UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission File Number: 1-737

Exact name of registrant as specified in its charter:

Texas Pacific Land Trust

State or other jurisdiction of incorporation or organization:
NOT APPLICABLE

IRS Employer Identification No.:
75-0279735

Address of principal executive offices:
1700 Pacific Avenue, Suite 2900
Dallas, Texas 75201

Registrant's telephone number, including area code:
(214) 969-5530

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Sub-share Certificates of Proprietary Interest (par value $.03-1/3 per share)	**TPL**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check One)

Large Accelerated Filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter (June 30, 2019) was approximately $6,115,800,000. As of January 31, 2020, there were 7,756,156 Sub-share Certificates of Proprietary Interest outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
None

TEXAS PACIFIC LAND TRUST
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PART I

Statements in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding management's expectations, hopes, intentions or strategies regarding the future. Forward-looking statements include statements regarding the Trust's future operations and prospects, the markets for real estate in the areas in which the Trust owns real estate, applicable zoning regulations, the markets for oil and gas, production limits on prorated oil and gas wells authorized by the Railroad Commission of Texas, expected competition, management's intent, beliefs or current expectations with respect to the Trust's future financial performance and other matters. All forward-looking statements in this Report are based on information available to us as of the date this Report is filed with the Securities and Exchange Commission (the "SEC"), and we assume no responsibility to update any such forward-looking statements, except as required by law. All forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the factors discussed in Item 1A "Risk Factors" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 1. Business.

General

Texas Pacific Land Trust (which, together with its subsidiaries as the context requires, may be referred to as "Texas Pacific", the "Trust", "our", "we" or "us") is one of the largest landowners in the State of Texas with approximately 900,000 acres of land in West Texas. Texas Pacific was organized under a Declaration of Trust, dated February 1, 1888, to receive and hold title to extensive tracts of land in the State of Texas, previously the property of the Texas and Pacific Railway Company, and to issue transferable Certificates of Proprietary Interest pro rata to the holders of certain debt securities of the Texas and Pacific Railway Company. Our Trustees are empowered under the Declaration of Trust to manage the lands with all the powers of an absolute owner.

Our surface and royalty ownership allow steady revenue generation through the entire value chain of oil and gas development. While we are not an oil and gas producer, we benefit from various revenue sources throughout the life cycle of a well. During the initial development phase where infrastructure for oil and gas development is constructed, we receive fixed fee payments for use of our land and revenue for sales of materials (caliche) used in the construction of the infrastructure. During the drilling and completion phase, we generate revenue for providing sourced water and/or treated produced water in addition to fixed fee payments for use of our land. During the production phase, we receive revenue from our oil and gas royalty interests and also revenues related to saltwater disposal on our land. In addition, we generate revenue from a variety of land uses including midstream infrastructure projects and processing facilities as hydrocarbons are processed and transported to market.

Conversion Exploration Committee

On July 30, 2019, the Trust and Trustees John R. Norris III and David E. Barry entered into a settlement agreement (the "Settlement Agreement") with Horizon Kinetics LLC, Horizon Kinetics Asset Management LLC, Murray Stahl, SoftVest, L.P., SoftVest Advisors, LLC, Eric L. Oliver, ART-FGT Family Partners Limited, Tessler Family Limited Partnership and Allan R. Tessler (the "Investor Group") with respect to the previous proxy contest mounted by the Investor Group and the then pending litigation between the parties. Pursuant to the Settlement Agreement, the parties agreed, among other things, (i) to dismiss the pending litigation captioned Case 3:19-cv-01224-B Texas Pacific Land Trust et al v. Oliver in the U.S. District Court for the Northern District of Texas in Dallas, (ii) that the third Trustee position would remain vacant at least until the end of the Restricted Period (as defined in the Settlement Agreement), (iii) to add three new members, including Mr. Stahl and Mr. Oliver, to the Conversion Exploration Committee (the "Committee"), which was formed in June, 2019 to evaluate the conversion of the Trust into a C-corporation (the "Conversion"), (iv) the Committee would continue to be governed by its charter dated June 23, 2019, as amended and restated on July 30, 2019, and would complete its work by December 31, 2019, unless the Committee otherwise determined, (v) if the Committee recommends a plan of Conversion and proposes the approval of the Trust's sub-shareholders, the Investor Group would be required to (1) vote all of the Sub-share Certificates of Proprietary Interest ("Sub-shares") beneficially owned by it in favor of such Conversion at a special meeting called therefor by the Trustees, and (2) privately and publicly support such Conversion through a press release as an exempt solicitation, (vi) if the Trustees decide, within 30 days of recommendation (the "Decision Period") to implement such plan of Conversion in the form recommended by the Committee in all material respects, (1) the Investor Group would be prohibited from challenging such Conversion in court or otherwise prior to the end of the Restricted Period, and (2) the parties would grant mutual general releases in one another's favor upon completion of such Conversion, and (vii) to abide by other customary terms of settlement.

The Committee met on a regular basis throughout the remainder of 2019 and into January 2020 to consult with the Trust's advisors regarding steps to effectuate the Trust's conversion or reorganization to a corporate structure.

On January 22, 2020, the Committee announced that, following a deliberation process initiated in June 2019, the Committee recommended to the Trustees that the Trust convert from a trust into a Delaware C-corporation. The Committee analyzed reasons for and alternatives to conversion with support from a team of advisors to the Trust, including financial advisor Credit Suisse and outside legal counsel. The Committee's deliberations focused particularly on tax, corporate, corporate governance, accounting and business implications of the proposed conversion.

On February 20, 2020, the Trust and the Investor Group entered into the First Amendment to Settlement Agreement (the "Settlement Agreement Amendment"). The Settlement Agreement Amendment provides that the Decision Period will extend through March 6, 2020.

The decision of whether to convert the Trust into a C-corporation is subject to the determination of the Trustees. The Committee recommended that, if the Trustees elect to authorize the conversion, the conversion should follow a process intended to ensure a smooth transition that would be tax-free to shareholders. As proposed, the Trust would transfer all its assets, including cash, land, Texas Pacific Water Resources ("TPWR"), and other assets, to a wholly-owned limited liability company subsidiary of the Trust ("TPL Holdco"). The Trust would then contribute all of the equity in TPL Holdco, holding all of the Trust's assets, to a newly-created corporation ("TPL Corporation"). Shareholders of the Trust would receive an amount of shares in TPL Corporation proportional to their ownership of shares in the Trust. When this process as recommended is completed, shares of the Trust would be cancelled. Shareholders of the Trust would not need to take any action to receive the new shares in TPL Corporation.

The process recommended by the Committee would require filings with the SEC and approval of the listing of the new shares by the New York Stock Exchange (the "NYSE").

Business Segments

We operate our business in two segments: Land and Resource Management and Water Services and Operations. Our segments provide management with a comprehensive financial view of our key businesses. The segments enable the alignment of strategies and objectives of the Trust and provide a framework for timely and rational allocation of resources within businesses. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operationsand Note 10, "Business Segment Reporting" in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

Land and Resource Management

Our Land and Resource Management segment encompasses the business of managing the approximately 900,000 acres of land and related resources in West Texas owned by the Trust. The revenue streams of this segment principally consist of royalties from oil and gas, revenues from easements and commercial leases, and land and material sales.

We are not an oil and gas producer. Rather, our oil and gas revenue is derived from our oil and gas royalty interests. Thus, in addition to being subject to fluctuations in response to the market prices for oil and gas, our oil and gas royalty revenues are also subject to decisions made by the owners and operators of the oil and gas wells to which our royalty interests relate as to investments in and production from those wells.

Our revenue from easements is generated from easement contracts covering activities such as oil and gas pipelines and subsurface wellbore easements. The majority of our easements have a thirty-plus year term but subsequently renew every ten years with an additional payment. We also enter into agreements with operators and mid-stream companies to lease land from us, primarily for facilities and roads.

The demand for, and sale price of, particular tracts of land is influenced by many factors beyond our control, including general economic conditions, the rate of development in nearby areas and the suitability of the particular tract for commercial uses prevalent in western Texas.

Operations

Revenues from the Land and Resource Management segment for the last three years were as follows (amounts presented in millions):

	Years Ended December 31,					
	2019		2018		2017	
	Segment Revenue	% of Total Consolidated Revenue	Segment Revenue	% of Total Consolidated Revenue	Segment Revenue	% of Total Consolidated Revenue
Oil and gas royalties [1]	$ 154.7	31 %	$ 123.8	41 %	$ 58.4	38 %
Easements and other surface-related income	73.1	15 %	63.9	21 %	64.2	42 %
Sale of oil and gas royalty interests	—	— %	18.9	6 %	—	— %
Land sales and other operating revenue	135.5	28 %	4.9	2 %	0.7	— %
Total Revenue - Land and Resource Management segment	$ 363.3	74 %	$ 211.5	70 %	$ 123.3	80 %

(1) On September 14, 2017, we settled the previously disclosed arbitration case with Chevron U.S.A., Inc. involving claims for underpayment of royalties. The Trust received $7.7 million as part of the settlement, including royalties that will be paid to the Trust on additional wells under several community leases. The settlement is included in oil and gas royalties for the year ended December 31, 2017.

Land Activity

For the year ended December 31, 2019, we sold approximately 21,986 acres for an aggregate sales price of approximately $113.0 million, an average price of approximately $5,141 per acre. Land sales for 2019 include a $100 million land sale for approximately 14,000 surface acres in Loving and Reeves Counties. The sale excluded any mineral or royalty interest in the lands conveyed. Additionally, the Trust conveyed approximately 5,620 acres of land in exchange for approximately 5,545 acres of land, all in Culberson County. As we had no cost basis in the land conveyed, we recognized land sales revenue of $22.0 million for the year ended December 31, 2019.

For the year ended December 31, 2019, the Trust acquired approximately 21,671 acres (Culberson, Glasscock, Loving and Reeves Counties) of land in Texas for an aggregate purchase price of approximately $74.4 million, an average of approximately $3,434 per acre (excludes land acquired through the land exchange as previously discussed).

Competition

Our Land and Resource Management segment does not have peers, as such, in that it sells, leases and generally manages land owned by the Trust and, to that extent, any owner of property located in areas comparable to the Trust is a potential competitor.

Water Services and Operations

Our Water Services and Operations segment encompasses the business of providing full-service water offerings to operators in the Permian Basin through our wholly owned subsidiary, TPWR, a single member LLC. Our significant surface ownership in West Texas provides TPWR with a unique opportunity to provide multiple full-service water offerings to operators.

These full-service water offerings include, but are not limited to, water sourcing, produced-water gathering/treatment, infrastructure development, disposal solutions, water tracking, analytics and well testing services. TPWR is committed to sustainable water development with significant focus on the large-scale implementation of recycled water operations.

Currently, the revenue streams of this segment principally consist of revenue generated from sales of sourced and treated water as well as revenue from produced water royalties. Prior to the formation of TPWR, we entered into agreements with energy companies and oilfield service businesses to allow such companies to explore for water, drill water wells, construct water-related infrastructure and purchase water sourced from land that we own. Energy businesses use water for their oil and gas projects while service businesses (i.e., water management service companies) operate water facilities to produce and sell water to energy businesses. While we continue to collect water royalties under these legacy agreements, the overall contribution to revenue from these legacy agreements has declined in the recent years and is expected to continue to decline in the future.

Operations

Revenues from our Water Services and Operations segment for the last three years were as follows (amounts presented in millions):

	Years Ended December 31,					
	2019		2018		2017	
	Segment Revenue	% of Total Consolidated Revenue	Segment Revenue	% of Total Consolidated Revenue	Segment Revenue	% of Total Consolidated Revenue
Water sales and royalties	$ 85.0	17 %	$ 63.9	21 %	$ 25.5	16 %
Easements and other surface-related income	42.2	9 %	24.8	9 %	5.8	4 %
Total Revenue – Water Services and Operations segment	$ 127.2	26 %	$ 88.7	30 %	$ 31.3	20 %

Our first sales from internally developed projects were made during the fourth quarter of 2017. The number of barrels of sourced and treated water sold during the year ended December 31, 2019 increased 44.0% over the same period in 2018.

During the year ended December 31, 2019, the Trust invested approximately $30.2 million in TPWR projects to develop and enhance water sourcing and water treatment assets with $21.0 million of this occurring during the first six months of 2019.

Competition

While there is competition in the water service business in West Texas, we believe our position as a significant landowner of approximately 900,000 acres in West Texas gives us a unique advantage over our competitors who must negotiate with existing landowners to source water and then for the right of way to deliver the water to the end user.

Major Customers

During 2019, we received $112.7 million, or approximately 23% of our total revenues (prior to deferrals), which included $100.0 million of land sales and $11.3 million of oil and gas royalties from WPX Energy Permian, LLC and $67.8 million, or approximately 14% of our total revenues (prior to deferrals), which included $33.7 million of oil and gas royalties, $24.5 million of easements and other surface-related income (prior to deferrals) and $9.6 million of water sales and royalties from Anadarko E&P Onshore, LLC.

Seasonality

The business of Texas Pacific is not seasonal in nature, as that term is generally understood, although due to the nature of our operations, our revenue may vary widely from year to year and quarter to quarter.

Regulations

We are subject to various federal, state and local laws. Management believes that our operations comply in all material respects with applicable laws and regulations and that the existence and enforcement of such laws and regulations have no more restrictive effect on our method of operations than on other companies similar to the Trust.

We cannot determine the extent to which new legislation, new regulations or changes in existing laws or regulations may affect our future operations.

Environmental Considerations

Compliance with Federal, State and local provisions that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, have had no material effect upon the capital expenditures, earnings and competitive position of Texas Pacific. To date, Texas Pacific has not been called upon to expend any funds for these purposes.

Employees

As of December 31, 2019, Texas Pacific had 94 full-time employees.

Available Information

The Trust makes available, free of charge, on or through its website copies of its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Such reports are available there at http://www.sec.gov and on our website at www.TPLTrust.com. The information contained on our website is not part of this Report.

Item 1A. Risk Factors.

An investment in our securities involves a degree of risk. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also have a material adverse effect on us. If any of the following risks actually occur, our financial condition, results of operations, cash flows or business could be harmed. In that case, the market price of our securities could decline and you could lose part or all of your investment.

Global economic conditions may materially and adversely affect our business.

Our business and results of operations are affected by international, national and regional economic conditions. A recurrence of recessionary conditions in the United States and elsewhere may lead to reduced industrial production which, in turn, may lead to lower demand and lower prices for oil and gas, which may adversely affect our results of operations.

We face the risks of doing business in a new and rapidly evolving market and may not be able tosuccessfully address such risks and achieve acceptable levels of success or profits.

We have encountered and may continue to encounter the challenges, uncertainties and difficulties frequently experienced in new and rapidly evolving markets with respect to the business of TPWR, including:

- limited operating experience;
- start-up costs for a new line of business;
- lack of sufficient customers or loss of significant customers for the new line of business; and
- difficulties in managing potentially rapid growth.

The Trust's oil and gas royalty revenue is dependent upon the market prices of oil and gas which fluctuate.

The oil and gas royalties which the Trust receives are dependent upon the market prices for oil and gas. The market prices for oil and gas are subject to national and international economic and political conditions and, in the past, have been subject to significant price fluctuations. Price fluctuations for oil and gas have been particularly volatile in recent years. When lower market prices for oil and gas occur, they will have an adverse effect on our oil and gas royalty revenues.

The Trust is not an oil and gas producer. Its revenues from oil and gas royalties are subject to the actions of others.

The Trust is not an oil and gas producer. Its oil and gas income is derived primarily from perpetual non-participating oil and gas royalty interests which it has retained. As oil and gas wells age, the costs of production may increase and their capacity may decline absent additional investment. However, the owners and operators of the oil and gas wells make all decisions as to investments in, and production from, those wells and the Trust's royalties are dependent upon decisions made by those operators, among other factors. The Railroad Commission of the State of Texas sets authorized production levels for pro-rated wells by regulation. In the past, the Trust's income from oil and gas royalties has been limited by the production levels authorized by the Railroad Commission and we cannot assure you that they may not be so limited in the future. Accordingly, a significant portion of our revenues is reliant on the management of third parties, over whom we have no control. There can be no assurance that such third parties will take actions or make decisions that will be beneficial to the Trust, which could result in adverse effects on our financial results and performance.

Our revenues from the sale of land are subject to substantial fluctuation. Land sales are subject to many factors that are beyond our control.

Land sales vary widely from year to year and quarter to quarter. The total dollar amount, the average price per acre, and the number of acres sold in any one year or quarter should not be assumed to be indicative of future land sales. The demand for, and the sale price of, any particular tract of the Trust's land is influenced by many factors, including the national and local economies, rate of oil and gas well development by operators, the rate of residential and commercial development in nearby areas, livestock carrying capacity and the condition of the local agricultural industry, which itself is influenced by range conditions and prices for livestock and agricultural products. The Trust's ability to sell land is, therefore, largely dependent on the actions of adjoining landowners.

The impact of government regulation on TPWR could adversely affect our business.

The business of TPWR is subject to applicable state and federal laws and regulations, including laws and regulations on environmental and safety matters. These laws and regulations may increase the costs and timing of planning, designing, drilling, installing, operating and abandoning water wells and treatment facilities. TPWR's business could be affected by problems, slowdowns or other stoppages to operations of providing water treatment critical to the success of TPWR.

The loss of key members of our management team, or difficulty attracting and retaining experienced technical personnel, could reduce our competitiveness and prospects for future success.

The successful implementation of our strategies and handling of other issues integral to our future success will depend, in part, on our experienced management team, including with respect to the business of TPWR. The loss of key members of our management team could have an adverse effect on our business. If we cannot retain our experienced personnel or attract additional experienced personnel, our ability to compete could be harmed.

If the liability of holders of Certificates of Proprietary Interest and Sub-shares were to be found to be governed by the laws of Texas, holders of Certificates of Proprietary Interest and Sub-shares might be held to have personal liability for claims against the Trust, to the extent such claims exceeded the assets of the Trust.

The Declaration of Trust, which established the Trust, was executed and delivered in New York. Under the laws of the State of New York, the holders of Certificates of Proprietary Interest and Sub-shares are not subject to any personal liability for the acts or obligations of the Trust. The assets of the Trust are located in Texas. Under the laws of the State of Texas, the holders of Certificates of Proprietary Interest and Sub-shares may be held personally liable with respect to claims against the Trust, but only after the assets of the Trust first have been exhausted. Thus, if a court were to hold that the liability of holders of Certificates of Proprietary Interest and Sub-shares for obligations is governed by the laws of Texas, rather than New York, it is possible that holders of Certificates of Proprietary Interest and Sub-shares might be held to have personal liability for claims against the Trust to the extent such claims exceeded all of the Trust's assets.

The Trustees are not subject to annual election and, as a result, the ability of the holders of Certificates of Proprietary Interest and Sub-shares to influence the policies of the Trust may be limited.

Directors of a corporation are generally subject to election at each annual meeting of stockholders or, in the case of staggered boards, at regular intervals. Under the Declaration of Trust, however, the Trust is not required to hold annual meetings of holders of Certificates of Proprietary Interest and Sub-shares to elect Trustees and Trustees generally hold office until their death, resignation or disqualification. As a result, the ability of holders of Certificates of Proprietary Interest and Sub-shares to effect changes in the Board of Trustees, and the policies of the Trust, is significantly more limited than that of the stockholders of a corporation.

Our results of operations for any quarter are not necessarily indicative of our results of operations for a full year.

Revenues from oil and gas royalties may fluctuate from quarter to quarter based upon market prices for oil and gas and production decisions made by the operators. Our other revenue streams, which include, but are not limited to, water sales and royalties, easements and other surface-related income and sales of land, may also fluctuate from quarter to quarter. As a result, the results of our operations for any particular quarter are not necessarily indicative of the results of operations for a full year.

Any governance or structural changes to the Trust could adversely affect the trading price and/or form of our Certificates of Proprietary Interest and Sub-shares.

Our Trustees formed a conversion exploration committee (the "Committee") in June 2019 to evaluate, from a corporate, corporate governance, tax, accounting and business perspective, whether the Trust should be converted into a C-corporation or, in the alternative, whether the Trust should remain a business trust (with potential amendments to the Trust's Declaration of Trust). The Committee has made a non-binding recommendation to the Trustees that the Trust be converted into a Delaware C-corporation, and that such conversion be done in a certain way. There can be no assurance when any structural or governance change, if any, would be made that would affect the securities held by our sub-shareholders, our governance or our Declaration of Trust and how our sub-shareholders and investors may view any such structural or governance change. There can be no assurance of the terms of such changes, if any, or their effect on our securities or their trading price. The trading price of our securities may be adversely affected by any decision of the Trustees to convert the Trust to a C-corporation or to remain as a trust.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

As of December 31, 2019, Texas Pacific owned the surface estate in approximately 901,787 acres of land, comprised of numerous separate tracts, located in 19 counties in the western part of Texas. There were no material liens or encumbrances on the Trust's title to the surface estate in those tracts. Additionally, the Trust also owns a 1/128th nonparticipating perpetual oil and gas royalty interest ("NPRI") under approximately 84,934 acres of land and a 1/16th NPRI under approximately 370,737 acres of land in the western part of Texas. The following table shows our surface ownership and NPRI ownership by county as of December 31, 2019:

	Number of Acres		
County	**Surface**	**1/128th Royalty**	**1/16th Royalty**
Callahan	—	—	80
Coke	—	—	1,183
Concho	3,401	—	—
Crane	3,622	265	5,198
Culberson	301,079	—	111,513
Ector	19,888	33,633	11,793
El Paso	16,613	—	—
Fisher	—	—	320
Glasscock	27,245	3,600	11,111
Howard	4,788	3,099	1,840
Hudspeth	162,119	—	1,008
Jeff Davis	13,117	—	7,555
Loving	63,677	6,107	48,066
Midland	28,372	12,945	13,120
Mitchell	3,842	1,760	586
Nolan	1,600	2,488	3,157
Palo Pinto	—	—	800
Pecos	43,407	320	16,895
Presidio	—	—	3,200
Reagan	—	6,162	1,274
Reeves	188,650	3,013	116,691
Stephens	—	2,817	160
Sterling	5,212	640	2,080
Taylor	690	—	966
Upton	6,661	6,903	9,101
Winkler	7,804	1,182	3,040
Total	**901,787**	**84,934**	**370,737**

As of December 31, 2019, the Trust owned additional royalty interests in the following counties:

County	**Number of Net Royalty Acres(1)**
Glasscock	1,059
Howard	770
Martin	489
Midland	450
Reagan	115
Upton	191
Total	**3,074**

(1) Normalized to 1/8th.

