

## Tax Information Per Unit

## Third Quarter Report 2022

### MONTHLY DISTRIBUTIONS PAID ON: (\$/UNIT EXCEPT COST DEPLETION FACTORS)

	August 12, 2022	September 15, 2022	October 17, 2022	Total
Gross income.....	\$ 0.091403	\$ 0.114890	\$ 0.071648	\$ 0.277941
Less severance taxes.....	(0.013438)	(0.017218)	(0.011264)	(0.041920)
Interest income.....	0.000000	0.000019	0.000065	0.000084
Less administration expenses.....	(0.000577)	(0.000883)	(0.001847)	(0.003307)
Reconciling items.....	(0.008689)	0.000000	0.000000	(0.008689)
Net cash distribution.....	\$ 0.068699	\$ 0.096808	\$ 0.058602	\$ 0.224109
Cost depletion factors:				
Kansas - 80% .....	0.000000	0.000000	0.077126	0.077126
Oklahoma - 80% .....	0.015087	0.015823	0.013469	0.044379
Wyoming - 80% .....	0.014840	0.022068	0.010274	0.047182

Unitholders owning units in nominee name may obtain monthly tax information from the Trustee upon request or from the Trust's website at [www.hgt-hugoton.com](http://www.hgt-hugoton.com).

Hugoton Royalty Trust 2911 Turtle Creek Blvd, Ste 850, Dallas, TX 75219  
855.588.7839 · Simmons Bank, Trustee · [www.hgt-hugoton.com](http://www.hgt-hugoton.com)



## To Unitholders:

For the quarter ended September 30, 2022, net profits income was \$9,440,853, as compared to \$0 for third quarter 2021 primarily due to higher oil and gas prices (\$11.4 million), and net excess costs activity (\$4.4 million), partially offset by decreased oil and gas production (\$4.4 million), increased production expenses (\$1.0 million), increased taxes, transportation and other costs (\$0.7 million), increased development costs (\$0.2 million), and increased overhead (\$0.1 million).

After adding interest income of \$3,364, increasing the expense reserve \$347,549, and deducting administration expense of \$132,309, distributable income for the quarter ended September 30, 2022 was \$8,964,359, or \$0.224109 per unit of beneficial interest. Administration expense for the quarter decreased \$111,815 as compared to the prior year quarter, primarily related to the timing of receipt and payment of Trust expenses and terms of professional services. Changes in interest income are attributable to fluctuations in net profits income, cash reserve and interest rates. For third quarter 2021, distributable income was \$0, or \$0.000000 per unit.

### Liquidity and Going Concern

The accompanying condensed financial statements have been prepared assuming that the Trust will continue as a going concern. Financial statements prepared on a going concern basis assume the realization of assets and the settlement of liabilities in the normal course of business. Between April 2018 and October 2020, accumulated excess costs for the Kansas, Oklahoma and Wyoming conveyances resulted in insufficient net proceeds to the Trust versus its current and anticipated expenses and a reduction in the Trust's expense reserve to zero. Following depletion of the expense reserve, ongoing expenses and accumulated excess costs continued to result in no net proceeds to the Trust through February 2022. These conditions raised substantial doubt about the Trust's ability to continue as a going concern as the Trust did not have sufficient cash to meet its obligations during the one year period after the dates that the financial statements were issued. Factors attributable to the cash shortage were primarily the previously disclosed development costs to drill four horizontal wells in Major County, Oklahoma, lower oil and gas prices during 2019 and 2020, and excess cost positions on the Kansas, Oklahoma and Wyoming conveyances which resulted in no unitholder distributions since March 2018. All conveyances have now received enough net profits income to recoup all of the excess costs in those conveyances plus the accrued interest. The net profits income received was also sufficient to reimburse Simmons Bank for the administrative expenses that it advanced after the expense reserve was depleted in October 2020 and fund the expense reserve. As of the July 2022 distribution announcement, the expense reserve has been replenished to \$1,000,000. The Trustee does not currently anticipate any increase to the cash reserve in 2022. On May 18, 2021, the arbitration panel issued its second interim final award over the amount of XTO Energy's settlement in the *Chieftain* class action lawsuit that can be charged to the Trust as a production cost which XTO Energy has estimated to be approximately \$14.6 million net to the Trust after the arbitration panel has determined the remaining

claims and issued its final award. This adjustment would likely result in the Oklahoma conveyance returning to an excess cost position for a period of time. Excess costs on the Oklahoma conveyance would not affect net proceeds to the Trust from the Kansas or Wyoming conveyances. The Trustee has prepared a preliminary budget estimating the administrative expenses for the year ending December 31, 2022 and the eleven months ending November 30, 2023 which assumes no cash inflow from net profits income other than the payments received from March 2022 through October 2022 totaling approximately \$14,921,000. Based on the above assumptions, the Trustee believes that the Trust would be able to meet its financial obligations for the one-year period after the financial statements are issued.

