

HUGOTON ROYALTY TRUST

TAX INFORMATION 2019

*This booklet contains tax information relevant to ownership of
Units of Hugoton Royalty Trust and should be retained.*

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Hugoton Royalty Trust

Important Tax Information

2911 Turtle Creek Blvd, Ste 850
Dallas, Texas 75219
Telephone (855) 588-7839

2019

February 3, 2020

TO UNITHOLDERS:

We enclose the following material, which provides unitholders with the information necessary to compute the 2019 federal and state taxable income attributable to their units:

- (a) Grantor Trust Schedule A for 2019.
- (b) Instructions for Schedules A and B-1 through B-12.
- (c) Supplemental Tax Tables and Worksheet.

As explained in the attached instructions, distributions from the trust are taxable as royalties and not as dividends.

Unitholder Worksheet and Tax and Depletion Calculators

Due to the lack of distributions in 2019, individualized unitholder letters will not be generated for the 2019 tax year (as the Trust has done in prior years). For your convenience, the trust has simple income/expense and cost depletion calculators available on the Hugoton Royalty Trust website at: www.hgt-hugoton.com under the headings "Tax Calculator" and "Cost Depletion Calculator."

If you owned trust units as of the record date for any month in 2019, you may use the tax calculator located on the trust's website, www.hgt-hugoton.com, to calculate the amounts reportable by you on your 2019 federal income tax return. If you purchased units in multiple blocks throughout the year, you should calculate the amounts separately for each block and then add the amounts for each separate block to determine the aggregate amount reportable on your 2019 federal income tax return. Please contact the trustee via email at trustee@hgt-hugoton.com or by calling the trustee at 1-855-588-7839 if you have any questions regarding the tax calculator. The amounts will be computed based on the number of units you owned on each monthly record date that you input into the calculator.

All unitholders must compute their depletion deduction for federal tax reporting purposes. See Part I, Instruction 2 in the attached instructions or you may use the cost depletion calculator on the trust's website, www.hgt-hugoton.com.

Each unitholder should consult their individual tax advisor.

Simmons Bank, Trustee

By: 

Vice President

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PER UNIT

Hugoton Royalty Trust

Form 1041, GRANTOR TRUST — Schedule A

EIN 58-6379215

2019

PART I—ROYALTY INFORMATION PER UNIT

	Gross Income (a)	Severance Tax (b)	Net Royalty Payment (c)	Cost Depletion Factor (d)	Percentage Depletion (e)	Basis Allocation Factor (f)	Production (g)
80% NET PROFITS INTERESTS							
KANSAS							
1. Oil	\$0.000000	\$0.000000	\$0.000000				0.000000 Bbls
2. Gas	0.000000	0.000000	0.000000				0.000000 Mcf
3. Total Oil & Gas	<u>0.000000</u>	<u>0.000000</u>	<u>0.000000</u>	0.000000	\$0.000000	0.027794	
OKLAHOMA							
1. Oil	0.000000	0.000000	0.000000				0.000000 Bbls
2. Gas	0.000000	0.000000	0.000000				0.000000 Mcf
3. Total Oil & Gas	<u>0.000000</u>	<u>0.000000</u>	<u>0.000000</u>	0.000000	\$0.000000	0.968929	
WYOMING							
1. Oil	0.000308	0.000039	0.000269				0.000006 Bbls
2. Gas	0.011173	0.002206	0.008967				0.002739 Mcf
3. Total Oil & Gas	<u>0.011481</u>	<u>0.002245</u>	<u>0.009236</u>	0.650010	\$0.001723	<u>0.003277</u>	
TOTAL FOR YEAR	<u>\$0.011481</u>	<u>\$0.002245</u>	<u>\$0.009236</u>	A		<u>1.000000</u>	0.000006 Bbls 0.002739 Mcf

PART II—OTHER INCOME AND EXPENSE PER UNIT

	Total
1. Interest Income	\$0.000533 B
2. Administration Expense	\$0.022834 C

PART III—RECONCILIATION OF TAXABLE INCOME AND CASH DISTRIBUTION PER UNIT

	Total
1. Taxable Income per unit, Excluding Depletion (A+B-C)	\$(0.013065)
2. Reconciling Items	\$ 0.013065
3. Cash Distribution per unit	<u>\$ 0.000000</u>

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Instructions for Schedules A and B-1 through B-12

I. FEDERAL INCOME TAX INFORMATION

1. Reporting of Income and Expense

(a) *Direct Ownership Reporting.* The Hugoton Royalty Trust is taxable as a grantor trust for federal income tax purposes. Each unitholder of the trust is taxable on his pro rata share of the income and expenses of the trust as if he were the direct owner of a pro rata share of the trust income and assets. Thus, the taxable year for reporting a unitholder's share of the trust's income and expense is determined by his taxable year and his method of accounting, not by the taxable year and method of accounting of the trust. Therefore, a cash method unitholder should report his pro rata share of income or expense received or paid by the trust during his tax year. An accrual method unitholder should report his pro rata share of income and expenses accrued by the trust during his tax year.

