023, March 31, 2024** as compared to the three months ended **September 30, 2022, March 31, 2023**.

#### San Juan Basin Royalty Properties

Royalty income from the San Juan Basin Royalty Properties is calculated and paid to the Trust on a state-by-state basis depending upon whether the property is **located situated** in Colorado or New Mexico. **A The** majority of the Royalty income from the San Juan Basin Royalty Properties is attributable to the San Juan Basin — New Mexico Properties.

#### San Juan Basin — Colorado Properties

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Royalty income attributable to San Juan Basin — Colorado Properties	\$ —	\$ —	\$ —	\$ 57,492
Operating costs attributable to San Juan Basin — Colorado Properties	\$ 5,492	\$ 36,204	\$ 44,491	\$ 91,045

**Royalty Income.** Royalty income from the San Juan Basin — Colorado Royalty Properties was \$0 during the **third quarters ending September 30, 2023 and 2022, first quarter of 2024, as compared to \$57,492 during the first quarter of 2023**. The lack of Royalty income for the three months ended **September 30, 2023 and 2022, March 31, 2024** was primarily a result of prior period adjustments reported by Simcoe in 2021 that were recovered by Simcoe by withholding the Net Proceeds that would otherwise be payable to the Trust in the **quarters quarter ended September 30, 2023 and 2022, March 31, 2024**. In March 2023, Simcoe informed

17

the Trustee that Simcoe performed a true-up of its production for the periods of 2020 through 2022, and a true-up report was received by the Trustee. Net Proceeds from the San Juan Basin — Colorado Properties operated by Simcoe were received by the Trust in the first quarter of 2023, indicating that the Trust was no longer in a deficit position with Simcoe at that time. In June 2023, Simcoe informed the Trustee that the true-up previously performed by Simcoe included revenues only and did not include any true-up for joint interest billing amounts. The result is that the Trust remains in a deficit position with Simcoe as of the quarter ended **September 30, 2023, March 31, 2024**. Because of these adjustments **reported by Simcoe**, the amounts of Net Proceeds reported

18

during the three months ended **September 30, 2023** **March 31, 2024** for the San Juan Basin — Colorado Properties operated by Simcoe may not be representative of Net Proceeds that will be received in future quarters. In addition, with the assistance of a third party consultant, the Trust **will plans to** commence a review of certain of Simcoe's financial and operational statements and the Net Proceeds payable by Simcoe to the Trust.

**Operating Costs.** Operating costs **on these properties** as reported by Simcoe and Red Willow on these properties were **\$5,492** **\$44,491** in the **third first** quarter of 2024, as compared to **\$91,045** in the first quarter of 2023, as compared to **\$36,204** a decrease of approximately 51.1%. The **decrease** in the **third first** quarter of 2022. The **decrease 2024** was primarily the result of **an adjustment** the 2023 true-up Simcoe performed to its production revenues and expenses that Simcoe asserted it was entitled to deduct under the Conveyance. If not for **water hauling and disposal included in the true-up**, Simcoe's **joint interest billing in operating costs** for the three months quarter ended **September 30, 2023**, as compared to the three months ended **September 30, 2022**. **March 31, 2023** would have been **\$22,432**.

Capital expenditures attributable to the San Juan Basin — Colorado Properties were \$0 in both the **third first** quarter of **2023** **2024** and in the **third first** quarter of **2022**. **2023**.

	Three Months Ended September 30,					
	2023			2022		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price <sup>(1)</sup>	\$ 0.61	\$ 0.60	\$ —	\$ 1.43	\$ 0.60	\$ —
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Actual production volumes attributable to the Royalty paid for San Juan Basin – Colorado Properties	67,578	1,183	—	71,931	1,128	—
Net production volumes attributable to the						

Royalty paid for San Juan

(1) Per information provided by Simcoe, Simcoe pays Working Interest Owners on the same blended Weighted Average Sales Price ("WASP") (fixed plus market) that Simcoe receives from their purchaser. WASP is defined as: for each delivery point, a price per MMBtu for each month equal to gas proceeds less transportation costs, divided by the total number of first of month baseload MMBtus of gas sold at such delivery point. Sales prices received by Simcoe may be lower than current market prices which may result in less than current market average gas prices received by the Trust.