The Trust leases office space in Dallas, Texas for its corporate headquarters and office space in Midland, Texas for TPWR.

Item 3. Legal Proceedings.

Texas Pacific is not involved in any material pending legal proceedings.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities.

Market Information

The Sub-shares are traded on the NYSE under the symbol "TPL". The range of reported sale prices for Sub-shares on the NYSE for each quarterly period during the past two fiscal years was as follows:

	Years Ended December 31,			
	2019		2018	
	High	Low	High	Low
1st Quarter	$ 798.98	$ 524.90	$ 569.99	$ 446.01
2nd Quarter	$ 915.66	$ 707.72	$ 739.89	$ 496.15
3rd Quarter	$ 818.09	$ 619.90	$ 874.00	$ 692.06
4th Quarter	$ 804.70	$ 565.10	$ 877.97	$ 409.00

Certificates of Proprietary Interest and Sub-shares are interchangeable in the ratio of one Certificate for 3,000 Sub-shares or 3,000 Sub-shares for one Certificate of Proprietary Interest. Texas Pacific has paid a cash dividend each year for the preceding 63 years. The cash dividend was $1.75 per Sub-share in 2019 and $1.05 per Sub-share in 2018 and was paid during the first quarter of each year. Texas Pacific is not a party to any agreement that would limit its ability to pay dividends in the future, although any future dividends are subject to the discretion of the Board of Trustees and will depend upon the Trust's earnings, capital requirements and financial position, applicable requirements of law, general economic conditions and other factors considered relevant by the Board of Trustees. The Board of Trustees declared special dividends of $4.25 per Sub-share in 2019 and $3.00 per Sub-share in 2018.

At their February 2020 meeting, the Trustees declared a cash dividend of $10.00 per Sub-share, payable March 16, 2020 to sub-shareholders of record at the close of business on March 9, 2020. This is the 17th consecutive year that the regular dividend has increased. Additionally, the Trustees declared a special dividend of $6.00 per Sub-share, payable March 16, 2020 to sub-shareholders of record at the close of business on March 9, 2020.

The approximate numbers of holders of Certificates of Proprietary Interest and Sub-shares, respectively, as of January 31, 2020, were as follows:

Certificates of Proprietary Interest	—
Sub-shares	235
TOTAL	235

The Trust has not incorporated equity-related compensation elements in its compensation programs. During the year ended December 31, 2019, the Trust did not issue or sell any equity securities.

Issuer Purchases of Sub-shares

The Trust did not repurchase any Sub-shares during the fourth quarter of 2019.

Item 6. Selected Financial Data.

The following data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto incorporated by reference in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. The selected financial data presented below has been derived from our audited consolidated financial statements (in thousands, except shares and per share amounts):

	Years Ended December 31,				
	2019	2018	2017	2016	2015
Revenues	$ 490,496	$ 300,220	$ 154,634	$ 66,109	$ 78,090
Income before income taxes	$ 402,255	$ 261,750	$ 145,061	$ 62,896	$ 75,283
Net income	$ 318,728	$ 209,736	$ 97,231	$ 42,275	$ 50,039
Net income per Sub-share	$ 41.09	$ 26.93	$ 12.38	$ 5.29	$ 6.10
Dividends per Sub-share [(1)]	$ 6.00	$ 4.05	$ 1.35	$ 0.31	$ 0.29
Average number of Sub-shares outstanding	7,756,437	7,787,407	7,854,705	7,989,030	8,197,632

	As of December 31,				
	2019	2018	2017	2016	2015
Total assets, exclusive of property with no assigned value	$ 598,176	$ 285,075	$ 120,035	$ 59,403	$ 50,436

(1) Dividends per Sub-share include special dividends of $4.25, $3.00 and $1.00 per Sub-share for the years ended December 31, 2019, 2018 and 2017, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read together with the factors discussed in Item 1A "Risk Factors" and with the Consolidated Financial Statements, including the Notes thereto, and the other financial information appearing elsewhere in this Report. Period-to-period comparisons of financial data are not necessarily indicative, and therefore should not be relied upon as indicators, of the Trust's future performance. Words or phrases such as "does not believe" and "believes," or similar expressions, when used in this Form 10-K or other filings with the SEC, are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Overview

The Trust was organized in 1888 and holds title to extensive tracts of land in numerous counties in West Texas which were previously the property of the Texas and Pacific Railway Company. We continue to manage those lands for the benefit of the holders of Certificates of Proprietary Interest in the Trust (and/or Sub-shares).

Our revenues are derived primarily from oil and gas royalties, sales of water and land, easements and commercial leases. Due to the nature of our operations, our revenue is subject to substantial fluctuations from quarter to quarter and year to year. The demand for, and sale price of, particular tracts of land is influenced by many factors beyond our control, including general economic conditions, the rate of development in nearby areas and the suitability of the particular tract for commercial uses prevalent in western Texas.

We are not an oil and gas producer. Rather, our oil and gas revenue is derived from our oil and gas royalty interests. Thus, in addition to being subject to fluctuations in response to the market prices for oil and gas, our oil and gas royalty revenues are also subject to decisions made by the owners and operators of the oil and gas wells to which our royalty interests relate as to investments in and production from those wells. We monitor reports from the operators, the Texas Railroad Commission, and other private data providers to assure that we are being paid the appropriate royalties.

Our revenue from easements is primarily generated from pipelines transporting oil, gas and related hydrocarbons, power line and utility easements, and subsurface wellbore easements. The majority of our easements have a thirty-plus year term but subsequently renew every ten years with an additional payment. Commercial lease revenue is derived primarily from saltwater disposal royalties, processing, storage and compression facilities and roads.

TPWR focuses on providing full-service water offerings to operators in the Permian Basin. These services include, but are not limited to, water sourcing, produced-water gathering/treatment, infrastructure development, disposal solutions, water tracking, analytics and well testing services. TPWR's revenue streams principally consist of revenue generated from sales of sourced and treated water as well as revenues from produced water royalties.

Results of Operations

We operate our business in two segments: Land and Resource Management and Water Services and Operations. We eliminate any inter-segment revenues and expenses upon consolidation.

We analyze financial results for each of our reportable segments. The reportable segments presented are consistent with our reportable segments discussed in Note 10, "Business Segment Reporting" in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K. We monitor our reporting segments based upon revenue and net income calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues. Revenues increased $190.3 million, or 63.4% to $490.5 million for the year ended December 31, 2019 compared to $300.2 million for the year ended December 31, 2018. Net income increased $109.0 million, or 52.0%, to $318.7 million for the year ended December 31, 2019 compared to $209.7 million for the year ended December 31, 2018.

The following is an analysis of our operating results for the comparable periods by reportable segment (in thousands):

	Years Ended December 31,			
	2019		2018	
Revenues:				
Land and resource management:				
Oil and gas royalties	$ 154,729	31 %	$ 123,834	41 %
Easements and other surface-related income	73,143	15 %	63,908	21 %
Sale of oil and gas royalty interests	—	— %	18,875	6 %
Land sales and other operating revenue	135,456	28 %	4,859	2 %
Total Land and resource management	363,328	74 %	211,476	70 %
Water services and operations:				
Water sales and royalties	84,949	17 %	63,913	21 %
Easements and other surface-related income	42,219	9 %	24,831	9 %
Total Water service and operations	127,168	26 %	88,744	30 %
Total consolidated revenues	$ 490,496	100 %	$ 300,220	100 %
Net income:				
Land and resource management	$ 258,366	81 %	$ 159,611	76 %
Water services and operations	60,362	19 %	50,125	24 %
Total consolidated net income	$ 318,728	100 %	$ 209,736	100 %

Land and Resource Management

Land and Resource Management segment revenues increased $151.9 million, or 71.8%, to $363.3 million for the year ended December 31, 2019 as compared with revenues of $211.5 million for the comparable period of 2018.

Oil and gas royalties. Oil and gas royalty revenue was $154.7 million for the year ended December 31, 2019 compared to $123.8 million for the year ended December 31, 2018, an increase of 24.9%. Oil royalty revenue was $128.7 million for the year ended December 31, 2019 compared to $94.6 million for the comparable period of 2018. This increase in oil royalty revenue is principally due to the effect of a 48.3% increase in crude oil production subject to the Trust's royalty interest partially offset by a 8.0% decrease in the average price per royalty barrel of crude oil received during the year ended December 31, 2019 compared to the same period in 2018. Gas royalty revenue was $26.0 million for the year ended December 31, 2019, a decrease of 10.9% over the year ended December 31, 2018 when gas royalty revenue was $29.2 million. This decrease in gas royalty revenue resulted from a 49.3% decrease in the average price received for the year ended December 31, 2019 as compared to the same period of 2018, partially offset by a volume increase of 89.3% over the same time period.

Easements and other surface-related income. Easements and other surface-related income was $73.1 million for the year ended December 31, 2019, an increase of 14.5% compared to $63.9 million for the year ended December 31, 2018. Easements and other surface-related income includes pipeline, power line and utility easements, commercial leases, material sales and seismic and temporary permits. The increase in easements and other surface-related income is principally related to increases of $4.6 million in pipeline easement income and $3.5 million in commercial lease revenue for the year ended December 31, 2019 compared to the same period of 2018. Easements and other surface-related income is unpredictable and may vary significantly from period to period.

Sale of oil and gas royalty interests. There were no sales of oil and gas royalty interests for the year ended December 31, 2019. Revenue from the sale of oil and gas royalty interests was $18.9 million for the year ended December 31, 2018, when the Trust sold nonparticipating perpetual royalty interests in approximately 812 net royalty acres for an average price of approximately $23,234 per net royalty acre.

Land sales and other operating revenue. Land sales and other operating revenue includes revenue generated from land sales and grazing leases. For the year ended December 31, 2019, we sold approximately 21,986 acres of land for total consideration of $113.0 million, or approximately $5,141 per acre. Additionally, the Trust conveyed approximately 5,620 acres of land in exchange for approximately 5,545 acres of land, all in Culberson County. As we had no cost basis in the land conveyed, we recognized land sales revenue of $22.0 million for the year ended December 31, 2019. For the year ended December 31, 2018, land sales generated $4.4 million of income for selling approximately 171 acres at an average price of $25,464 per acre.

Net income. Net income for the Land and Resource Management segment was $258.4 million for the year ended December 31, 2019 compared to $159.6 million for the year ended December 31, 2018. As discussed above, revenues for the Land and Resource Management segment increased $151.9 million for the year ended December 31, 2019 compared to the same period of 2018. Expenses, including income tax expense, for the Land and Resource Management segment were $105.0 million and $51.9 million for the years ended December 31, 2019 and 2018, respectively. The increase in expenses was principally related to increased income tax expense associated with the $130.7 million increase in land sales revenue, resulting in additional income tax expense of approximately $27.4 million for the year ended December 31, 2019 compared to the same period of 2018. Through §1031 exchanges, income tax expense of approximately $19.8 million was eligible for deferral for the year ended December 31, 2019. The remaining increase was principally related to increased legal and professional fees and salaries and related employee expenses. See further discussion of these expenses below under “Other Financial Data — Consolidated.”

Water Services and Operations

Water Services and Operations segment revenues increased $38.4 million, or 43.3%, to $127.2 million for the year ended December 31, 2019 as compared with revenues of $88.7 million for the comparable period of 2018.

Water sales and royalties. Water sales and royalty revenue was $85.0 million for the year ended December 31, 2019, an increase of 32.9% compared with the year ended December 31, 2018 when water sales and royalty revenue was $63.9 million. This increase was principally due to a 44.0% increase in the number of barrels of sourced and treated water sold during the year ended December 31, 2019 over the same period in 2018, partially offset by decreased water royalties.

Easements and other surface-related income. Easements and other surface-related income for the Water Services and Operations segment includes pipeline easement royalties, commercial lease royalties and income from temporary permits. For the year ended December 31, 2019, the combined revenue from these revenue streams was $42.2 million as compared to $24.8 million for the year ended December 31, 2018. The increase in easements and other surface-related income was principally related to an increase of $21.5 million in produced water royalties for the year ended December 31, 2019 compared to the same period of 2018, partially offset by a $4.1 million decrease in temporary permit income over the same time period.

Net income. Net income for the Water Services and Operations segment was $60.4 million for the year ended December 31, 2019 compared to $50.1 million for the year ended December 31, 2018. As discussed above, revenues for the Water Services and Operations segment increased $38.4 million for the year ended December 31, 2019 compared to the same period of 2018. Expenses, including income tax expense, for the Water Services and Operations segment were $66.8 million for the year ended December 31, 2019 as compared to $38.6 million for the year ended December 31, 2018. The increase in expenses during 2019 is primarily related to increased water service-related operating expenses, principally fuel, repairs and maintenance and equipment rental related to sourcing and transfer of water. The remaining increase was principally related to increased salaries and related employee expenses as discussed further below under “Other Financial Data — Consolidated.”

Other Financial Data — Consolidated

Salaries and related employee expenses. Salaries and related employee expenses were $35.0 million for the year ended December 31, 2019 compared to $18.4 million for the comparable period of 2018. The increase in salaries and related employee expenses is directly related to the increase in the number of employees from 64 employees as of December 31, 2018 to 94 as of December 31, 2019 as well as additional contract labor expenses over the same time period.

Water service-related expenses. Water service-related expenses were $20.8 million for the year ended December 31, 2019 compared to $11.2 million for the same period of 2018. This increase in expenses was principally the result of an increase in fuel and repairs and maintenance expenses to source and transfer water and is directly related to the 44.0% sales increase in the number of barrels of sourced and treated water sold as previously discussed.

General and administrative expenses. General and administrative expenses increased $5.1 million to $9.8 million for the year ended December 31, 2019 from $4.7 million for the same period of 2018. The increase in general and administrative expenses is principally related to increased expenses associated with our independent contractor service providers, computer-related software and services, and additional liability insurance.

Legal and professional expenses. Legal and professional fees increased $13.9 million to $16.4 million for the year ended December 31, 2019 from $2.5 million for the comparable period of 2018. The increase in legal and professional fees for the year ended December 31, 2019 compared to 2018 is principally due to approximately $13.0 million of legal and professional fees related to the proxy contest to elect a new Trustee, the entry into and payments made under the settlement agreement dated July 30, 2019 and the conversion exploration committee as disclosed in the Trust's Current Report on Form 8-K filed with the SEC on July 30, 2019. We anticipate receiving a partial reimbursement of these legal and professional fees under coverage provided by our director and officer insurance policy. The amount of the reimbursement has not yet been determined.

Depreciation, depletion and amortization. Depreciation, depletion and amortization was $8.9 million for the year ended December 31, 2019 compared to $2.6 million for the year ended December 31, 2018. The increase in depreciation, depletion and amortization is principally related to the Trust's investment in water service-related assets placed in service in 2019 and the latter half of 2018 and to a lesser extent, additional depreciation expense related to the change in estimated useful lives of certain water service-related assets as discussed in Note 2, "Summary of Significant Accounting Policies — Change in Accounting Estimate."

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenues. Revenues increased $145.6 million, or 94.1%, to $300.2 million for the year ended December 31, 2018 compared to $154.6 million for the year ended December 31, 2017. Net income increased $112.5 million, or 115.7% to $209.7 million for the year ended December 31, 2018 compared to $97.2 million for the year ended December 31, 2017.

The following is an analysis of our operating results for the comparable periods by reportable segment (in thousands):

	Years Ended December 31,			
	2018		2017	
Revenues:				
Land and resource management:				
Oil and gas royalties	$ 123,834	41 %	$ 58,418	38 %
Easements and other surface-related income	63,908	21 %	64,199	42 %
Sale of oil and gas royalty interests	18,875	6 %	—	— %
Land sales and other operating revenue	4,859	2 %	723	— %
	211,476	70 %	123,340	80 %
Water services and operations:				
Water sales and royalties	63,913	21 %	25,536	16 %
Easements and other surface-related income	24,831	9 %	5,758	4 %
	88,744	30 %	31,294	20 %
Total consolidated revenues	$ 300,220	100 %	$ 154,634	100 %
Net income:				
Land and resource management	$ 159,611	76 %	$ 78,468	81 %
Water services and operations	50,125	24 %	18,763	19 %
Total consolidated net income	$ 209,736	100 %	$ 97,231	100 %

Land and Resource Management

Land and Resource Management segment revenues increased $88.1 million, or 71.5%, to $211.5 million for the year ended December 31, 2018 as compared with revenues of $123.3 million for the comparable period of 2017.

Oil and gas royalties. Oil and gas royalty revenue was $123.8 million for the year ended December 31, 2018 compared to $58.4 million for the year ended December 31, 2017, an increase of 112.0%. Oil royalty revenue was $94.6 million for the year ended December 31, 2018 compared to $36.9 million for the comparable period of 2017. This increase in oil royalty revenue is principally due to the combined effect of a 110.0% increase in crude oil production, subject to the Trust's royalty interest, and a 21.6% increase in the average price per royalty barrel of crude oil received during the year ended December 31, 2018 compared to the same period in 2017. Gas royalty revenue was $29.2 million for the year ended December 31, 2018, an increase of 111.4% over the year ended December 31, 2017 when gas royalty revenue was $13.8 million. This increase in gas royalty revenue resulted from a volume increase of 178.5% for the year ended December 31, 2018 as compared to the same period of 2017, partially offset by a 24.2% decrease in the average price received. Additionally, oil and gas royalties for the year ended December 31, 2017 included $7.7 million related to the settlement of an arbitration with Chevron U.S.A., Inc. in September 2017. No such settlement was received for the year ended December 31, 2018.

Easements and other surface-related income. Easements and other surface-related income was $63.9 million for the year ended December 31, 2018, a slight decrease compared to $64.2 million for the year ended December 31, 2017. Easements and other surface-related income includes pipeline easement income, seismic and temporary permit income, lease rental income and income from material sales. Easements and other surface-related income is unpredictable and may vary significantly from period to period. The slight decrease in easements and other surface-related income is principally related to a decrease in material sales, partially offset by an increase in pipeline easement income. Material sales decreased 22.3% to $5.6 million for the year ended December 31, 2018 compared to the same period of 2017. Pipeline easement income increased 3.7% to $43.1 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. Effective January 1, 2018, upon the Trust's adoption of the new revenue recognition accounting standard, we no longer defer revenue on our term easements.

Sale of oil and gas royalty interests. Revenue from the sale of oil and gas royalty interests was $18.9 million for the year ended December 31, 2018. The Trust sold nonparticipating perpetual royalty interests in approximately 812 net royalty acres for an average price of approximately $23,234 per net royalty acre.

Land sales and other operating revenue. Land sales and other operating income includes revenue generated from land sales and grazing leases. For the year ended December 31, 2018, we sold approximately 171 acres of land for total consideration of $4.4 million, or approximately $25,464 per acre. For the year ended December 31, 2017, land sales generated $0.2 million of income for selling approximately 11 acres at an average price of $20,000 per acre. Grazing lease income was approximately $0.5 million for both years ended December 31, 2018 and 2017.

Net income. Net income for the Land and Resource Management segment was $159.6 million for the year ended December 31, 2018 compared to $78.5 million for the year ended December 31, 2017. As discussed above, revenues for the Land and Resource Management segment increased $88.1 million for the year ended December 31, 2018 compared to the same period of 2017. Expenses for the Land and Resource Management segment were $51.9 million and $44.9 million for the years ended December 31, 2018 and 2017, respectively. The increase in expenses was principally related to increased salary expense and general and administrative expenses. See further discussion of these expenses below under "Other Financial Data — Consolidated."

Water Services and Operations

Water Services and Operations segment revenues increased $57.4 million, or 183.6%, to $88.7 million for the year ended December 31, 2018 as compared with revenues of $31.3 million for the comparable period of 2017.

Water sales and royalties. Water sales and royalty revenue for the year ended December 31, 2018 of $63.9 million was more than double the amount of revenue for the comparable period of 2017. This increase is due primarily to the Trust commencing the development of water sourcing, partially offset by a decrease in the royalties received from existing legacy agreements.

Easements and other surface-related income. Easements and other surface-related income for the Water Services and Operations segment includes pipeline easement royalties, commercial lease royalties and income from temporary permits. For the year ended December 31, 2018, the combined revenue from these revenue streams was $24.8 million as compared to $5.8 million for the year ended December 31, 2017.

Net income. Net income for the Water Services and Operations segment was $50.1 million for the year ended December 31, 2018 compared to $18.8 million for the year ended December 31, 2017. As discussed above, revenues for the Water Services and Operations segment increased $57.4 million for the year ended December 31, 2018 compared to the same period of 2017. Expenses for the Water Services and Operations segment were $38.6 million for the year ended December 31, 2018 as compared to $12.5 million for the year ended December 31, 2017. The increase in expenses during 2018 is directly related to the formation and commencement of operations of TPWR during the second quarter of 2017 and operating expenses related to the water sourcing and water re-use projects placed in service in 2018 and late 2017. See further discussion of these expenses below under "Other Financial Data — Consolidated."

Other Financial Data — Consolidated

Salaries and related employee expenses. Salaries and related employee expenses were $18.4 million for the year ended December 31, 2018 compared to $3.8 million for the comparable period of 2017. The increase in salaries and related employee expenses is directly related to the increase in the number of employees from 26 employees as of December 31, 2017 to 64 as of December 31, 2018 as well as an increase in contract labor expenses over the same time period.