The trust was created in December 1998, when XTO Energy Inc. conveyed to the trust three defined net profits interests carved out of certain predominantly gas-producing properties. Each of the three conveyances entitles the trust to receive a percentage of the net proceeds of production from such properties.

(b) *Taxable Year.* Because the trust distributes its income monthly to unitholders of record at the end of each month, Schedules B-1 through B-12 are prepared for each month during the year to permit unitholders using a fiscal year to develop their own tax data by computing the relevant information for each month the unitholder owned units during his taxable year. For example, a unitholder with a fiscal year ending January 31, 2020, who has owned the same number of units during such year, would combine the results of Schedules B-2 through B-12 for 2019 and Schedule B-1 for 2020. For the convenience of unitholders who report on the calendar year and who have owned the same number of units during such calendar year, Schedule A, which combines the results of Schedules B-1 through B-12, is attached. Calendar year unitholders who purchased or sold units during the calendar year should consult the Supplemental Tax Tables and Depletion Worksheet. Unitholders may also utilize the income/expense and cost depletion calculators for assistance with computing their own tax data. Any unitholders requiring Schedules B-1 through B-12 can obtain them from the trust website at www.hgt-hugoton.com or can contact the trustee.

(c) *Types and Reporting of Trust Income and Expense.*

(i) The trust holds three 80% defined net profits interests carved out of working interests in predominantly gas-producing properties located in Kansas, Oklahoma and Wyoming, known as the "80% Net Profits Interests" (herein referred to collectively as the royalties and individually as a royalty). In general, the income attributable to each royalty is computed for each monthly period based on proceeds collected in the preceding month by the owner of the interests burdened by such royalty from oil and gas produced from such interests and sold in an earlier month, less certain designated costs and expenses paid (or in some cases accrued). Such royalty income generally is

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received by the trustee on the last business day of such monthly period. The gross amount of net income received by the trust from each royalty during the period is reported in Column (a) of Part I.

- (ii) Severance tax allocated to the trust during the period is reported in Column (b) of Part I.
- (iii) Production quantities provided in Column (g) of Part I are for information only.
- (iv) Interest income received by the trustee during the period covered is reported in Item 1 of Part II.
- (v) Administration expenses generally are paid on the last day of the month in which they were incurred. The amount incurred and paid during such period is reported as Item 2 of Part II.

(d) *Unit Multiplication.* Because each schedule shows results on a per-unit basis, it is necessary to multiply the gross royalty income and severance tax shown in Part I and the interest income and administration expense shown in Part II by the number of units owned by a unitholder on the monthly record date of the applicable period to obtain the amount to be reported on his tax return for that period. Income and expenses (other than depletion) may be computed directly from the appropriate schedules. Depletion per unit must be computed as provided in instruction 2 below.

(e) *Individual Taxpayers.* For unitholders who hold the units as an investment and who are required to file Form 1040 for a period beginning in 2019, it is suggested that the items of income and expense computed from the appropriate schedules be reported in the following manner:

Item	Form 1040
Name of Royalty	Line 1a, Part I, Schedule E
Gross Royalty Income	Line 4, Part I, Schedule E
Depletion	Line 18, Part I, Schedule E
Severance Tax	Line 16, Part I, Schedule E
Interest Income	Line 1, Part I, Schedule B
Administration Expense	Line 19, Part I, Schedule E

On the following pages, we have reproduced Form 1040 Schedules E and B and identified the specific location of each item of income and expense listed above. These pages are entitled "Individual Unitholder's Specific Location of Items of Income and Expense on Form 1040 Schedules E and B."

For the convenience of unitholders who acquired or sold units during 2019, Tables I through V are enclosed to assist in the computation of Gross Royalty Income, Severance Tax, Interest Income, Administration Expense, and Reconciling Items. These tables are only for those unitholders who have a calendar year as their taxable year.

(f) *Nominee Reporting.* Nominees should report the distributions from the trust as royalty income on Form 1099-MISC. The taxable amount before depletion should be reported per the attached schedules. In years where there are no reconciling items (as explained below), the net taxable income excluding depletion (see instruction 2) will equal the cash distributions from the trust. Also, see "WHFIT Classification" on page 8 regarding tax information reporting by middlemen.

2. Computation of Depletion

Each unitholder should determine his depletion allowance by computing depletion for each royalty. A taxpayer who purchased his units or received units from the dividend distribution by XTO Energy on May 12, 2006, is entitled to claim depletion allowable based on the greater of cost or percentage depletion.

