

Hugoton

ROYALTY TRUST

SECOND QUARTER REPORT 2010

TO UNITHOLDERS

For the quarter ended June 30, 2010, net profits income was \$18,974,132, as compared to \$4,537,110 for second quarter 2009. This 318% increase in net profits income is primarily the result of higher oil and gas prices and lower development costs, partially offset by decreased gas sales volumes and higher taxes, transportation and other costs. See "Net Profits Income" on the following page.

After adding interest income of \$432 and deducting administration expense of \$241,644, distributable income for the quarter ended June 30, 2010 was \$18,732,920, or \$0.468323 per unit of beneficial interest. Administration expense for the quarter was lower than the prior year quarter primarily because of the timing of expenditures. For second quarter 2009, distributable income was \$4,263,720, or \$0.106593 per unit. Distributions to unitholders for the quarter ended June 30, 2010 were:

RECORD DATE	PAYMENT DATE	PER UNIT
April 30, 2010	May 14, 2010	\$ 0.196000
May 28, 2010	June 14, 2010	0.144855
June 30, 2010	July 15, 2010	0.127468
TOTAL		\$ 0.468323

For the six months ended June 30, 2010, net profits income was \$35,873,354 compared with \$10,314,535 for the same 2009 period. This 248% increase in net profits income is primarily the result of higher oil and gas prices and lower development costs, partially offset by decreased gas sales volumes and higher taxes, transportation and other costs. See "Net Profits Income" on the following page.

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Net profits income	\$ 18,974,132	\$ 4,537,110	\$ 35,873,354	\$ 10,314,535
Interest income	432	136	534	268
Total income	18,974,564	4,537,246	35,873,888	10,314,803
Administration expense	241,644	273,526	575,848	585,723
DISTRIBUTABLE INCOME	\$ 18,732,920	\$ 4,263,720	\$ 35,298,040	\$ 9,729,080
DISTRIBUTABLE INCOME PER UNIT (40,000,000 UNITS)	\$ 0.468323	\$ 0.106593	\$ 0.882451	\$ 0.243227

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 June 30, 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, industry and market conditions and the impact of the merger with Exxon Mobil Corporation, 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.

After adding interest income of \$534 and deducting administration expense of \$575,848, distributable income for the six months ended June 30, 2010 was \$35,298,040, or \$0.882451 per unit of beneficial interest. For the six months ended June 30, 2009, distributable income was \$9,729,080, or \$0.243227 per unit.

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

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 on the underlying properties from second quarter 2009 to second quarter 2010 and from the first six months of 2009 to the comparable period in 2010:

Sales Volumes

Gas. Gas sales volumes decreased 5% for the second quarter as compared with the same 2009 period primarily because of natural production decline, partially offset by increased production from new wells and workovers and the timing of cash receipts. Gas sales volumes decreased 11% for the six-month period as compared with the same 2009 period primarily because of natural production decline and the timing of cash receipts, partially offset by increased production from new wells and workovers.

Oil. Oil sales volumes increased 3% for the second quarter as compared with the same 2009 period primarily because of increased production from new wells and workovers, partially offset by natural production decline and the timing of cash receipts. Oil sales volumes remained relatively flat for the six-month period as compared with the same 2009 period primarily because increased production from new wells and workovers was offset by natural production decline and the timing of cash receipts.

Sales Prices

Gas. The second quarter 2010 average gas price was \$5.17 per Mcf, a 75% increase from the second quarter 2009 average gas price of \$2.96 per Mcf. For the six-month period, the average gas price increased 48% to \$5.15 per Mcf in 2010 from \$3.48 per Mcf in 2009. Natural gas prices are affected by the level of North American production, weather, crude oil and natural gas liquids prices, the U.S. economy, storage levels and import levels of liquefied natural gas. Due to concerns of oversupply, 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 weakened substantially in February and March 2010 due to renewed concerns of oversupply. Natural gas prices are expected to remain volatile. The second quarter 2010 gas price is primarily related to production from February through April 2010, when the average NYMEX price was \$4.64 per MMBtu. The average NYMEX price for May and June 2010 was \$4.21 per MMBtu. At July 14, 2010, the average NYMEX futures price for the following twelve months was \$4.85 per MMBtu. Recent trust gas prices have averaged approximately 9% higher than the NYMEX price.

Oil. The second quarter 2010 average oil price was \$77.03 per Bbl, a 91% increase from the second quarter 2009 average oil price of \$40.38 per Bbl. The year-to-date average oil price increased 75% to \$74.63 per Bbl in 2010 from \$42.59 per Bbl in 2009. 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 second quarter 2010 oil price is primarily related to production from February through April 2010, when the average NYMEX price was \$80.68 per Bbl. The average NYMEX price for May and June 2010 was \$74.95 per Bbl. At July 14, 2010, the average NYMEX futures price for the following twelve months was \$79.46 per Bbl. Recent trust oil prices have averaged approximately 3% lower than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 43% for the quarter and 25% for the six-month period primarily because of increased production taxes related to higher oil and gas revenues, partially offset by decreased other deductions as a percent of oil and gas revenues.