Water service-related expenses. Water service-related expenses of $11.2 million for the year ended December 31, 2018, include expenses for equipment rental, propane and fuel and other equipment-related expenses associated with water sourcing and water re-use projects placed in service in 2018 and late 2017. The Trust incurred only minimal water service-related expenses during the year ended December 31, 2017.

General and administrative expenses. General and administrative expenses increased $3.2 million to $4.7 million for the year ended December 31, 2018 from $1.5 million for the same period of 2017. The increase in general and administrative expenses is primarily due to additional liability insurance and equipment costs as a result of the formation and commencement of operations of TPWR during the second quarter of 2017.

Legal and professional expenses. Legal and professional fees decreased $1.0 million to $2.5 million for the year ended December 31, 2018 from $3.5 million for the comparable period of 2017. Legal and professional fees for the year ended December 31, 2017 included consulting fees related to a strategic review of the Trust.

Depreciation and amortization. Depreciation and amortization was $2.6 million for the year ended December 31, 2018 compared to $0.4 million for the year ended December 31, 2017. The increase in depreciation and amortization is principally related to the Trust's investment in water service-related assets during 2017 and 2018.

Cash Flow Analysis

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Cash flows provided by operating activities for the years ended December 31, 2019 and 2018 were $342.8 million and $195.4 million, respectively. This increase in operating cash flows is principally due to increases in proceeds from land sales, oil and gas royalties, easements and other surface-related payments received and water sales and royalties during the year ended December 31, 2019 compared to the year ended December 31, 2018.

Cash flows used in investing activities were $111.7 million compared to $81.5 million for the years ended December 31, 2019 and 2018, respectively. The increased use of investing cash flows is principally due to our acquisition of approximately 21,671 acres of land in Culberson, Glassock, Loving and Reeves Counties, Texas for approximately $74.4 million during the year ended December 31, 2019. This increase was partially offset by a $19.3 million decrease in acquisitions of royalty interests and a $15.7 million reduction in capital expenditures during the year ended December 31, 2019 as compared to the same period of 2018.

Cash flows used in financing activities were $50.9 million compared to $70.0 million for the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Trust paid total dividends of $46.5 million consisting of a regular cash dividend of $1.75 per Sub-share and a special dividend of $4.25 per Sub-share. During the year ended December 31, 2018, the Trust paid total dividends of $31.7 million consisting of a regular cash dividend of $1.05 per Sub-share and a special dividend of $3.00 per Sub-share. During the years ended December 31, 2019 and 2018, the Trust paid $4.4 million and $38.4 million, respectively, to repurchase Sub-shares.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Cash flows provided by operating activities for the years ended December 31, 2018 and 2017 were $195.4 million and $93.8 million, respectively. This increase in operating cash flows is principally due to increases in oil and gas royalties collected, easements and other surface-related payments received and water sales and royalties collected during the year ended December 31, 2018 over the year ended December 31, 2017.

Cash flows used in investing activities were $81.5 million compared to $18.7 million for the years ended December 31, 2018 and 2017, respectively. The increased use of investing cash flows is principally due to our investment of $44.7 million in water service-related assets during 2018, an increase of $27.0 million over our investment during 2017. Additionally, for the year ended December 31, 2018 we acquired $24.3 million of royalty interests and $9.4 million of land acquisitions. There were no such acquisitions of royalty interests and land for the year ended December 31, 2017.

Cash flows used in financing activities were $70.0 million compared to $44.9 million for the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, the Trust paid total dividends of $4.05 per Sub-share totaling $31.7 million. During the year ended December 31, 2017, the Trust paid total dividends of $1.35 per Sub-share totaling $10.7 million.

Liquidity and Capital Resources

The Trust's principal sources of liquidity are its revenues from oil and gas royalties, easements and other surface-related income, and water and land sales.

Our primary liquidity and capital requirements are for capital expenditures related to our water services and operations segment, working capital and general corporate needs. As of December 31, 2019, we had a cash and cash equivalents balance of $303.6 million that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business, particularly the growth of TPWR, to repurchase additional Sub-shares subject to market conditions, and for general corporate purposes. We believe that cash from operations, together with our cash and cash equivalents balances, will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs for the foreseeable future.

Off-Balance Sheet Arrangements

The Trust has not engaged in any off-balance sheet arrangements.

Contractual Obligations

As of December 31, 2019, the Trust's known contractual obligations were as follows (in thousands):

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt obligations	$ —	$ —	$ —	$ —	$ —
Capital lease obligations	—	—	—	—	—
Operating lease obligations [1]	3,793	696	1,493	1,088	516
Purchase obligations	—	—	—	—	—
Other long-term liabilities reflected on the Trust's balance sheet under GAAP	—	—	—	—	—
Total	$ 3,793	$ 696	$ 1,493	$ 1,088	$ 516

(1) Includes office leases for our corporate office in Dallas, Texas which expires in 2025 and for our office in Midland, Texas which expires in 2022.

Effects of Inflation

We do not believe that inflation has had a material impact on our operating results. We cannot assure you, however, that future increases in our costs will not occur or that any such increases that may occur will not adversely affect our results of operations.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. It is our opinion that we fully disclose our significant accounting policies in the Notes to the Consolidated Financial Statements. Consistent with our disclosure policies, we include the following discussion related to what we believe to be our most critical accounting policies that require our most difficult, subjective or complex judgment.

Accrual of Oil and Gas Royalties

The Trust accrues oil and gas royalties. An accrual is necessary due to the time lag between the production of oil and gas and generation of the actual payment by operators. The oil and gas royalty accrual is based upon historical payments, estimates of the timing of future payments and recent market prices for oil and gas.

New Accounting Pronouncements

For further information regarding recently issued accounting pronouncements, see Note 2, "Summary of Significant Accounting Policies" in Item 8. Financial Statements and Supplementary Data.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Trust's financial instruments consist of cash and cash equivalents (consisting of U.S. Treasury Bills and commercial paper), accounts payable and other liabilities and the carrying amounts of these instruments approximate fair value due to the short-term nature of these instruments.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 is included in our consolidated financial statements and the notes thereto included in this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

(a) Disclosure Controls and Procedures.

Pursuant to Rule 13a-15 under the Exchange Act, management of the Trust under the supervision and with the participation of Tyler Glover, the Trust's Chief Executive Officer, and Robert J. Packer, the Trust's Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of the end of the Trust's fiscal year covered by this Report on Form 10-K. Based upon that evaluation, Mr. Glover and Mr. Packer concluded that the Trust's disclosure controls and procedures are effective in timely alerting them to material information relating to the Trust required to be included in the Trust's periodic SEC filings.

(b) Management's Report on Internal Control over Financial Reporting.

Management of the Trust is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Management has assessed the effectiveness of the Trust's internal control over financial reporting as of December 31, 2019 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on that assessment, management believes that the Trust's internal control over financial reporting was effective as of December 31, 2019.

(c) Attestation Report of Registered Public Accounting Firm.

The Trust's independent registered public accountants have issued an audit report on the Trust's internal control over financial reporting. This audit report appears on page F-1 of this Report.

(d) Changes in Internal Control over Financial Reporting.

There were no changes in the Trust's internal control over financial reporting during the fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The Trustees hold office until their death, resignation or disqualification. The General Agent, Chief Executive Officer and Secretary and the General Agent and Chief Financial Officer hold office until their death, resignation, discharge or retirement. No Trustee or executive officer was selected to be an officer pursuant to any arrangement or understanding between him and any other person or persons other than the Trustees acting solely in their capacity as such.

Trustees

John R. Norris III, **66**, has served as a Trustee since June 2000 and as Co-Chairman of the Trustees since February 2019. Prior to his election as a Trustee, he advised and represented the Trust in legal matters for more than 17 years. Mr. Norris is currently a partner in the Dallas law firm of Norris & Weber, PLLC. He has been board certified in Estate Planning and Probate Law by the Texas Board of Legal Specialization since 1998. We believe Mr. Norris' qualifications to serve as a Trustee include his legal expertise and extensive background as a practicing attorney in Dallas, Texas which allows him to provide counsel and insight to his fellow Trustees and management with respect to the various legal issues which the Trust faces.

David E. Barry, **74**, has served as a Trustee since January 2017 and as Co-Chairman of the Trustees since February 2019. He is the President of Tarka Resources, Inc., which is engaged in oil and gas exploration in Texas, Oklahoma and Louisiana. He has served as President of Tarka Resources, Inc. and Tarka, Inc. since 2012 and 2014, respectively, continuing through their merger in 2016. Mr. Barry is also President of Sidra Real Estate, Inc., a real estate company that owns commercial properties including three office buildings in Texas. Formerly, Mr. Barry was a partner of the law firm of Kelley Drye & Warren LLP ("Kelley Drye") where he represented the Trust for 30 years. Mr. Barry is a member of the bar of New York State and retired as a member of the bar of the State of Connecticut. We believe Mr. Barry's qualifications to serve as a Trustee include his legal expertise and knowledge gained over a 49 year career at Kelley Drye, including representing the Trust for many years prior to his election as a Trustee, as well as his experience in commercial real estate including in Texas.

Executive Officers

Tyler Glover, **35**, has served as Chief Executive Officer, Co-General Agent and Secretary of the Trust since November 2016 and President and Chief Executive Officer of Texas Pacific Water Resources since its formation in June 2017. Prior to his appointment as CEO, Mr. Glover previously served as Assistant General Agent from December 2014 to November 2016 and Field Agent from September 2011 through December 2014. Prior to his employment with the Trust, Mr. Glover was an independent landman in the Permian Basin.

Robert J. Packer, **50**, has served as Chief Financial Officer of the Trust since December 2014 and has been Co-General Agent since November 2016. Mr. Packer served as Accounting Supervisor for the Trust from March 2011 until his appointment as CFO in December 2014. Prior to his tenure at the Trust, Mr. Packer was Controller at StarCrest Realty. He is a Certified Public Accountant in the State of Texas.

Sameer Parasnis, **45**, has served as Chief Commercial Officer and Executive Vice President since July 2019. Prior to joining the Trust, Mr. Parasnis served as a Managing Director of Stifel Financial Corporation's oil and gas investment banking team in Houston, Texas. Prior to his time at Stifel, Mr. Parasnis spent the majority of his 20 plus year finance career in oil and gas investment banking at Credit Suisse where he advised companies on equity capital markets, debt capital markets and strategic merger and acquisition transactions with considerable focus on the Permian Basin.

Significant Employees

Robert A. Crain, **41**, has served as Executive Vice President of TPWR since its formation in June 2017. Prior to joining TPWR, Mr. Crain was Water Resources Manager with EOG Resources where he led the development of EOG's water resource development efforts across multiple basins including the Permian and Eagleford. During his career, he has successfully developed multiple large-scale sourcing, distribution and treatment systems across multiple platforms and industries.

Code of Ethics

The Trust has adopted a Code of Conduct and Ethics applicable to its Chief Executive Officer, Chief Financial Officer and certain other employees. A copy of the Code of Ethics has been made available on the Trust's corporate website. We maintain our website at www.TPLTrust.com. The information contained on our website is not part of this Report. We intend to disclose any amendment to, or waiver of, a provision of our Code of Conduct by filing a Current Report on Form 8-K with the SEC.

Nominating, Compensation and Governance Committee; Changes in Procedures Regarding Nomination of Trustees

There have been no material changes to the procedures by which security holders may recommend nominees to the Trust's Board of Trustees. The Trust has a standing Nominating, Compensation and Governance Committee. The current members of the Nominating, Compensation and Governance Committee are Messrs. Norris and Barry. The Nominating, Compensation and Governance Committee has adopted a formal written charter (the "Nominating, Compensation and Governance Charter"). The Nominating, Compensation and Governance Committee is responsible for identifying and evaluating potential trustees in the event that a vacancy arises, determining compensation of the Trustees and the executive officers, and overseeing corporate governance matters. The Nominating, Compensation and Governance Charter is available on the Trust's Internet website at www.TPLTrust.com.

Audit Committee

The Trust has a standing Audit Committee. The current members of the Audit Committee are Messrs. Barry and Norris. The Audit Committee has adopted a formal written charter (the "Audit Charter"). The Audit Committee is responsible for ensuring that the Trust has adequate internal controls and is required to meet with the Trust's auditors to review these internal controls and to discuss other financial reporting matters. The Audit Committee is also responsible for the appointment, pre-approval of work, compensation and oversight of the auditors. The Audit Charter is available on the Trust's Internet website at www.TPLTrust.com.

The Board of Trustees has determined that no current member of the Board of Trustees serving on the Trust's Audit Committee would meet the requirements of the definition of "audit committee financial expert" set forth in the applicable rules of the SEC. The terms of the Trust, which was established in 1888, and governing law would require an amendment of the Trust in order to add new Trustees who would satisfy the requirements of the definition. The Audit Committee consists of two independent Trustees, each of whom has been determined by the Board of Trustees to be qualified, in their judgment, to monitor the performance of management, the Trust's internal accounting operations and the independent auditors and to be qualified to monitor the disclosures of the Trust. In addition, the Audit Committee has the ability to retain its own independent accountants, attorneys and other advisors, whenever it deems appropriate, to advise it.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

The Trust's compensation program is designed to reward the performance of the Named Executive Officers (as defined below) in achieving the Trust's primary goals of protecting and maintaining the assets of the Trust. The compensation program consists principally of a salary and an annual cash bonus. Base salaries provide our Named Executive Officers with a steady income stream that is not contingent on the Trust's performance, while the addition of a cash bonus allows the Nominating, Compensation and Governance Committee flexibility to recognize and reward the Named Executive Officers' contributions to the Trust's performance in a given year. Salaries are reviewed annually and salary increases and the amounts of cash bonuses are determined by the Nominating, Compensation and Governance Committee of the Trustees based upon an evaluation of the Named Executive Officer's performance against the goals and objectives of the Trust in accordance with the relevant employment agreements in effect. See "Employment Agreements" below. In accordance with the employment agreements, final bonus amounts for a completed year may be finalized during the first quarter of the following year. Differences in salary for the Named Executive Officers may reflect the differing responsibilities of their respective positions, the differing levels of experience of the individuals and internal pay equity considerations.

The Trust has not incorporated equity-related or other long-term compensation elements in its compensation programs. The Declaration of Trust pursuant to which the Trust was created empowers the Trustees to manage the lands with all the powers of an absolute owner. At their discretion, the Trustees may pay dividends to the certificate holders or repurchase and cancel outstanding certificates. In view of that general directive to the Trustees, the issuance of equity to executive officers has not been made a part of the Trust's compensation program.

As part of its compensation program the Trust maintains both a qualified defined benefit pension plan and a qualified defined contribution plan which are both available to employees generally, as well as to the Named Executive Officers. These plans are designed to assist employees in planning adequately for their retirement.

The Nominating, Compensation and Governance Committee has the sole authority to determine the compensation of the Named Executive Officers.

Summary Compensation Table

The following table sets forth information concerning compensation for services in all capacities awarded to, earned by, or paid to, the Trust's Chief Executive Officer, its Chief Financial Officer and its Chief Commercial Officer, who are its only executive officers (collectively, the "Named Executive Officers"):

Name and Position	Year	Salary	Bonus (1)	Change in Actuarial Present Value of Accumulated Benefits (2)	All Other Compensation (3)(4)	Total
Tyler Glover	2019	$ 800,000	$ 2,900,000	$ 70,515	$ 19,000	$ 3,789,515
General Agent, Chief Executive Officer and Secretary	2018	$ 480,167	$ 1,800,000	$ 13,358	$ 18,500	$ 2,312,025
	2017	$ 381,250	$ 300,000	$ 24,810	$ 18,000	$ 724,060
Robert J. Packer	2019	$ 800,000	$ 2,900,000	$ 101,139	$ 32,866	$ 3,834,005
General Agent and Chief Financial Officer	2018	$ 480,167	$ 1,800,000	$ 30,611	$ 18,500	$ 2,329,278
	2017	$ 381,250	$ 300,000	$ 42,639	$ 29,000	$ 752,889
Sameer Parasnis (5)	2019	$ 350,150	$ 1,400,000	$ —	$ —	$ 1,750,150
Chief Commercial Officer and Executive Vice President						

(1) *For 2019, represents the bonus amount approved by the Trustees at their February 2020 meeting, accrued as of December 31, 2019 and expected to be paid on or before March 15, 2020. Mr. Parasnis's 2019 bonus amount includes a $50,000 bonus that was paid during 2019.*

(2) *Represents the aggregate change in the actuarial present value of the Named Executive Officer's accumulated benefit under all defined benefit and actuarial pension plans (including supplemental plans) from the pension plan measurement date used for financial statement reporting purposes with respect to the Trust's audited consolidated financial statements for the prior completed fiscal year to the pension plan measurement date used for financial statement reporting purposes with respect to the Trust's audited consolidated financial statements for the covered fiscal year.*

(3) *Represents contributions by the Trust to the account of the Named Executive Officer under the Trust's defined contribution retirement plan.*

(4) *The aggregate value of the perquisites and other personal benefits, if any, received by the Named Executive Officer for all years presented have not been reflected in the table because the amount was below the SEC's $10,000 threshold for disclosure except for Mr. Packer, whose perquisites consisted of $10,594 and $11,000 in automobile allowance for 2019 and 2017, respectively.*

(5) *Mr. Parasnis joined the Trust as Chief Commercial Officer and Executive Vice President effective July 1, 2019. As of December 31, 2019, Mr. Parasnis was not eligible to participate in the defined benefit and actuarial pension plans of the Trust.*

Pay Ratio Disclosure

For purposes of calculating the 2019 ratio of the median annual total compensation of all employees to the total annual compensation of the Chief Executive Officer, the Trust included base salary and annual bonus amounts in its calculation of annual total compensation. The Trust used December 31, 2019 as its measurement date. Base salary amounts were annualized for any employee who had less than a full year of service during 2019. Total compensation for Mr. Glover, the Trust's Chief Executive Officer, was determined to be $3,700,000 and was approximately 33 times the median annual compensation of all

Trust employees, excluding the Chief Executive Officer, of $112,000. For purposes of this calculation, the Trust had 93 employees, excluding the Chief Executive Officer.

Employment Agreements

On August 8, 2019, the Trust entered into employment agreements (the “Agreements”) with Mr. Glover, its General Agent and Chief Executive Officer (the “Glover Agreement”), Mr. Packer, its General Agent and Chief Financial Officer (the “Packer Agreement”) and Mr. Parasnis, its Chief Commercial Officer and Executive Vice President (the “Parasnis Agreement”). The Agreements were effective as of July 1, 2019.

Under the Agreements, Mr. Glover and Mr. Packer will each receive a base salary of $800,000 per annum and Mr. Parasnis will receive a base salary of $700,000 per annum, subject to annual review, and be eligible for an annual cash bonus of up to 300% of such base salary for achievement of specified performance targets, except that with respect to Mr. Glover and Mr. Packer, the cash bonus for the calendar year 2019 will be at least 100% of the cash bonus paid with respect to 2018, as established by the Nominating, Compensation and Governance Committee of the Trust. Until the Trust establishes an equity compensation plan, Mr. Glover, Mr. Packer and Mr. Parasnis are required to use at least 25% of their cash bonuses (net of estimated taxes) to purchase shares of the Trust’s common stock. The term of each of the Glover Agreement and the Packer Agreement ends on December 31, 2020, with automatic one (1) year extensions unless notice not to renew is given by either party at least 120 days prior to the relevant end date. The term of the Parasnis Agreement ends on December 31, 2022, with automatic one (1) year extensions unless notice not to renew is given by either party at least 120 days prior to the relevant end date. Under the Parasnis Agreement, the cash bonus for 2019 is prorated for the period of employment during such year. Additionally, Mr. Parasnis is entitled to a retention bonus in the amount of $875,000, payable in three installments on March 15, 2020 and the second and third anniversaries of the effective date of the Parasnis Agreement and is eligible for a relocation allowance in the amount of $100,000 to cover his relocation to Dallas, Texas.

Each Agreement provides for payment of severance benefits if the officer’s employment is terminated by the Trust without cause or by the officer for good reason, provided that the officer executes a general waiver and release of claims and complies with the restrictive covenants described below. The severance benefits include (i) accrued but unpaid bonuses and vested long-term incentive benefits (ii) a pro rata bonus for the year of termination (if such termination occurs after the first calendar quarter), (iii) up to 18 months of COBRA premiums for continued group health, dental and vision coverage for the officer and his dependents, paid for by the Trust, (iv) if such termination occurs during the first 15 months (30 months for Mr. Parasnis) of the term, an amount equal to two times the average of his base salary and cash bonus for the preceding two years (for Mr. Parasnis, annualized for any partial year other than 2019), which amount will be reduced to one times such average for the preceding year if such termination occurs after the first 15 months (30 months for Mr. Parasnis) of the term and (v) for Mr. Parasnis, any unpaid portion of his retention bonus and relocation allowance. If the officer’s employment is terminated by the Trust without cause, by the officer for good reason, or upon failure of the Trust to renew the term of the Agreement, in all such cases, within 24 months following a change in control of the Trust as defined in the Agreements, then, in lieu of the amount specified in clause (iv), the officer will be entitled to an amount equal to 2.99 times the greater of (a) the average of his base salary and cash bonus for the two years preceding the change in control and (b) his base salary and target cash bonus for the year of the change in control, except that, with respect to Mr. Parasnis, if the change in control occurred in 2019, the amount of the change in control severance would be 50% of the otherwise applicable amount. If the officer's employment terminates due to death or disability, he will be entitled to the benefits described in clauses (i), (ii) and for Mr. Parasnis, (v) above. The officer will also be entitled to payment of accrued but unpaid salary, accrued but unused vacation, unsubsidized COBRA benefits, and unreimbursed business expenses following termination of employment for any reason.

The Agreements provide that Mr. Glover, Mr. Packer and Mr. Parasnis will be entitled to participate in all benefit plans provided to the Trust’s executives of like status from time to time in accordance with the applicable plan, policy or practices of the Trust, as well as in any long-term incentive program established by the Trust. They also provide for four weeks of annual paid vacation, reimbursement of business expenses, and indemnification rights.