During the period of time in which the Trust received no net profits income, the Trustee reviewed the Trust's alternatives to continuing as a going concern, which included a potential sale of the Trust's assets and/or termination of the Trust. On July 2, 2021, the Trustee announced that it had entered into a purchase and sale agreement with XTO Energy pursuant to which XTO Energy would acquire for \$6,600,000 in cash the net overriding royalty interest created pursuant to the net profits interest conveyances held by the Trust and certain other assets constituting substantially all of the assets of the Trust.

The consummation of the sale of the assets was subject to the satisfaction of customary closing conditions, including approval of the sale from holders of units of beneficial interest in the Trust ("Units") holding Units representing eighty percent (80%) or more of all Units outstanding, or a final judicial determination authorizing the Trustee to consummate the sale of the assets. The Trustee held a Special Meeting of unitholders on December 10, 2021 for the purpose of approving the sale of assets. The sale was not approved by unitholders.

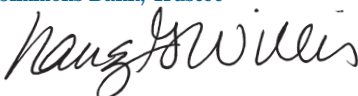
Execution of the purchase and sale agreement followed a process previously announced by the Trust whereby the Trustee had engaged a third party to market the Trust's assets.

Effective August 22, 2022, the Trustee and XTO Energy mutually agreed to terminate the purchase and sale agreement. As a result of the termination, the Trustee refunded the deposit paid by XTO Energy, together with interest.

Please see Note 3 to the Condensed Financial Statements included in the Trust's Form 10-Q filing for quarter ending September 30, 2022, for information regarding the arbitration proceeding relating to the *Chieftain* class action royalty case.

This letter, and all communications to unitholders, includes information provided to the Trustee by XTO Energy Inc.

**Hugoton Royalty Trust**  
By: **Simmons Bank, Trustee**



By: **Nancy Willis**  
**Vice President**

## Hugoton Royalty Trust Financial Statements

### Condensed Statements of Assets, Liabilities and Trust Corpus (Unaudited)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Cash and short-term investments <sup>(a)</sup> .....	\$ 3,341,477	\$ 660,000
Interest to be received .....	2,603	--
Net profits interests in oil and gas properties - net.....	--	--
	<b>\$ 3,344,080</b>	<b>\$ 660,000</b>
<b>Liabilities and Trust Corpus</b>		
Distribution payable to unitholders .....	\$ 2,344,080	\$ --
Performance guarantee deposit <sup>(a)</sup> .....	--	660,000
Expense Reserve <sup>(b)</sup> .....	1,000,000	--
Accounts payable to Simmons Bank <sup>(c)</sup> .....	--	1,217,857
Trust corpus (40,000,000 units of beneficial interest authorized and outstanding)	--	(1,217,857)
	<b>\$ 3,344,080</b>	<b>\$ 660,000</b>

(a) As of December 31, 2021, the only cash and short-term investments held by the Trust was the performance guarantee deposit paid by XTO Energy equal to 10% of the purchase price per Section 3.02 of the purchase and sale agreement. Effective August 22, 2022, the Trustee and XTO Energy mutually agreed to terminate the purchase and sale agreement. As a result of the termination, the Trustee refunded the deposit paid by XTO Energy, together with interest.

(b) The expense reserve allows the Trustee to pay its obligations should it be unable to pay them out of the net profits income.

(c) As of December 31, 2021, Simmons Bank, the Trustee, had paid expenses for the Trust, subject to its rights to be indemnified and reimbursed pursuant to the terms of the Trust indenture.

### Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sep. 30		Nine Months Ended Sep. 30	
	2022	2021	2022	2021
Net profits income .....	\$9,440,853	\$ --	\$11,644,580	\$ --
Interest income .....	3,364	--	3,364	--
Total income .....	9,444,217	--	11,647,944	--
Administration expense....	132,309	244,124	465,728	671,798
Cash reserves withheld (used) for Trust expenses	347,549	--	1,000,000	--
Change in accounts payable to Simmons Bank (increase)/decrease .....	--	(244,124)	1,217,857	(671,798)
Distributable income....	\$ 8,964,359	\$ --	\$8,964,359	\$ --
Distributable income per unit (40,000,000 units)	\$0.224109	\$0.000000	\$0.224109	\$0.000000

### Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended Sep. 30		Nine Months Ended Sep. 30	
	2022	2021	2022	2021
Trust corpus, beginning of period .....	\$ --	\$(710,043)	\$(1,217,857)	\$(282,369)
Distributable income .....	8,964,359	--	8,964,359	--
Distributions declared .....	(8,964,359)	--	(8,964,359)	--
Change in accounts payable to Simmons Bank (increase)/decrease .....	--	(244,124)	1,217,857	(671,798)
Trust corpus, end of period	\$ --	\$(954,167)	\$ --	\$(954,167)

These Condensed Financial Statements should be read in conjunction with the Condensed Financial Statements and notes thereto included in the Trust's quarterly report on Form 10-Q for the quarter ended September 30, 2022.