

Net Profits Income

Net profits income is recorded when received by the trust, which is the month following receipt by XTO Energy, and generally two months after oil and gas production. Net profits income is generally affected by three major factors:

- oil and gas sales volumes,
- oil and gas sales prices, and
- costs deducted in the calculation of net profits income.

The following are explanations of significant variances from first quarter 2009 to first quarter 2010 as shown in the “Calculation of Net Profits Income” at the right:

Sales Volumes

Gas sales volumes decreased 17% and oil sales volumes decreased 2% from first quarter 2009 to first quarter 2010. Decreased gas and oil sales volumes are primarily because of the timing of cash receipts and natural production decline, partially offset by increased production from new wells and workovers.

Sales Prices

Gas. The first quarter 2010 average gas price was \$5.12 per Mcf, a 29% increase from the first quarter 2009 average gas price of \$3.97 per Mcf. Natural gas prices are affected by the level of North American production, weather, crude oil prices, the U.S. economy, storage levels and import levels of liquefied natural gas. Due to concerns of oversupply from shale gas development, declining demand due to the U.S. recession, falling oil prices and increased gas storage, gas prices declined during the first nine months of 2009. However, signs of possible economic improvement, higher oil prices and a relatively cold winter led to increased gas prices in late 2009 and early 2010. Gas prices have weakened substantially in February and March 2010 due to renewed concerns of oversupply. Natural gas prices are expected to remain volatile. The first quarter 2010 gas price is primarily related to production from November 2009 through January 2010, when the average NYMEX price was \$4.86 per MMBtu. The average NYMEX price for February and March 2010 was \$5.05 per MMBtu. At April 16, 2010, the average NYMEX futures price for the following twelve months was \$4.76 per MMBtu. Recent trust gas prices have averaged approximately 8% higher than the NYMEX price.

Oil. The first quarter 2010 average oil price was \$71.94 per Bbl, a 60% increase from the first quarter 2009 average oil price of \$44.95 per Bbl. Lower demand as a result of the U.S. recession and slowing global economy, the tightened credit markets and rising crude oil supplies caused oil prices to decline sharply in 2008. However, signs of possible economic improvement have resulted in steadily higher oil prices during 2009 and early 2010. Oil prices are expected to remain volatile. The first quarter 2010 oil price is primarily related to production from November 2009 through January 2010, when the average NYMEX price was \$76.81 per Bbl. The average NYMEX price for February and March 2010 was \$78.74 per Bbl. At April 16, 2010, the average NYMEX futures price for the following twelve months was \$87.61 per Bbl. Recent trust oil prices have averaged approximately 5% lower than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 11% for the first quarter primarily because of increased production taxes related to higher oil and gas revenues and increased property taxes related to the timing of cash disbursements.

Production. Production expense decreased 4% for the first quarter primarily because of decreased compressor, water disposal and labor costs, partially offset by mechanical and marketing rebates included in 2009 and increased fuel, facilities and repairs and maintenance costs.

Development. Development costs deducted in the calculation of net profits income are based on the development budget. These development costs for first quarter 2010 decreased 88% from the prior year quarter primarily because of decreased development activity. During the first three months of 2010, no wells were completed on the underlying properties and two wells were pending completion at March 31.

As of December 31, 2009, cumulative budgeted costs exceeded cumulative actual costs by approximately \$0.9 million. In calculating net profits income for the quarter ended March 31, 2010, XTO Energy deducted budgeted development costs of \$1.5 million. After considering actual development costs of \$1.4 million for the quarter, cumulative budgeted costs deducted exceeded actual costs by \$1.0 million. First quarter actual development costs primarily relate to disbursements for development activity in fourth quarter 2009.

XTO Energy has advised the trustee that revised total 2010 budgeted development costs for the underlying properties are between \$8 million and \$10 million. The 2010 budget year generally coincides with the trust distribution months from April 2010 through March 2011. The monthly development cost deduction will be reevaluated by XTO Energy and revised as necessary, based on the 2010 budget and the timing and amount of actual expenditures.

Overhead. Overhead increased 6% primarily because of the annual rate adjustment based on an industry index.

Excess Costs. Costs exceeded revenues by \$513,475 (\$410,780 to the trust) on properties underlying the Kansas net profits interests in October and November 2009. Lower gas prices due to reduced demand as a result of the U.S. recession and excess supply caused costs to exceed revenues on properties underlying the Kansas net profits interests. However, these excess costs did not reduce net proceeds from the remaining conveyances. XTO Energy advised the trustee that increased gas prices led to the partial recovery of excess costs of \$410,957 (\$328,766 net to the trust), plus accrued interest of \$1,958 (\$1,566 net to the trust) in December 2009 and the full recovery of excess costs of \$102,518 (\$82,014 net to the trust), plus accrued interest of \$282 (\$226 net to the trust) in January 2010.

Other. On December 13, 2009, XTO Energy entered into a definitive merger agreement with Exxon Mobil Corporation under which XTO Energy would become a wholly owned subsidiary of ExxonMobil. The completion of this merger is subject to certain conditions, including approval of the merger agreement by XTO Energy stockholders and certain government and regulatory approvals. The merger is not expected to have a material effect on trust annual distributable income, financial position or liquidity. The merger is expected to close in the second quarter of 2010.

