

Mesa Royalty Trust Improved Distribution Declared

<i>Symbol</i>	MTR	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	12
<i>Rating</i>	None	<i>North American Natural Gas/Ebitda (%)</i>	72
<i>Price (US\$/sh)</i>	64.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/19/05	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Shares (mm)</i>	1.86	<i>EV/Ebitda</i>	10.0
<i>Market Capitalization (US\$mm)</i>	120	<i>PV/Ebitda</i>	9.3
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	120	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.74
<i>Present Value (PV) (US\$mm)</i>	112	<i>Present Value Proven Reserves(US\$/boe)</i>	15.90
<i>Net Present Value (US\$/unit)</i>	60	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.65
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	5.67
<i>McDep Ratio - EV/PV</i>	1.08	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	8.8	<i>Distribution Next Twelve Months (US\$/sh)</i>	5.67

Note: Estimated cash flow and earnings tied to one-year futures prices for natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary

Sensitive to the trend of distributions, stock price of small cap **Mesa Royalty Trust (MTR)** seems due for an advance. Investors in MTR will see a distribution of \$0.46 a unit for July, up from \$0.39 for June. The jump follows second quarter distributions that were lower than expected. Until the latest month, recent distributions lagged peers (see chart Monthly Distributions). Details of second quarter operations have not yet been disclosed. The natural gas income stream is backed by a reported 14 year life index for the Hugoton field of Kansas and longer for the San Juan Basin of New Mexico. In our estimate of an 8.8% distribution yield for the next twelve months the futures price of natural gas is less than \$8 a million Btu compared to the oil equivalent (5:1) of almost \$12 (see table Next Twelve Months Operating and Financial Performance). The stock is thinly traded and royalty trusts have different tax consequences than operating companies.

Kurt H. Wulff, CFA

(For more background, see Mesa Royalty Trust archived under Stock Ideas on www.mcdep.com. Scroll to the bottom of the page and look under Income.)

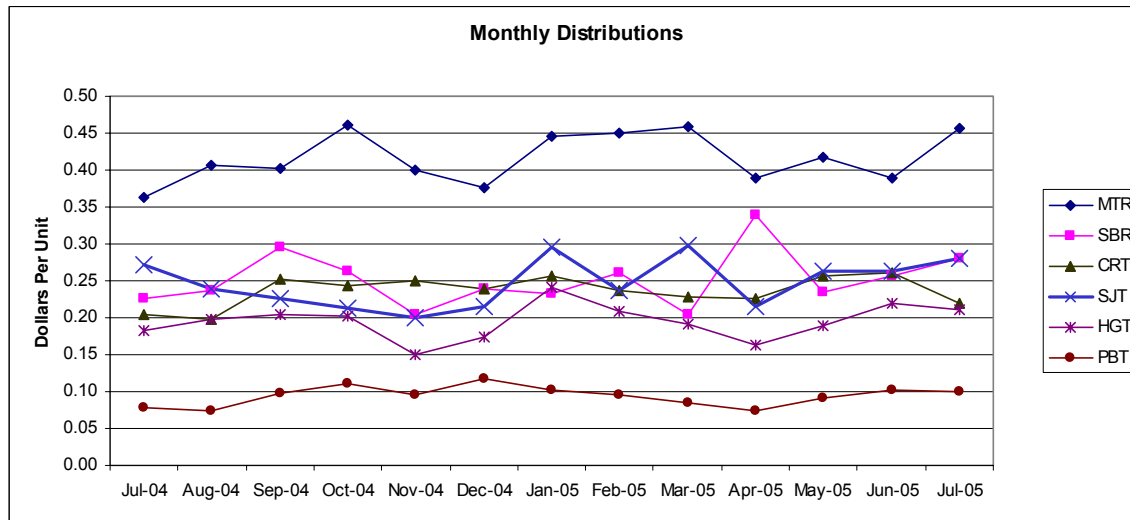
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Single Trust Analysis

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Mesa Royalty Trust Next Twelve Months Operating and Financial Performance

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
Volume (90% of working interest)										
Natural Gas (bcf)	0.44	1.77	0.41	0.38	0.40	0.40	1.58	0.40	0.38	1.57
Natural Gas (mmcf)	4.8	4.8	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Days	92	366	92	89	92	92	365	92	89	365
Oil (mmb)	0.02	0.09	0.02	0.02	0.02	0.02	0.09	0.02	0.02	0.09
Oil (mbd)	0.26	0.26	0.24	0.24	0.24	0.24	42.19	0.24	0.24	0.24
Total (bcfe)	0.58	2.33	0.54	0.51	0.53	0.53	2.12	0.53	0.51	2.11
Total (mmcf)	6.3	6.4	5.9	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Price (Henry Hub and WTI Cushing lagged two months)										
Henry Hub (\$/mmbtu)	5.64	5.74	7.23	6.64	6.64	7.71	7.06	8.69	8.58	7.90
Differential (\$/mmbtu)	0.57	0.81	1.24	1.38	1.38	1.60	1.39	1.72	1.70	1.60
Company (\$/mcf)	5.07	4.93	5.99	5.26	5.26	6.11	5.66	6.97	6.88	6.30
WTI Cushing (\$/bbl)	48.04	39.07	46.17	51.70	54.53	58.30	52.67	59.52	59.76	58.03
Differential	17.76	13.23	12.66	14.18	14.96	15.99	14.44	16.32	16.38	15.92
Company (\$/bbl)	30.27	25.84	33.51	37.52	39.58	42.31	38.23	43.20	43.38	42.11
Total (\$/mcfe)	5.06	4.78	5.89	5.51	5.60	6.35	5.84	7.03	6.97	6.48
Revenue (\$mm)										
Natural Gas	2.22	8.71	2.45	2.01	2.08	2.42	8.96	2.76	2.63	9.89
Oil	0.73	2.44	0.76	0.82	0.89	0.95	3.42	0.97	0.95	3.77
Total	2.95	11.15	3.21	2.83	2.97	3.37	12.38	3.73	3.58	13.65
Expense	0.39	1.59	0.33	0.22	0.26	0.38	1.19	0.49	0.44	1.57
Ebitda	2.56	9.56	2.87	2.61	2.71	2.99	11.19	3.24	3.14	12.08
Development (90%)	0.25	0.71	0.34	0.36	0.36	0.36	1.42	0.36	0.36	1.44
Royalty Income										
Hugoton	1.17	4.82	1.39	1.15						-
San Juan	1.15	4.03	1.15	1.09						-
Total Royalty Income	2.32	8.86	2.54	2.25	2.35	2.63	9.77	2.88	2.78	10.64
Administrative	0.01	0.04	0.02	0.02	0.02	0.02	0.08	0.02	0.02	0.08
Distributable Income (\$mm)	2.31	8.81	2.52	2.23	2.33	2.61	9.69	2.86	2.76	10.56
Per Unit (\$)	1.24	4.73	1.35	1.20	1.25	1.40	5.20	1.54	1.48	5.67
Units (millions)	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86
Ebitda Margin	87%	86%	90%	92%	91%	89%	90%	87%	88%	88%

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