A Depletion Worksheet is enclosed to assist unitholders in computing their cost or percentage depletion deduction. The Worksheet is divided into two parts. Part A pertains to units that were held the

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entire calendar year, and Part B pertains to units that were acquired or sold in 2019. Unitholders who use Part B should obtain the cost depletion factors from Tables VI through VIII, and percentage depletion factors from Tables IX through XI for their applicable period of ownership in 2019. Notes are contained in the Specific Instructions for Depletion Worksheet to explain certain aspects of the depletion calculation.

(a) *Percentage Depletion.* If available, percentage depletion is equal to 15% of the gross income attributable to a royalty, limited to 100% of the net income from such royalty, and continues to be deductible after a unitholder's tax basis is reduced to zero.

A unitholder who purchased his units or received units by gift, devise or inheritance from a unitholder who purchased units is entitled to claim a depletion allowance based on the greater of cost or percentage depletion. The trust has provided percentage depletion amounts in Column (e) of Part I so that a unitholder who has held his units for the entire year may determine whether cost or percentage depletion produces the greater deduction in his particular circumstances.

(b) *Cost Depletion and Apportionment of Basis.* Each unitholder is entitled to compute cost depletion with respect to his share of royalty income received by the trust from each royalty based on his tax basis in such royalty. To compute cost depletion for the applicable period, each unitholder should multiply his tax basis in each royalty (reduced by prior years' depletion, if any) by the factor indicated in Column (d) of Part I, which factor was calculated by dividing the quantity produced and sold during the period by the estimated quantity of reserves at the beginning of the year.

With respect to units acquired by purchase or from the dividend distribution by XTO Energy on May 12, 2006, a unitholder's basis in each royalty is determined by apportioning his basis in such units among each royalty in proportion to the relative fair market values of each royalty on the date the units were acquired by him. Note 2 of the Specific Instructions for Depletion Worksheet and Column (f) of Part I sets forth the factor for apportioning basis based on the trustee's determination of the relative fair market value of the royalties. A unitholder should allocate his basis in accordance with the basis allocation factor in Note 2 of the Specific Instructions for Depletion Worksheet or in Column (f) of Part I for the year in which he acquires units and should not thereafter reallocate his basis. The trustee intends to redetermine the relative values of the royalties annually and make appropriate adjustments to the basis allocation factor in Note 2 of the Specific Instructions for Depletion Worksheet and in Column (f) of Part I based on such redetermination.

For your convenience, a simple cost depletion calculator is available on the Hugoton Royalty Trust web site at: www.hgt-hugoton.com, under the heading "Cost Depletion Calculator."

Individual Unitholder's Specific Location of Items of Income and Expense on Form 1040 Schedules E and B

SCHEDULE E (Form 1040 or 1040-SR)	Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)	OMB No. 1545-0074 2019 Attachment Sequence No. 13
Department of the Treasury Internal Revenue Service (99)		
Attach to Form 1040, 1040-SR, 1040-NR, or 1041. Go to www.irs.gov/ScheduleE for instructions and the latest information.		
Name(s) shown on return		Your social security number

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) Yes No
B If "Yes," did you or will you file required Forms 1099? Yes No

Name of Royalty →

1a Physical address of each property (street, city, state, ZIP code)					
A					
B					
C					
1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
A			A		<input type="checkbox"/>
B			B		<input type="checkbox"/>
C			C		<input type="checkbox"/>

Type of Property:
 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Gross Royalty Income →

Income:	Properties:	A	B	C
3 Rents received	3			
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12			
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16			
17 Utilities	17			
18 Depreciation expense or depletion	18			
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20			
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21			
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()
23a Total of all amounts reported on line 3 for all rental properties		23a		
b Total of all amounts reported on line 4 for all royalty properties		23b		
c Total of all amounts reported on line 12 for all properties		23c		
d Total of all amounts reported on line 18 for all properties		23d		
e Total of all amounts reported on line 20 for all properties		23e		
24 Income. Add positive amounts shown on line 21. Do not include any losses		24		
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here		25	()	
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040 or 1040-SR), line 5, or Form 1040-NR, line 18. Otherwise, include this amount in the total on line 41 on page 2		26		

Severance Tax →

Depletion →

Administration Expense →

SCHEDULE B
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service (99)

Interest and Ordinary Dividends

▶ Go to www.irs.gov/ScheduleB for instructions and the latest information.
▶ Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074

2019
Attachment
Sequence No. **08**

Name(s) shown on return

Your social security number

Interest Income

Part I

Interest

(See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ▶
- 2** Add the amounts on line 1
- 3** Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
- 4** Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b ▶

Amount	
1	
2	
3	
4	

Note: If line 4 is over \$1,500, you must complete Part III.