	Three Months Ended March 31,					
	2024			2023		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price	\$ 0.73	\$ 0.66	\$ —	\$ 0.31	\$ 0.86	\$ —
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Actual production volumes attributable to the Royalty paid for San Juan Basin – Colorado Properties	63,645	1,017	—	510,677	2,551	—
Net production volumes attributable to the Royalty paid for San Juan Basin – Colorado Properties	—	—	—	95,933	2,409	—
				Three Months Ended September 30,		Three Months Ended March 31,
				2023	2022	2024
Royalty income attributable to San Juan Basin – New Mexico Properties				\$357,474	\$754,079	\$183,657
Operating costs attributable to San Juan Basin – New Mexico Properties				\$259,980	\$292,659	\$258,275
Capital expenditures attributable to San Juan Basin – New Mexico Properties				\$ 18,820	\$ 37,684	\$ 65,046
						\$ 18,812

**Royalty Income.** Royalty income from the San Juan Basin — New Mexico Properties was \$357,474 \$183,657 during the third first quarter of 2023, 2024, as compared to Royalty income of \$754,079 \$787,925 during the third first quarter of

19

2022, 2023, a decrease of approximately 53% 77%. The decrease in Royalty income was primarily a result of decreases in pricing reported and net production for natural gas, natural gas liquids and oil and condensate, partially offset by increases in net production volumes operating expenses for natural gas liquids and oil and condensate decreases and increases in capital costs expenses for natural gas, natural gas liquids and oil and condensate, and a decrease offset in part by decreases in operating expense expenses for natural gas liquids in the quarter ended September 30, 2023, March 31, 2024 as compared to the quarter ended September 30, 2022 March 31, 2023.

**Operating Costs and Capital Expenditures.** Operating costs were \$259,980 \$258,275 in the third first quarter of 2023, 2024, a decrease of approximately 11%, 16% as compared to \$292,659 \$308,438 in the third first quarter of 2022. The decrease was primarily a result of a decrease in severance tax due to decreases in pricing for natural gas, natural gas liquids and oil and condensate in the third quarter of 2023, as compared to the third quarter of 2022.

2023. Capital expenditures on these properties were \$18,820 \$65,046 in the third first quarter of 2023, 2024, an increase of \$46,234 as compared to \$37,684 \$18,812 in the third first quarter of 2022, 2023. The increase was due primarily to the general increase in activity in the first quarter of 2024, as there were three major recomple projects in the three months ended March 31, 2024 as compared to one major recomple project in the three months ended March 31, 2023.

	Three Months Ended September 30,						Three Months Ended March 31,					
	2023			2022			2024			2023		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price	\$ 2.31	\$23.27	\$ 62.12	\$ 4.92	\$ 40.16	\$ 98.04	\$ 2.16	\$23.34	\$ 67.01	\$ 6.00	\$29.49	\$ 73.00
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Actual production volumes attributable to the Royalty paid for San Juan Basin – New Mexico Properties	169,234	9,261	485	121,894	11,541	329	127,903	9,281	209	134,691	9,682	329
Net production volumes attributable to the Royalty paid for San Juan Basin – New Mexico Properties	95,219	5,170	280	84,862	7,813	232	46,146	3,367	80	96,064	6,646	232

In past periods, Hilcorp used estimates for revenues and expenses and made payments to the Trust based on those estimates. Hilcorp subsequently performed true-up reconciliations of those revenue and expense amounts which resulted in either charges to or credits for the Trust. The Trust recognized these amounts in accordance with the Trust's modified cash basis of accounting. With the assistance of a third party consultant, the The Trust is conducting a review of the reconciliation calculations by engaged with Hilcorp and in reviewing the amount of Net Proceeds calculated in past and paid in certain past periods and expects to conclude this review in 2023, current periods.

Pursuant to the Trust Indenture, the Trust is not required to pay to Hilcorp any amounts that could be owed if the estimated revenue exceeded actual revenue amounts or estimated expenses were less than actual expense amounts in past periods. However, Hilcorp may recover such amounts by withholding a portion or all of the Net Proceeds that would otherwise be payable to the Trust in subsequent periods. This could result in a decrease in Net Proceeds paid to the Trust and could result in future material reductions in distributions to the Trust's unitholders.