Each Agreement contains restrictive covenants prohibiting the officer from disclosing the Trust’s confidential information at any time, from competing with the Trust in specified counties where the Trust does business during his employment, subject to certain exceptions, and for one year thereafter (or six months thereafter if he terminates his employment voluntarily without good reason), and from soliciting the Trust’s clients, suppliers and business partners during his employment and for one year thereafter.

Pension Benefits

Name	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefit	Payments During Last Fiscal Year
Tyler Glover	Restated Texas Pacific Land Trust Revised Employees' Pension Plan	7.0	$ 130,345	$ —
Robert J. Packer	Restated Texas Pacific Land Trust Revised Employees' Pension Plan	7.5	$ 225,139	$ —
Sameer Parasnis (1)	Restated Texas Pacific Land Trust Revised Employees' Pension Plan	—	$ —	$ —

(1) Mr. Parasnis joined the Trust as Chief Commercial Officer and Executive Vice President effective July 1, 2019. As of December 31, 2019, Mr. Parasnis was not eligible to participate in the pension plan of the Trust.

The Restated Texas Pacific Land Trust Revised Employees' Pension Plan is a noncontributory defined benefit pension plan qualified under Section 401 of the Internal Revenue Code in which our employees, excluding the Trustees, participate. The remuneration covered by the Plan is the participant's base compensation up to certain limits specified in the Internal Revenue Code ("Eligible Compensation"). The Plan provides a normal retirement benefit equal to 1.5% of a participant's average Eligible Compensation for the last five years prior to retirement for each year of Credited Service under the Plan. Credited Service is earned from the participant's date of membership in the Plan, which is generally the earlier of January 1 or July 1 following completion of the participant's first year of service for the Trust. For information concerning the valuation method and material assumptions used in quantifying the present value of the Named Executive Officers' current accrued benefits, see Note 6, "Employee Benefit Plans" of the Notes to Financial Statements incorporated by reference in Item 8 of this Report.

As of December 31, 2019, the annual accrued normal retirement benefits are estimated to be $22,645 and $24,909 for Mr. Glover and Mr. Packer, respectively.

The Plan provides for early retirement after the participant attains age 50 and completes 20 years of service with the Trust. Early retirement benefits are calculated in the same manner as the normal retirement benefit, but are reduced by 1/15 for each of the first five years and 1/30 for each of the next five years that benefits commence prior to the Plan's normal retirement age of 65. If benefits commence more than 10 years prior to normal retirement, the early retirement benefit is reduced actuarially for each year prior to age 55. None of the Named Executive Officers are currently eligible for early retirement benefits.

Trustee Compensation Table

The following table sets forth information concerning compensation paid to the Trustees during the year ended December 31, 2019:

Name	Fees Earned or Paid in Cash	Total
John R. Norris III	$ 104,000	$ 104,000
David E. Barry	$ 104,000	$ 104,000
Maurice Meyer III *(resigned effective February 25, 2019)*	$ 26,000	$ 26,000

Trustees do not receive additional compensation for service on a committee or for attendance at meetings.

Compensation Committee Interlocks and Insider Participation

Each of the Trustees is a member of the Nominating, Compensation and Governance Committee of the Trustees. None of the Trustees is, or has been in the past, an officer or employee of the Trust. None of the Trustees had any relationship requiring disclosure by the Trust pursuant to Item 404 of Regulation S-K. There are no interlocking relationships requiring disclosure by the Trust pursuant to Item 407(e)(4)(iii) of Regulation S-K.

Compensation Committee Report

The Nominating, Compensation and Governance Committee has reviewed and discussed the Compensation Discussion and Analysis section of this Item 11 and, based on such review and discussion, recommended that it be included in this Report.

John R. Norris III
David E. Barry

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Security Holder Matters.

The Trust does not maintain any compensation plans (or individual compensation arrangements) under which equity securities of the Trust are authorized for issuance.

Security Ownership of Certain Beneficial Owners

The following table sets forth information as to all persons known to the Trust to be the beneficial owner of more than 5% of the Trust's voting securities (Sub-shares) as of February 21, 2020:

Name and Address	Number of Securities Beneficially Owned	Percent of Class
Horizon Kinetics LLC[(1)] 470 Park Avenue South, 4th Floor South, New York, New York 10016	1,750,858	22.6%
Eric Oliver[(2)] SoftVest Advisors, LLC[(2)] SoftVest, L.P.[(2)] 400 Pine Street, Suite 1010, Abilene, Texas 79601	133,200	1.7%
Allan R. Tessler[(3)] ART-FGT Family Partners Limited[(3)] Tessler Family Limited Partnership[(3)] 2500 Moose-Wilson Road, Wilson, WY 83014	12,130	*

* *Indicates ownership of less than 1% of the class.*

(1) *The information set forth is based on Amendment 7 to Schedule 13D filed on February 21, 2020 by Horizon Kinetics Asset Management LLC ("Horizon"). The number of Sub-shares beneficially owned excludes Sub-shares held by portfolio managers and other employees of Horizon personally. Amendment No. 5 to Schedule 13D filed by Horizon on May 28, 2019 indicated that Horizon is a wholly-owned subsidiary of Horizon Kinetics LLC, and that Horizon has shared voting power and shared dispositive power with respect to such Sub-shares . To the Trust's knowledge, Horizon is controlled by Murray Stahl.*

(2) *The information is based on Amendment 3 to Schedule 13D filed on February 21, 2020 (the "Softvest/Tessler Schedule 13D") by SoftVest, L.P, ("Softvest LP"), SoftVest Advisors, LLC ("Softvest Advisors"), Eric L. Oliver ("Mr. Oliver"), ART-FGT Family Partners Limited ("ART-FGT LP"), Tessler Family Limited Partnership ("Tessler Family LP"), and Allan R. Tessler ("Mr. Tessler" and, together with ART-FGT LP and Tessler Family LP, the "Tessler Persons"). Represents Sub-shares held by SoftVest, LP. The general partner of SoftVest LP is SoftVest GP I, LLC ("SV GP"). SoftVest Advisors is investment manager of SoftVest LP. Eric L. Oliver ("Mr. Oliver" and together with SoftVest LP and SoftVest Advisors, the "SoftVest Persons") is the managing member of SV GP. SoftVest LP, SoftVest Advisors and Mr. Oliver may be deemed to share voting and dispositive power with respect to such Sub-shares.. The SoftVest Persons disclaim beneficial ownership of the 130,500 Shares held by SoftVest LP for purposes of Section 16 of the Securities Exchange Act of 1934 (the "Act"), except for their pecuniary interest therein. Includes 100 Sub-shares held by Mr. Oliver, 350 Sub-shares held by trusts administered for the benefit of Mr. Oliver's grandchildren, for which Mr. Oliver has sole voting and dispositive power, and 2,250 Sub-shares owned by Debeck LLC and Debeck Properties LP, which Mr. Oliver controls and over which Mr. Oliver has sole voting and dispositive power. The other SoftVest Persons disclaim beneficial ownership of such 100, 350 and 2,250 Sub-shares for purposes of Section 16 of the Exchange Act. The SoftVest Persons disclaim beneficial ownership of the 130,500 Shares held by SoftVest LP for purposes of Section 16 of the Act, except for their pecuniary interest therein.*

(3) *The information is based on the Softvest/Tessler Schedule 13D. 10,830 of the Sub-shares are held by ART-FGT LP). 1,300 of the Sub-shares are held by Tessler Family LP. The general partner of ART-FGT LP is Tessler FMC, LLC ("Tessler LLC"). Mr. Tessler and his spouse, Frances G. Tessler, are the members of Tessler LLC. Andrea Tessler and Karla Tessler, daughters of Tessler, are the managers of Tessler LLC. Mr. Tessler is a partner and controls ART-FGT LP. ART-FGT LP and Mr. Tessler may be deemed to share voting power and dispositive power with respect to such Sub-shares. Mr. Tessler disclaims beneficial ownership of the 10,830 Shares held by ART-FGT LP for purposes of Section 16 of the Act, except for his pecuniary interest therein. The general partner of Tessler Family LP is Apres Vous, LLC ("Apres LLC"). Andrea Tessler, Karla Tessler and Christopher Tessler, the children of Mr. Tessler, are the members of Apres LLC. Andrea Tessler and Karla Tessler are the managers of Apres LLC.*

Mr. Tessler is a partner and controls Tessler Family LP. Tessler Family LP and Mr. Tessler may be deemed to share voting power and dispositive power with respect to such Sub-shares. Mr. Tessler disclaims beneficial ownership of the 1,300 shares held by Tessler Family LP for purposes of Section 16 of the Act, except for his pecuniary interest therein.

Horizon, SoftVest Advisors, ART-FGT LP and Tessler Family LP have entered into a Cooperation Agreement, dated May 15, 2019 (the "Cooperation Agreement"). As a result of the Cooperation Agreement, the SoftVest Persons, ART-FGT LP, Tessler Family LP, Mr. Tessler and Horizon may be deemed to have formed a "group" pursuant to Rule 13d-5(b)(1) promulgated under the Act. Each of the SoftVest Persons, the Tessler Persons and Horizon may also be deemed to share voting power and dispositive power with respect to each other party's Sub-shares as a result of the covenants and restrictions set forth in the Cooperation Agreement. Therefore, each of the parties to the Cooperation Agreement may be deemed to beneficially own all Sub-shares beneficially owned by the other parties to the Cooperation Agreement. The parties to the Cooperation Agreement expressly disclaim any such beneficial ownership resulting from the terms of the Cooperation Agreement.

On July 30, 2019, the parties to the Cooperation Agreement entered into the Settlement Agreement with respect to the previous proxy contest and the pending litigation between the parties. Pursuant to the Settlement Agreement, the parties agreed to dismiss the pending litigation captioned Case 3:19-cv-01224-B Texas Pacific Land Trust et al v. Oliver in the U.S. District Court for the Northern District of Texas in Dallas. The Settlement Agreement further provides that Texas Pacific's third trustee position will remain vacant at least until the end of the Restricted Period (as defined in the Settlement Agreement).

Security Ownership of Management

The following table sets forth information as to equity securities (Sub-shares) beneficially owned directly or indirectly as of February 21, 2020 by all Trustees and Named Executive Officers, naming them, and by all Trustees and executive officers of the registrant, as a group:

Name of Beneficial Owner	Amount and Nature of Ownership on February 21, 2020	Percent of Class
John R. Norris III	1,000	*
David E. Barry	300	*
Tyler Glover	100	*
Robert J. Packer	200	*
Sameer Parasnis	—	*
All Trustees and Officers as a Group (5 persons)	1,600	*

* *Indicates ownership of less than 1% of the class.*

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with Related Persons

There are no significant reportable transactions or currently proposed transactions between Texas Pacific and any Trustee or executive officer of Texas Pacific or any 5% security holder of Texas Pacific or any member of the immediate family of any of the foregoing persons.

Review, Approval or Ratification of Transactions with Related Persons

Transactions with Trustees, executive officers or 5% or greater stockholders, or immediate family members of the foregoing, which might require disclosure pursuant to paragraph (a), above, would be subject to review, approval or ratification by the Nominating, Compensation and Governance Committee of the Trustees. That Committee is composed of all of the Trustees. The Committee's charter empowers it to review any transactions, including loans, which may confer any benefit upon any Trustee, executive officer or affiliated entity to confirm compliance with the Trust's Code of Conduct and Ethics and applicable law. The Committee has not adopted specific standards for evaluating such transactions beyond that mentioned above, because it is the sense of the Trustees that the activities and procedures of the Committee should remain flexible so that it may appropriately respond to changing circumstances.

Independence

Each Trustee is an “independent director” within the meaning of the applicable rules of the NYSE. Each member of the Audit and the Nominating, Compensation and Governance Committees of the Trustees is “independent” within the meaning of the applicable committee independence standards of the NYSE.

Item 14. Principal Accountant Fees and Services.

The following table presents fees billed to the Trust for professional services rendered by our independent registered public accounting firm, Lane Gorman Trubitt, LLC, during 2019 and 2018:

	Years Ended December 31,	
	2019	2018
Type of Fees:		
Audit fees	$ 311,000	$ 174,250
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
	$ 311,000	$ 174,250

The Audit Committee has established a policy requiring approval by it of all fees for audit and non-audit services to be provided by the Trust’s independent registered public accountants, prior to commencement of such services. Consideration and approval of fees generally occurs at the Committee’s regularly scheduled meetings or, to the extent that such fees may relate to other matters to be considered at special meetings, at those special meetings.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Financial Statements

See “Index to Financial Statements.”

Exhibits

EXHIBIT INDEX

Exhibit Number	Description
2.1	Purchase and Sale Agreement dated November 21, 2018 by and between Texas Pacific Land Trust and WPX Energy Permian, LLC(incorporated by reference to Exhibit 2.1 to the Trust's Annual Report on Form 10-K for the year endedDecember 31, 2018 (File No. 001-00737)).
3.1	Texas Pacific Land Trust, Declaration of Trust, dated February 1, 1888, by Charles J. Canda, Simeon J. Drake, and William Strauss, Trustees (incorporated herein by reference to Exhibit 3.1 to the Trust’s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-00737)).
4.1*	Description of Securities
10.1†**	Employment Agreement between Texas Pacific Land Trust and Tyler Glover dated as of August 8, 2019 (incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed on August 8, 2019 (File No. 001-00737)).
10.2†**	Employment Agreement between Texas Pacific Land Trust and Robert Packer dated as of August 8, 2019 (incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K filed on August 8, 2019 (File No. 001-00737)).
10.3*†**	Employment Agreement between Texas Pacific Land Trust and Sameer Parasnis dated as of August 8, 2019.
10.4	Settlement Agreement dated July 30, 2019 (incorporated by reference to Exhibit 99.1 to the Trust’s Current Report on Form 8-Kfiled on July 31, 2019 (File No. 001-00737)).
10.5	First Amendment to Settlement Agreement dated February 20, 2020 (incorporated by reference to Exhibit 10.1 to the Trust’s Current Reporton Form 8-K filed on February 20, 2020 (File No. 001-00737)).
21.1	Subsidiaries of the Trust (incorporated by reference to Exhibit 21.1 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-00737)).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following information from the Trust’s Annual Report on Form 10-K for the year ended December 31, 2019, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income and Total Comprehensive Income; (iii) Consolidated Statements of Net Proceeds from All Sources and (iv) Consolidated Statements of Cash Flows.
104	The cover page from the Trust’s Annual Report on Form 10-K formatted in iXBRL.

* Filed or furnished herewith.
** Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.
† Management compensatory arrangement.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of February, 2020.

TEXAS PACIFIC LAND TRUST

By: /s/ Tyler Glover
Tyler Glover
General Agent, Chief Executive Officer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 27th day of February, 2020.

Signature	**Title(s)**
/s/ Tyler Glover Tyler Glover	General Agent, Chief Executive Officer and Secretary (Principal Executive Officer)
/s/ Robert J. Packer Robert J. Packer	General Agent and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ John R. Norris III John R. Norris III	Co-Chairman of the Trustees
/s/ David E. Barry David E. Barry	Co-Chairman of the Trustees

Item 15(a). Financial Statements.

INDEX TO FINANCIAL STATEMENTS

All schedules have been omitted because the required information is contained in the consolidated financial statements or related notes, or is not applicable or immaterial.

LANE GORMAN TRUBITT, LLC
Accountants & Advisors

<u>Report of Independent Registered Public Accounting Firm</u>

To the Trustees and Certificate Holders
Texas Pacific Land Trust

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Texas Pacific Land Trust (the "Trust") as of December 31, 2019 and 2018 and the related consolidated statements of income and total comprehensive income, net proceeds from all sources, and cash flows for each of the years in the three-year period ended December 31, 2019 and the related notes (collectively referred to as the "financial statements"). We also have audited the Trust's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Trust changed its method of accounting for leases on January 1, 2019 due to the adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended.

Basis for Opinion

The Trust's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Trust's financial statements and an opinion on the Trust's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control over Financial Reporting

A trust's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A trust's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Trust; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Trust are being made only in accordance with authorizations of management and directors of the Trust; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Trust's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Accrual of Oil and Gas Royalties

As described in Note 2 to the financial statements, the Trust records an accrual, based on historical trends, for oil and gas royalty revenues not received during the month removed. At December 31, 2019, this oil and gas royalty accrual amounted to approximately $18,325,000, and is included in accrued receivables in the accompanying balance sheet. The accrual is necessary due to the time lag between the production of oil and gas and the generation of the actual payment by operators, which is typically a time lag of one to two months. The determination of the oil and gas royalty accrual involves the analysis of historical payments, estimates of the timing of future payments, and consideration of recent market prices for oil and gas. The market prices for oil and gas are subject to national and international economic and political considerations and, in the past, have been subject to significant price fluctuations. As part of the Trust's internal control process related to estimating the accrual of oil and gas royalties, the oil and gas royalty estimate is prepared by a qualified member of the Trust's accounting department, and the estimate is reviewed and approved by a management-level member of the accounting department.

The principal considerations for our determination that performing procedures relating to the oil and gas royalty accrual is a critical audit matter are there are significant judgments by management when developing the estimate of the oil and gas royalty accrual. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence obtained related to the significant assumptions used by management, including the analysis of historical payments, estimates of the timing of future payments, and consideration of recent market prices for oil and gas.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the design and operating effectiveness of internal controls relating to management's calculation of the oil and gas royalty accrual. These procedures also included, among others, (1) evaluating the appropriateness of the overall methodology used by management in developing the estimate, (2) testing the historical payments used to calculate the expected timing of future payments, (3) testing the completeness, accuracy, and relevance of underlying data used in management's estimate, and (4) evaluating the significant assumptions used by management in developing the estimate. Evaluating the significant assumptions relating to the estimate of the oil and gas royalty accrual also involved obtaining evidence to support the reasonableness of the assumptions, including whether the assumptions used were reasonable considering the past performance of the Trust, and whether they were consistent with evidence obtained in other areas of the audit.

LANE GORMAN TRUBITT, LLC

We have served as the Trust's auditor since 2005.

Dallas, Texas
February 27, 2020

TEXAS PACIFIC LAND TRUST
CONSOLIDATED BALANCE SHEETS
(in thousands, except shares and per share amounts)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 303,645	$ 119,647
Accrued receivables	62,995	48,750
Tax like-kind exchange escrow	—	3,799
Other assets	3,980	3,884
Prepaid income taxes	—	9,398
Property, plant and equipment, net of accumulated depreciation of $11,313 and $3,012 as of December 31, 2019 and 2018, respectively	88,323	64,802
Real estate acquired	107,075	10,492
Royalty interests acquired, net of accumulated depletion of $260 and $0 as of December 31, 2019 and 2018, respectively	29,060	24,303
Operating lease right-of-use assets	3,098	—
Real estate and royalty interests assigned through the 1888 Declaration of Trust, no value assigned:		
Land (surface rights)	—	—
1/16th nonparticipating perpetual royalty interest	—	—
1/128th nonparticipating perpetual royalty interest	—	—
Total assets	$ 598,176	$ 285,075
LIABILITIES AND CAPITAL		
Accounts payable and accrued expenses	$ 19,193	$ 10,505
Income taxes payable	5,271	1,607
Deferred taxes payable	40,827	14,903
Unearned revenue	17,381	13,369
Operating lease liabilities	3,367	—
Total liabilities	86,039	40,384
Commitments and contingencies	—	—
Capital:		
Certificates of Proprietary Interest, par value $100 each; none outstanding as of December 31, 2019 and 2018, respectively	—	—
Sub-share Certificates of Proprietary Interest, par value $0.0333 each; outstanding 7,756,156 and 7,762,414 as of December 31, 2019 and 2018, respectively	—	—
Accumulated other comprehensive loss	(1,461)	(1,078)
Net proceeds from all sources	513,598	245,769
Total capital	512,137	244,691
Total liabilities and capital	$ 598,176	$ 285,075

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST
CONSOLIDATED STATEMENTS OF INCOME AND TOTAL COMPREHENSIVE INCOME
(in thousands, except shares and per share amounts)

	Years Ended December 31,		
	2019	**2018**	**2017**
Revenues:			
Oil and gas royalties	$ 154,729	$ 123,834	$ 58,418
Easements and other surface-related income	115,362	88,739	69,957
Water sales and royalties	84,949	63,913	25,536
Sale of oil and gas royalty interests	—	18,875	—
Land sales	135,020	4,367	220
Other operating revenue	436	492	503
Total revenues	490,496	300,220	154,634
Expenses:			
Salaries and related employee expenses	35,041	18,433	3,774
Water service-related expenses	20,808	11,168	491
General and administrative expenses	9,765	4,704	1,523
Legal and professional fees	16,403	2,498	3,523
Depreciation, depletion and amortization	8,906	2,583	376
Total operating expenses	90,923	39,386	9,687
Operating income	399,573	260,834	144,947
Other income	2,682	916	114
Income before income taxes	402,255	261,750	145,061
Income tax expense:			
Current	57,492	37,200	46,864
Deferred	26,035	14,814	966
Total income tax expense	83,527	52,014	47,830
Net income	$ 318,728	$ 209,736	$ 97,231
Amortization of net actuarial costs, net of income taxes of $10, $14, and $38 for the years ended December 31, 2019, 2018 and 2017, respectively	36	50	70
Net actuarial (loss) gain on pension plan net of income taxes of $(111), $(38), and $46 as of December 31, 2019, 2018 and 2017, respectively	(419)	(144)	86
Total other comprehensive (loss) gain	(383)	(94)	156
Total comprehensive income	$ 318,345	$ 209,642	$ 97,387
Net income per Sub-share Certificate - basic and diluted	$ 41.09	$ 26.93	$ 12.38
Weighted average number of Sub-share Certificates outstanding	7,756,437	7,787,407	7,854,705

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST
CONSOLIDATED STATEMENTS OF NET PROCEEDS FROM ALL SOURCES
(in thousands, except shares and per share amounts)