Part II

Ordinary Dividends

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

- 5** List name of payer ▶
- 6** Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b ▶

Amount	
5	
6	

Note: If line 6 is over \$1,500, you must complete Part III.

Part III

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Foreign Accounts and Trusts

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. See instructions.

- 7a** At any time during 2019, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions
- If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements
- b** If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶
- 8** During 2019, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions

Yes	No

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 17146N

Schedule B (Form 1040 or 1040-SR) 2019

3. Reconciliation of Net Income and Cash Distributions

The difference between the per-unit taxable income for a period and the per-unit cash distributions, if any, reported for such period (even though distributed in a later period) is attributable to adjustments in Part III, Line 2, labeled Reconciling Items. The Reconciling Items consist of items that reduce cash distributions but are not currently deductible, such as increases in cash reserves established by the trustee for the payment of future expenditures, capital items and items that increase cash distributions but do not constitute taxable income, such as reductions in previously established cash reserves. There were reconciling items in 2019. A net increase of cash reserves for payment of future administrative expenses and extraordinary items resulted in negative reconciling items in the following months: March, (\$0.001941); April, (\$0.000943) and May, (\$0.002433). A net decrease of cash reserves for payment of current administrative expenses and extraordinary items resulted in positive reconciling items in the following months: January, \$0.002821; February, \$0.002987; June, \$0.000934; July, \$0.001964; August, \$0.001315; September, \$0.002496; October, \$0.002071; November, \$0.001271 and December, \$0.002523. The reconciling items are presented in aggregate on Schedule A, individually on the appropriate month's Schedule B in Part III of those schedules as well as in Table V on page 15 of this booklet. The Schedule Bs are located on the "Tax Information" page of the trust's website, www.hgt-hugoton.com.

4. Adjustments to Basis

Each unitholder should reduce his tax basis (but not below zero) (i) in each royalty by the amount of depletion allowable with respect to such royalty and (ii) in his units by the aggregate amount of depletion allowable with respect to all of the royalties.

5. Federal Income Tax Reporting of Units Sold

The sale, exchange, or other disposition of a unit generally is a taxable transaction for federal income tax purposes. Gain or loss is computed under general tax principles as the difference between the selling price and the adjusted basis of the unit. The adjusted basis of a unit is the original cost or other basis of the unit reduced by any depletion allowed or allowable. The amount of gain, if any, realized upon the disposition of an oil and gas property is treated as ordinary income to the extent of the depletion previously claimed with respect to such property that reduced the taxpayer's basis in the property. The remaining gain or any loss from the disposition of oil and gas properties will be a capital gain or loss if such unit was held by the unitholder as a capital asset. The capital gain or loss will be long-term, if the unit was held more than 12 months, or short-term if held for 12 months or less.

6. Portfolio Income

Royalty income is generally considered portfolio income under the passive activity loss rules enacted by the Tax Reform Act of 1986. Therefore, unitholders should not consider the taxable income from the trust to be passive activity income in determining net passive activity income or loss. Unitholders should consult their tax advisors for further information.

7. WHFIT Classification

Some trust units are held by middlemen, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a customer in street name, collectively referred to herein as "middlemen"). Therefore, the trustee considers the trust to be a non-mortgage widely held fixed investment trust ("WHFIT") for U.S. federal income tax purposes. Simmons Bank, EIN: 71-0407808, 2911 Turtle Creek Blvd, Ste. 850, Dallas, Texas, 75219, telephone number 1-855-588-7839, email address trustee@hgt-hugoton.com, is the representative of the trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the trust as a WHFIT. Tax information is also posted by the trustee at www.hgt-hugoton.com. Notwithstanding the foregoing, the middlemen

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holding trust units on behalf of unitholders, and not the trustee of the trust, are solely responsible for complying with the information reporting requirements under the U.S. Treasury Regulations with respect to such trust units, including the issuance of IRS Forms 1099 and certain written tax statements. Unitholders whose trust units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the trust units.

8. Unrelated Business Taxable Income

Certain organizations that are generally exempt from federal income tax under IRC Section 501 are subject to tax on certain types of business income defined in IRC Section 512 as unrelated business taxable income. The income of the trust will not be unrelated business taxable income to such organizations, so long as the trust units are not “debt-financed property” within the meaning of IRC Section 514(b). In general, a trust unit would be debt-financed if the trust unitholder incurs debt to acquire a trust unit or otherwise incurs or maintains a debt that would not have been incurred or maintained if the trust unit had not been acquired.

