

Hugoton

ROYALTY TRUST

SECOND QUARTER REPORT 2009

To Unitholders

For the quarter ended June 30, 2009, net profits income was \$4,537,110, as compared to \$33,899,248 for second quarter 2008. This 87% decrease in net profits income is primarily the result of lower oil and gas prices and lower oil and gas production, partially offset by lower development costs and lower taxes, transportation and other costs. See "Net Profits Income" on the following page.

After adding interest income of \$136 and deducting administration expense of \$273,526, distributable income for the quarter ended June 30, 2009 was \$4,263,720, or \$0.106593 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 was lower than the prior year quarter primarily because of the timing of expenditures. For second quarter 2008, distributable income was \$33,554,920, or \$0.838873 per unit. Distributions to unitholders for the quarter ended June 30, 2009 were:

RECORD DATE	PAYMENT DATE	PER UNIT
April 30, 2009	May 14, 2009	\$ 0.030901
May 29, 2009	June 12, 2009	0.029206
June 30, 2009	July 14, 2009	0.046486
TOTAL		\$ 0.106593

For the six months ended June 30, 2009, net profits income was \$10,314,535 compared with \$55,935,102 for the same 2008 period. This 82% decrease in net profits income is primarily the result of lower oil and gas prices and lower oil and gas production, partially offset by lower development costs and lower taxes, transportation and other costs. See "Net Profits Income" on the following page.

After adding interest income of \$268 and deducting administration expense of \$585,723, distributable income for the six months ended June 30, 2009 was \$9,729,080, or \$0.243227 per unit of beneficial interest. Changes in interest income are attributable to fluctuations in net profits income and interest rates. Administration expense for the first six months of 2009 was lower than in the first six months of 2008 primarily because of the timing of expenditures. For the six months ended June 30, 2008, distributable income was \$55,324,080, or \$1.383102 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: Bank of America, N.A., Trustee



By: Nancy G. Willis
Vice President

Condensed Statements of Distributable Income (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Net profits income	\$ 4,537,110	\$ 33,899,248	\$ 10,314,535	\$ 55,935,102
Interest income	136	18,965	268	42,751
Total income	4,537,246	33,918,213	10,314,803	55,977,853
Administration expense	273,526	363,293	585,723	653,773
DISTRIBUTABLE INCOME	\$ 4,263,720	\$ 33,554,920	\$ 9,729,080	\$ 55,324,080
DISTRIBUTABLE INCOME PER UNIT (40,000,000 UNITS)	\$ 0.106593	\$ 0.838873	\$ 0.243227	\$ 1.383102

These condensed statements of distributable income should be read in conjunction with the financial statements and notes thereto included in the trust's 2008 annual report. For further information, see the trust's quarterly report on Form 10-Q for the quarter ended June 30, 2009.

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 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, 2008, 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
- costs deducted in the calculation of net profits income

The following are explanations of significant variances on the underlying properties from second quarter 2008 to second quarter 2009 and from the first six months of 2008 to the comparable period in 2009 as shown in the “Calculation of Net Profits Income” at the right:

Sales Volumes

Gas. Gas sales volumes decreased 9% for the second quarter as compared with the same 2008 period primarily because of natural production decline and the timing of cash receipts, partially offset by increased production from new wells and workovers. Gas sales volumes decreased 5% for the six-month period as compared with the same 2008 period primarily because of natural production decline, partially offset by increased production from new wells and workovers and the timing of cash receipts.

Oil. Oil sales volumes decreased 27% for the second quarter and 21% for the six-month period as compared with the same 2008 periods primarily because of natural production decline and the timing of cash receipts, partially offset by increased production from new wells and workovers.

Sales Prices

Gas. The second quarter 2009 average gas price was \$2.96 per Mcf, a 64% decrease from the second quarter 2008 average gas price of \$8.26 per Mcf. For the six-month period, the average gas price decreased 53% to \$3.48 per Mcf in 2009 from \$7.37 per Mcf in 2008. Due to concerns of oversupply from shale gas development, declining demand due to the U.S. recession and increased gas storage, gas prices have declined. Prices will continue to be affected by the level of North American production, weather, oil prices, the U.S. economy, storage levels and import levels of liquified natural gas. Natural gas prices are expected to remain volatile. The second quarter 2009 gas price is primarily related to production from February through April 2009, when the average NYMEX price was \$4.05 per MMBtu. The average NYMEX price for May and June 2009 was \$3.43 per MMBtu. At July 14, 2009, the average NYMEX futures price for the following twelve months was \$4.86 per MMBtu. Recent trust gas prices have averaged approximately 28% lower than the NYMEX price.

Oil. The second quarter 2009 average oil price was \$40.38 per Bbl, a 60% decrease from the second quarter 2008 average oil price of \$102.16 per Bbl. The year-to-date average oil price decreased 57% to \$42.59 per Bbl in 2009 from \$98.69 per Bbl in 2008. Lower demand as a result of the global economic situation and rising crude oil supplies caused oil prices to decline in the first quarter of 2009. However, signs of possible economic improvement have resulted in higher recent oil prices. Oil prices are expected to remain volatile.

