

Tax Information Per Unit

First Quarter Report 2025

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

| | February 14, 2025 | March 14, 2025 | April 14, 2025 | Total |
|-----------------------------------|-------------------|----------------|----------------|-------------|
| Gross income..... | \$ 0.000000 | \$ 0.000000 | \$ 0.000000 | \$ 0.000000 |
| Less severance taxes..... | (0.000000) | (0.000000) | (0.000000) | (0.000000) |
| Interest income..... | 0.000022 | 0.000021 | 0.000017 | 0.000060 |
| Less administration expenses..... | (0.000327) | (0.002226) | (0.000708) | (0.003261) |
| Reconciling items..... | 0.000305 | 0.002205 | 0.000691 | 0.003201 |
| 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.

1st
Quarter Report
2025



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

To Unitholders:

For the quarter ended March 31, 2025, net profits income was \$0 compared to \$0 for first quarter 2024. This was primarily the result of decreased oil and gas production (\$0.8 million), increased taxes, transportation and other costs (\$0.5 million), and lower gas and oil prices (\$0.4 million), partially offset by net excess costs activity (\$0.8 million), decreased overhead (\$0.4 million), decreased development costs (\$0.3 million), and decreased production expenses (\$0.2 million).

After adding interest income of \$2,407, deducting administration expense of \$130,485, and utilizing \$128,078 of the cash reserve for the payment of Trust expenses, distributable income for the quarter ended March 31, 2025, was \$0 or \$0.000000 per unit of beneficial interest. Administration expense for the quarter decreased \$97,938 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 2024, distributable income was \$0 or \$0.000000 per unit. **No distributions were made to unitholders for the quarter ended March 31, 2025.**

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. However, substantial doubt about the Trust's ability to continue as a going concern exists.

The Trustee has prepared a preliminary budget estimating the administrative expenses for the year ending December 31, 2025, and through July 31, 2026 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 and the \$500,000 second advance distribution from XTO Energy received subsequent to the end of the first quarter 2025, as described in Note 7 to Condensed Financial Statements. Based on the preliminary budget, the Trust's cash reserves may be depleted during the one-year period after the dates that the financial statements are issued. Once the Trust's cash reserves are depleted the Trust will likely be unable to continue to make SEC filings, provide reporting to unitholders or provide audited financial statements or third-party reserve reports. 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. 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, and the Trustee currently does not intend to advance funds to the Trust.


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. The Trustee has sought sources of financing, but currently believes that financing in an amount sufficient to satisfy the Trust's long term liquidity needs is unlikely to be a viable option for the Trust moving forward. As a result, the Trustee has reviewed and intends to continue 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. The Trustee has reached out to potential third parties regarding interest in the Trust's assets but no interest has resulted from such discussions. As a result, the Trustee believes a potential sale of the Trust's assets may be unlikely in the near term; however, it will continue to consider any and all viable options. Even if a sale of the Trust assets was to occur, there is no assurance that the proceeds would result in funds to distribute to unitholders after all financial obligations of the Trust are met. Any material sale of assets and/or termination of the Trust requires unitholder approval by at least 80 percent of all outstanding units.

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. XTO Energy's position remains unchanged. XTO Energy has informed the Trustee that it currently has no intention of providing any additional financing or extending any credit to the Trustee or the Trust Estate beyond the outstanding advance distribution made in second quarter 2025 that can be withheld by XTO Energy from future net proceeds.

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, 2025 | December 31, 2024 |
|---|-------------------|----------------------|
| Assets | | |
| Cash and short-term investments | \$ 105,658 | \$ 233,736 |
| Interest to be received | — | — |
| Net profits interests in oil and gas properties – net | \$ 105,658 | \$ 233,736 |
| Liabilities and Trust Corpus | | |
| Distribution payable to unitholders | \$ — | \$ — |
| Expense reserve ^{(a)(b)} | 105,658 | 233,736 |
| Trust corpus (40,000,000 units of beneficial interest authorized and outstanding) | — | — |
| | <u>\$ 105,658</u> | <u>\$ 233,736</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 advance distribution of \$500,000 from XTO Energy that was part of the Settlement Agreement between the Trust and XTO Energy. See Note 5 to Condensed Financial Statements included in the Trust's quarterly report on Form 10-Q for the quarter ended March 31, 2025.

Condensed Statements of Distributable Income (Unaudited)

| | Three Months Ended March 31 | |
|---|-----------------------------|--------------------|
| | 2025 | 2024 |
| Net profits income | \$ — | \$ — |
| Interest income | 2,407 | 4,678 |
| Total income | <u>2,407</u> | <u>4,678</u> |
| Administration expense | 130,485 | 288,423 |
| Cash reserves withheld (used) for Trust expenses | — | — |
| Change in accounts payable to the Trustee (increase)/decrease | \$ (128,078) | \$ (223,745) |
| Distributable income | <u>\$ —</u> | <u>\$ —</u> |
| Distributable income per unit (40,000,000 units) | <u>\$ 0.000000</u> | <u>\$ 0.000000</u> |

Condensed Statements of Changes in Trust Corpus (Unaudited)

| | Three Months Ended March 31 | |
|---|-----------------------------|-------------|
| | 2025 | 2024 |
| Trust corpus, beginning of period | \$ — | \$ — |
| Distributable income | — | — |
| Distributions declared | — | — |
| 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, 2025.