9. Net Investment Income Tax

IRC Section 1411 imposes a 3.8% Medicare tax on certain investment income earned by individuals, estates, and trusts. For these purposes, investment income generally will include a unitholder’s allocable share of the trust’s interest and royalty income plus the gain recognized from a sale of trust units. In the case of an individual, the tax is imposed on the lesser of (i) the individual’s net investment income from all investments, or (ii) the amount by which the individual’s modified adjusted gross income exceeds specified threshold levels depending on such individual’s federal income tax filing status (\$250,000 for married persons filing a joint return and \$200,000 in most other cases). In the case of an estate or trust, the tax is imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins (\$12,750 for 2019).

10. Backup Withholding

A payor is required under specified circumstances to withhold tax at the rate of 24 percent on “reportable interest or dividend payments” and “other reportable payments” (including certain oil and gas royalty payments). Generally, this “backup withholding” is required on payments if the payee has failed to furnish the payor a taxpayer identification number or if the payor is notified by the Secretary of the Treasury to withhold taxes on such payments with respect to the payee. Amounts withheld by payors pursuant to the backup withholding provisions are remitted to the Internal Revenue Service and are considered a credit against the payee’s federal income tax liability. If the payee does not incur a federal income tax liability for the year in which the taxes are withheld, the payee will be required to file the appropriate income tax return to claim a refund of the taxes withheld.

Unitholders, other than foreign taxpayers, who have had amounts withheld in 2019 pursuant to the federal backup withholding provisions should have received a Form 1099-MISC from the trust. The Form 1099-MISC reflects the total federal income tax withheld from distributions. Unlike other Forms 1099 that you may receive, the amount reported on the Form 1099-MISC received from the trust should not be included as additional income in computing taxable income, as such amount is already included in the per-unit income items on the income and expense schedules included herein. The federal income tax withheld, as reported on the Form 1099-MISC, should be considered as a credit by the unitholder in computing any federal income tax liability. Individual unitholders should include the amount of backup withholding in the “Payments” section of the unitholder’s 2019 Form 1040.

II. STATE INCOME TAX RETURNS

All revenues from the trust are from sources within Kansas, Oklahoma or Wyoming, as reflected on Schedules A and B. Kansas and Oklahoma each impose a state income tax, which is potentially

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applicable to income from the net profits interests located in each of those states. Because it distributes all of its net income to unitholders, the trust is not taxed at the trust level in Kansas or Oklahoma. While the trust does not owe tax, the trustee is required to file a return with Oklahoma reflecting the income and deductions of the trust attributable to properties located in the state, along with a schedule that includes information regarding distributions to unitholders. Oklahoma taxes the income of nonresidents from real property located within the state, and the trust has been advised by counsel that Oklahoma will tax nonresidents on income from the net profits interest located within the state. Oklahoma also imposes a corporate income tax that may apply to unitholders organized as corporations (subject to certain exceptions for S corporations and limited liability companies, depending on their treatment for federal tax purposes).

Kansas also taxes the income of nonresidents from property located within the state. However, the trust will not file a Kansas income tax return for the 2019 tax year because the trust had no revenues, income or deductions in 2019 attributable to properties located in Kansas. The trust did not file a Kansas income tax return for the 2015 through 2018 tax years for the same reason.

Wyoming does not impose a state income tax.

The revenues and expenses attributable to the royalties located in each state are reflected in Part I to assist unitholders in complying with state tax obligations. If units were owned less than a full year, the unitholder must obtain state income tax information from Schedule B for each of the months in which units were owned. Monthly Schedule Bs are provided to unitholders by the trustee upon request and are available on the trust website at www.hgt-hugoton.com.

Each unitholder should contact his or her own tax advisor regarding state income tax requirements, if any, applicable to such person's ownership of trust units.

III. CERTAIN TAX MATTERS

Under current law (i) the trust should be treated as a grantor trust for federal income tax purposes and the income of the trust should be taxable to the unitholders as if amounts owed or paid to the trust were owed or paid directly to the unitholders pro rata and (ii) each unitholder will be entitled to depletion deductions equal to the greater of cost depletion based on his basis in the units or (under certain circumstances) percentage depletion. The Internal Revenue Service ("IRS") has issued private letter rulings and technical advice memoranda indicating that royalty trusts similar to the trust are taxable as grantor trusts. However, no rulings have been issued to the trust and private letter rulings issued to other taxpayers do not bind the IRS in connection with the trust. Hence, there can be no assurance that the IRS will not challenge this treatment.

THE INSTRUCTIONS CONTAINED IN THIS BOOKLET ARE DESIGNED TO ASSIST UNITHOLDERS WHO ARE U.S. CITIZENS IN COMPLYING WITH THEIR FEDERAL AND STATE INCOME TAX REPORTING REQUIREMENTS BASED ON THE TREATMENT OF THE TRUST AS A GRANTOR TRUST AND SHOULD NOT BE CONSTRUED AS TAX ADVICE TO ANY SPECIFIC UNITHOLDER. A UNITHOLDER SHOULD CONSULT HIS OWN TAX ADVISOR REGARDING ALL TAX COMPLIANCE MATTERS RELATING TO THE TRUST.

