

# Hugoton

ROYALTY TRUST

FIRST QUARTER REPORT 2008

## To Unitholders

For the quarter ended March 31, 2008, net profits income was \$22,035,854, as compared to \$16,735,385 for first quarter 2007. Increased net profits income is primarily the result of higher oil and gas prices and increased oil and gas sales volumes. See "Net Profits Income" on the following page.

After adding interest income of \$23,786 and deducting administration expense of \$290,480, distributable income for the quarter ended March 31, 2008 was \$21,769,160, or \$0.544229 per unit of beneficial interest. Administration expense for the quarter decreased from the prior year quarter primarily because of lower costs related to unitholder tax reporting, as a result of a decrease in the number of unitholders and the timing of expenditures. For first quarter 2007, distributable income was \$16,242,280, or \$0.406057 per unit. Distributions to unitholders for the quarter ended March 31, 2008 were:

RECORD DATE	PAYMENT DATE	PER UNIT
Jan. 31, 2008	Feb. 14, 2008	\$ 0.152359
Feb. 29, 2008	Mar. 14, 2008	0.194834
Mar. 31, 2008	Apr. 14, 2008	0.197036
<b>TOTAL</b>		<b><u>\$ 0.544229</u></b>

Individualized tax information is provided quarterly and 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](http://www.hugotontrust.com).

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

### Hugoton Royalty Trust

By: Bank of America, N.A., Trustee



By: Nancy G. Willis  
Vice President

## Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended March 31	
	2008	2007
Net profits income	\$ 22,035,854	\$ 16,735,385
Interest income	23,786	29,047
Total income	22,059,640	16,764,432
Administration expense	290,480	522,152
<b>DISTRIBUTABLE INCOME</b>	<b><u>\$ 21,769,160</u></b>	<b><u>\$ 16,242,280</u></b>
<b>DISTRIBUTABLE INCOME PER UNIT (40,000,000 UNITS)</b>	<b><u>\$ 0.544229</u></b>	<b><u>\$ 0.406057</u></b>

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2007 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended March 31, 2008.

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, oil and gas prices and differentials to NYMEX prices, supply shortages, 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, 2007, 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.

## 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 2007 to first quarter 2008 as shown in the "Calculation of Net Profits Income" at the right:

### Sales Volumes

Gas sales volumes increased 1% and oil sales volumes increased 9% from first quarter 2007 to first quarter 2008. Increased gas sales volumes are primarily because of increased production from new wells and workovers and weather-related production problems in Oklahoma in first quarter 2007, partially offset by natural production decline and the timing of cash receipts. Increased oil sales volumes are primarily because of increased production from new wells and workovers and prior period volume adjustments in 2007, partially offset by natural production decline.

### Sales Prices

**Gas.** The first quarter 2008 average gas price was \$6.49 per Mcf, a 9% increase from the first quarter 2007 average gas price of \$5.94 per Mcf. Although the U.S. went into the winter with above average gas in storage, a normal winter and lower liquefied natural gas imports have led to normal gas storage levels. As a result, recent gas prices have increased to almost \$11.00 per MMBtu. Prices will continue to be affected by weather, the U.S. economy, the level of North American production and import levels of liquefied natural gas. Natural gas prices are expected to remain volatile. The average NYMEX price for February and March 2008 was \$8.46 per MMBtu. At April 18, 2008, the average NYMEX futures price for the following twelve months was \$11.04 per MMBtu. Recent trust gas prices have averaged approximately 6% lower than the NYMEX price.

**Oil.** The first quarter 2008 average oil price was \$94.27 per Bbl, a 65% increase from the first quarter 2007 average oil price of \$57.17 per Bbl. Oil prices have risen primarily because of increasing global demand and supply shortage concerns, inadequate sour crude refining capacity and political instability. In the last few months of 2007 and early 2008, rising tension in the Middle East, weakness in the U.S. dollar and strong demand caused prices to reach record levels of almost \$120.00 per Bbl. Oil prices are expected to remain volatile. The average NYMEX price for February and March 2008 was \$100.03 per Bbl. At April 18, 2008, the average NYMEX futures price for the following twelve months was \$113.29 per Bbl. Recent trust oil prices have averaged approximately 1% lower than the NYMEX price.

### Costs

**Taxes, Transportation and Other.** Taxes, transportation and other

increased 12% for the first quarter primarily because of increased production taxes related to higher oil and gas revenues.

**Production.** Production expense increased 11% for the first quarter primarily because of increased labor, water disposal, maintenance and fuel costs.

**Development.** Development costs deducted in the calculation of net profits income are based on the development budget. These development costs for first quarter 2008 decreased 10% from the prior year quarter primarily because of the timing of development activity. During the first three months of 2008, six wells were completed on the underlying properties and ten wells were pending completion at March 31.