	Sub-share Certificates of Proprietary Interest	Accumulated Other Comprehensive Income (Loss)	Net Proceeds From All Sources	Total Capital
Balances at December 31, 2016	7,927,314	$ (960)	$ 53,619	$ 52,659
Net income	—	—	97,231	97,231
Periodic pension costs, net of income taxes of $84	—	156	—	156
Repurchase and retirement of Sub-share Certificates of Proprietary Interest	(105,715)	—	(34,267)	(34,267)
Regular dividends paid — $0.35 per Sub-share Certificate	—	—	(2,769)	(2,769)
Special dividends paid — $1.00 per Sub-share Certificate	—	—	(7,912)	(7,912)
Balances at December 31, 2017	7,821,599	(804)	105,902	105,098
Net income	—	—	209,736	209,736
Periodic pension costs, net of income taxes of $(24)	—	(274)	180	(94)
Repurchase and retirement of Sub-share Certificates of Proprietary Interest	(59,185)	—	(38,397)	(38,397)
Regular dividends paid — $1.05 per Sub-share Certificate	—	—	(8,206)	(8,206)
Special dividends paid — $3.00 per Sub-share Certificate	—	—	(23,446)	(23,446)
Balances at December 31, 2018	7,762,414	(1,078)	245,769	244,691
Net income	—	—	318,728	318,728
Periodic pension costs, net of income taxes of $(101)	—	(383)	—	(383)
Repurchase and retirement of Sub-share Certificates of Proprietary Interest	(6,258)	—	(4,353)	(4,353)
Regular dividends paid — $1.75 per Sub-share Certificate	—	—	(13,576)	(13,576)
Special dividends paid — $4.25 per Sub-share Certificate	—	—	(32,970)	(32,970)
Balances at December 31, 2019	7,756,156	$ (1,461)	$ 513,598	$ 512,137

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 318,728	$ 209,736	$ 97,231
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	25,924	14,789	1,100
Depreciation, depletion and amortization	8,906	2,583	376
Land sale revenue recognized on land exchange	(22,000)	—	—
Changes in operating assets and liabilities:			
Accrued receivables and other assets	(13,802)	(34,027)	(12,026)
Income taxes payable	3,664	756	(986)
Prepaid income taxes	9,398	(8,196)	(1,202)
Unearned revenue	4,012	5,024	4,399
Accounts payable, accrued expenses and other liabilities	7,960	4,783	4,938
Cash provided by operating activities	342,790	195,448	93,830
Cash flows from investing activities:			
Proceeds from sale of fixed assets	117	25	27
Acquisition of real estate	(74,583)	(9,377)	—
Acquisition of royalty interests	(5,017)	(24,303)	—
Purchase of fixed assets	(32,209)	(47,878)	(18,747)
Cash used in investing activities	(111,692)	(81,533)	(18,720)
Cash flows from financing activities:			
Purchase of Sub-share Certificates of Proprietary Interest	(4,353)	(38,397)	(34,267)
Dividends paid	(46,546)	(31,652)	(10,681)
Cash used in financing activities	(50,899)	(70,049)	(44,948)
Net increase in cash, cash equivalents and restricted cash	180,199	43,866	30,162
Cash, cash equivalents and restricted cash, beginning of period	123,446	79,580	49,418
Cash, cash equivalents and restricted cash, end of period	$ 303,645	$ 123,446	$ 79,580
Supplemental cash flow information:			
Income taxes paid	$ 44,439	$ 45,876	$ 49,002
Supplemental non-cash investing information:			
Land exchange	$ 22,000	$ —	$ —
Operating lease right-of-use assets	$ 3,712	$ —	$ —

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business Segments

Texas Pacific Land Trust (which, together with its subsidiaries as the context requires, may be referred to as "Texas Pacific", the "Trust", "our", "we" or "us") is one of the largest landowners in the State of Texas with approximately 900,000 acres of land in West Texas. Texas Pacific was organized under a Declaration of Trust, dated February 1, 1888, to receive and hold title to extensive tracts of land in the State of Texas, previously the property of the Texas and Pacific Railway Company, and to issue transferable Certificates of Proprietary Interest pro rata to the original holders of certain debt securities of the Texas and Pacific Railway Company.

The Trust announced the formation of Texas Pacific Water Resources LLC ("TPWR") in June 2017. TPWR, a single member LLC and wholly owned subsidiary of the Trust, provides full-service water offerings to operators in the Permian Basin. These services include, but are not limited to, water sourcing, produced-water gathering/treatment, infrastructure development, disposal solutions, water tracking, analytics and well testing services.

The Trust is organized to manage land, including royalty interests, for the benefit of its owners. The Trust's income is derived primarily from oil and gas royalties, sales of water and land, easements and commercial leases of the land.

We operate our business in two segments: Land and Resource Management and Water Services and Operations. Our segments provide management with a comprehensive financial view of our key businesses. The segments enable the alignment of strategies and objectives of the Trust and provide a framework for timely and rational allocation of resources within businesses. See Note 10, "Business Segment Reporting" for further information regarding our segments.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include our consolidated accounts and the accounts of our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Estimate

Management evaluates its estimates on a routine basis. Effective July 1, 2019, the Trust revised the estimated useful lives of certain water service-related assets after its disaggregation of water service-related projects into sub classifications. The Trust purchased these water service-related assets from July 1, 2017 through June 30, 2019. Based on information gained from operations over this time period, management believes that these water service-related assets will benefit periods ranging from three to 30 years, beginning at the point the water service-related assets were originally placed in service.

The net book value of these water service-related assets at June 30, 2019, was not modified and is depreciated over the revised estimated useful lives of these assets. The effect of the change in estimated useful lives resulted in an additional $2.4 million of depreciation expense for the year ended December 31, 2019.

Revenue Recognition

Oil and Gas Royalties

Oil and gas royalties are received in connection with royalty interests owned by the Trust. Oil and gas royalties are reported net of production taxes and are recognized as revenue when crude oil and gas products are removed from the respective mineral reserve locations. Oil and gas royalty payments are generally received one to two months after the crude oil and gas products are removed. An accrual is included in accrued receivables for amounts not received during the month removed based on historical trends.

The oil and gas royalties which the Trust receives are dependent upon the market prices for oil and gas. The market prices for oil and gas are subject to national and international economic and political conditions and, in the past, have been subject to significant price fluctuations.

The Trust has analyzed public reports of drilling activities by the oil companies operating where the Trust has an oil and gas royalty interest in an effort to identify unpaid royalties associated with royalty interests owned by the Trust. Rights to certain oil and gas royalties believed by the Trust to be due and payable may be subject to dispute with the oil company involved as a result of disagreements with respect to drilling and related engineering information. Disputed oil and gas royalties are recorded when these contingencies are resolved.

Easements and Other Surface-Related Income

Easement contracts represent contracts which permit companies to install pipe lines, electric lines and other equipment on land owned by the Trust. When the Trust receives a signed contract and payment, the Trust makes available the respective parcel of land to the grantee. Easement income is recognized upon the execution of the easement agreement, or in the event of a renewal upon receipt of the renewal payment, as at that point in time, the Trust has satisfied its performance obligation and the customer has right of use.

Other surface-related income includes commercial lease income related to leasing arrangements to companies in a wide array of industries, including: agricultural, oil and gas, construction, wind power, solar farms and other industries. Commercial lease income is recognized when earned. These leases generally require fixed annual payments or royalties and lease terms are typically ten years. Lease cancellations are allowed under certain circumstances, but initial lease payments are generally nonrefundable. Advance lease payments are deferred and amortized over the appropriate accounting period. Lease payments not received are included in accrued receivables. Additionally, other surface-related income includes permit income and material sales. Revenue from these sources is recognized when earned.

Water Sales and Royalties

Water sales and royalty revenue encompasses sales of water to operators and other customers and royalties received pursuant to legacy agreements with operators. The earnings cycle for both revenue streams is complete upon delivery of water. Water sales and royalty revenue is recognized as earned.

Land Sales and Exchanges

The Trust considers purchasers of land to be customers as land management, leasing and sales are a normal operating activity of the Trust. Revenue is recognized on land sales when the performance obligation to the purchaser (customer) is complete. Revenue from land exchanges is recognized based upon the estimated fair value of the consideration exchanged.

Sales of Oil and Gas Royalty Interests

Income is recognized on sales of oil and gas royalty interests when earned.

Cash, Cash Equivalents and Restricted Cash

The Trust considers investments in bank deposits, money market funds and highly-liquid cash investments with original maturities of three months or less to be cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows (in thousands):

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 303,645	$ 119,647
Tax like-kind exchange escrow	—	3,799
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 303,645	$ 123,446

Accrued Receivables

Accrued receivables consist primarily of amounts due under oil and gas royalty leases, water sales or royalty agreements and commercial leases. Accrued receivables are reflected at their net realizable value based on historical royalty and lease receipt information and other factors anticipated to affect valuation. A valuation allowance is recorded if amounts expected to be received are considered impaired. No allowance was considered necessary at December 31, 2019 and 2018.

Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation. Maintenance and repair costs are expensed as incurred. Costs associated with our development of infrastructure for sourcing and treating water are capitalized. We account for depreciation of property, plant and equipment on the straight-line method over the estimated useful lives of the assets. Depreciable lives by category are as follows:

	Range of Estimated Useful Lives (in years)		
Water wells and other water-related assets	3	to	30
Furniture, fixtures and equipment	5	to	7

Real Estate Acquired

Real estate acquired is recorded at cost and carried at the lower of cost or market. Valuations are periodically performed or obtained by management whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments, if any, are recorded by a charge to net income and a valuation allowance if the carrying value of the property exceeds its estimated fair value. Minimal real estate improvements are made to land. No impairments were recorded for the years ended December 31, 2019 and 2018.

Royalty Interests Acquired

Royalty interests acquired are carried at the lower of cost or market. Valuations are periodically performed or obtained by management whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments, if any, are recorded by a charge to net income and a valuation allowance if the carrying value of the royalty interest exceeds its estimated fair value. Depletion is recorded based upon a units of production basis. Depletion expense was approximately $0.3 million for the year ended December 31, 2019. There was no significant depletion activity for the year ended December 31, 2018. There was no depletion expense for the year ended December 31, 2017, as the Trust had no depletable royalty interests.

Real Estate and Royalty Interests Assigned Through the 1888 Declaration of Trust

The fair market value of the Trust's land and royalty interests that were assigned through the 1888 Declaration of Trust, (the "Assigned") land and royalty interests, was not determined in 1888 when the Trust was formed; therefore, no value is assigned in the accompanying consolidated balance sheets to the Assigned land and royalty interests, Certificates of Proprietary Interest, and Sub-share Certificates of Proprietary Interest ("Sub-shares"). Consequently, in the consolidated statements of income and total comprehensive income, no allowance is made for depletion and no cost is deducted from the proceeds of sales of the Assigned land and royalty interests. Even though the 1888 value of real properties cannot be precisely determined, it has been concluded that the effect of this matter can no longer be significant to the Trust's financial position or results of operations. For Federal income tax purposes, however, deductions are made for depletion, computed on the statutory percentage basis of income received from royalties. Minimal real estate improvements are made to land.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The liability for unrecognized tax benefits is zero at December 31, 2019 and 2018.

Concentrations of Credit Risk

We invest our cash and cash equivalents (which include U.S. Treasury bills and commercial paper with maturities of three months or less) among four major financial institutions in an attempt to minimize exposure to risk from any one of these entities. As of December 31, 2019 and 2018, we had cash and cash equivalents deposited in our financial institutions in excess of federally-insured levels. We regularly monitor the financial condition of these financial institutions and believe that we are not exposed to any significant credit risk in cash and cash equivalents.

Net Income per Sub-share Certificate

Net income per Sub-share is based on the weighted average number of Sub-shares and equivalent Sub-shares outstanding during each period.

Purchases and Retirements of Sub-share Certificates

The costs of Sub-shares purchased and retired are charged to net proceeds from all sources.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other gains and losses affecting capital that, under GAAP, are excluded from net income.

Significant Customers

Two customers represented, in the aggregate, 36.5%, 31.3% and 26.5% of the Trust's total revenues (prior to any revenue deferral) for the years ended December 31, 2019, 2018 and 2017, respectively.

Reclassifications

Certain financial information on the consolidated balance sheet and consolidated statements of income and cash flows as of and for the year ended December 31, 2018 have been revised to conform to the current year presentation. These revisions include, but are not limited to, the classification of the tax like-kind exchange escrow from other assets to a separate balance sheet line item and certain expense items from one expense line item to another expense line item. Total assets and expenses were not affected by these reclassifications. Additionally, the tax like-kind exchange escrow was presented as restricted cash in the statement of cash flows.

Recently Adopted Accounting Guidance

Leases

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "*Leases (Topic 842)*" which amended the existing lease accounting guidance to require lessees to recognize a right of use asset and lease liability on the balance sheet for all leases with terms greater than twelve months. We adopted the new leasing standard and all related amendments on January 1, 2019. We elected the optional transition method provided by ASU No. 2018-11, "*Leases (Topic 842): Targeted Improvements*" and as a result, have not restated our condensed consolidated financial statements for prior periods presented. We also elected the practical expedients permitted under the transition guidance that retain the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. In addition, we have not reassessed the accounting treatment of contracts entered into prior to adoption of the new lease guidance. For further information regarding the adoption of the new lease standard, see Note 8, "Lease Commitments".

Implementation Costs Incurred in Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, *"Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract."* The ASU requires a customer in a cloud computing arrangement that is a service contract to follow existing internal-use software guidance to determine which implementation costs to capitalize as an asset. The ASU is effective for fiscal years and interim periods beginning after December 15, 2019, with early adoption permitted, and may be applied retrospectively or as of the beginning of the period of adoption. The Trust adopted the guidance effective January 1, 2019. The adoption of the guidance did not have a significant impact on our consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." The ASU amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. Upon adoption, we will be required to evaluate our trade accounts receivables for expected future credit losses. The ASU is effective for fiscal years beginning after December 31, 2019, including interim periods within those fiscal years. The Trust will adopt the ASU as of January 1, 2020. Due to the short-term nature of our trade accounts receivable, we anticipate the impact upon adoption of this ASU will be minimal to the Trust.

In August 2018, the FASB issued ASU 2018-14, "*Compensation — Retirement Benefits — Defined Benefit Plans — General (Subtopic 715-20): Disclosure Framework — Changes to Disclosure Requirements for Defined Benefit Plans.*" The ASU eliminates requirements for certain disclosures and requires additional disclosures under defined benefit pension plans and other post-retirement plans. The ASU is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Trust is currently evaluating the impact that ASU 2018-14 will have on our consolidated financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, "*Income Taxes (Topic 740) — Simplifying the Accounting for Income Taxes*." The ASU simplifies the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, hybrid taxes and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted in interim or annual periods with any adjustments reflected as of the beginning of the annual period that includes that interim period. We are currently evaluating the impact that this guidance will have on our consolidated financial statements and disclosures.

3. Property, Plant and Equipment

Property, plant and equipment, net consisted of the following at December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Property, plant and equipment, at cost:		
Water service-related assets [(1)]	$ 93,097	$ 62,919
Furniture, fixtures and equipment	5,941	4,297
Other	598	598
Total property, plant and equipment, at cost	99,636	67,814
Less: accumulated depreciation	(11,313)	(3,012)
Property, plant and equipment, net	$ 88,323	$ 64,802

(1) Water service-related assets reflect assets related to water sourcing and water treatment projects.

Depreciation expense was $8.5 million, $2.6 million and $0.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

4. Real Estate Activity

As of December 31, 2019 and 2018, the Trust owned the following land and real estate (in thousands, except number of acres):

	December 31, 2019		December 31, 2018	
	Number of Acres	Net Book Value	Number of Acres	Net Book Value
Land (surface rights) (1)	849,856	$ —	877,462	$ —
Real estate acquired	51,931	107,075	24,715	10,492
Total real estate situated in 19 counties in Texas	901,787	$ 107,075	902,177	$ 10,492

(1) Real estate assigned through the 1888 Declaration of Trust.

No valuation allowance was necessary at December 31, 2019 and December 31, 2018.

Land Sales

The Assigned land held by the Trust was recorded with no value at the time of acquisition. See Note 2, "Summary of Significant Accounting Policies — Real Estate and Royalty Interests Assigned Through the 1888 Declaration of Trust" for further information regarding the Assigned land. Real estate acquired includes land parcels which have either been acquired through foreclosure or transactions with third parties.

For the year ended December 31, 2019, the Trust sold approximately 21,986 acres (Culberson, Glasscock, Hudspeth, Loving, Midland and Reeves Counties) of land in Texas for an aggregate sales price of approximately $113.0 million, an average of approximately $5,141 per acre. Additionally, the Trust conveyed approximately 5,620 acres of land in exchange for approximately 5,545 acres of land, all in Culberson County. As the Trust had no cost basis in the land conveyed, the Trust recognized land sales revenue of $22.0 million for the fourth quarter ended December 31, 2019.

For the year ended December 31, 2018, the Trust sold approximately 171 acres (Culberson, El Paso, Loving and Reeves Counties) of land in Texas for an aggregate sales price of approximately $4.4 million, an average of approximately $25,464 per acre.

For the year ended December 31, 2017, the Trust sold approximately 11 acres (Loving County) of land in Texas for an aggregate sales price of approximately $0.2 million, an average of approximately $20,000 per acre.

Land Acquisitions

For the year ended December 31, 2019, the Trust acquired approximately 21,671 acres (Culberson, Glasscock, Loving and Reeves Counties) of land in Texas for an aggregate purchase price of approximately $74.4 million, an average of approximately $3,434 per acre (excludes land acquired through the land exchange as discussed above)

For the year ended December 31, 2018, the Trust acquired approximately 14,650 acres (Concho, Hudspeth, Mitchell and Upton Counties) of land in Texas for an aggregate purchase price of approximately $9.4 million, an average of approximately $640 per acre.

There were no land acquisitions for the year ended December 31, 2017.

5. Royalty Interests

As of December 31, 2019 and 2018, the Trust owned the following oil and gas royalty interests (in thousands, except number of interests):

	Net Book Value	
	December 31, 2019	December 31, 2018
1/16th nonparticipating perpetual royalty interests (1)	$ —	$ —
1/128th nonparticipating perpetual royalty interests (2)	—	—
Royalty interests acquired (3)	29,320	24,303
Total royalty interests, gross	$ 29,320	$ 24,303
Less: accumulated depletion	(260)	—
Total royalty interests, net	$ 29,060	$ 24,303

(1*) Nonparticipating perpetual royalty interests in approximately 370,737 gross royalty acres as of December 31, 2019 and 2018, respectively.*

(2) Nonparticipating perpetual royalty interests in approximately 84,934 gross royalty acres as of December 31, 2019 and 2018, respectively.

(3) Royalty interests in approximately 3,074 net royalty acres and approximately 1,826 net royalty acres as of December 31, 2019 and 2018, respectively.

No valuation allowance was necessary at December 31, 2019 and 2018.

Real Estate and Royalty Interests Assigned Through the 1888 Declaration of Trust

The fair market value of the Trust's Assigned royalty interests was not determined in 1888 when the Trust was formed, and accordingly, these Assigned royalty interests were recorded with no value. See Note 2, "Summary of Significant Accounting Policies— Real Estate and Royalty Interests Assigned Through the 1888 Declaration of Trust" for further information regarding the Assigned royalty interests. The Assigned royalty interests include 1/16th and 1/128th royalty interests.

Royalty Interests Transactions

For the year ended December 31, 2019, the Trust acquired oil and gas royalty interests in approximately1,247 net royalty acres (normalized to 1/8th) for an aggregate purchase price of $4.7 million, an average price of approximately $3,800 per net royalty acre.

For the year ended December 31, 2018, the Trust sold nonparticipating perpetual oil and gas royalty interests in approximately812 net royalty acres (1/8th interest) for approximately $18.9 million, an average price of approximately $23,234 per net royalty acre. In conjunction with this sale, the Trust acquired oil and gas royalty interests in approximately 1,480 net royalty acres for an aggregate purchase price of $20.6 million, an average of approximately $13,949 per net royalty acre.

Additionally, for the year ended December 31, 2018, the Trust acquired oil and gas royalty interests in approximately346 net royalty acres for an aggregate purchase price of $3.7 million, an average price of approximately $10,555 per net royalty acre.

There were no oil and gas royalty interest transactions for the year ended December 31, 2017.

6. Employee Benefit Plans

The Trust has a defined contribution plan available to all regular employees havingone or more years of continuous service. Contributions are at the discretion of the Trustees of the Trust. The Trust contributed approximately $0.3 million for the year ended December 31, 2019 and $0.1 million for the years ended December 31, 2018 and 2017, respectively.

The Trust has a noncontributory pension plan (the "Plan") available to all regular employees having one or more years of continuous service. The Plan provides for normal retirement at age 65. Contributions to the Plan reflect benefits attributed to employees' services to date, as well as services expected in the future.