Glossary of Terms

Bbl	Barrel (of oil)
Mcf	Thousand cubic feet (of natural gas)
MMBtu	One million British Thermal Units, a common energy measurement

Calculation Of Net Profits Income

The following is a summary of the calculation of net profits income received by the trust:

	Three Months Ended March 31 ^(a)		INCREASE (DECREASE)
	2010	2009	
SALES VOLUMES			
Gas (Mcf) ^(b)			
Underlying properties	5,930,951	7,110,265	(17%)
Average per day	64,467	77,285	(17%)
Net profits interests	3,214,078	1,453,926	121%
Oil (Bbls) ^(b)			
Underlying properties	63,224	64,618	(2%)
Average per day	687	702	(2%)
Net profits interests	34,326	14,489	137%
AVERAGE SALES PRICES			
Gas (per Mcf)	\$ 5.12	\$ 3.97	29%
Oil (per Bbl)	\$ 71.94	\$ 44.95	60%
REVENUES			
Gas sales	\$ 30,395,168	\$ 28,196,191	8%
Oil sales	4,548,370	2,904,317	57%
TOTAL REVENUES	34,943,538	31,100,508	12%
COSTS			
Taxes, transportation and other	4,190,371	3,785,880	11%
Production expense	5,306,891	5,527,988	(4%)
Development costs	1,500,000	12,000,000	(88%)
Overhead	2,719,449	2,564,859	6%
Excess costs	102,800	—	—
TOTAL COSTS	13,819,511	23,878,727	(42%)
NET PROCEEDS	21,124,027	7,221,781	193%
NET PROFITS PERCENTAGE	80%	80%	—
NET PROFITS INCOME	\$ 16,899,222	\$ 5,777,425	193%

(a) Because of the two-month interval between time of production and receipt of net profits income by the trust, oil and gas sales for the quarter ended March 31 generally represent production for the period November through January.

(b) Oil and gas sales volumes are allocated to the net profits interests based upon a formula that considers oil and gas prices and the total amount of production expense and development costs. Changes in any of these factors may result in disproportionate fluctuations in volumes allocated to the net profits interests. Therefore, comparative discussion of oil and gas sales volumes is based on the underlying properties.

TAX INFORMATION PER UNIT

	MONTHLY DISTRIBUTIONS PAID ON:			
	(\$/UNIT EXCEPT COST DEPLETION FACTORS)			
	FEB. 12, 2010	MAR. 12, 2010	APR. 15, 2010	TOTAL
Gross income	\$ 0.156030	\$ 0.157130	\$ 0.162794	\$ 0.475954
Less severance taxes	(0.017727)	(0.017838)	(0.017908)	(0.053473)
Interest income	0.000000	0.000001	0.000001	0.000002
Less administration expenses	(0.003547)	(0.001258)	(0.003550)	(0.008355)
NET CASH DISTRIBUTION	<u>\$ 0.134756</u>	<u>\$ 0.138035</u>	<u>\$ 0.141337</u>	<u>\$ 0.414128</u>
Cost depletion factors:				
Kansas - 80%	0.008889	0.009762	0.010209	0.028860
Oklahoma - 80%	0.009056	0.008964	0.006953	0.024973
Wyoming - 80%	0.011510	0.011346	0.012670	0.035526

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FIRST QUARTER REPORT 2010

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TO UNITHOLDERS

For the quarter ended March 31, 2010, net profits income was \$16,899,222, as compared to \$5,777,425 for first quarter 2009. Increased net profits income is primarily the result of lower development costs and increased oil and gas prices, partially offset by decreased gas production. See "Net Profits Income" on the following page.

After adding interest income of \$102 and deducting administration expense of \$334,204, distributable income for the quarter ended March 31, 2010 was \$16,565,120, or \$0.414128 per unit of beneficial interest. Changes in interest income are attributable to fluctuations in net profits income and interest rates. Administration expense for the quarter increased from the prior year quarter primarily because of costs related to the transfer agent change in 2009. For first quarter 2009, distributable income was \$5,465,360 or \$0.136634 per unit.

Distributions to unitholders for the quarter ended March 31, 2010 were:

RECORD DATE	PAYMENT DATE	PER UNIT
Jan. 29, 2010	Feb. 12, 2010	\$ 0.134756
Feb. 26, 2010	Mar. 12, 2010	0.138035
Mar. 31, 2010	Apr. 15, 2010	0.141337
TOTAL		<u>\$ 0.414128</u>

Individualized tax information is provided annually to unitholders of record. 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.hugotontrust.com.

This letter, and all communications to unitholders, includes information provided to the trustee by XTO Energy Inc.

Hugoton Royalty Trust

By: U.S. Trust, Bank of America
Private Wealth Management, Trustee



By: Nancy G. Willis
Vice President

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31	
	2010	2009
Net profits income	\$ 16,899,222	\$ 5,777,425
Interest income	<u>102</u>	<u>132</u>
Total income	16,899,324	5,777,557
Administration expense	<u>334,204</u>	<u>312,197</u>
DISTRIBUTABLE INCOME	<u>\$ 16,565,120</u>	<u>\$ 5,465,360</u>
DISTRIBUTABLE INCOME PER UNIT (40,000,000 UNITS)	<u>\$ 0.414128</u>	<u>\$ 0.136634</u>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2009 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended March 31, 2010.

This report to unitholders includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this report, including, without limitation, statements regarding the net profits interests, underlying properties, development activities, annual and monthly development, production and other costs and expenses, monthly development cost deductions, oil and gas prices and differentials to NYMEX prices, supply levels, future drilling, workover and restimulation plans, distributions to unitholders and industry and market conditions, are forward-looking statements that are subject to risks and uncertainties which are detailed in Part I, Item 1A of the trust's Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by this reference as though fully set forth herein. Although XTO Energy and the trustee believe that the expectations reflected in such forward-looking statements are reasonable, neither XTO Energy nor the trustee can give any assurance that such expectations will prove to be correct.