## Nine Months Ended September 30, 2023 and 2022

### Financial Review

	Nine Months Ended September 30,	
	2023	2022
Royalty income	\$2,982,346	\$2,971,601
Interest income	75,351	6,568
General and administrative expense	(151,479)	(178,613)
Income available for distribution prior to cash reserves withheld for Trust expenses	2,906,218	2,799,556
Cash reserves withheld for Trust expenses	(300,000)	(184,500)
Distributable income	\$2,606,218	\$2,615,056

**Royalty and Interest Income.** The Trust's Royalty income was \$2,982,346 for the nine months ended September 30, 2023, as compared to \$2,971,601 for the nine months ended September 30, 2022. The majority of the Royalty income received in the nine months ended September 30, 2023 and 2022 was from Hilcorp. The increase in Royalty income was primarily a result of increases in pricing for natural gas as reported by Hilcorp, increases in net production for natural gas and natural gas liquids for Hilcorp, decreases in capital expenditures for natural gas, natural gas liquids and oil and condensate for Hilcorp and decreases in operating expense for natural gas liquids and oil and condensate for Hilcorp, offset in part by decreases in pricing for natural gas liquids and oil and condensate as reported by Hilcorp and increases in operating expense for natural gas for Hilcorp, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

The Trust's interest income for the nine months ended September 30, 2023 and 2022 was \$75,351 and \$6,568, respectively. The increase in interest income received by the Trust was primarily a result of increases to the United States Prime Rate in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022. In accordance with the Trust Indenture and as explained below, interest on cash on hand was paid at a rate equivalent to a 6.00% annualized return from January 1, 2023 through February 1, 2023, a 6.25% annualized return from February 2, 2023 through March 22, 2023, a 6.50% annualized return from March 23, 2023 through May 3, 2023, a 6.75% annualized return from May 4, 2023 through July 25, 2023 and a 7.00% annualized return from July 26, 2023 through September 30, 2023.

**General and Administrative Expense.** General and administrative expense was \$151,479 and \$178,613 for the nine months ended September 30, 2023 and 2022, respectively. The Trustee's fees are included in general and administrative expense. The decrease for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022 was primarily a result of the timing of expenses received and paid by the Trust.

For the nine months ended September 30, 2023, the Trustee was due \$356,250 for its services. The Trust paid \$324,865 of this amount to the Trustee, and \$31,385 was allocated to offset against interest due to the Trust under the Trust Indenture. The Trust Indenture requires that cash being held by the Trustee earn interest at 1.5% below the prime rate, which would have yielded the Trust a 6.00% annualized return from January 1,



2023 through February 1, 2023, a 6.25% annualized return from February 2, 2023 through March 22, 2023, a 6.50% annualized return from March 23, 2023 through May 3, 2023, a 6.75% annualized return from May 4, 2023 through July 25, 2023 and a 7.00% annualized return from July 26, 2023 through September 30, 2023. However, due to the current interest rate environment, the Trustee was unable to obtain an account in which such an interest rate was available. In the event such an interest rate is unavailable in the future, the Trustee intends to allocate certain of its fees due to the Trust to meet the minimum interest rate payable under the Trust Indenture. In future periods, the Trustee will continue to allocate a portion of the fees earned for its services to the Trust until all remaining interest due to the Trust is fully offset.

**Unreimbursed Expenses and the Contingent Reserve.** The Working Interest Owners partially reimburse the Trust each quarter for amounts paid in connection with the Trustee's services. For the nine months ended September 30, 2023, the Trustee's fees were \$324,865 and the Working Interest Owners reimbursed a sum of \$287,691 to the Trustee, which was the same amount reimbursed for the nine months ended September 30, 2022. As of each of the nine-month periods ended September 30, 2023 and 2022, there were \$0 of unreimbursed expenses.

The terms of the Trust Indenture provide, among other things, that the Trustee may establish cash reserves and borrow funds to pay liabilities of the Trust, and may pledge assets of the Trust to secure payment of the borrowings in accordance with the Trust Indenture. At any given time, the amount reserved for such future unknown contingent liabilities and expenses (such cumulative withholding being the "Contingent Reserve") is included in cash and short-term investments. The Trustee utilizes the Contingent Reserve in its discretion in accordance with the Conveyance, and adjusts the balance of the Contingent Reserve as necessary when funds are added or removed. The net effects of such adjustments for the nine months ended September 30, 2023 resulted in the balance of the Contingent Reserve being equal to \$1,213,837 as of September 30, 2022 and equal to \$1,644,560 as of September 30, 2023. The Trustee intends to increase the Contingent Reserve to a total of \$2.0 million.