The following table sets forth the Plan's changes in benefit obligation, changes in fair value of plan assets, and funded status as of December 31, 2019 and 2018 using a measurement date of December 31 (in thousands):

	December 31, 2019	December 31, 2018
Change in projected benefits obligation:		
Projected benefit obligation at beginning of year	$ 4,745	$ 5,032
Service cost	666	157
Interest cost	197	183
Actuarial (gain) loss	1,208	(369)
Benefits paid	(239)	(258)
Projected benefit obligation at end of year	$ 6,577	$ 4,745
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 5,313	$ 5,356
Actual return on plan assets	1,041	(185)
Contributions by employer	500	400
Benefits paid	(239)	(258)
Fair value of plan assets at end of year	6,615	5,313
Funded (unfunded) status at end of year	$ 38	$ 568

Amounts recognized in the balance sheets as of December 31, 2019 and 2018 consist of (in thousands):

	December 31, 2019	December 31, 2018
Assets	$ 38	$ 568
Liabilities	—	—
	$ 38	$ 568

Amounts recognized in accumulated other comprehensive income (loss) consist of the following as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Net actuarial loss	$ (1,849)	$ (1,365)
Amounts recognized in accumulated other comprehensive income (loss), before taxes	(1,849)	(1,365)
Income tax benefit	388	287
Amounts recognized in accumulated other comprehensive income (loss), after taxes	$ (1,461)	$ (1,078)

Net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017 include the following components (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Components of net periodic benefit cost:			
Service cost	$ 666	$ 157	$ 147
Interest cost	197	183	201
Expected return on plan assets	(364)	(367)	(339)
Amortization of net loss	46	64	108
Net periodic benefit cost	$ 545	$ 37	$ 117

Service cost, a component of net periodic benefit cost, is reflected in our consolidated statements of income within salaries and related employee expenses. The other components of net periodic benefit cost are included in other income (expense) on the consolidated statements of income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Net actuarial (gain) loss	$ 530	$ 183	$ (132)
Recognized actuarial loss	(46)	(64)	(108)
Total recognized in other comprehensive income, before taxes	$ 484	$ 119	$ (240)
Total recognized in net benefit cost and other comprehensive income, before taxes	$ 1,029	$ 156	$ (123)

The Trust reclassified less than $0.1 million (net of income tax expense of less than $0.1 million) out of accumulated other comprehensive income (loss) for net periodic benefit cost to other income (expense) for each of the years ended December 31, 2019, 2018 and 2017, respectively. The estimated net actuarial loss for the Plan that will be amortized from accumulated other comprehensive income (loss) to other income (expense) over the next fiscal year is less than $0.1 million.

The following table summarizes the Plan assets in excess of projected benefit obligation and accumulated benefit obligation at December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Plan assets in excess of projected benefit obligation:		
Projected benefit obligation	$ 6,577	$ 4,745
Fair value of plan assets	$ 6,615	$ 5,313
Plan assets in excess of accumulated benefit obligation:		
Accumulated benefit obligation	$ 5,056	$ 4,173
Fair value of plan assets	$ 6,615	$ 5,313

The following are weighted-average assumptions used to determine benefit obligations and costs at December 31, 2019, 2018 and 2017:

	Years Ended December 31,		
	2019	2018	2017
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	3.25 %	4.25 %	3.75 %
Rate of compensation increase	7.29 %	7.29 %	7.29 %
Weighted average assumptions used to determine benefit costs for the years ended December 31:			
Discount rate	4.25 %	3.75 %	4.25 %
Expected return on plan assets	7.00 %	7.00 %	7.00 %
Rate of compensation increase	7.29 %	7.29 %	7.29 %

The expected return on Plan assets assumption of7.0% was selected by the Trust based on historical real rates of return for the current asset mix and an assumption with respect to future inflation. The rate was determined based on a long-term allocation of about two-thirds fixed income and one-third equity securities; historical real rates of return of about 2.5% and 8.5% for fixed income and equity securities, respectively; and assuming a long-term inflation rate of2.5%.

The Plan has a formal investment policy statement. The Plan's investment objective is balanced income, with a moderate risk tolerance. This objective emphasizes current income through a 30% to 80% allocation to fixed income securities, complemented by a secondary consideration for capital appreciation through an equity allocation in the range of 20% to 60%. Diversification is achieved through investment in mutual funds and bonds. The asset allocation is reviewed annually with respect to the target allocations and rebalancing adjustments and/or target allocation changes are made as appropriate. The Trust's current funding policy is to maintain the Plan's fully funded status on an ERISA minimum funding basis.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The fair value accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs used in measuring fair value, as follows:

Level 1 – Inputs are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Since inputs are based on quoted prices that are readily and regularly available in an active market, Level 1 inputs require the least judgment.

Level 2 – Inputs are based on quoted prices for similar instruments in active markets, or are observable either directly or indirectly. Inputs are obtained from various sources including financial institutions and brokers.

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised by us in determining fair value is greatest for fair value measurements categorized in Level 3.

The fair values of plan assets by major asset category at December 31, 2019 and 2018, respectively, are as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2019:				
Cash and cash equivalents — money markets	$ 528	$ 528	$ —	$ —
Equities	1,133	1,133	—	—
Equity funds	1,939	1,939	—	—
Fixed income funds	465	465	—	—
Taxable bonds	2,550	2,550	—	—
Total	$ 6,615	$ 6,615	$ —	$ —
As of December 31, 2018:				
Cash and cash equivalents — money markets	$ 407	$ 407	$ —	$ —
Equities	813	813	—	—
Equity funds	2,448	2,448	—	—
Fixed income funds	1,645	1,645	—	—
Total	$ 5,313	$ 5,313	$ —	$ —

Management intends to at least fund the minimum ERISA amount for 2020. The Trust may make some discretionary contributions to the Plan, the amounts of which have not yet been determined.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the following ten-year period (in thousands):

Year ending December 31,	Amount
2020	$ 258
2021	254
2022	250
2023	246
2024	240
2025 to 2029	1,252

7. Income Taxes

The income tax provision charged to operations for the years ended December 31, 2019, 2018 and 2017 was as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Current:			
U.S. Federal	$ 55,562	$ 35,593	$ 46,013
State and local	1,930	1,607	851
	57,492	37,200	46,864
Deferred expense	26,035	14,814	966
	$ 83,527	$ 52,014	$ 47,830

The Trust is taxed as if it were a corporation.Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 21% for the years ended December 31, 2019 and 2018 and 35% for the year ended 2017 to income before Federal income taxes as a result of the following (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Computed tax expense at the statutory rate	$ 84,473	$ 54,968	$ 50,771
Reduction in income taxes resulting from:			
Statutory depletion	(5,163)	(4,185)	(3,378)
State taxes	1,657	1,243	530
Executive compensation	1,302	—	—
Prior year tax adjustments	755	—	—
Effect of change in statutory tax rate[(1)]	—	—	(103)
Other, net	503	(12)	10
	$ 83,527	$ 52,014	$ 47,830

(1) The effect of the change in statutory income tax rate from 35% to 21% effective January 1, 2018 which was anticipated as of December 31, 2017.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2019 and 2018 are as follows (in thousands):

	December 31, 2019	December 31, 2018
Unearned revenue	$ 3,741	$ 2,878
Total deferred tax assets	3,741	2,878
Property, plant and equipment	17,030	10,723
§1031 tax exchanges	26,638	6,791
Deferred credits	748	—
Real estate acquired through foreclosure	142	142
Other	10	125
Total deferred tax liability	44,568	17,781
Net deferred tax liability	$ (40,827)	$ (14,903)

The Trust files a U. S. Federal income tax return. With few exceptions, the Trust is no longer subject to U. S. Federal income tax examination by tax authorities for years before 2016.

8. Lease Commitments

As of December 31, 2019, we have recorded right-of-use assets of $3.1 million and lease liabilities for $3.4 million primarily related to operating leases in connection with our administrative offices located in Dallas and Midland, Texas. The office lease agreements require monthly rent payments and expire in December 2025 and August 2022, respectively. Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease cost for the year ended December 31, 2019 was $0.7 million.

Future minimum lease payments were as follows at December 31, 2019 (in thousands):

Year ending December 31,	Amount
2020	$ 696
2021	796
2022	697
2023	537
2024	551
Thereafter	516
Total lease payments	3,793
Less: imputed interest	(426)
Total operating lease liabilities	$ 3,367

Rent expense for these lease agreements amounted to approximately $0.7 million, $0.2 million and $0.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

9. Capital

Certificates of Proprietary Interest ("Certificates") and Sub-shares are exchangeable in the ratio of one Certificate to 3,000 Sub-shares. No Certificates were exchanged for Sub-shares for the years ended December 31, 2019 and 2018.

The number of Certificates authorized for issuance at a given date is the number then outstanding plus one/three-thousandth of the number of Sub-shares then outstanding. The number of Sub-shares authorized for issuance at a given date is the number then outstanding plus three thousand times the number of Certificates then outstanding.

The Declaration of Trust was executed and delivered in New York. In the opinion of counsel for the Trust, under the laws of the State of New York, the Certificate and Sub-share Certificate holders are not subject to any personal liability for the acts or obligations of the Trust.

The assets of the Trust are located in Texas. In the opinion of Texas counsel, under the laws of the State of Texas, the Certificate and sub-shareholders may be held personally liable with respect to claims against the Trust, but only after the assets of the Trust first have been exhausted.

Dividends

On March 15, 2019, we paid $46.5 million in dividends representing a cash dividend of $1.75 per Sub-share and a special dividend of $4.25 per Sub-share for sub-shareholders of record at the close of business on March 8, 2019.

On March 16, 2018, we paid $31.7 million in dividends representing a cash dividend of $1.05 per Sub-share and a special dividend of $3.00 per Sub-share for sub-shareholders of record at the close of business on March 9, 2018.

Repurchases of Sub-shares

During the years ended December 31, 2019, 2018 and 2017, we purchased and retired 6,258, 59,185 and 105,715 Sub-shares, respectively.

10. Business Segment Reporting

During the periods presented, we reported our financial performance based on the following segments: Land and Resource Management and Water Services and Operations. Our segments provide management with a comprehensive financial view of our key businesses. The segments enable the alignment of strategies and objectives of the Trust and provide a framework for timely and rational allocation of resources within businesses. We eliminate any inter-segment revenues and expenses upon consolidation.

The Land and Resource Management segment encompasses the business of managing approximately900,000 acres of land and related resources in West Texas owned by the Trust. The revenue streams of this segment consist primarily of royalties from oil and gas, revenues from easements and commercial leases and land and material sales.

The Water Services and Operations segment encompasses the business of providing full-service water offerings to operators in the Permian Basin. The revenue streams of this segment consist of revenue generated from sales of sourced and treated water as well as revenue from royalties on water service-related activity.

Segment financial results were as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Revenues:			
Land and resource management	$ 363,328	$ 211,476	$ 123,340
Water services and operations	127,168	88,744	31,294
Total consolidated revenues	$ 490,496	$ 300,220	$ 154,634
Net income:			
Land and resource management	$ 258,366	$ 159,611	$ 78,468
Water services and operations	60,362	50,125	18,763
Total consolidated net income	$ 318,728	$ 209,736	$ 97,231
Capital Expenditures:			
Land and resource management	$ 1,603	$ 2,790	$ 920
Water services and operations	30,606	45,088	17,827
Total capital expenditures	$ 32,209	$ 47,878	$ 18,747
Depreciation, depletion and amortization:			
Land and resource management	$ 1,201	$ 506	$ 136
Water services and operations	7,705	2,077	240
Total depreciation, depletion and amortization	$ 8,906	$ 2,583	$ 376

The following table presents total assets and property, plant and equipment, net by segment (in thousands):

	December 31, 2019	December 31, 2018
Assets:		
Land and resource management	$ 467,758	$ 198,922
Water services and operations	130,418	86,153
Total consolidated assets	$ 598,176	$ 285,075
Property, plant and equipment, net:		
Land and resource management	$ 4,359	$ 3,720
Water services and operations	83,964	61,082
Total consolidated property, plant and equipment, net	$ 88,323	$ 64,802

11. Subsequent Events

The Trust evaluated events that occurred after the balance sheet date through the date these financial statements were issued, and the following events that met recognition or disclosure criteria were identified:

Dividends Declared

At their February 2020 meeting, the Trustees declared a cash dividend of $10.00 per Sub-share, payable March 16, 2020 to sub-shareholders of record at the close of business on March 9, 2020. Additionally, the Trustees declared a special dividend of $ 6.00 per Sub-share, payable March 16, 2020 to sub-shareholders of record at the close of business on March 9, 2020.

Acquisition of Land and Royal Interest

On February 21, 2020, the Trust acquired approximately 671 surface acres of land and approximately 755 net royalty acres in Culberson County for a combined purchase price of approximately $14.9 million.

12. Oil and Gas Producing Activities (Unaudited)

We measure the Trust's share of oil and gas produced in barrels of equivalency ("BOEs"). One BOE equals one barrel of crude oil, condensate, NGLs (natural gas liquids) or approximately 6,000 cubic feet of gas. As of December 31, 2019, December 31, 2018 and December 31, 2017, the Trust's share of oil and gas produced was approximately 13.7, 8.8 and 5.1 thousand BOEs per day, respectively. Reserves related to the Trust's royalty interests are not presented because the information is unavailable.

There are a number of oil and gas wells that have been drilled but are not yet completed ("DUC") where the Trust has a royalty interest. The number of DUC wells are determined using uniform drilling spacing units with pooled interests for all wells awaiting completion. The Trust has identified 486, 362 and 319 DUC wells subject to our royalty interest as of December 31, 2019, 2018 and 2017, respectively.

13. Selected Quarterly Financial Data (Unaudited)

The following tables present unaudited financial data of the Trust for each quarter of December 31, 2019 and 2018 (in thousands, except per share amounts):

	Quarters ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenues	$ 113,332	$ 98,530	$ 87,310	$ 191,324
Income before income taxes	$ 89,071	$ 74,759	$ 62,879	$ 175,546
Net income	$ 69,122	$ 60,022	$ 49,586	$ 139,998
Net income per Sub-share Certificate - basic and diluted	$ 8.91	$ 7.74	$ 6.39	$ 18.04

	Quarters ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenues	$ 93,201	$ 73,168	$ 73,844	$ 60,007
Income before income taxes	$ 78,279	$ 63,195	$ 65,665	$ 54,611
Net income	$ 62,680	$ 50,762	$ 52,503	$ 43,791
Net income per Sub-share Certificate - basic and diluted	$ 8.06	$ 6.52	$ 6.73	$ 5.60

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Exhibit No. 4.1

DESCRIPTION OF SECURITIES

Texas Pacific Land Trust (the "Trust") was organized under a Declaration of Trust, dated February 1, 1888 (the "Declaration of Trust"), to receive and hold title to extensive tracts of land in the State of Texas, previously the property of the Texas and Pacific Railway Company, and to issue transferable Certificates of Proprietary Interest pro rata to the holders of certain debt securities of the Texas and Pacific Railway Company. The following description of the Trust's securities and provisions of the Declaration of Trust are summaries and are qualified by reference to the Declaration of Trust, which has been incorporated by reference as an exhibit to the Annual Report on Form 10-K to which this Description of Securities is an exhibit.

Certificates and Sub-shares. Certificates of Proprietary Interest ("Certificates") and sub-share certificates of proprietary interest ("Sub-shares") are interchangeable in the ratio of one Certificate for 3,000 Sub-shares or 3,000 Sub-shares for one Certificate of Proprietary Interest.

Outstanding. As of December 31, 2019, there were 7,756,156 Sub-shares outstanding and no Certificates outstanding.

Voting. Holders of the Sub-shares are entitled to one vote per Sub-share on all matters submitted to a vote of the Trust's security holders.

Dividends. The Trust is permitted to pay dividends pursuant to the terms of the Declaration of Trust at the discretion of the Trustees. Texas Pacific is not a party to any agreement that would limit its ability to pay dividends in the future, although any future dividends are subject to the discretion of the Board of Trustees and will depend upon the Trust's earnings, capital requirements and financial position, applicable requirements of law, general economic conditions and other factors considered relevant by the Board of Trustees.

Trading Market. The Sub-shares are traded on the NYSE under the symbol "TPL."

** Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**") is made and entered on August 8, 2019 and effective as of July 1, 2019 (the "**Effective Date**"), by and between TEXAS PACIFIC LAND TRUST (the "**Trust**") and SAMEER PARASNIS ("**Employee**").

WHEREAS, the Trust wishes to employ Employee, and Employee wishes to be employed by the Trust, as **Executive Vice President, Chief Commercial Officer**, upon the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and intending to be legally bound hereby, the parties agree as follows:

1. **Employment**. The Trust agrees to employ Employee, and Employee agrees to be employed by the Trust, for the period stated in Section 3 hereof and upon the terms and conditions herein provided.

2. **Position and Responsibilities**. Employee shall serve as **Executive Vice President, Chief Commercial Officer** of the Trust. Employee shall be responsible for such duties as are commensurate with his office and shall be a direct report to the Chief Executive Officer of the Trust.

3. **Term**. Except as otherwise provided in this Agreement, Employee's term of employment under this Agreement shall commence on the Effective Date and continue until December 31, 2022 (the "**Term**"). Thereafter, this Agreement shall automatically renew for subsequent periods of one (1) year ("**Renewal Term**"), unless either party provides written notice to the other at least 120 days prior to the end of the Term (or any Renewal Term thereafter) of its intention not to renew this Agreement or unless this Agreement is otherwise terminated as set forth in this Agreement. The period during which Employee is employed by the Trust under this Agreement is hereinafter referred to as the "**Employment Term**." The Trustees' or Employee's decision not to extend the Term of this Agreement shall not constitute an employment termination eligible for severance under the terms of this Agreement, and Employee's continued employment thereafter, if any, will be on an at will basis until terminated by either party for any reason.

4. **Compensation, Reimbursement of Expenses, Benefits**.

a. **Salary**. For all services rendered by Employee in any capacity during the Employment Term, including, without limitation, service as an executive or officer of the Trust, or any subsidiary, affiliate, or division thereof, the Trust shall pay Employee as compensation an annual salary (the "**Base Salary**") at the rate of $700,000 per year commencing with the Effective Date, which Base Salary shall be paid in periodic payments in accordance with the Trust's usual payroll practices. The Base Salary shall be reviewed in good faith by the Nominating, Compensation and Governance Committee of the Trust, or in the absence thereof, the Trustees, based upon Employee's performance, not less often than annually.

b. **Cash Bonus**. During the Employment Term, Employee shall be eligible for an annual cash bonus of up to 300% of the Base Salary for the same year (the "**Cash Bonus**") as determined in accordance with reasonable and customary performance metrics to be developed annually by the Trustees of the Trust ("Trustees") in consultation with the Employee, but subject to the ultimate decision of the Trustees. With respect to the calendar year 2019 only, the Cash Bonus shall be prorated for the period of employment since the Effective Date, and determined as set forth in **Exhibit A**. The Cash Bonus, if any, shall be paid no later than March 15th of the year following the year in which the Bonus is earned (i.e., March 15, 2020 for the Cash Bonus earned in 2019), provided, however, that except as set forth in Sections 5 and 6 of this Agreement, Employee shall be eligible for the Cash Bonus for a year only to the extent he continued to be employed by the Trust through the end of that year; and provided further, that, until such time as Employee becomes eligible to participate in an equity compensation plan established by the Trust, Employee shall use no less than twenty-five percent (25%) of the value of the Cash Bonus (net of estimated taxes) to purchase shares of the Trust's common stock; such purchase shall be completed no later than six (6) months after payment of the Cash Bonus has been completed unless, at that time Employee is in possession of material non-public information in which event the purchase shall occur as soon as practically available in accordance with Federal securities laws. The Trust's exercise of its decision not to renew this Agreement voluntarily pursuant to the terms of Section 3 shall not affect Employee's right to receive any calendar year bonus that has already accrued and remains to be paid. Further, the requirement upon Employee to use any portion of a Cash Bonus to purchase shares of the Trust's common stock shall not apply in any situation where a Section 5 notice of termination has been issued.

c. **Retention Bonus.** Employee shall be entitled to a retention bonus in the amount of eight hundred seventy five thousand dollars ($875,000) which shall be payable in three installments as follows-- The first payment of two hundred ninety one thousand, six hundred sixty seven dollars ($291,667) will be made on March 15, 2020; the second payment of two hundred ninety one thousand, six hundred and sixty seven dollars ($291,667) will be paid within 30 days of the second anniversary of Employee's start date; and the final installment of two hundred ninety one thousand, six hundred and sixty six dollars ($291,666) will be paid within 30 days of the third anniversary of Employee's start date. Except as provided in Section 5(c) of this Agreement, all payments will be subject to Employee being actively employed by the Trust on the applicable payment date. In addition, if Employee voluntarily resigns without Good Reason (as defined below), before the third anniversary of his start date, Employee will forfeit any portion(s) of the Retention Bonus not yet paid. To be clear, the Retention Bonus will not count towards the percentage applicable for Cash Bonus or any other benefits.

d. **Reimbursement of Expenses**. The Trust shall pay, or reimburse Employee for all reasonable travel, entertainment, and other expenses incurred by Employee in the performance of Employee's duties under this Agreement, consistent with Trust policy for senior executives.

e. **Employee Benefits**. During the Employment Term, Employee will be entitled to participate in all benefits plans provided to its executives of like status from time to time in accordance with the applicable plan, policy or practices of the Trust.

f. **Vacation**. Employee shall be entitled to four (4) weeks of paid vacation each year of the Term, pro-rated for partial calendar years of employment, subject to the Trust's usual vacation policy for full-time employees that may be in effect from time to time.

g. **Relocation Allowance**. To assist Employee with his relocation to Dallas no later than October 31, 2020, subject to Employee's continued employment with the Trust through the payment date(s), the Trust shall pay Employee one hundred thousand dollars ($100,000) to cover home finding trips, final move, and miscellaneous related expenses. Up to one-half of the relocation benefits under this subparagraph (g) may be disbursed upon Employee's request, prior to his relocation. The remaining one-half of the benefit shall be disbursed upon completion of Employee's relocation in 2020.

h. **Long Term Incentive Benefits**. Employee shall be eligible to participate in any long-term incentive ("LTI") program, established by the Trustees in their sole discretion. The terms of any such LTI and specifically those for which Employee shall be eligible, shall be determined at such time, and upon such terms, as the Trustees may from time to time determine. Unless otherwise provided in an LTI award agreement or notice, Employee shall be eligible for the LTI benefits for a year only to the extent he continues to be employed by the Trust until and as of the day such benefit is payable.

i. **Tax Withholdings**. The salary, bonus and any benefits payable to Employee under this Agreement shall be subject to all applicable deductions and withholdings required by federal, state, and local law.

j. **Indemnification**. The Trust shall (the "**Indemnification Provisions**") (i) indemnify Employee, as a director or officer of the Trust or a trustee or fiduciary of an employee benefit plan of the Trust against all liabilities and reasonable expenses that Employee may incur in any threatened, pending, or completed action, suit or proceeding, whether civil, criminal or administrative, or investigative and whether formal or informal, because Employee is or was a director or officer of the Trust or a trustee or fiduciary of such employee benefit plan, other than any such liabilities or expenses directly resulting from Employee's gross negligence, misconduct or fraudulent or criminal acts, and (ii) pay for or reimburse the reasonable expenses incurred by Employee in the defense of any proceeding to which Employee is a party because Employee is or was a director or officer of the Trust or a trustee or fiduciary of such employee benefit plan and for which Employee is entitled to indemnification under clause (i), subject to such written documentation, itemization and substantiation as the Trustees may reasonably request provided such does not destroy attorney-client privilege or work to impair Employee's defense. The rights of Employee under the Indemnification Provisions shall survive the termination of the employment of Employee with the Trust for a period of six years. Additionally, to the extent that the Trust maintains a directors' and officers' liability insurance policy (or policies), or an errors and omissions liability insurance policy (or policies), covering individuals who are current or former officers or directors of the Trust, Employee shall be entitled to coverage under such policies on the same terms and conditions (including, without limitation, with respect to scope, exclusions, amounts and deductibles) as are provided to other senior executives of the Trust, while Employee is employed with the Trust and for a period of at least six years thereafter.

k. The Trust shall reimburse the Employee's attorney directly for their fees, up to a maximum of twenty thousand dollars ($20,000), incurred in connection with the review and negotiation of this Agreement.

