

Hugoton

ROYALTY TRUST

THIRD QUARTER REPORT 2011

TO UNITHOLDERS

For the quarter ended September 30, 2011, net profits income was \$15,477,314, as compared to \$14,695,353 for third quarter 2010. This 5% increase in net profits income is primarily the result of higher oil and gas prices (\$4.0 million), partially offset by decreased oil and gas sales volumes (\$3.0 million) and increased development costs (\$0.4 million). See "Net Profits Income" on following page.

After adding interest income of \$355 and deducting administration expense of \$144,309, distributable income for the quarter ended September 30, 2011 was \$15,333,360, or \$0.383334 per unit of beneficial interest. Administration expense for the quarter decreased \$23,890 from the prior year quarter. For third quarter 2010, distributable income was \$14,527,360, or \$0.363184 per unit.

Distributions to unitholders for the quarter ended September 30, 2011 were:

RECORD DATE	PAYMENT DATE	DISTRIBUTION PER UNIT
July 29, 2011	August 12, 2011	\$ 0.128296
August 31, 2011	September 15, 2011	0.121625
September 30, 2011	October 17, 2011	0.133413
TOTAL		\$ 0.383334

For the nine months ended September 30, 2011, net profits income was \$43,359,342 compared with \$50,568,707 for the same 2010 period. This 14% decrease in net profits income is primarily the result of decreased oil and gas sales volumes (\$7.2

million), lower gas prices (\$2.3 million) and higher development costs (\$2.1 million), partially offset by higher oil prices (\$3.0 million) and lower taxes, transportation and other costs (\$1.3 million). Set "Net Profits Income" on following page.

After adding interest income of \$811 and deducting administration expense of \$684,033, distributable income for the nine months ended September 30, 2011 was \$42,676,120, or \$1.066903 per unit of beneficial interest. Administration expense for the nine months ended September 30, 2011 decreased \$60,014 as compared with the same 2010 period. For the nine months ended September 30, 2010, distributable income was \$49,825,400, or \$1.245635 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

CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	2011	2010
Net Profits Income	\$ 15,477,314	\$ 14,695,353	\$ 43,359,342	\$ 50,568,707
Interest Income	355	206	811	740
Total Income	15,477,669	14,695,559	43,360,153	50,569,447
Administration Expense	144,309	168,199	684,033	744,047
DISTRIBUTABLE INCOME.....	\$ 15,333,360	\$ 14,527,360	\$ 42,676,120	\$ 49,825,400
DISTRIBUTABLE INCOME PER UNIT (40,000,000 UNITS)...	\$ 0.383334	\$ 0.363184	\$ 1.066903	\$ 1.245635

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2010 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended September 30, 2011.

Statements in this report to unitholders relating to future plans, predictions, events or conditions are forward-looking statements. All statements other than statements of historical fact included in this report to unitholders, 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, 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, 2010, which is incorporated by this reference as though fully set forth herein. XTO Energy, ExxonMobil and the trustee assume no duty to update these statements as of any future date.

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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 third quarter 2010 to third quarter 2011 and from the first nine months of 2010 to the comparable period in 2011:

Sales Volumes

Gas. Gas sales volumes decreased 9% for third quarter 2011 and for the first nine months of 2011 as compared with the same 2010 periods primarily because of natural production decline.

Oil. Oil sales volumes decreased 15% for third quarter 2011 and 6% for the first nine months of 2011 as compared with the same 2010 periods primarily because of natural production decline and the timing of cash receipts.

The rate of natural production decline on the underlying oil and gas properties is approximately 6% to 8% a year.

Sales Prices

Gas. The third quarter 2011 average gas price was \$4.96 per Mcf, a 13% increase from the third quarter 2010 average gas price of \$4.40 per Mcf. For the nine-month period, the average gas price decreased 3% to \$4.74 per Mcf in 2011 from \$4.90 per Mcf in 2010. 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. Natural gas prices are expected to remain volatile. The third quarter 2011 gas price is primarily related to production from May through July 2011, when the average NYMEX price was \$4.35 per MMBtu. The average NYMEX price for August and September 2011 was \$4.11 per MMBtu. At October 13, 2011, the average NYMEX futures price for the following twelve months was \$3.98 per MMBtu.

Oil. The third quarter 2011 average oil price was \$95.00 per Bbl, a 33% increase from the third quarter 2010 average oil price of \$71.43 per Bbl. The year-to-date average oil price increased 25% to \$92.19 per Bbl in 2011 from \$73.55 per Bbl in 2010. Oil prices are expected to remain volatile. The third quarter 2011 oil price is primarily related to production from May through July 2011, when the average NYMEX price was \$98.15 per Bbl. The average NYMEX price for August and September 2011 was \$85.78 per Bbl. At October 13, 2011, the average NYMEX futures price for the following twelve months was \$85.59 per Bbl.

Costs

Taxes, Transportation and Other. Taxes, transportation and other increased 4% for the quarter primarily due to increased production taxes related to higher oil and gas revenues. Taxes, transportation and other decreased 14% for the nine-month period primarily because of decreased property taxes related to the timing of expenditures and decreased gas production taxes related to lower gas revenues, partially offset by increased oil production taxes related to higher oil revenues.

Production. Production expense decreased 4% for the quarter primarily because of marketing and economic rebates included in 2011, decreased insurance, labor and location costs, partially offset by increased power and fuel, field and compressor rental costs.