The second quarter 2009 oil price is primarily related to production from February through April 2009, when the average NYMEX price was \$46.01 per Bbl. The average NYMEX price for May and June 2009 was \$64.51 per Bbl. At July 14, 2009, the average NYMEX futures price for the following twelve months was \$63.91 per Bbl. Recent trust oil prices have averaged approximately 12% lower than the NYMEX price.

Costs

Taxes, Transportation and Other. Taxes, transportation and other decreased 49% for the quarter and 40% for the six-month period primarily because of decreased production taxes related to lower oil and gas revenues, partially offset by increased other deductions.

Production. Production expense decreased 12% for the quarter and 10% for the six-month period primarily because of decreased repairs and maintenance, fuel and location costs, partially offset by mechanical and marketing rebates included in 2008 and increased compressor costs. In addition, decreased production expense for the six-month period was partially offset by increased labor costs.

Development. Development costs deducted in the calculation of net profits income are based on the development budget. These development costs decreased 56% for the second quarter and 24% for the six-month period primarily because of decreased development activity. During the first half of 2009, two wells were completed on the underlying properties and two wells were pending completion at June 30.

As of December 31, 2008, cumulative actual costs exceeded cumulative budgeted costs deducted by approximately \$7.3 million. In calculating net profits income, XTO Energy deducted budgeted development costs of \$5 million for the quarter and \$17 million for the six-month period. After considering actual development costs of \$0.9 million for the quarter and \$9.2 million for the six-month period, cumulative budgeted costs deducted exceeded actual costs by approximately \$0.5 million at June 30, 2009.

XTO Energy has advised the trustee that revised total 2009 budgeted development costs for the underlying properties are approximately \$10.0 million to \$12.0 million. The 2009 budget year generally coincides with the trust distribution months from April 2009 through March 2010. The monthly development cost deduction is currently \$1.0 million. The monthly development cost deduction will be re-evaluated by XTO Energy and revised as necessary, based on the 2009 budget and the timing and amount of actual expenditures.

Overhead. Overhead increased 10% for the quarter and six-month period 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

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)		
	2009	2008	INCREASE (DECREASE)	2009	2008	INCREASE (DECREASE)
SALES VOLUMES						
Gas (Mcf) ^(b)						
Underlying properties	6,462,737	7,100,086	(9%)	13,573,002	14,267,674	(5%)
Average per day	72,615	78,890	(8%)	74,989	78,394	(4%)
Net profits interests	1,421,757	3,861,217	(63%)	2,875,683	6,938,696	(59%)
Oil (Bbls) ^(b)						
Underlying properties	69,193	94,807	(27%)	133,811	169,028	(21%)
Average per day	777	1,053	(26%)	739	929	(20%)
Net profits interests	18,718	50,066	(63%)	33,207	84,931	(61%)
AVERAGE SALES PRICES						
Gas (per Mcf)	\$ 2.96	\$ 8.26	(64%)	\$ 3.48	\$ 7.37	(53%)
Oil (per Bbl)	\$ 40.38	\$ 102.16	(60%)	\$ 42.59	\$ 98.69	(57%)
REVENUES						
Gas sales	\$ 19,100,449	\$ 58,622,294	(67%)	\$ 47,296,640	\$ 105,120,701	(55%)
Oil sales	2,794,176	9,685,436	(71%)	5,698,493	16,681,879	(66%)
TOTAL REVENUES	21,894,625	68,307,730	(68%)	52,995,133	121,802,580	(56%)
COSTS						
Taxes, transportation and other	3,029,840	5,986,350	(49%)	6,815,720	11,439,921	(40%)
Production expense	5,583,928	6,324,110	(12%)	11,111,916	12,394,124	(10%)
Development costs	5,000,000	11,250,000	(56%)	17,000,000	22,500,000	(24%)
Overhead	2,609,469	2,373,210	10%	5,174,328	4,686,099	10%
Excess costs	—	—	—	—	863,558	(100%)
TOTAL COSTS	16,223,237	25,933,670	(37%)	40,101,964	51,883,702	(23%)
NET PROCEEDS	5,671,388	42,374,060	(87%)	12,893,169	69,918,878	(82%)
NET PROFITS PERCENTAGE	80%	80%	—	80%	80%	—
NET PROFITS INCOME	\$ 4,537,110	\$ 33,899,248	(87%)	\$ 10,314,535	\$ 55,935,102	(82%)

(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, 2009	JUNE 12, 2009	JULY 14, 2009	TOTAL
Gross income	\$ 0.035801	\$ 0.036367	\$ 0.054922	\$ 0.127090
Less severance taxes	(0.003958)	(0.003880)	(0.005824)	(0.013662)
Interest income	0.000001	0.000002	0.000001	0.000004
Less administrative expenses	(0.000943)	(0.003283)	(0.002613)	(0.006839)
NET CASH DISTRIBUTION	<u>\$ 0.030901</u>	<u>\$ 0.029206</u>	<u>\$ 0.046486</u>	<u>\$ 0.106593</u>
Cost depletion factors:				
Kansas - 80%	0.002586	0.002567	0.001394	0.006547
Oklahoma - 80%	0.002521	0.002964	0.004481	0.009966
Wyoming - 80%	0.001108	0.000516	0.001118	0.002742

HUGOTON ROYALTY TRUST 901 Main Street, 17th Floor, P.O. Box 830650, Dallas, Texas 75283-0650 • 877.228.5083
Bank of America, N.A., Trustee • www.hugotontrust.com

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