

Tax Information Per Unit

First Quarter Report 2024

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

	February 14, 2024	March 14, 2024	April 12, 2024	Total
Gross income.....	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Less severance taxes.....	(0.000000)	(0.000000)	(0.000000)	(0.000000)
Interest income.....	0.000047	0.000037	0.000033	0.000117
Less administration expenses.....	(0.000518)	(0.000696)	(0.004496)	(0.005710)
Reconciling items.....	0.000471	0.000659	0.004463	0.005593
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
855.588.7839 • Argent Trust Company, Trustee • www.hgt-hugoton.com

Hugoton Royalty Trust



1st
Quarter Report
2024

To Unitholders:



For the quarter ended March 31, 2024, net profits income was \$0 compared to \$10,459,753 for first quarter 2023. This was primarily the result of lower gas and oil prices (\$12.7 million), decreased gas production (\$0.8 million), increased production expenses (\$0.6 million), and increased overhead (\$0.2 million), partially offset by decreased taxes, transportation and other costs (\$2.0 million), decreased development costs (\$0.9 million), increased oil production (\$0.6 million), and net excess costs activity (\$0.3 million).

After adding interest income of \$4,678, deducting administration expense of \$228,423, and utilizing \$223,745 of the cash reserve for the payment of Trust expenses, distributable income for the quarter ended March 31, 2024, was \$0 or \$0.000000 per unit of beneficial interest. Administration expense for the quarter decreased \$73,114 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 first quarter 2023, distributable income was \$10,175,760 or \$0.254394 per unit. **No distributions were made to unitholders for the quarter ended March 31, 2024.**

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 dates that the financial statements are issued. Factors attributable to the cash shortage are primarily the previously disclosed development costs to drill four non-operated wells in Major County, Oklahoma, lower

oil and natural gas prices, 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 year ending December 31, 2024, and the five months ending May 31, 2025, 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.

Please see Note 3 to the Condensed Financial Statements included in the Trust's Form 10-Q filing for quarter ended March 31, 2024, 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**
Director of Royalty Trust Services

Hugoton Royalty Trust Financial Statements

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

	March 31, 2024	December 31, 2023
Assets		
Cash and short-term investments.....	\$ 120,303	\$ 344,048
Interest to be received.....	—	—
Net profits interests in oil and gas properties – net.....	—	—
	<u>\$ 120,303</u>	<u>\$ 344,048</u>
Liabilities and Trust Corpus		
Distribution payable to unitholders.....	\$ —	\$ —
Expense reserve ^(a)	120,303	344,048
Trust corpus (40,000,000 units of beneficial interest authorized and outstanding).....	—	—
	<u>\$ 120,303</u>	<u>\$ 344,048</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 March 31	
	2024	2023
Net profits income	\$ —	\$ 10,459,753
Interest income	4,678	17,544
Total income	<u>4,678</u>	<u>10,477,297</u>
Administration expense	228,423	301,537
Cash reserves withheld (used) for Trust expenses	—	—
Change in accounts payable to the Trustee (increase)/decrease	\$ (223,745)	\$ —
Distributable income	<u>\$ —</u>	<u>\$ 10,175,760</u>
Distributable income per unit (40,000,000 units).....	<u>\$ 0.000000</u>	<u>\$ 0.254394</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended March 31	
	2024	2023
Trust corpus, beginning of period.....	\$ —	\$ —
Distributable income.....	—	10,175,760
Distributions declared	—	(10,175,760)
Change in payable to the Trustee (increase)/decrease.....	—	—
Trust corpus, end of period	<u>\$ —</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 March 31, 2024.