

Tax Information Per Unit

First Quarter Report 2022

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

	February 14, 2022	March 14, 2022	April 14, 2022	Total
Gross income.....	\$ 0.000000	\$ 0.000000	\$ 0.010626	\$ 0.010626
Less severance taxes.....	(0.000000)	(0.000000)	(0.001941)	(0.001941)
Interest income.....	0.000000	0.000000	0.000000	0.000000
Less administration expenses.....	(0.001067)	(0.001105)	(0.002013)	(0.004185)
Reconciling items.....	0.001067	0.001105	(0.006672)	(0.004500)
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	0.008652	0.008652

Unit holders 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
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To Unitholders:

For the quarter ended March 31, 2022, net profits income was \$347,410 as compared to \$0 for first quarter 2021 primarily due to increased oil and gas prices (\$8.3 million), decreased taxes, transportation and other costs (\$0.2 million), offset by net excess costs activity (\$6.4 million), increased development costs (\$0.7 million), decreased oil and gas production (\$0.7 million), increased production expenses (\$0.2 million), and increased overhead (\$0.2 million).

After adding interest income of \$0, deducting administration expense of \$167,401, and paying down \$180,009 of the outstanding payable to Simmons Bank, distributable income for the quarter ended March 31, 2022 was \$0 or \$0.000000 per unit of beneficial interest. Administration expense for the quarter decreased \$93,535 from the prior year quarter. Changes in interest income are attributable to fluctuations in net profits income, cash reserve and interest rates. For the first quarter 2021, distributable income was \$0 or \$0.000000 per unit.

No distributions were made to unitholders for the quarter ended March 31, 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. Accumulated 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 March 2022, following recovery of excess costs, including accrued interest under the Wyoming conveyance, the Trust received a payment of \$347,000 under such conveyance which was used to pay the Trust's current monthly expenses and partially repay amounts advanced by Simmons Bank to the Trust for payment of Trust expenses; however, following the application of such payment, Simmons Bank had \$1,038,000 in unreimbursed expenses advanced as of March 31, 2022, to which it is entitled to reimbursement. 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. 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, 2022 and the five months ending May 31, 2023 which assumes no cash inflow from either net profits income or from other sources, other than the payment received in March 2022 and an additional payment received in April 2022 of \$182,000. 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 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. 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. The purchase and sale agreement with XTO Energy remains in effect. Simmons Bank, as Trustee, has paid 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, or proceeds under any of the conveyances) before distributions to unitholders could be made. There can be no assurances that a sale of the Trust's assets, if any, or 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. To the extent proceeds are received by the Trust, the Trustee intends to establish a \$1,000,000 reserve following reimbursement of amounts advanced by Simmons Bank prior to any distributions to unitholders. 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 March 31, 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)

	March 31, 2022	December 31, 2021
Assets		
Cash and short-term investments ^(a)	\$ 660,000	\$ 660,000
Net profits interests in oil and gas properties – net	--	--
	\$ 660,000	\$ 660,000

Liabilities and Trust Corpus

Distribution payable to unitholders	\$ --	\$ --
Performance guarantee deposit ^(a)	660,000	660,000
Accounts payable to Simmons Bank ^(b)	1,037,848	1,217,857
Trust corpus (40,000,000 units of beneficial interest authorized and outstanding) (1,037,848)	(1,217,857)	
	\$ 660,000	\$ 660,000

(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 used to pay administrative expenses in the absence of current month distributions was depleted in October 2020. As a result, Simmons Bank, the Trustee, has paid expenses for the Trust, subject to its rights to be indemnified and reimbursed pursuant to the terms of the Trust indenture. The right to indemnification would include proceeds received from a sale of the Trust's assets, if any.

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31	
	2022	2021
Net profits income	\$ 347,410	\$ --
Interest income	--	--
Total income	347,410	--
Administration expense	167,401	260,936
Cash reserves withheld (used) for Trust expenses	--	--
Change in accounts payable to Simmons Bank (increase)/decrease	180,009	(260,936)
Distributable income	\$ --	\$ --
Distributable income per unit (40,000,000 units)	\$ 0.000000	\$ 0.000000

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31	
	2022	2021
Trust corpus, beginning of period	\$(1,217,857)	\$(282,369)
Change in accounts payable to Simmons Bank (increase)/decrease	180,009	(260,936)
Trust corpus, end of period	\$(1,037,848)	\$(543,305)

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 March 31, 2022.