As of December 31, 2007, actual costs exceeded cumulative budgeted costs deducted by approximately \$0.7 million. In calculating net profits income for the quarter ended March 31, 2008, XTO Energy deducted budgeted development costs of \$11.2 million. After considering actual development costs of \$9.1 million for the quarter, cumulative budgeted costs deducted exceeded actual costs by \$1.4 million. First quarter actual development costs primarily relate to disbursements for development activity in fourth quarter 2007.

XTO Energy has advised the trustee that total 2008 budgeted development costs for the underlying properties are approximately \$46.0 million. The 2008 budget year generally coincides with the trust distribution months from April 2008 through March 2009. Based on the development budget for 2008, the development cost deduction is expected to be maintained at \$3.75 million for the remainder of 2008. The monthly development cost deduction will be reevaluated by XTO Energy and revised as necessary, based on the 2008 budget and the timing and amount of actual expenditures.

**Overhead.** Overhead increased 4% primarily because of the annual rate adjustment based on an industry index.

**Excess Costs.** Costs exceeded revenues by \$853,468 (\$682,774 net to the trust) on properties underlying the Wyoming net profits interests in November and December 2007. Limited pipeline capacity for shipping from the Rocky Mountain region and excess regional supply led to significantly lower realized regional gas prices for production. These lower gas prices caused costs to exceed revenues on properties underlying the Wyoming net profits interests, however, these excess costs did not reduce net proceeds from the remaining conveyances.

XTO Energy advised the trustee that with the onset of winter demand and the completion of the first phase of a major pipeline expansion in January 2008, Rocky Mountain gas prices increased and the excess costs, plus accrued interest of \$10,090 (\$8,072 net to the trust), were fully recovered by February 2008.

## Glossary of Terms

<b>Bbl</b>	Barrel (of oil)
<b>Mcf</b>	Thousand cubic feet (of natural gas)
<b>MMBtu</b>	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 <sup>(a)</sup>		INCREASE (DECREASE)
	2008	2007	
<b>SALES VOLUMES</b>			
Gas (Mcf) <sup>(b)</sup>			
Underlying properties	7,167,588	7,086,751	1%
Average per day	77,909	77,030	1%
Net profits interests	3,077,479	2,649,964	16%
Oil (Bbls) <sup>(b)</sup>			
Underlying properties	74,221	68,126	9%
Average per day	807	741	9%
Net profits interests	34,865	33,177	5%
<b>AVERAGE SALES PRICES</b>			
Gas (per Mcf)	\$ 6.49	\$ 5.94	9%
Oil (per Bbl)	\$ 94.27	\$ 57.17	65%
<b>REVENUES</b>			
Gas sales	\$ 46,498,407	\$ 42,065,337	11%
Oil sales	6,996,443	3,894,698	80%
<b>TOTAL REVENUES</b>	<b>53,494,850</b>	<b>45,960,035</b>	<b>16%</b>
<b>COSTS</b>			
Taxes, transportation and other	5,453,571	4,864,798	12%
Production expense	6,070,014	5,458,567	11%
Development costs	11,250,000	12,500,000	(10%)
Overhead	2,312,889	2,217,439	4%
Excess costs	863,558	—	—
<b>TOTAL COSTS</b>	<b>25,950,032</b>	<b>25,040,804</b>	<b>4%</b>
<b>NET PROCEEDS</b>	27,544,818	20,919,231	32%
<b>NET PROFITS PERCENTAGE</b>	80%	80%	—
<b>NET PROFITS INCOME</b>	<b>\$ 22,035,854</b>	<b>\$ 16,735,385</b>	<b>32%</b>

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

<b>MONTHLY DISTRIBUTIONS PAID ON:</b>				
<b>(\$/UNIT EXCEPT COST DEPLETION FACTORS)</b>				
	<b>FEB. 14, 2008</b>	<b>MAR. 14, 2008</b>	<b>APR. 14, 2008</b>	<b>TOTAL</b>
Gross income	\$ 0.169267	\$ 0.217012	\$ 0.221218	\$ 0.607497
Less severance taxes	(0.013262)	(0.021590)	(0.021748)	(0.056600)
Interest income	0.000219	0.000170	0.000205	0.000594
Less administration expenses	(0.003865)	(0.000758)	(0.002639)	(0.007262)
<b>NET CASH DISTRIBUTION</b>	<b><u>\$ 0.152359</u></b>	<b><u>\$ 0.194834</u></b>	<b><u>\$ 0.197036</u></b>	<b><u>\$ 0.544229</u></b>
Cost depletion factors:				
Kansas - 80%	0.004360	0.003393	0.004300	0.012053
Oklahoma - 80%	0.004967	0.005091	0.004930	0.014988
Wyoming - 80%	0.000000	0.005529	0.005256	0.010785

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