**Distributable Income Available for Distribution.** The portion of the Trust's distributable income available for distribution each period includes the Royalty income received from the Working Interest Owners during such period, plus interest income earned to the date of distribution (if any) and increases or withdrawals from the Contingent Reserve (if any). Distributable income available for distribution for the nine months ended September 30, 2023 was \$2,558,826, representing \$1.3731 per unit, as compared to \$2,610,718, representing \$1.4009 per unit, for the nine months ended September 30, 2022.

## **Operational Review**

### **Global Oil Market Impact in 2023**

Ongoing uncertainty around production from Russia and actions of OPEC create volatility that continues to affect the oil and gas industry and market prices. Average oil and gas prices during the first, second and third quarters of 2023 generally declined compared to quarterly average prices during 2022. Oil prices have been impacted by certain actions by OPEC+, uneven global supply and demand trends, Russia's invasion into Ukraine and heightened geopolitical risks in the Middle East, among other factors. Global and domestic natural gas markets have experienced volatility due to macroeconomic conditions, infrastructure and logistical constraints, weather, and geopolitical issues, among other factors. If commodity prices for crude oil and natural gas fall or remain volatile, monthly distributions to unitholders could be substantially reduced or there may be no distributions in future periods. Additionally, inflation remains high and continues to increase the cost of labor and supplies. Changes in economic conditions, including rising interest rates and lower global economic activity, could result in additional shifts in demand and supply in

future periods. The sharp increases in inflation and interest rates coupled with supply chain disruptions are expected to increase expenses for Working Interest Owners and are expected to have an adverse impact on Royalty income during 2023.

### **Hugoton Royalty Properties**



Natural gas and natural gas liquids production attributable to the Hugoton Royalty Properties accounted for none of the Royalty income of the Trust during the nine months ended September 30, 2023.

	Nine Months Ended September 30,	
	2023	2022
Royalty income attributable to Hugoton Royalty Properties	\$ —	\$ 793,004
Operating costs attributable to Hugoton Royalty Properties	\$1,315,846	\$1,238,471

*Capital expenditures attributable to Hugoton Royalty Properties* were \$99,519 and \$56,555 for the nine months ended September 30, 2023 and 2022, respectively. *Royalty Income.* Royalty income attributable to the Hugoton Royalty Properties decreased to \$0 for the nine months ended September 30, 2023 from \$793,004 for the same period in 2022. The decrease was primarily a result of actual expenses being greater than actual revenues for the nine months ended September 30, 2023, as reported by Scout. The Trustee is in ongoing discussions with Scout regarding financial and operational information required to be delivered to the Trustee for purposes of timely disclosures by the Trust. In addition, with the assistance of a third party consultant, the Trust has requested information and is reviewing certain of Scout's financial and operational statements and the Net Proceeds payable by Scout to the Trust.

*Operating Costs and Capital Expenditures.* Operating costs reported on these properties were \$1,315,846 during the nine months ended September 30, 2023, an increase of approximately 6%, as compared to \$1,238,471 during the nine months ended September 30, 2022. Capital expenditures attributable to the Hugoton Royalty Properties were \$99,519 during the nine months ended September 30, 2023, an increase of approximately 76%, as compared to \$56,555 during the nine months ended September 30, 2022. The increase was primarily due to the costs associated with preparing bypassed hydrocarbon bearing zones in wells and producing natural gas and natural gas liquids from these wells.

	Nine Months Ended September 30,					
	2023			2022		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price	\$ 4.12	\$ 15.91	\$ —	\$ 6.21	\$ 26.09	\$ —
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Actual production volumes attributable to the Royalty paid for Hugoton Royalty Properties	233,534	17,102	—	277,817	14,218	—
Net production volumes attributable to the Royalty paid for Hugoton Royalty Properties	23	—	—	106,951	4,941	—

#### San Juan Basin Royalty Properties

##### San Juan Basin — Colorado Properties

	Nine Months Ended September 30,	
	2023	2022
Royalty income attributable to San Juan Basin — Colorado Properties	\$65,082	\$ —

*Operating costs attributable to San Juan Basin — Colorado Properties* were \$56,062 and \$123,852 for the nine months ended September 30, 2023 and 2022, respectively. *Royalty Income.* Royalty income from the San Juan Basin — Colorado Royalty Properties was \$65,082 for the nine months ended September 30, 2023, as compared to \$0 during the same period in 2022. The lack of Royalty income for the nine months ended June 30, 2022 was primarily a result of prior period adjustments reported by Simcoe in 2021 that were recovered by Simcoe by withholding the Net Proceeds that would otherwise be payable to the Trust in the nine months ended June 30, 2022. In March 2023, Simcoe informed the Trustee that Simcoe performed a true-up of its production for the periods of 2020 through 2022, and a true-up report was received by the Trustee. Net Proceeds from the San Juan Basin — Colorado Properties operated by Simcoe were received by the Trust, indicating that the Trust was no longer in a deficit position with Simcoe at that time. In June 2023, Simcoe informed the Trustee that the true-up previously performed by Simcoe included revenues only and did not include any true-up for joint interest billing amounts.