5. **Termination**.

a. **Resignation**. Employee may terminate the Employment Term and his employment with the Trust for no reason (i.e., without Good Reason) by providing the Trust with at least four weeks' notice in writing (the "**Resignation Notice Period**"). Employee shall continue to work for the Trust during the Resignation Notice Period unless the Trust waives this obligation, in which case the Trust will pay Employee any accrued and unpaid wages and vacation pay, less permitted statutory deductions and withholdings to the end of the Resignation Notice Period. Except as otherwise provided in the preceding sentence, Employee shall receive only the following from the Trust in connection with Employee's resignation without Good Reason during the Employment Term: (i) any unpaid Base Salary accrued through the termination date, (ii) a lump sum payment for any accrued but unused vacation pay, (iii) rights to elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") at Employee's sole expense, and (iv) a lump sum payment for any previously unreimbursed business expenses incurred by Employee on behalf of the Trust during the Employment Term (collectively, such (i) through (iv), plus payment through the Resignation Notice Period if the Trust waives the employment condition per the above, being the "**Accrued Rights**"), less permitted statutory deductions and withholdings. The Accrued Rights described in clauses (i) and (ii) shall be paid within fifteen (15) days after the date of termination (or such earlier date as may be required by applicable law).

b. **Termination for Cause**. Except as specifically set forth in this Agreement, the Trust may terminate the Employment Term and Employee's employment with the Trust at any time for Cause. Upon termination of employment for Cause during the Employment Term, Employee shall receive only the Accrued Rights, less permitted statutory deductions and withholdings. "**Cause**" for these purposes shall mean any of the following:

1. Employee's willful refusal to follow the lawful directions of the CEO or the Trustees, which directions are consistent with normal business practice and not inconsistent with this Agreement;

2. Employee's indictment or conviction of, or plea of nolo contendere to, (i) any felony or (ii) another crime involving dishonesty or moral turpitude, or Employee's engaging in any embezzlement, financial misappropriation or fraud related to his employment with the Trust;

3. Employee engaging in any willful misconduct or gross negligence or willful act of dishonesty, including any violation of federal securities laws, or violence or threat of violence, which is materially injurious to the Trust or any of its subsidiaries or affiliates;

4. Employee's repeated abuse of alcohol or drugs (legal or illegal) that, in the Trustees' reasonable judgment, materially impairs his ability to perform his duties hereunder; or

5. Employee's willful and knowing breach or violation of any material provision of this Agreement, including, but not limited to, the confidentiality, non-solicitation and non-competition provisions set forth herein.

Notwithstanding anything in this Section 5(b), no event or condition described in Sections 5(b)(1), (3), (4), or (5) shall constitute Cause unless (y) within ninety (90) days from the Trustees first acquiring actual knowledge of the existence of the Cause condition, the Trustees provide Employee written notice of its intention to terminate Employee's employment for Cause and the specific factual grounds and rationale for such termination; and (z) the Trustees, by a majority vote of its members, terminate Employee's employment with the Trust within twenty (20) days of the written notice being provided to Employee in (y), above. For purposes of this Section 5(b), any attempt by Employee to correct a stated Cause condition shall not be deemed an admission by Employee that the Trustee's assertion of Cause is valid.

c. **Termination without Cause or by Employee for Good Reason**. The Trust may terminate Employee's employment at any time without Cause upon thirty (30) days advance notice. If, during the Employment Term, Employee's employment is terminated by the Trust without Cause or by Employee for Good Reason, the Trust shall provide Employee with:

i. the Accrued Rights, less permitted statutory deductions and withholdings;

ii. any earned (as determined uniformly with respect to other recipients of similar cash bonuses) Cash Bonus for the prior calendar year that had not yet been paid as of Employee's employment termination;

iii. to the extent Employee terminates after 2019, and after the first quarter of any subsequent year, a pro rata portion of the actual Cash Bonus for the year in which Termination occurs, with such amount to be determined and payable similarly with respect to the relevant year's Cash Bonus being determined and paid to all other eligible employees of the Trust (but no later than March 15 of the year following the year of termination);

iv. the vested but unpaid LTI Benefits;

v. the full amount of any and all Retention Bonus that remains unpaid as of the termination, payable within thirty (30) days following Employee's termination date;

vi. the unpaid Relocation Allowance (provided Employee has relocated), payable within thirty (30) days following Employee's termination date; and

vii. Severance Pay pursuant to, and subject to the requirements of, Section 6 or 7 below, as applicable.

For purposes of this Agreement, "**Good Reason**" shall mean any of the events listed in the following subparagraphs (1), (2), (3), (4) and (5), provided the additional notice and procedural requirements set forth in the below flush paragraph are satisfied:

1. a 10% or more diminution in Employee's Base Salary as in effect on the last day of the immediately preceding calendar year or a 30% or greater reduction in the amount of Employee's target Cash Bonus as compared to the 2019 Target Cash Bonus (as defined on Exhibit A but annualized as the number in Exhibit A is for the partial period from Effective Date to December 31, 2019 only);

2. a material diminution in Employee's title, or the nature or scope of Employee's authority, duties, or responsibilities from those applicable to him on the Effective Date;

3. the Trust requiring Employee to be based at any office or location that is more than 25 miles from Employee's principal place of employment as of the Effective Date (which the parties hereto stipulate and agree shall be Dallas, Texas);

4. a material breach by the Trust of any material term or provision of this Agreement, which shall include a failure by any acquiring entity or successor to the Trust in a Change in Control (as defined below) to assume this Agreement in its entirety as of consummation of such Change in Control; or

5. a failure by the Trust to maintain a directors' and officers' liability insurance policy (or policies), or an errors and omissions liability insurance policy (or policies), covering Employee.

In order for one of the events set forth in (1), (2), (3), (4) or (5) to constitute a Good Reason, (x) Employee must notify the Trustees in writing of such fact and the reasons therefore no later than 90 days after Employee knows or should have known that the relevant event has occurred, (y) such grounds for termination (if susceptible to correction) are not corrected by the Trustees within thirty (30) days after Employee's notice (or, in the event that such grounds cannot be corrected with thirty (30) days, Trustees have not taken all reasonable steps within such thirty-day (30) period to correct such grounds as promptly as practicable thereafter); and (z) Employee terminates Employee's employment with the Trust within thirty (30) days following expiration of such thirty-day (30) period. Failure to satisfy the requirements of this paragraph will result in there not being a termination for Good Reason for purposes of this Agreement.

d. **<u>Termination Due to Death or Disability</u>**. The Employment Term and Employee's employment will automatically terminate upon Employee's death or Disability. In the event of such termination during the Employment Term, the Trust shall pay Employee (or, in the event of Employee's death, Employee's estate or designated nominee) the amounts due and at the time pursuant to subparagraphs (i), (ii), (iii), (iv), (v) and, provided Employee has relocated, (vi) of Section 5(c), and shall have no further obligations to Employee or any other person thereafter. For purposes of this Agreement, "**Disability**" shall mean Employee's inability, as a result of Employee's incapacity due to physical or mental illness, to perform the essential functions of his position hereunder for a period of 180 consecutive days, or for a total of 180 days (whether or not consecutive) in any 365-consecutive-day period, as determined by the Trustees in their reasonable discretion.

e. **<u>Notice of Termination</u>**. Any termination of employment by the Trust or Employee during the Employment Term shall be communicated by a written "**Notice of Termination**" to the other party hereto given in accordance with Section 9(b) of this Agreement. In the event of a termination by the Trust for Cause or by Employee for Good Reason, the Notice of

Termination shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated, and (iii) with respect to a termination for Cause, specify the date of termination. The failure by Employee or the Trust to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of Employee or the Trust, respectively, hereunder or preclude Employee or the Trust, respectively, from asserting such fact or circumstance in enforcing Employee's or the Trust's rights hereunder.

6. **Severance and Other Benefits**.

a. Subject to Section 5(c), and except as otherwise provided in this Section 6, the Trust shall have no obligations to Employee for any period subsequent to the effective date of any termination of the Employment Term and Employee's employment, except for the Accrued Rights.

b. Notwithstanding the provisions of paragraph (a) of this Section 6, and except as provided in Section 7 of this Agreement, in the event of (i) a termination of Employee by the Trust other than for Cause, or (ii) a voluntary termination by Employee for Good Reason, in either case, during the Employment Term, the Trust will pay Employee as follows:

i. the Accrued Rights, less permitted statutory deductions and withholdings;

ii. the amounts set forth in Sections 5(c)(ii) through (vi);

iii. (A) if such termination occurs during the first thirty (30) months of the Term, an amount equal to two times (2x) the average of Employee's Base Salary and Cash Bonus for the two years (for other than 2019, annualized for any partial year) preceding the year in which the termination takes effect; and (B) if such termination occurs after the first thirty (30) months of the Term, an amount equal to one times (1x) the average of Employee's Base Salary and Cash Bonus for the one year preceding the year in which the termination takes effect. For purposes of clarification, if termination of the Employee occurs before payment of the first Cash Bonus after the Effective Date, then the Cash Bonus for purposes of clause (A) will be equal to the 2019 Target Cash Bonus (as defined on Exhibit A and not annualized); and

iv. Up to eighteen (18) months of continued group health, dental and/or vision coverage elected by Employee for himself and/or his eligible dependents, pursuant to and subject to the applicable provisions of COBRA, which coverage shall be paid for in full by the Trust (the "**COBRA Benefits**").

c. Subject to Section 9(i), any Accrued Rights, the amounts set forth in Sections 5(c)(ii) through (vi), and Severance Pay payable to Employee under this Agreement upon his "separation from service" (as defined under Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**")) shall be paid to Employee no later than the eighth (8th) day that immediately follows expiration of the Revocation Period (as such term is defined in Section 7 of the general release attached hereto as **Exhibit B**). In addition, Employee shall only be entitled to Severance Pay, the amounts set forth in Sections 5(c)(ii) through (vi) and COBRA Benefits hereunder if Employee signs (and does not rescind, as may be permitted by law) the foregoing general release ; however, if the Consideration Period or Revocation Period (as defined within Section 7 of such release) straddles two (2) taxable years of Employee, then the Trust shall pay the foregoing amounts in the second of such taxable years, regardless of the taxable year in which Employee actually delivers the executed release of claims.

7. **Termination Related to a Change in Control**. If Employee's employment is terminated by the Trust without Cause, or by Employee for Good Reason, or upon the failure of the Trust to renew the Employment Term, in either case within 24 months after a Change in Control (as defined below) that occurs during the Employment Term, then:

a. Subject to Sections 6(c) and 7(c) the Trust shall pay Employee within thirty (30) days after the later of Employee's termination or execution of the Waiver and Release under Exhibit B, the following amounts and benefits, which shall be in lieu of the amounts set forth in Section 6 hereof:

i. The Accrued Rights, less permitted statutory deductions and withholdings;

ii. The amounts set forth in Sections 5(c)(ii) through (vi);

iii. Severance Pay in an amount equal to 2.99 times the greater of (A) the average of Employee's total Base Salary and Cash Bonus for the two years (annualized for any partial year) preceding the year of the Change in Control, or (B) Employee's Base Salary and target Cash Bonus for the year in which the Change in Control occurs, subject to reduction in accordance with Section 7(c), provided, however, that if the Change in Control occurs in 2019, the Severance Pay amount shall be 50% of the amount otherwise determined under this subparagraph (ii). For purposes of clarification, if termination of the Employee occurs before payment of the first Cash Bonus after the Effective Date then Cash Bonus will be equal to 2019 Target Cash Bonus (as defined on Exhibit A but annualized as the number in Exhibit A is for the partial period from Effective Date to December 31, 2019 only); and

iv. The COBRA Benefits.

b. For purposes of this Agreement, a "**Change in Control**" shall mean the occurrence of any of the following events:

i. Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), other than (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Trust or any Affiliate, or (y) any corporation owned, directly or indirectly, by shareholders of the Trust in substantially the same proportions as their ownership of the Trust's common stock, becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Trust representing 30% or more of the total voting power represented by the Trust's then outstanding voting securities;

ii. The sale or disposition by the Trust of all or substantially all of the Trust's assets;

iii. The Trustees as of the Effective Date (the "**Incumbent Trustees**") and any successor Trustee whose appointment as a Trustee is endorsed by the Incumbent Trustees or any such duly-endorsed successor Trustee cease to constitute a majority of the Trustees; or

iv. A merger or consolidation of the Trust with any other corporation, other than a merger or consolidation which would result in the voting securities of the Trust outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Trust or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Notwithstanding anything in this Section 7(b) to the contrary, any conversion of the Trust to a corporate structure shall not be deemed a Change in Control if the equityholders of the Trust have the same proportionate ownership both before and after such conversion.

c. **Section 280G**. If any of the payments or benefits received or to be received by Employee (including, without limitation, any payment or benefits received in connection with a Change in Control or Employee's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Code and would be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), then Employee shall receive either (y) the 280G Payments as reduced to the minimum extent necessary to ensure that no portion of the 280G Payments is subject to the Excise Tax or (z) the 280G Payments with the Excise Tax, whichever of the foregoing (y) or (z) that provides Employee with the greater after-tax benefit. Any reduction made pursuant to this section will be made in a manner determined by the Trust that is consistent with the requirements of Section 409A. The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order.

d. All calculations and determinations under this section will be made by an independent accounting firm or independent tax counsel appointed by the Trust ("**Tax Counsel**") whose determinations shall be conclusive and binding on the Trust and Employee for all purposes. For purposes of making the calculations and determinations required by this section, Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code including, but not limited to, the value of Employee's obligations under Sections 8(d) and (e) of this Agreement and reasonable compensation for services performed by Employee to the Trust (or any successor thereto) in the future. In order to assess whether payments under this Agreement or otherwise qualify as reasonable compensation that is exempt from being a parachute payment under Section 280G of the Code, the Trust and, with the Trust's written consent, the

Tax Counsel may, but shall not be required to, retain the services of an independent valuation expert. The Trust and Employee shall furnish the Tax Counsel with such information and documents as Tax Counsel may reasonably request in order to make its determinations under this Section, and the costs of such determination shall be borne equally by the Trust and Employee.

8. **Confidential Information; Non-Competition; Non-Solicitation; Enforceability**.

a. Employee shall not at any time, whether before or after the termination of the Employment Term and Employee's employment with the Trust, divulge, furnish or make accessible to anyone (other than in the ordinary course of the business of the Trust) any non-public knowledge or information with respect to confidential or secret designs, processes, formulae, plans, devices, material, intellectual property, contracts, financials, or research or development work of the Trust, or with respect to any other confidential or secret aspect of the business of the Trust, all of which, together with the property described in the following paragraph, is referred to herein as "**Confidential Information**." For purposes of clarification, Confidential Information does not include any knowledge or information that is publicly disclosed by the Trust.

b. Upon termination of the relationship, or at any time earlier at the request of the Trust, Employee shall immediately deliver to the Trust, and will not keep in his possession, recreate or deliver to anyone else, all property and materials belonging to the Trust or clients of the Trust, including without limitation, documents, software, records, data, photographs, notes and correspondence and copies or reproductions, computers, telephones, badges, business cards, handbooks, policy manuals, software and hardware manuals and directories. If Employee makes an unauthorized disclosure of any Confidential Information, Employee will notify the Trust as soon as the Employee himself becomes aware or should have become aware of its occurrence and use reasonable efforts to retrieve the lost or improperly disclosed Confidential Information.

c. During his employment, Employee shall devote substantially all of Employee's business time to the performance of the services and duties as may be delegated by the Trust. Employee shall not, directly or indirectly, engage or become interested in (as owner, stockholder, partner, or otherwise) the operation of any business in competition (direct or indirect) with the Trust within the Restricted Territory (as defined below). This Paragraph 8(c) shall not apply to Employee's ownership of less than 5% of the stock of a corporation whose stock is traded on a nationally recognized stock exchange, or to his service on the Advisory Board of Diversified Gas & Oil PLC or alternatively it's 100% owned U.S. subsidiary Diversified Gas & Oil Corporation.

d. For a period of one (1) year from and after the cessation of Employee's employment with the Trust (which period shall be reduced to six (6) months solely in the case of a resignation by Employee without Good Reason), Employee shall not, directly or indirectly, participate in any **Restricted Activity** (as defined below) within the **Restricted Territory** (as defined below).

- For purposes of this Agreement, "**Restricted Territory**" means the following Counties in the State of Texas: Reeves, Loving, Culberson, Midland, Upton, Glasscock and Ector.

- For purposes of this Agreement, "**Restricted Activity**" means, either directly or indirectly, owning, managing, engaging in, operating, controlling, working for, consulting with, rendering services to, doing business with, sharing Confidential Information with, utilizing Confidential Information for the benefit of, solicitation of the Trust's customers or other protected business relationships for purposes of seeking to induce such customers to alter or end their relationship with the Trust, maintaining any interest in (proprietary, financial or otherwise) or participating in the ownership, management, operations or control of, any business, in whatever form (including, without limitation, proprietorship, partnership or corporate), which competes with any significant business of the Trust in existence as of the date of this Agreement or from time to time (a "**Competing Business**"); provided, however, that, the Employee on a post-termination of employment basis may engage in investment banking, merchant banking and asset management businesses, even if such businesses have a Competing Business within the Restricted Territory, but only if the Employee is not personally engaging in a Competing Business within the Restricted Territory. For the avoidance of doubt, it is understood by Employee and the Trust that a Competing Business is a person or entity that is engaged in the business of the Trust as such business exists at the time of Employee's employment termination.

- As used herein, "competes with" means engaging in land management, water business, or another line of business that the Trust developed or was engaged in during the Employment Term, for any person or entity other than for the Trust, which is the same as or similar to or is in competition with, or has a use allied to, or may be substituted for or supplied by, any product, program, process, system or service of the Trust, whether in existence or under development during Employee's employment with the Trust, or about which Employee acquired Confidential Information during his employment with the Trust.

e. During the Employment Term (and except on behalf of the Trust), and for a period of twelve (12) months from and after the cessation of Employee's employment with the Trust, for whatever reason, Employee agrees that he will not directly or indirectly call upon any of the clients, suppliers or business partners to whom the Trust provided services, or with whom Trust dealt, in the twenty-four (24) months prior to the cessation of Employee's employment, and with whom Employee had contact or about whom Employee obtained Confidential Information during his employment with the Trust for the purpose of inducing said customer, supplier or business partner to alter or end its relationship with the Trust or to do business with a Competing Business or person or entity that is preparing to establish a Competing Business; provided, however, that the foregoing shall only apply with respect to the Restricted Activities within the Restricted Territory. For the same time period, Employee also agrees that he will not directly or indirectly solicit or attempt to solicit any employee, agent, vendor or independent contractor of the Trust to alter or terminate his/her/its employment or other relationship with the Trust or breach any agreement with or obligation owed to the Trust, provided, however, that Employee may continue to work with Chris Steddum and such employment of Chris Steddum shall not be a violation of this subsection (e).

f. Employee recognizes that the foregoing covenants are a prime consideration for the Trust to enter into this Agreement and that the Trust's remedies at law for damages in the event of any breach shall be inadequate. In the event that Employee commits any breach of the covenants and agreements set forth above, Employee acknowledges that the Trust would suffer substantial and irreparable harm, and that such harm to the Trust may be impossible to measure in monetary damages. Accordingly, Employee hereby agrees that in such event, the Trust may be entitled to temporary and/or permanent injunctive relief to enforce the provisions of this Agreement and prevent a breach or contemplated breach, all without prejudice to any and all other remedies that the Trust may have at law or in equity and that the Trust may elect or invoke.

g. In the event that Employee violates any provision of this Section 8, in addition to any injunctive relief and damages, to which Employee acknowledges Company would be entitled, all severance payments to Employee, if any, shall cease and those already made will be forfeited.

h. The provisions of this Section 8 shall survive the termination of this Agreement.

9. **General Provisions**.

a. **Entire Agreement**. This Agreement and the Exhibits attached hereto contain the entire understanding between the parties hereto and supersede any prior understandings regarding the employment of Employee.

b. **Notices**. Any notice required to be given by the Trust hereunder to Employee shall be in proper form if signed by a Trustee giving notice. Until one party shall advise the other in writing to the contrary, notices shall be deemed delivered:

- to the Trust if delivered to each of the Trustees in person, by email or, if mailed, by certified, registered or overnight mail, postage prepaid to:

  John Norris
  Norris & Weber, PLLC
  3811 Turtle Creek Boulevard
  Suite 400
  Dallas, Texas 75219

  And

  David E. Barry
  Two Riverway
  Suite 1010
  Houston, Texas 77056

  With a Copy to: Kelley Drye & Warren LLP
  101 Park Avenue
  New York, New York 10178
  Attn: Karyn Fulton, Esq.

