

Tax Information Per Unit

Third Quarter Report 2024

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

	August 14, 2024	September 16, 2024	October 15, 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.....	0.000014	0.000054	0.000050	0.000118
Less administration expenses.....	(0.000866)	(0.002329)	(0.001096)	(0.004291)
Reconciling items.....	0.000852	0.002275	0.001046	0.004173
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

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 3838 Oak Lawn Ave, Suite 1720, Dallas, TX 75219
855.588.7839 • Agent Trust Company, Trustee • www.hgt-hugoton.com

Hugoton Royalty Trust



3rd
Quarter Report
2024

To Unitholders:



For the quarter ended September 30, 2024, net profits income was \$0 compared to \$0 for third quarter 2023. This was primarily the result of decreased development costs (\$5.0 million), decreased overhead (\$0.3 million), decreased taxes, transportation and other costs (\$0.3 million), increased oil production (\$0.3 million), and higher oil prices (\$0.1 million), partially offset by net excess costs activity (\$3.5 million), increased production expenses (\$1.5 million), lower gas prices (\$0.7 million) and decreased gas production (\$0.3 million).

After adding interest income of \$4,710, deducting administration expense of \$171,655, and utilizing \$166,945 of the cash reserve for the payment of Trust expenses, distributable income for the quarter ended September 30, 2024, was \$0 or \$0.000000 per unit of beneficial interest. Administration expense for the quarter decreased \$202,692 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 2023, distributable income was \$0 or \$0.000000 per unit. **No distributions were made to unitholders for the quarter ended September 30, 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 which have resulted in no unitholder distributions since July 2023, 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.

The Trustee has prepared a preliminary budget estimating the administrative expenses for the year ending December 31, 2024, and the 11 months ending November 30, 2025, which assumes no cash inflow from either net profits income or from other sources other than the \$500,000 advance distribution received in second quarter 2024 from the Settlement Agreement with XTO Energy. To help control costs, the Trustee has

reviewed all administrative functions and has attempted to reduce or eliminate costs for functions other than those required to comply with SEC regulations or the Trust Indenture; however, there can be no assurance that there will be sufficient funds available to continue such functions in the future. To further reduce administrative costs to the Trust, the Trustee has deferred payment of its monthly fee of approximately \$7,300 since April 2024.

As previously disclosed, the Trustee has reviewed and may in the future review financing as an option to pay 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. Currently the Trustee believes that financing is unlikely to be a viable option for the Trust moving forward. As a result, the Trustee intends to review options for the Trust which may include alternatives to continuing as a going concern such as seeking to terminate the Trust or marketing the Trust's interest (which are Net Profits Interests burdened by excess costs) for a potential sale.

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. Nothing in the Trust Indenture obligates the Trustee to pay for the Trust's expenses if the Trust's expense reserve were to be completely depleted. 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 ended September 30, 2024, for information regarding the arbitration settlement 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)

	September 30, 2024	December 31, 2023
Assets		
Cash and short-term investments.....	\$ 341,467	\$ 344,048
Net profits interests in oil and gas properties – net.....	—	—
	<u>\$ 341,467</u>	<u>\$ 344,048</u>
Liabilities and Trust Corpus		
Distribution payable to unitholders.....	\$ —	\$ —
Expense reserve ^{(a) (b)}	341,467	344,048
Trust corpus (40,000,000 units of beneficial interest authorized and outstanding).....	—	—
	<u>\$ 341,467</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.

(b) Expense reserve partially replenished by one-time distribution of \$500,000 from XTO Energy that was part of the Settlement Agreement between the Trust and XTO Energy.

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2024	2023	2024	2023
Net profits income	\$ —	\$ —	\$ —	\$11,467,914
Interest income	4,710	12,810	11,220	57,458
Total income	4,710	12,810	11,220	11,525,372
Administration expense.	171,655	374,347	513,801	790,389
Cash reserves withheld (used) for Trust expenses	(166,945)	(361,537)	(502,581)	(361,537)
Distributable income ..	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$11,096,520</u>
Distributable income per unit (40,000,000 units) ..	<u>\$ 0.000000</u>	<u>\$0.000000</u>	<u>\$ 0.000000</u>	<u>\$ 0.277413</u>

Condensed Statements of Changes in Trust Corpus (Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2024	2023	2024	2023
Trust corpus, beginning of period.....	\$ —	\$ —	\$ —	\$ —
Distributable income ...	\$ —	\$ —	\$ —	\$ 11,096,520
Distributable declared	\$ —	\$ —	\$ —	\$(11,096,520)
Trust corpus, end of period.	<u>\$ —</u>	<u>\$ —</u>	<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 September 30, 2024.