The result is that the Trust remains in a deficit position with Simcoe as of the nine months ended September 30, 2023. Of the total Net Proceeds received from the San Juan Basin — Colorado Properties for the nine months ended September 30, 2023, \$41,876 was received from the San Juan Basin — Colorado Properties operated by Red Willow. Because of the adjustments reported by Simcoe, the amounts of Net Proceeds reported during the nine months ended September 30, 2023 for the San Juan Basin — Colorado Properties operated by Simcoe may not be representative of Net Proceeds that will be received in future quarters. In addition, with the assistance of a third party consultant, the Trust will commence a review of certain of Simcoe's financial and operational statements and the Net Proceeds payable by Simcoe to the Trust.

**Operating Costs.** Operating costs as reported by Simcoe and Red Willow on these properties were \$56,062 during the nine months ended September 30, 2023, as compared to \$123,852 during the nine months ended September 30, 2022. The decrease in the nine months ended September 30, 2023 was primarily due to the timing of the billing for water included in Simcoe's joint interest billing in the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2023.

	Nine Months Ended September 30,					
	2023			2022		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price <sup>(1)</sup>	\$ 0.38	\$ 0.77	\$ —	\$ 0.89	\$ 0.62	\$ —
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Actual production volumes attributable to the Royalty paid for San Juan Basin – Colorado Properties	642,903	4,777	—	233,546	2,375	—
Net production volumes attributable to the Royalty						

(1) Per information provided by Simcoe, Simcoe pays Working Interest Owners on the same blended Weighted Average Sales Price ("WASP") (fixed plus market) that Simcoe receives from their purchaser. WASP is defined as: for each delivery point, a price per MMBtu for each month equal to gas proceeds less transportation costs, divided by the total number of first of month baseload MMBtus of gas sold at such delivery point. Sales prices received by Simcoe may be lower than current market prices which may result in less than current market average gas prices received by the Trust.

#### San Juan Basin — New Mexico Properties

	Nine Months Ended September 30,	
	2023	2022
Royalty income attributable to San Juan Basin – New Mexico Properties	\$2,917,264	\$2,178,597
Operating costs attributable to San Juan Basin – New Mexico Properties	\$ 945,844	\$1,030,450
Capital expenditures attributable to San Juan Basin – New Mexico		

**Royalty Income.** Royalty income from the San Juan Basin — New Mexico Properties was \$2,917,264 for the nine months ended September 30, 2023, as compared to \$2,178,597 during the same period in 2022, an increase of approximately 34%. The increase in Royalty income was primarily a result of increases in pricing reported for natural gas, increases in net production for

natural gas and natural gas liquids, decreases in capital expenditures for natural gas, natural gas liquids and oil and condensate and decreases in operating expense for natural gas liquids and oil and condensate, offset in part by decreases reported in pricing for natural gas liquids and oil and condensate and increases in operating expense for natural gas, in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

**Operating Costs and Capital Expenditures.** Operating costs were \$945,844 during the nine months ended September 30, 2023, a decrease of approximately 8%, as compared to \$1,030,450 during the nine months ended September 30, 2022.

25

Capital expenditures on these properties were \$50,891 during the nine months ended September 30, 2023, a decrease of approximately 50%, as compared to \$101,205 during the nine months ended September 30, 2022. The decrease was due primarily to lower operator revenue available to perform capital work in 2023, as compared to the nine months ended September 30, 2022.