Supplemental Tax Tables and Worksheet

In addition to Schedule A and the Instructions for Schedules A and B-1 through B-12, the Supplemental Tax Tables and Worksheet are provided for certain unitholders. The Supplemental Tax Tables and Worksheet comprise eleven tables and a Depletion Worksheet.

Instead of using Supplemental Tax Tables I through V, unitholders may utilize the tax calculator on the trust's website, www.hgt-hugoton.com, which is located on the website's home page. For purposes of computing income and expenses (excluding depletion), Tables I through V and the calculator should only be used by calendar-year unitholders who acquired units after January 31, 2019, or sold or exchanged units any time during 2019. Unitholders with a taxable year ending on a date other than December 31, as well as unitholders subject to state income tax who did not own units for the full calendar year, should continue to use Schedules B-1 through B-12. Unitholders who have held units the entire year should use Schedule A.

To assist unitholders in calculating their depletion deduction, Tables VI through XI and the Depletion Worksheet are provided. Notes are contained in the Specific Instructions for Depletion Worksheet to explain and assist in preparing a unitholder's cost depletion deduction.

(HRT 2019 TAX)

Specific Instructions for Depletion Worksheet

Note 1: The original basis of your units must be determined from your records and generally will be the amount paid for the units, including broker's commissions, if any. However, there could be other taxable events that cause the original basis to be revised. For example, the original basis of units passing through an estate generally will be changed to reflect the fair market value of the units on the date of death of the decedent. Please consult your tax advisor concerning your original basis. The original basis should be entered in each blank of the first column of the Depletion Worksheet.

Note 2: There are three basis allocation factors because the trust has three separate properties for depletion purposes. Each conveyance agreement created separate and distinct properties for tax purposes, and each property is depleting at a different rate.

The following basis allocation factors are to be used only in the year units are purchased or otherwise acquired. Once the basis allocation factor is applied to the original basis of the units, it is not changed again. By multiplying the original basis of the units acquired by the basis allocation factors, a unitholder has computed the portion of his original basis applicable to each depletable royalty held by the trust, which will be depleted over the remaining productive life of that property.

ROYALTY	ACQUISITION DATES				
	01/10 - 12/10	01/11 - 12/11	01/12 - 12/12	01/13 - 12/13	01/14 - 12/14
Kansas - 80%	0.104226	0.087805	0.083625	0.078825	0.079895
Oklahoma - 80%	0.740217	0.747089	0.775417	0.833662	0.813701
Wyoming - 80%	0.155557	0.165106	0.140958	0.087513	0.106404

ROYALTY	01/15 - 12/15	01/16 - 12/16	01/17 - 12/17	01/18 - 12/18	01/19 - 12/19
Kansas - 80%	0.076699	0.055155	0.000000	0.049472	0.027794
Oklahoma - 80%	0.791035	0.818202	1.000000	0.831154	0.968929
Wyoming - 80%	0.132266	0.126643	0.000000	0.119374	0.003277

Note 3: Depletion allowed or allowable in prior years is the cumulative depletion amount, whether cost depletion or percentage depletion.

Note 4: When units are acquired, sold or exchanged during the year, the cost depletion factor and percentage depletion amount for each royalty are determined using one of the following procedures:

- (a) UNITS ACQUIRED PRIOR TO 2019 AND SOLD DURING 2019.

Example: A unitholder acquired units prior to 2019 that he sold in September 2019. To calculate his depletion for each of the three royalties for 2019, the unitholder would use the January through August 2019 cost depletion factors (Tables VI through VIII) and percentage depletion amounts (Tables IX through XI), as follows:

Royalty	Cost Depletion		Percentage Depletion	
	Table	Factor	Table	Per Unit
Kansas - 80%	VI	0.000000	IX	\$0.000000
Oklahoma - 80%	VII	0.000000	X	\$0.000000
Wyoming - 80%	VIII	0.650010	XI	\$0.001723

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(b) UNITS ACQUIRED AND SOLD DURING 2019.

Example: A unitholder acquired units in July 2019 and sold them in September 2019. To calculate his depletion for each of the three royalties for 2019, the unitholder would use the July through August 2019 cost depletion factors (Tables VI through VIII) and percentage depletion amounts (Tables IX through XI), as follows:

<u>Royalty</u>	<u>Cost Depletion</u>		<u>Percentage Depletion</u>	
	<u>Table</u>	<u>Factor</u>	<u>Table</u>	<u>Per Unit</u>
Kansas - 80%	VI	0.000000	IX	\$0.000000
Oklahoma - 80%	VII	0.000000	X	\$0.000000
Wyoming - 80%	VIII	0.000000	XI	\$0.000000

(c) UNITS ACQUIRED DURING 2019 AND STILL OWNED AT THE END OF 2019.

