

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

	August 13, 2021	September 15, 2021	October 15, 2021	Total
Gross income.....	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Less severance taxes.....	(0.000000)	(0.000000)	(0.000000)	(0.000000)
Interest income.....	0.000000	0.000000	0.000000	0.000000
Less administration expenses.....	(0.001319)	(0.003358)	(0.001426)	(0.006103)
Reconciling items	0.001319	0.003358	0.001426	0.006103
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	0.000000	0.000000
Wyoming - 80%	0.000000	0.000000	0.000000	0.000000

Unitholders owning units in nominee name may obtain monthly tax information from the Trustee upon request or from the Trust's web site at 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



To Unitholders:

For the quarter ended September 30, 2021, net profits income was \$0 compared to \$0 for third quarter 2020 primarily due to higher gas and oil prices (\$6.0 million), and increased oil and gas production (\$0.8 million), offset by net excess costs activity (\$6.2 million), increased taxes, transportation and other costs (\$0.5 million), and increased production expense (\$0.1 million).

After adding interest income of \$0, deducting administration expense of \$244,124, and utilizing cash funded by Simmons Bank of \$244,124 for the payment of Trust expenses, distributable income for the quarter ended September 30, 2021 was \$0 or \$0.000000 per unit of beneficial interest. Administration expense for the quarter increased \$3,858 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 2020, distributable income was \$0 or \$0.000000 per unit. **No distributions were made to unitholders for the quarter ended September 30, 2021.**

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. Increases in excess costs for the Kansas, Oklahoma and Wyoming conveyances have resulted in insufficient net proceeds to the Trust and a reduction in the Trust's expense reserve to zero. These conditions raise substantial doubt about the Trust's ability to continue as a going concern as the Trust does not have sufficient cash to meet its obligations during the one year period after the date the financial statements are issued. Factors attributable to the cash shortage are 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 have resulted in no unitholder distributions since March 2018. In addition, on May 18, 2021, the 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. This adjustment would further increase excess costs on the Oklahoma conveyance. The Trustee has prepared a preliminary budget estimating the administrative expenses for the year ending December 31, 2021 and the eleven months ending November 30, 2022 which assumes no cash inflow from either net profits income or from other sources. The Trustee has sought financing to pay the Trust obligations during the one year period after the date the financial statements are issued, especially now that the expense reserve was depleted in October 2020; however, to date such financing has not become available.

The Trustee is reviewing the Trust's alternatives to continuing as a going concern, which may include a 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). Although the Trustee and XTO Energy have entered into the purchase and sale agreement, there is no assurance that a sale can be completed under the terms of the indenture, or if a sale is completed under the terms of the indenture, that there will be any funds available for distribution to unitholders. Any material sale of assets and/or termination of the Trust requires unitholder approval by at least 80% of all outstanding units. A Special Meeting of the unitholders is scheduled on December 10, 2021 for a vote to approve the sale of the assets. Simmons Bank, as Trustee, is currently paying the expenses for the Trust, subject to its rights to be indemnified and reimbursed pursuant to the terms of the Trust indenture. However, there is nothing in the Trust indenture that requires Simmons Bank to pay the expenses for the Trust. Any funds that Simmons Bank, as Trustee, utilizes to pay expenses of the Trust must be repaid in full (including from proceeds received from a sale of the Trust's assets, if any) before distributions to unitholders could be made. There can be no assurances that a sale of the Trust's assets, if any, 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 1 to the Condensed Financial Statements included in the Trust's Form 10-Q filing for quarter ending September 30, 2021, for additional information regarding the liquidity and going concern of the Trust. Please see Note 4 to the Condensed Financial Statements included in the Trust's Form 10-Q filing for quarter ending September 30, 2021, 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, 2021	December 31, 2020
Assets		
Cash and short-term investments ^(a)	\$ 660,000	\$ —
Net profits interests in oil and gas properties – net	—	—
	<u>\$ 660,000</u>	<u>\$ —</u>
Liabilities and Trust Corpus		
Distribution payable to unitholders	\$ —	\$ —
Performance guarantee deposit ^(a)	660,000	—
Accounts payable to Simmons Bank ^(b)	954,167	282,369
Trust corpus (40,000,000 units of beneficial interest authorized and outstanding)	<u>(954,167)</u>	<u>(282,369)</u>
	<u>\$ 660,000</u>	<u>\$ —</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) Simmons Bank, as Trustee of the Hugoton Royalty Trust, is currently paying the expenses for the Trust, subject to its rights to be indemnified and reimbursed pursuant to the terms of the Trust indenture. This includes reimbursement from proceeds received from a sale of the Trust's assets, if any.

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sep. 30		Nine Months Ended Sep. 30	
	2021	2020	2021	2020
Net profits income	\$ —	\$ —	\$ —	\$ —
Interest income	—	79	—	2,829
Total income	—	79	—	2,829
Administration expense ...	244,124	240,266	671,798	589,724
Cash reserves withheld (used) for Trust expenses	—	(240,187)	—	(586,895)
Cash funded by Simmons Bank for Trust expenses	(244,124)	—	(671,798)	—
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 Sep. 30		Nine Months Ended Sep. 30	
	2021	2020	2021	2020
Trust corpus, beginning of period	\$ (710,043)	\$ —	\$(282,369)	\$ —
Cash funded by Simmons Bank for Trust expenses	(244,124)	—	(671,798)	—
Trust corpus, end of period	<u>\$ (954,167)</u>	<u>\$ —</u>	<u>\$ (954,167)</u>	<u>\$ —</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 September 30, 2021.