Development. Development costs deducted in the calculation of net profits income are based on the development budget. These development costs increased 29% for the third quarter and 55% for the nine-month period primarily because of the timing of expenditures.

As of December 31, 2010, cumulative actual costs exceeded cumulative budgeted costs by approximately \$0.8 million. In calculating net profits income for the quarter ended September 30, 2011, XTO Energy deducted budgeted development costs of \$2.2 million for the quarter and \$7.3 million for the nine-month period. After considering actual development costs of \$1.3 million for the quarter and \$4.1 million for the nine-month period, budgeted costs deducted exceeded cumulative actual costs by approximately \$2.4 million at September 30, 2011.

XTO Energy has advised the trustee that revised 2011 budgeted development costs for the underlying properties are between \$8 million and \$10 million. The 2011 budget year generally coincides with the trust distribution months from April 2011 through March 2012. The monthly development cost deduction will be reevaluated by XTO Energy and revised as necessary, based on the 2011 budget and the timing and amount of actual expenditures.

Excess Costs. Costs exceeded revenues by \$513,475 (\$410,780 net to the trust) on properties underlying the Kansas net profits interests in October and November 2009. Lower gas prices 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. There were no excess costs as of September 30, 2011.

Contingencies. Several states have enacted legislation requiring state income tax withholding from nonresident

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recipients of oil and gas proceeds. After consultation with its tax counsel, the trustee believes that it is not required to withhold on payments made to the unitholders. However, regulations are subject to change by the various states, which could change this conclusion. Should amounts be withheld on payments made to the trust or the unitholders, distributions to the unitholders would be reduced by the required amount, subject to the filing of a claim for refund by the trust or unitholders for such amount.

Glossary of Terms

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

CALCULATIONS OF NET PROFITS INCOME

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

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	SEPTEMBER 30 ^(a) 2011	2010	INCREASE (DECREASE)	SEPTEMBER 30 ^(a) 2011	2010	INCREASE (DECREASE)
SALES VOLUMES						
Gas (Mcf) ^(b)						
Underlying Properties	5,516,991	6,071,750	(9%)	16,452,271	18,116,260	(9%)
Average Per Day	59,967	65,997	(9%)	60,265	66,360	(9%)
Net Profits Interests.....	2,839,604	3,095,732	(8%)	8,108,961	9,742,792	(17%)
Oil (Bbl) ^(b)						
Underlying Properties	58,527	68,634	(15%)	190,712	202,963	(6%)
Average Per Day	636	746	(15%)	699	743	(6%)
Net Profits Interests.....	31,574	34,948	(10%)	99,334	110,595	(10%)
AVERAGE SALES PRICES						
Gas (per Mcf)	\$ 4.96	\$ 4.40	13%	\$ 4.74	\$ 4.90	(3%)
Oil (per Bbl)	\$ 95.00	\$ 71.43	33%	\$ 92.19	\$ 73.55	25%
REVENUES						
Gas sales	\$ 27,374,742	\$26,688,301	3%	\$77,966,678	\$88,693,222	(12%)
Oil sales	5,559,851	4,902,714	13%	17,581,921	14,928,270	18%
TOTAL REVENUES	32,934,593	31,591,015	4%	95,548,599	103,621,492	(8%)
COSTS						
Taxes, transportation and other...	3,514,793	3,380,475	4%	10,279,464	11,890,791	(14%)
Production expense.....	5,173,918	5,374,188	(4%)	15,656,008	15,506,223	1%
Development costs.....	2,200,000	1,700,000	29%	7,300,000	4,700,000	55%
Overhead	2,699,240	2,767,160	(2%)	8,113,950	8,210,794	(1%)
Excess costs	—	—	—	—	102,800	—
TOTAL COSTS	13,587,951	13,221,823	3%	41,349,422	40,410,608	2%
NET PROCEEDS	19,346,642	18,369,192	5%	54,199,177	63,210,884	(14%)
NET PROFITS PERCENTAGE	80%	80%		80%	80%	
NET PROFITS INCOME.....	\$15,477,314	\$14,695,353	5%	\$43,359,342	\$50,568,707	(14%)

(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 September 30 generally represent production for the period May through July and (2) oil and gas sales for the nine months ended September 30 generally represent production for the period November through July.

(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. As product prices change, the trust's share of the production volumes is impacted as the quantity of production to cover expenses in reaching the net profits break-even level changes inversely with price. As such, the underlying property production volume changes may not correlate with the trust's net profit share of those volumes in any given period. Therefore, comparative discussion of oil and gas sales volumes is based on the underlying properties.

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TAX INFORMATION PER UNIT

	MONTHLY DISTRIBUTIONS PAID ON: (\$/UNIT EXCEPT COST DEPLETION FACTORS)			
	August 12, 2011	September 15, 2011	October 17, 2011	Total
Gross Income	\$ 0.144345	\$ 0.136586	\$ 0.149529	\$ 0.430460
Less Severance Taxes	(0.014294)	(0.013886)	(0.015346)	(0.043526)
Interest Income	0.000004	0.000002	0.000002	0.000008
Less Administration Expenses	(0.001759)	(0.001077)	(0.000772)	(0.003608)
NET CASH DISTRIBUTION	\$ 0.128296	\$ 0.121625	\$ 0.133413	\$ 0.383334
Cost Depletion Factors:				
Kansas - 80%	0.006624	0.007221	0.007847	0.021692
Oklahoma - 80%	0.006906	0.006288	0.006700	0.019894
Wyoming - 80%	0.006327	0.007300	0.008431	0.022058

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