	Nine Months Ended September 30,					
	2023			2022		
	Natural Gas	Natural Gas Liquids	Oil and Condensate	Natural Gas	Natural Gas Liquids	Oil and Condensate
Average sales price	\$ 7.10	\$ 27.52	\$66.11	\$ 6.50	\$ 50.32	\$91.31
	(Mcf)	(Bbls)	(Bbls)	(Mcf)	(Bbls)	(Bbls)
Actual production volumes attributable to the Royalty paid for San Juan Basin – New Mexico Properties	438,153	27,087	892	297,415	26,106	1,015
Net production volumes attributable to the Royalty paid for San Juan Basin – New Mexico Properties	332,708	18,786	591	196,842	16,723	639

The Trustee, acting pursuant to the Trust indenture, may withhold Royalty income for future unknown contingent liabilities and expenses, such cumulative withholding referred to as the Contingent Reserve. The Trustee reserves the right to determine whether or not to increase or release cash reserves in future periods

19

with respect to any reimbursement expenses. At any given time, the Contingent Reserve is included in cash and short-term investments.

The Trustee may establish and increase cash reserves as permitted by the Trust Indenture. The Trustee has recently evaluated the adequacy of the Contingent Reserve based on the likelihood of future regular receipts of Royalty income from the Royalty Properties, volatility in commodity prices and other market conditions affecting Royalty income, and the anticipated costs and expenses related to the future termination of the Trust. On the basis of this evaluation, the Trustee intends to increase the Contingent Reserve to a total of \$2.0 million, which will reduce Net Proceeds available to the Trust and distributions to Trust unitholders. The amount and timing of the addition to the Contingent Reserve will be determined by the Trustee on a monthly basis and is expected to vary in future periods depending on circumstances at the time. The Trustee intends to continue to evaluate the adequacy of the Contingent Reserve and may at any time, without notice to the unitholders, increase or decrease the amount of the Contingent Reserve based on this ongoing evaluation. Future filings by the Trust with the SEC will include information regarding the Trustee's evaluation of cash reserves and funding of the Contingent Reserve.

In recent periods, substantial accumulated excess production costs have decreased Trust income and distributions, and in some months resulted in no Trust distributions. There can be no assurance that the Trust will receive additional Royalty income adequate to fund the Contingent Reserve and to provide sufficient liquidity for the Trust.

The Trust may be unable to pay future distributions to unitholders if future Royalty income is less than the amount required to fund the increase in the Contingent Reserve. Even if the Trust receives payments for

26

the Royalty during the remainder of 2023 2024 and beyond, unitholders may not receive any material distributions during such periods, because the Trust would need to withhold funds to first add to the cash reserve before making distributions to unitholders.

See Note 6 to the Financial Statements (Unaudited) in Item 1 for a discussion of the Contingent Reserve.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

### Item 4. Controls and Procedures.

*Evaluation of Disclosure Controls and Procedures.* The Trustee maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated by the Working Interest Owners to The Bank of New York Mellon Trust Company, N.A., as Trustee of the Trust, and its employees who participate in the preparation of the Trust's periodic reports as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Trust officer acting on behalf of the Trustee responsible for the administration of the Trust conducted an evaluation of the Trustee's disclosure controls and procedures. The officer acting on behalf of the Trustee concluded that the Trust's disclosure controls and procedures were effective with respect to the Trustee and its employees.

20

Due to the contractual arrangements of (i) the Trust Indenture and (ii) the rights of the Trust under the Conveyance regarding information furnished by the Working Interest Owners, the Trustee relies on information provided by the Working Interest Owners, including (i) the status of litigation, (ii) historical operating data, plans for future operating and capital expenditures and reserve information, (iii) information relating to projected production, and (iv) conclusions regarding reserves by their internal reserve engineers or other experts in good faith. See Part II Item 1A. "Other Information — Risk Factors — Trust unitholders and the Trustee have no control over the operation or development of the Royalty Properties" and "The Trustee relies upon the Working Interest Owners for information regarding the Royalty Properties" in the Trust's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for a description of certain risks relating to these arrangements and reliance, including filings such as this filing outside the time periods specified notwithstanding effective disclosure controls and procedures, of the Trustee regarding information under its control.

The officer acting on behalf of the Trustee has not conducted a separate evaluation of the disclosure controls and procedures with respect to information furnished by the Working Interest Owners. The Trustee notes that it is conducting an ongoing review of certain information and

calculations by the Working Interest Owners, along with an outside joint venture auditor. Owners. See "Trustee's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" under Part II, Item 7 of the Trust's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for information concerning controls and procedures with respect to the Royalty and information related to the Trustee's review of certain information and calculations by the Working Interest Owners.

*Changes in Internal Control over Financial Reporting.* In connection with the evaluation by the Trustee of changes in internal control over financial reporting of the Trust that occurred during the Trust's last fiscal quarter, no change in the Trust's internal control over financial reporting was identified that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, has not evaluated and makes no statement concerning the internal control over financial reporting of the Working Interest Owners.

