

## Tax Information Per Unit

## Second Quarter Report 2022

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

	May 13, 2022	June 14, 2022	July 15, 2022	Total
Gross income.....	\$ 0.005710	\$ 0.010270	\$ 0.040024	\$ 0.056004
Less severance taxes.....	(0.001149)	(0.001916)	(0.006531)	(0.009596)
Interest income.....	0.000000	0.000000	0.000000	0.000000
Less administration expenses.....	(0.000805)	(0.002614)	(0.000731)	(0.004150)
Reconciling items.....	(0.003756)	(0.005740)	(0.032762)	(0.042258)
Net cash distribution .....	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Cost depletion factors:				
Kansas - 80% .....	0.000000	0.000000	0.000000	0.000000
Oklahoma - 80% .....	0.000000	0.000000	0.004496	0.004496
Wyoming - 80% .....	0.007075	0.014064	0.020160	0.041299

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)



# 2<sup>nd</sup> Quarter Report 2022

## Hugoton Royalty Trust

## To Unitholders:

For the quarter ended June 30, 2022, net profits income was \$1,856,317 as compared to \$0 for second quarter 2021 primarily due to higher oil and gas prices (\$5.6 million), increased oil and gas production (\$3.4 million), and decreased development costs (\$1.9 million), partially offset by net excess costs activity (\$7.1 million), increased production expenses (\$0.9 million), increased taxes, transportation and other costs (\$0.9 million), and increased overhead (\$0.1 million).

After adding interest income of \$0, paying off the outstanding payable to Simmons Bank of \$1,037,848, establishing an expense reserve of \$652,451, and deducting administration expense of \$166,018, distributable income for the quarter ended June 30, 2022 was \$0, or \$0.000000 per unit of beneficial interest. Administration expense for the quarter decreased \$720 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 second quarter 2021, distributable income was \$0, or \$0.000000 per unit. **No distributions were made to unitholders for the quarter ended June 30, 2022.**

### 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. Since March 2022, both the Wyoming and Oklahoma conveyances 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. In addition, on May 18,

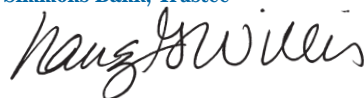
2021, the arbitration panel issued its second interim final award over the amount of XTO Energy's settlement in the *Chieftain* class action lawsuit that can be charged to the Trust as a production cost which XTO Energy has estimated to be approximately \$14.6 million net to the Trust after the arbitration 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, but would not affect the other conveyances. The Trustee has prepared a preliminary budget estimating the administrative expenses for the year ending December 31, 2022 and the eight months ending August 31, 2023 which assumes no cash inflow from net profits income other than the payments received from March 2022 through July 2022 totaling \$5,322,000. 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. The Trustee engaged a third party to market the Trust's assets, and following an extensive marketing period for the assets, on July 2, 2021, the Trustee entered into a purchase and sale agreement for the Trust's assets with the highest bidder, XTO Energy, for a cash purchase price of \$6,600,000 (subject to adjustment as set forth in the purchase and sale agreement). Any material sale of assets and/or termination of the Trust requires unitholder approval by at least 80% of all outstanding units. 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. As of the date hereof, the purchase and sale agreement with XTO Energy remains in effect. There can be no assurances that a sale of the Trust's assets will occur, or if a sale does occur that proceeds under any of the conveyances will produce net proceeds sufficient to allow distributions to the unitholders and if such proceeds are available, there is no assurance when any distribution will be made. The Trust's condensed financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Please see Note 3 to the Condensed Financial Statements included in the Trust's Form 10-Q filing for quarter ending June 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)

	June 30, 2022	December 31, 2021
<b>Assets</b>		
Cash and short-term investments <sup>(a)</sup> .....	\$ 1,312,451	\$ 660,000
Net profits interests in oil and gas properties - net.....	--	--
	<u>\$ 1,312,451</u>	<u>\$ 660,000</u>
<b>Liabilities and Trust Corpus</b>		
Distribution payable to unitholders .....	\$ --	\$ --
Performance guarantee deposit <sup>(a)</sup> .....	660,000	660,000
Expense Reserve <sup>(b)</sup> .....	652,451	--
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)
	<u>\$ 1,312,451</u>	<u>\$ 660,000</u>

(a) Performance guarantee deposit paid by XTO Energy equal to 10% of the purchase price per Section 3.02 of the purchase and sale agreement. In the event of a termination of the purchase and sale agreement (other than due to the failure of XTO Energy to perform any of its material obligations thereunder or a material breach of any representation by XTO Energy), the performance guarantee deposit, together with interest, must be returned to XTO Energy.

(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 June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Net profits income .....	\$1,856,317	\$ --	\$2,203,727	\$ --
Interest income .....	--	--	--	--
Total income .....	<u>1,856,317</u>	<u>--</u>	<u>2,203,727</u>	<u>--</u>
Administration expense....	166,018	166,738	333,419	427,674
Cash reserves withheld (used) for Trust expenses	652,451	--	652,451	--
Change in accounts payable to Simmons Bank (increase)/decrease .....	<u>1,037,848</u>	<u>(166,738)</u>	<u>1,217,857</u>	<u>(427,674)</u>
Distributable income....	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Distributable income per unit (40,000,000 units)	<u>\$0.000000</u>	<u>\$0.000000</u>	<u>\$0.000000</u>	<u>\$0.000000</u>

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

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Trust corpus, beginning of period .....	\$(1,037,848)	\$(543,305)	\$(1,217,857)	\$(282,369)
Change in accounts payable to Simmons Bank (increase)/decrease .....	<u>1,037,848</u>	<u>(166,738)</u>	<u>1,217,857</u>	<u>(427,674)</u>
Trust corpus, end of period.	<u>\$ --</u>	<u>\$(710,043)</u>	<u>\$ --</u>	<u>\$(710,043)</u>

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 June 30, 2022.