

Tax Information Per Unit

Third Quarter Report 2023

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

	August 14, 2023	September 15, 2023	October 16, 2023	Total
Gross income	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Less severance taxes.....	(0.000000)	(0.000000)	(0.000000)	(0.000000)
Interest income	0.000113	0.000105	0.000102	0.000320
Less administration expenses	(0.001393)	(0.004055)	(0.003911)	(0.009359)
Reconciling items.....	0.001280	0.003950	0.003809	0.009039
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 3838 Oak Lawn Ave, Suite 1720, Dallas, TX 75219-4518
855.588.7839 • Argent Trust Company, Trustee • www.hgt-hugoton.com



3rd
Quarter Report
2023

To Unitholders:

For the quarter ended September 30, 2023, net profits income was \$0 as compared to \$9,440,853 for third quarter 2022 primarily due to lower gas and oil prices (\$11.0 million), increased development costs (\$5.1 million), decreased gas and oil production (\$0.6 million), and increased overhead (\$0.2 million), partially offset by net excess costs activity (\$5.9 million), decreased taxes, transportation and other costs (\$1.2 million), and decreased production expenses (\$0.4 million).

After adding interest income of \$12,810, and deducting administration expense of \$374,347, and utilizing \$361,537 of the expense reserve to pay Trust expenses, distributable income for the quarter ended September 30, 2023 was \$0, or \$0.000000 per unit of beneficial interest. Administration expense for the quarter increased \$242,038 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 2022, distributable income was \$8,964,359 or \$0.224109 per unit. **No distributions were made to unitholders for the quarter ended September 30, 2023.**

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. 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 three non-operated wells in Major County, Oklahoma, lower oil and natural gas prices during 2023, and excess cost positions on the Kansas, Oklahoma and Wyoming conveyances including accumulated interest, which have resulted in no unitholder distributions since July 2023. 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 twelve months ending September 30, 2024, which assumes no cash inflow from either net profits income or from other sources. The Trustee intends to review options for the Trust which may include alternatives to continuing as a going concern or may include seeking financing to pay the Trust obligations during the one-year period after the date the financial statements are issued; however, there can be no assurance that financing will be available on acceptable terms or at all. If financing became available to the Trust, it would have to be repaid, together with interest, and the Trust's expense reserve would have to be replenished prior to any distributions to unitholders.

On July 9, 2020, the Trustee notified XTO Energy of the Trustee's claim to indemnification to the Trust Estate for all liability, expense, claims, damages or loss incurred by the Trustee in connection with the administration of the Trust. The Trustee stated it anticipates seeking reimbursement from XTO Energy upon depletion of the Trust's cash reserve. XTO Energy responded that any indemnity claim to XTO Energy is premature before the Trust Estate is exhausted. The Trust's 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 September 30, 2023, 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: **Argent Trust Company, Trustee**



By: **Nancy Willis**
Vice President

Hugoton Royalty Trust Financial Statements

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

	September 30, 2023	December 31, 2022
Assets		
Cash and short-term investments.....	\$ 638,463	\$ 2,829,458
Interest to be received.....	—	4,902
Net profits interests in oil and gas properties – net.....	—	—
	<u>\$ 638,463</u>	<u>\$ 2,834,360</u>
Liabilities and Trust Corpus		
Distribution payable to unitholders.....	\$ —	\$ 1,834,360
Expense reserve ^(a)	638,463	1,000,000
Trust corpus (40,000,000 units of beneficial interest authorized and outstanding).....	—	—
	<u>\$ 638,463</u>	<u>\$ 2,834,360</u>

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

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2023	2022	2023	2022
Net profits income	\$ —	\$ 9,440,853	\$ 11,467,914	\$ 11,644,580
Interest income	12,810	3,364	57,458	3,364
Total income	12,810	9,444,217	11,525,372	11,647,944
Administration expense....	374,347	132,309	790,389	465,728
Cash reserves withheld (used) for Trust expenses	(361,537)	347,549	(361,537)	1,000,000
Change in accounts payable to the Trustee				
(increase)/decrease	\$ —	\$ —	\$ —	\$ 1,217,857
Distributable income ..	\$ —	\$ 8,964,359	\$ 11,096,520	\$ 8,964,359
Distributable income per unit (40,000,000 units) ..	\$ —	\$ 0.224109	\$ 0.277413	\$ 0.224109

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2023	2022	2023	2022
Trust corpus, beginning of period.....	\$ —	\$ —	\$ —	\$ (1,217,857)
Distributable income	—	8,964,359	11,096,520	8,964,359
Distributions declared	—	(8,964,359)	(11,096,520)	(8,964,359)
Change in payable to the Trustee				
(increase)/decrease ..	—	—	—	1,217,857
Trust corpus, end of period	\$ —	\$ —	\$ —	\$ —

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, 2023.