Example: A unitholder acquired units in May 2019 and still owned them at the end of the year. To calculate his depletion for each of the three royalties for 2019, the unitholder would use the May through December 2019 cost depletion factors (Tables VI through VIII) and percentage depletion amounts (Tables IX through XI), as follows:

<u>Royalty</u>	<u>Cost Depletion</u>		<u>Percentage Depletion</u>	
	<u>Table</u>	<u>Factor</u>	<u>Table</u>	<u>Per Unit</u>
Kansas - 80%	VI	0.000000	IX	\$0.000000
Oklahoma - 80%	VII	0.000000	X	\$0.000000
Wyoming - 80%	VIII	0.246057	XI	\$0.000626

Note 5: After cost depletion and percentage depletion are calculated, the unitholder is entitled to deduct the greater of the two for each royalty.

Hugoton Royalty Trust

Depletion Worksheet

The following may help you calculate your depletion to be reported on your Federal Income Tax Return.

2019

A. If you owned the units for the entire year, your depletion would be calculated as follows:

Royalty	(a) Original Basis (NOTE 1) x (b)	(b) Allocation Factors (NOTE 2) =	(c) Basis Allocated =	(d) Depletion Allowed or Prior Years (NOTE 3) =	(e) Basis Allocated Less Depletion Allowed or Prior Years (NOTE 3) =	(f) Cost Depletion Factor x (NOTE 4) =	(g) Cost Depletion =	(h) Percentage Depletion Per Unit (NOTE 4) x	(i) Units =	(j) Percentage Depletion =	(k) Greater of Cost Depletion (Col. (g)) or Percentage Depletion (Col. (j)) (NOTE 5)
Kansas - 80%	X	=	=	=	X 0.000000 =	=	\$0.000000 x	=	=	=	
Oklahoma - 80%	X	=	=	=	X 0.000000 =	=	\$0.000000 x	=	=	=	
Wyoming - 80%	X	=	=	=	X 0.650010 =	=	\$0.001723 x	=	=	=	
Total Depletion											

B. If you sold or acquired the units during the year, your depletion for the portion of the year that you held the units would be calculated as follows:

Royalty	(a) Original Basis (NOTE 1) x (b)	(b) Allocation Factors (NOTE 2) =	(c) Basis Allocated =	(d) Depletion Allowed or Prior Years (NOTE 3) =	(e) Basis Allocated Less Depletion Allowed or Prior Years (NOTE 3) =	(f) Partial Year Cost Depletion Factor (NOTE 4) =	(g) Cost Depletion =	(h) Percentage Depletion Per Unit (NOTE 4) x	(i) Units =	(j) Percentage Depletion =	(k) Greater of Cost Depletion (Col. (g)) or Percentage Depletion (Col. (j)) (NOTE 5)
Kansas - 80%	X	=	=	=	X	=	=	X	=	=	
Oklahoma - 80%	X	=	=	=	X	=	=	X	=	=	
Wyoming - 80%	X	=	=	=	X	=	=	X	=	=	
Total Depletion											

(Notes 1, 2, 3, 4 and 5 are contained in the Specific Instructions for Depletion Worksheet.)

Table I Gross Royalty Income

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.000000	0.000000	0.003992	0.007309	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481
February		0.000000	0.003992	0.007309	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481
March			0.003992	0.007309	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481	0.011481
April				0.003317	0.007489	0.007489	0.007489	0.007489	0.007489	0.007489	0.007489	0.007489
May					0.004172	0.004172	0.004172	0.004172	0.004172	0.004172	0.004172	0.004172
June						0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
July							0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
August								0.000000	0.000000	0.000000	0.000000	0.000000
September									0.000000	0.000000	0.000000	0.000000
October										0.000000	0.000000	0.000000
November											0.000000	0.000000
December												0.000000

Table II Severance Tax

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.000000	0.000000	0.000724	0.001374	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245
February		0.000000	0.000724	0.001374	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245
March			0.000724	0.001374	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245	0.002245
April				0.000650	0.001521	0.001521	0.001521	0.001521	0.001521	0.001521	0.001521	0.001521
May					0.000871	0.000871	0.000871	0.000871	0.000871	0.000871	0.000871	0.000871
June						0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
July							0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
August								0.000000	0.000000	0.000000	0.000000	0.000000
September									0.000000	0.000000	0.000000	0.000000
October										0.000000	0.000000	0.000000
November											0.000000	0.000000
December												0.000000