Production. Production expense decreased 14% for the quarter and 9% for the six-month period primarily because of decreased compressor, chemical and treating and outside operated costs, partially offset by decreased mechanical and marketing rebates included in 2009. In addition, decreased production expense for the six-month period also included decreased water disposal costs.

Development. Development costs deducted in the calculation of net profits income are based on the development budget. These development costs decreased 70% for the second quarter and 82% for the six-month period primarily because of decreased development activity. During the first half of 2010, two wells were completed on the underlying properties and there were no wells pending completion at June 30.

As of December 31, 2009, cumulative budgeted costs exceeded cumulative actual costs by approximately \$0.9 million. In calculating net profits income, XTO Energy deducted budgeted development costs of \$1.5 million for the quarter and \$3.0 million for the six-month period. After considering actual development costs of \$2.1 million for the quarter and \$3.6 million for the six-month period, cumulative budgeted costs deducted exceeded actual costs by approximately \$0.3 million at June 30, 2010.

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 4% for the quarter and 5% for the six-month period 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

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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 June 25, 2010, XTO Energy became a wholly owned subsidiary of Exxon Mobil Corporation. The merger is not

expected to have a material effect on trust annual distributable income, financial position or liquidity.

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 June 30 ^(a)			Six Months Ended June 30 ^(a)		
	2010	2009	INCREASE (DECREASE)	2010	2009	INCREASE (DECREASE)
SALES VOLUMES						
Gas (Mcf) ^(b)						
Underlying properties	6,113,559	6,462,737	(5%)	12,044,510	13,573,002	(11%)
Average per day	68,692	72,615	(5%)	66,544	74,989	(11%)
Net profits interests	3,432,982	1,421,757	141%	6,647,060	2,875,683	131%
Oil (Bbls) ^(b)						
Underlying properties	71,105	69,193	3%	134,329	133,811	—
Average per day	799	777	3%	742	739	—
Net profits interests	41,321	18,718	121%	75,647	33,207	128%
AVERAGE SALES PRICES						
Gas (per Mcf)	\$ 5.17	\$ 2.96	75%	\$ 5.15	\$ 3.48	48%
Oil (per Bbl)	\$ 77.03	\$ 40.38	91%	\$ 74.63	\$ 42.59	75%
REVENUES						
Gas sales	\$ 31,609,753	\$ 19,100,449	65%	\$ 62,004,921	\$ 47,296,640	31%
Oil sales	5,477,186	2,794,176	96%	10,025,556	5,698,493	76%
TOTAL REVENUES	37,086,939	21,894,625	69%	72,030,477	52,995,133	36%
COSTS						
Taxes, transportation and other	4,319,945	3,029,840	43%	8,510,316	6,815,720	25%
Production expense	4,825,144	5,583,928	(14%)	10,132,035	11,111,916	(9%)
Development costs	1,500,000	5,000,000	(70%)	3,000,000	17,000,000	(82%)
Overhead	2,724,185	2,609,469	4%	5,443,634	5,174,328	5%
Excess costs	—	—	—	102,800	—	—
TOTAL COSTS	13,369,274	16,223,237	(18%)	27,188,785	40,101,964	(32%)
NET PROCEEDS	23,717,665	5,671,388	318%	44,841,692	12,893,169	248%
NET PROFITS PERCENTAGE	80%	80%		80%	80%	
NET PROFITS INCOME	\$ 18,974,132	\$ 4,537,110	318%	\$ 35,873,354	\$ 10,314,535	248%

(a) Because of the two-month interval between time of production and receipt of net profits income by the trust, (1) oil and gas sales for the quarter ended June 30 generally represent production for the period February through April and (2) oil and gas sales for the six months ended June 30 generally represent production for the period November through April.

(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)			
	MAY 14, 2010	JUNE 14, 2010	JULY 15, 2010	TOTAL
Gross income	\$ 0.221788	\$ 0.166676	\$ 0.142850	\$ 0.531314
Less severance taxes	(0.023274)	(0.019213)	(0.014473)	(0.056960)
Interest income	0.000001	0.000003	0.000006	0.000010
Less administrative expenses	<u>(0.002515)</u>	<u>(0.002611)</u>	<u>(0.000915)</u>	<u>(0.006041)</u>
NET CASH DISTRIBUTION	<u>\$ 0.196000</u>	<u>\$ 0.144855</u>	<u>\$ 0.127468</u>	<u>\$ 0.468323</u>
Cost depletion factors:				
Kansas - 80%	0.009655	0.001599	0.000401	0.011655
Oklahoma - 80%	0.011226	0.009404	0.009354	0.029984
Wyoming - 80%	0.010005	0.012673	0.011942	0.034620

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