## PART II—OTHER INFORMATION

## Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Trust is a named party. The Trustee has been advised by each of the Working Interest Owners that the Trust may be subject to litigation in the ordinary course of business for certain matters that include the Royalty Properties. While each of the Working Interest Owners has advised the Trustee that it does not currently believe any of the pending litigation will have a material adverse effect net to the Trust, in the event such matters were adjudicated or settled in a material amount and charges were are made against Royalty income, such charges could have a material impact on future Royalty income.

## Item 1A. Risk Factors.

For a discussion of the Trust's potential risks and uncertainties, please see "Risk Factors" in Part I, Item 1A of the Trust's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. During the quarter ended September 30, 2023 March 31, 2024, there was no material change in such risk factors.

## Item 5. Other information.

*Rule 10b5-1 Trading Plans.* During the three months ended March 31, 2024, no officer or employee of the Trustee who performs policy-making functions for the Trust adopted, modified, or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K, with respect to the Trust units.

## Item 6. Exhibits.

Exhibit Number		SEC File or Registration Number	Exhibit Number
4(a)*	*Mesa Royalty Trust Indenture between Mesa Petroleum Co. and Texas Commerce Bank National Association, as Trustee, dated November 1, 1979	2-65217	1(a)
4(b)*	*Form of Overriding Royalty Conveyance between Mesa Petroleum Co. and Texas Commerce Bank, as Trustee, dated November 1, 1979	2-65217	1(b)
4(c)*	*First Amendment to the Mesa Royalty Trust Indenture dated as of March 14, 1985 (Exhibit 4(c) to Form 10-K for year ended December 31, 1984 of Mesa Royalty Trust)	1-7884	4(c)
4(d)*	*Form of Assignment of Overriding Royalty Interest, effective April 1, 1985, from Texas Commerce Bank National Association, as Trustee, to MTR Holding Co. (Exhibit 4(d) to Form 10-K for year ended December 31, 1984 of Mesa Royalty Trust)	1-7884	4(d)
4(e)*	*Purchase and Sale Agreement, dated March 25, 1991, by and among Mesa Limited Partnership, Mesa Operating Limited Partnership and ConocoPhillips, as amended on April 30, 1991 (Exhibit 4(e) to Form 10-K for year ended December 31, 1991 of Mesa Royalty Trust)	1-7884	4(e)
31	<a href="#">Certification furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>		

Exhibit Number		SEC File or Registration Number	Exhibit Number
32	<a href="#">Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>		

- \* Previously filed in paper format with the Securities and Exchange Commission and incorporated herein by reference.

29 23

#### SIGNATURES

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.

**Mesa Royalty Trust**

By: The Bank of New York Mellon Trust  
Company, N.A., as Trustee

By:

**Mesa Royalty Trust**

By: The Bank of New York Mellon Trust  
Company, N.A., as Trustee

By: /s/ ELAINA RODGERS

Elaina Rodgers  
Vice President & Trust Officer

Date: November 14, 2023 May 15, 2024

The Registrant, Mesa Royalty Trust, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available, and none have been provided.

## CERTIFICATION

I, Elaina Rodgers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mesa Royalty Trust, for which The Bank of New York Mellon Trust Company, N.A., 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)), or for causing such controls and procedures to be established and maintained, 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 its 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 in accordance with the basis of accounting described in Note 2;
  - (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 any persons who have a significant role in the registrant's internal control over financial reporting.

In giving the foregoing certifications in paragraphs 4 and 5, I have relied to the extent I consider reasonable on information provided to me by the Working Interest Owners.

Date: November 14, 2023 May 15, 2024

/s/ Elaina Rodgers ELAINA RODGERS

Elaina Rodgers,  
Vice President and Trust Officer  
The Bank of New York Mellon Trust  
Company, N.A.

November 14, 2023 May 15, 2024

Via EDGAR  
Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



Re: Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

In connection with the Quarterly Report of Mesa Royalty Trust (the "Trust") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, not in her individual capacity but solely as the trustee of the Trust, certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust at the dates and for the periods presented.

The above certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Trustee For Mesa Royalty Trust TRUSTEE FOR MESA ROYALTY TRUST

By: /s/ Elaina Rodgers ELAINA RODGERS

Elaina Rodgers  
Vice President and Trust Officer

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