Table III Interest Income

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.000057	0.000112	0.000157	0.000201	0.000247	0.000297	0.000346	0.000395	0.000439	0.000476	0.000508	0.000533
February		0.000055	0.000100	0.000144	0.000190	0.000240	0.000289	0.000338	0.000382	0.000419	0.000451	0.000476
March			0.000045	0.000089	0.000135	0.000185	0.000234	0.000283	0.000327	0.000364	0.000396	0.000421
April				0.000044	0.000090	0.000140	0.000189	0.000238	0.000282	0.000319	0.000351	0.000376
May					0.000046	0.000096	0.000145	0.000194	0.000238	0.000275	0.000307	0.000332
June						0.000050	0.000099	0.000148	0.000192	0.000229	0.000261	0.000286
July							0.000049	0.000098	0.000142	0.000179	0.000211	0.000236
August								0.000049	0.000093	0.000130	0.000162	0.000187
September									0.000044	0.000081	0.000113	0.000138
October										0.000037	0.000069	0.000094
November											0.000032	0.000057
December												0.000025

Table IV Administration Expense

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.002878	0.005920	0.007292	0.009060	0.009974	0.010958	0.012971	0.014335	0.016875	0.018983	0.020286	0.022834
February		0.003042	0.004414	0.006182	0.007096	0.008080	0.010093	0.011457	0.013997	0.016105	0.017408	0.019956
March			0.001372	0.003140	0.004054	0.005038	0.007051	0.008415	0.010955	0.013063	0.014366	0.016914
April				0.001768	0.002682	0.003666	0.005679	0.007043	0.009583	0.011691	0.012994	0.015542
May					0.000914	0.001898	0.003911	0.005275	0.007815	0.009923	0.011226	0.013774
June						0.000984	0.002997	0.004361	0.006901	0.009009	0.010312	0.012860
July							0.002013	0.003377	0.005917	0.008025	0.009328	0.011876
August								0.001364	0.003904	0.006012	0.007315	0.009863
September									0.002540	0.004648	0.005951	0.008499
October										0.002108	0.003411	0.005959
November											0.001303	0.003851
December												0.002548

Table V Reconciling Items

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.002821	0.005808	0.003867	0.002924	0.000491	0.001425	0.003389	0.004704	0.007200	0.009271	0.010542	0.013065
February		0.002987	0.001046	0.000103	(0.002330)	(0.001396)	0.000568	0.001883	0.004379	0.006450	0.007721	0.010244
March			(0.001941)	(0.002884)	(0.005317)	(0.004383)	(0.002419)	(0.001104)	0.001392	0.003463	0.004734	0.007257
April				(0.000943)	(0.003376)	(0.002442)	(0.000478)	0.000837	0.003333	0.005404	0.006675	0.009198
May					(0.002433)	(0.001499)	0.000465	0.001780	0.004276	0.006347	0.007618	0.010141
June						0.000934	0.002898	0.004213	0.006709	0.008780	0.010051	0.012574
July							0.001964	0.003279	0.005775	0.007846	0.009117	0.011640
August								0.001315	0.003811	0.005882	0.007153	0.009676
September									0.002496	0.004567	0.005838	0.008361
October										0.002071	0.003342	0.005865
November											0.001271	0.003794
December												0.002523

Table VI Cost Depletion Factor—Kansas 80% Net Profits Interests

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
February		0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
March			0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
April				0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
May					0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
June						0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
July							0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
August								0.000000	0.000000	0.000000	0.000000	0.000000
September									0.000000	0.000000	0.000000	0.000000
October										0.000000	0.000000	0.000000
November											0.000000	0.000000
December												0.000000

Table X Percentage Depletion Factor—Oklahoma 80% Net Profits Interests

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
February	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
March	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
April	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
May	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
June	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
July	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
August	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
September	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
October	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
November	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
December	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000

Table XI Percentage Depletion Factor—Wyoming 80% Net Profits Interests

For a unit acquired of record during the month of:	And the last cash distribution on such unit was attributable to the monthly record date for the month of:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	0.000000	0.000000	0.000599	0.001097	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723
February	0.000000	0.000000	0.000599	0.001097	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723
March	0.000000	0.000599	0.001097	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723	0.001723
April	0.000000	0.000000	0.000498	0.001124	0.001124	0.001124	0.001124	0.001124	0.001124	0.001124	0.001124	0.001124
May	0.000000	0.000000	0.000000	0.000626	0.000626	0.000626	0.000626	0.000626	0.000626	0.000626	0.000626	0.000626
June	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
July	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
August	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
September	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
October	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
November	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
December	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000

HUGOTON ROYALTY TRUST

TAX INFORMATION
2019

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