- to Employee if delivered to Employee in person, by email or, if mailed, by certified, registered or overnight mail, postage prepaid to:

Sameer Parasnis
2310 Thicket Ridge Lane
Houston, TX 77077

With a Copy to: Hunton Andrews Kurth LLP
200 Park Avenue
New York, New York 10166
Attn: Richard Kronthal, Esq. and Anthony Eppert, Esq.

c. **Successors and Assigns**. This Agreement shall inure to the benefit of each of the Trust and its successors, assigns and legal representatives, and shall be binding upon Employee and Employee's heirs and legal representatives. This Agreement may be assigned by the Trust to any successor entity to the Trust by operation of law or otherwise, provided, however, that this Agreement must be assumed in its entirety by any acquiring entity or successor entity to the Trust as of consummation of a Change in Control transaction of the Trust or otherwise such failure shall be considered a material breach of this Agreement for purposes of Section 5(c). This Agreement and Employee's obligations hereunder shall not be subject to assignment or delegation by Employee in any form without the prior consent of the Trust.

d. **Amendment**. This Agreement may not be modified or amended except by an agreement in writing signed by the parties hereto and approved in writing by the Trustees.

e. **Waiver**. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

f. **Severability**. In the event that any provision or any portion of any provision hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

g. **Headings**. The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

h. **Governing Law, Arbitration and Venue** . This Agreement shall be governed by the laws of the State of Texas, without regard to choice-of-law principles. The parties consent to personal and exclusive jurisdiction and venue Dallas County in the State of Texas. Any controversy or claim arising out of or relating to (i) Employee's employment with the Trust and/or (ii) this Agreement, or the breach therefore, shall be settled by binding arbitration administered by the American Arbitration Association in accordance with its Employment Arbitration Rules before one arbitrator in Dallas, Texas, and judgment on the award rendered by such arbitrator may be entered in any court having jurisdiction thereof. The decision arrived at by the arbitrator shall be binding upon all parties to the arbitration and no appeal shall lie therefrom, except as provided by the Federal Arbitration Act. These arbitration procedures are intended to be the exclusive method of resolving any claim or dispute arising out of or related to this Agreement, including the applicability of this Section, provided, however, that either party seeking injunctive relief in connection with a breach or anticipated breach of this Agreement will be authorized to do so in a state or federal court of competent jurisdiction within Dallas County in the State of Texas.

If there is any arbitration, action, or proceeding pursuant to Section 9(h) of this Agreement or otherwise, alleging a breach of this Agreement, then the prevailing party in any such arbitration, action, or proceeding, shall be entitled to recover from the non-prevailing party, in addition to any other relief awarded, its reasonable and necessary attorneys' fees, costs, and expenses incurred in such arbitration, action, or proceeding. If there is no prevailing party, each party will pay its own attorneys' fees, costs, and expenses. Whether a prevailing party exists shall be determined solely by the arbitrator on a claim-by-claim basis, and such arbitrator, in his or her sole discretion, shall determine the amount of reasonable and necessary attorneys' fees, costs, and/or expenses, if any, for which a party is entitled.

i. **Section 409A**. This Agreement is intended to either avoid the application of, or comply with, Section 409A of the Code. To that end this Agreement shall at all times be interpreted in a manner that is consistent with Section 409A of the Code. Notwithstanding any other provision in this Agreement to the contrary, the Trust shall have the right, in its sole discretion, to adopt such amendments to this Agreement or take such other actions (including amendments and actions with retroactive effect) as it determines is necessary or appropriate for this Agreement to comply with Section 409A of the Code or an exemption therefrom. Further:

i. Any reimbursement of any costs and expenses by the Trust to Employee under this Agreement shall be made by the Trust in no event later than the close of Employee's taxable year following the taxable year in which the cost or expense is incurred by Employee. The expenses incurred by Employee in any calendar year that are eligible for reimbursement under this Agreement shall not affect the expenses incurred by Employee in any other calendar year that are eligible for reimbursement hereunder and Employee's right to receive any reimbursement hereunder shall not be subject to liquidation or exchange for any other benefit.

ii. Any payment following a separation from service that would be subject to Section 409A(a)(2)(A)(i) of the Code as a distribution following a separation from service of a "specified employee" (as defined under Section 409A(a)(2)(B)(i) of the Code) shall be made on the first to occur of (i) ten (10) days after the expiration of the six-month (6) period following such separation from service, (ii) death, or (iii) such earlier date that complies with Section 409A of the Code.

iii. Each payment that Employee may receive under this Agreement (and any right to a series of installment payments) shall be treated as a "separate payment" for purposes of Section 409A of the Code.

iv. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute "nonqualified deferred compensation" (within the meaning of, and subject to, Section 409A of the Code) upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment," or like terms shall mean "separation from service."

j. **Survival**. This Agreement shall terminate upon the termination of employment of Employee; provided, however, that provisions of this Agreement shall survive to the extent expressly provided for in a specific provision and also as necessary to give effect to the intent of the parties, including, but not limited to, the provisions for post-termination payments in Sections 5, 6, and 7 of this Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, and intending to be legally bound, the Trust has caused this Agreement to be executed by a duly authorized officer of the Trust, and Employee has signed this Agreement, all as of the Effective Date first written above.

EMPLOYEE:	**TEXAS PACIFIC LAND TRUST:**
By: /s/ Sameer Parasnis	By: /s/ Tyler Glover
Sameer Parasnis	Tyler Glover, Chief Executive Officer

EXHIBIT A

The following are the performance metrics with respect to Section 4(b) of the Employment Agreement that was entered into by and between TEXAS PACIFIC LAND TRUST and SAMEER PARASNIS, effective as of July 1, 2019.

Milestone	Bonus
The Trust's net income as reported in Form 10 K annually to the SEC (excluding for purposes of the 2019 and 2018 calendar years, proceeds of the WPX land sale, but adding back for purposes of 2019, an amount equal to any taxes or professional fees related to the WPX land sale and any professional, legal or other fees and expenses associated in any manner with the 2019 proxy contest) ("Net Income") is at least [**]% of the Trust's Net Income for 2018.	$1,350,000 (the "**2019 Target Cash Bonus**")
The Trust's Net Income for 2019 is at least [**]%, but less than [**]% of the Trust's Net Income for 2018.	The Cash Bonus will be (a) $135,000 (i.e., 10% of $1,350,000) if Net Income in 2019 equals [**]% of Net Income in 2018, (b) $1,215,000 (i.e., 90% of $1,350,000) if Net Income in 2019 equals or exceeds [**]% (but is less than [**]%) of Net Income in 2018, and (c) between $135,000 and $1,215,000 determined by linear interpolation, if Net Income in 2019 is greater than [**]% but less than [**]% of the 2018 Net Income amount.
Net Income for 2019 is less than [**]% of Net Income for 2018	$0

Exhibit No. 10.3

EXHIBIT B

TEXAS PACIFIC LAND TRUST
WAIVER AND RELEASE

THIS WAIVER AND RELEASE AGREEMENT (this "**Waiver and Release**") is made and entered into by and between Texas Pacific Land Trust (the "**Trust**") and Sameer Parasnis ("**Employee**"), each referred to collectively as the "Parties," and individually as "**Party**."

WHEREAS, the Trust and Employee are parties to a certain Employment Agreement dated July 1, 2019 (the "**Employment Agreement**");

WHEREAS, pursuant to the Employment Agreement, in consideration of the right to receive the severance benefits set forth in Sections 5, 6 and 7 of the Employment Agreement (the "**Severance Benefits**"), Employee must sign, return and not revoke this Waiver and Release;

WHEREAS, the Trust has executed and delivered this Waiver and Release to Employee for Employee's review and consideration as of ______________ the ("**Delivery Date**");

WHEREAS, Employee acknowledges that, by virtue of Employee's age, the Age Discrimination in Employment Act ("**ADEA**") (29 U.S.C. §§ 621 et seq.) may provide Employee with certain rights this Waiver and Release will extinguish. Employee is advised to consult with an attorney about these rights before signing this Waiver and Release; and

WHEREAS, Employee and the Trust each desire to settle all matters related to Employee's employment by the Trust.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained in the Employment Agreement and in this Waiver and Release, and for other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Parties agree as follows:

1. Termination of Employment. The Parties agree that Employee's employment relationship with the Trust, including all other offices and positions Employee has with the Trust and all of its subsidiaries, affiliates, joint ventures, partnerships or any other business enterprises, as well as any office or position as a fiduciary or with any trade group or other industry organization which he holds on behalf of the Trust or its subsidiaries or affiliates, shall be automatically terminated effective at _____ on the ______________ (the "**Termination Date**").

2. Release of Trust. In consideration for the right to receive the Severance Benefits in accordance with the terms of the Employment Agreement and the mutual promises contained in the Employment Agreement and in this Waiver and Release, Employee (on behalf of Employee, Employee's heirs, administrators, representatives, executors, successors and assigns) hereby releases, waives, acquits and forever discharges the Trust, its predecessors, successors, parents, shareholders, subsidiaries, assigns, agents, current and former directors, officers, employees, partners, representatives, and attorneys, affiliated companies, and all persons acting by, through, under or in concert with the Trust (collectively, the "**Released Parties**"), from any and all demands, rights, disputes, debts, liabilities, obligations, liens, promises, acts, agreements, charges, complaints, claims, controversies, and causes of action of any nature whatsoever, whether statutory, civil, or administrative, Employee now has or may have against any of the Released Parties, arising at any time on or before the execution of this Waiver and Release, in connection with Employee's employment by the Trust or the termination thereof.

This release specifically includes, but is not limited to, any claims of discrimination, harassment, or retaliation of any kind, breach of contract or any implied covenant of good faith and fair dealing, tortious interference with a contract, intentional or negligent infliction of emotional distress, breach of privacy, misrepresentation, defamation, wrongful termination, or breach of fiduciary duty; provided, however, the foregoing release shall not release the Trust from the performance of its obligations under this Waiver and Release.

Additionally, this release specifically includes, but is not limited to, any claim or cause of action arising under Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Americans With Disabilities Act, 42 U.S.C. §§ 1981; Texas Commission on Human Rights Act; Texas Labor Code §§ 21.001 et seq.; Texas Labor Code §§ 451.001 et seq.; the Age Discrimination in Employment Act of 1967; the Employment Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001 et seq.; the Family and Medical Leave Act; the Fair Labor Standards Act; the Worker Adjustment and Retraining Notification Act; the Rehabilitation Act of 1973; or any other federal, state or local statute or common law cause of action of similar effect regarding employment related causes of action of employees against their employer.

Employee hereby waives and releases Employee's ability or right to participate in any class or collective action against any of the Released Parties in any forum, either as a class representative, party plaintiff, or absent class member, asserting any claims referenced herein. This Waiver and Release includes, but is not limited to, claims arising under the Fair Labor Standards Act ("**FLSA**") and any state wage payment law that a court may find to have not otherwise been waived under this Waiver and Release. In such a case, to the extent the claim was not otherwise waived or released, Employee may assert a claim against any of the Released Parties on Employee's own behalf, but Employee may not do so within or otherwise participate in a class or collective action against the Trust or any of the Released Parties.

3. Waiver of Certain Claims, Rights or Benefits. Without in any way limiting the generality of Section 2 of this Waiver and Release, by executing this Waiver and Release and accepting the Severance Benefits, Employee specifically agrees to release all claims, rights, or benefits Employee may have for age discrimination arising out of or under the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621, et seq., as currently amended, or any equivalent or comparable provision of state or local law, including, but not limited to, the Texas Commission on Human Rights Act.

4. Acknowledgements and Obligations of Employee.

(a) Employee represents and acknowledges that in executing this Waiver and Release, Employee does not rely and has not relied upon any representation or statement made by the Trust, or its agents, representatives, or attorneys regarding the subject matter, basis or effect of this Waiver and Release or otherwise, and that Employee has engaged or had the opportunity to engage an attorney of Employee's choosing in the negotiation and execution of this Waiver and Release. Employee acknowledges Employee has the right to consult with counsel of Employee's choosing with regard to the review of this Waiver and Release.

(b) **EMPLOYEE UNDERSTANDS THAT BY SIGNING AND NOT REVOKING THIS WAIVER AND RELEASE, EMPLOYEE IS WAIVING ANY AND ALL RIGHTS OR CLAIMS WHICH EMPLOYEE MAY HAVE UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT FOR AGE DISCRIMINATION ARISING FROM EMPLOYMENT WITH THE TRUST, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO SUE THE COMPANY IN FEDERAL OR STATE COURT FOR AGE DISCRIMINATION. EMPLOYEE FURTHER ACKNOWLEDGES EMPLOYEE (i) DOES NOT WAIVE ANY CLAIMS OR RIGHTS THAT MAY ARISE AFTER THE DATE EMPLOYEE EXECUTES THIS WAIVER AND RELEASE; (ii) WAIVES CLAIMS OR RIGHTS ONLY IN EXCHANGE FOR CONSIDERATION IN ADDITION TO ANYTHING OF VALUE TO WHICH EMPLOYEE IS ALREADY ENTITLED; (iii) HAS BEEN ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT AND (iv) AGREES THAT EMPLOYEE HAS ENTERED INTO THIS WAIVER AND RELEASE KNOWINGLY AND VOLUNTARILY.**

(c) Except with respect to Severance Benefits owed to Employee, Employee acknowledges that Employee has been fully compensated for all labor and services performed for the Trust and has been reimbursed for all business expenses incurred on behalf of the Trust through the Termination Date, and the Trust does not owe Employee any expense reimbursement amounts, or wages, including vacation pay or paid time-off benefits.

(d) Notwithstanding anything contained in this Waiver and Release to the contrary, this Waiver and Release does not waive, release, or discharge: (i) any right to file an administrative charge or complaint with, or testify, assist, or participate in an investigation, hearing, or proceeding conducted by, the Equal Employment Opportunity Commission, the Texas Workforce Commission, or other similar federal or state administrative agencies, although Employee waives any right to monetary relief related to any filed charge or administrative complaint; (ii) claims that cannot be waived by law, such as claims for unemployment benefit rights and workers' compensation; (iii) claims for indemnity under any indemnification agreement with the Trust or under its organizational documents, as provided by applicable state law or under any applicable insurance policy with respect to Employee's liability as an employee, director or officer of the Trust or its affiliates; (iv) any right to file an unfair labor practice charge under the National Labor Relations Act; (v) any rights to vested benefits, such as pension or retirement benefits, the rights to which are governed by the terms of the applicable plan documents and award agreements; (vi) to receive award or monetary recovery pursuant to the Securities and Exchange Commission's whistleblower program; (vii) Employee's ability to challenge the validity of this Waiver and Release under the ADEA and the Older Workers Benefit Protection Act of 1990 (29 U.S.C. §§ 621 et seq.); (viii) the Company's obligations to provide payments or benefits under the Employment Agreement; or (ix) to any rights as an equityholder of the Company.

(e) Employee acknowledges and agrees the Employment Agreement, including, but not limited to, Sections 8(d) and 8(e) thereof, sets forth certain obligations of Employee which remain in effect following the Termination Date, and except as expressly set forth herein, nothing in this Waiver and Release shall modify such ongoing obligations, the continued performance of which by Employee are a condition of the Trust's obligations hereunder.

(f) Employee represents and warrants Employee has returned to the Trust, by no later than the date Employee executes this Waiver and Release, all Trust property and confidential information, including, without limitation, all expense reports, notes, memoranda, records, documents, employment manuals, credit cards, keys, pass keys, computers, electronic media (including flash drives), office equipment and sales records and data, together with any and all other information or property, no matter how produced, reproduced or maintained, kept by Employee in his possession and pertaining to the business of the Trust.

(g) Employee represents and warrants that, with respect to the Trust's equity securities, any and all transactions reportable under Section 16 of the Securities Exchange Act of 1934, as amended, that occurred on or prior to the Termination Date have been timely and properly reported by Employee to the Trust in accordance with the Trust's policies and procedures.

(h) Employee acknowledges that neither the Trust nor anyone on its behalf has made any representations, warranties, or promises of any kind regarding the tax consequences of the payment of proceeds referenced herein. Except for amounts withheld by the Trust, Employee understands and agrees that Employee will be responsible for paying any taxes, interest, penalties, or other amounts due on the payments. Employee further agrees to indemnify the Trust for, and hold it harmless from, any additional taxes, interest, penalties, or other amounts for which the Trust may later be held liable as a result of any failure by Employee to comply with Employee's obligations under this Section, including costs and attorneys' fees reasonably incurred by the Trust in recovering such amounts from Employee.

(i) Employee represents that Employee has not filed any complaints, claims, or actions against the Trust with any state, federal, or local agency or court, or that if Employee has, Employee agrees to withdraw and dismiss with prejudice (or cause to be withdrawn and dismissed with prejudice) any complaint, claim, action, or charge filed with any state, federal, or local agency or court. Employee further agrees that no other person or entity may bring any claim on Employee's behalf falling within the terms of this Waiver and Release and that, should any such claim be brought on Employee's behalf, Employee will cooperate with the Trust and/or any other released party that may be affected and its or their attorneys, in seeking a prompt dismissal of that claim. Employee acknowledges and affirmatively states Employee knows of no facts which may lead to or support any complaints, claims, actions, or charges against the Trust in or through any state, federal, or local agency or court.

(j) Employee agrees the Released Parties are not obligated, now or in the future, to offer employment to Employee or to accept services or the performance of work from Employee directly or indirectly. Employee agrees not to seek or accept any employment, independent contractor, or other relationship with any of the Released Parties. Employee agrees, in the event such employment occurs in the future, this provision shall serve as good and just cause for termination of that employment. Employee knowingly and voluntarily waives all rights, if any, Employee may have under federal and/or state law to re-hire by, or reinstatement of employment with any of the Released Parties.

(k) Employee agrees to reasonably cooperate with the Trust and use Employee's best efforts in responding to all reasonable requests by the Trust for assistance and advice relating to matters and procedures in which Employee was involved. Employee also covenants to cooperate in defending or prosecuting any claim or other action which arises, whether civil, criminal, administrative or investigative, in which Employee participation is required in the best judgment of the Trust by reason of Employee's former employment with the Trust. Upon the Trust's request, Employee will use Employee's best efforts to attend hearings and trials, to assist in effectuating settlements, and to assist in the procuring of witnesses, producing evidence, and in the defense or prosecution of said claims or other actions. The Trust agrees to reimburse the Employee for all reasonable expenses and pay a reasonable mutually agreed upon fee for the time and efforts spent.

5. <u>Confidential Information; Non-Competition; Non-Solicitation</u>.

(a) Employee acknowledges and agrees that, notwithstanding anything to the contrary in this Waiver and Release, he shall continue to be subject to and comply with his obligations under Section 8 of the Employment Agreement regarding Confidential Information, non-competition, and non-solicitation, which obligations shall be fully enforceable as provided in the Employment Agreement.

(b) Employee agrees not to divulge or release this Waiver and Release or its contents, except to Employee's attorneys, financial advisors, or immediate family, provided they agree to keep this Waiver and Release and its contents confidential, or in response to a valid subpoena or court order. In the event Employee receives a subpoena or court order requiring the release of this Waiver and Release, its contents, or any Confidential Information, Employee will notify Kelley Drye & Warren LLP, 101 Park Avenue, New York, New York, 10178, Attn: Karyn E. Fulton sufficiently in advance of the date for the disclosure of such information to enable the Trust to contest the subpoena or court order, reasonably prompt after the receipt of the subpoena or court order, and Employee agrees to cooperate with the Trust in any related proceeding involving the release of this Waiver and Release or its contents or any Confidential Information.

(c) Employee agrees Employee will not make any public statement that would adversely affect the business or reputation of the Trust or Released Parties in any manner, at any time, even beyond the date after which Employee will receive no further compensation or benefits pursuant to this Waiver and Release. Employee agrees that Employee will not disparage, criticize, or speak negatively about the Released Parties or their decisions or actions, about Released Parties' products, services, or operations, about any of Released Parties' past, present, or future directors, officers, or employees or any of their actions or decisions, or about Released Parties' customers. The Trustees shall, and they shall instruct the executive officers and senior officers of the Trust, to comply with the foregoing two sentences of this Section 5(c) vis-à-vis the Employee.

(d) Nothing herein is intended to be or will be construed to prevent, impede, or interfere with Employee's right to respond accurately and fully to any question, inquiry, or request for information regarding the Trust or Released Parties or his or her employment with the Trust or Released Parties when required by legal process, or from initiating communications directly with, or responding to any inquiry from, or providing truthful testimony and information to, any Federal, State, or other regulatory authority in the course of an investigation or proceeding authorized by law and carried out by such agency, consistent with his continuing obligations under the Employment Agreement. Unless prohibited by applicable law, Employee will notify Kelley Drye & Warren LLP, 101 Park Avenue, New York, New York, 10178, Attn: Karyn E. Fulton sufficiently in advance of the date for the disclosure of such information to enable the Trust to contest any such order, communication, question, inquiry or request with the applicable authority, reasonably prompt after the receipt of such order, communication, question, inquiry or request. Employee shall not disclose to anyone confidential communications and documents that are protected by the Trust's or Released Parties' attorney-client privilege or work product protection or any Confidential Information in breach of the Employment Agreement.

6. Defend Trade Secrets Act. Employee is hereby notified that under the Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is made in: (i) confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

7. Time Period for Enforceability/Revocation of Waiver and Release. The Trust's obligations under this Waiver and Release are contingent upon Employee executing and delivering this Waiver and Release to the Trust, and not revoking Employee's agreement to it. Employee may take up to [twenty-one (21)/forty-five (45)] days from the Delivery Date (the "**Consideration Period**") to consider this Waiver and Release before executing it. Employee may execute and deliver this Waiver and Release at any time during the Consideration Period. Any changes made to this Waiver and Release after the Delivery Date will not restart the running of the Consideration Period. Any execution and delivery of this Waiver and Release by Employee after the expiration of the Consideration Period shall be unenforceable, and the Trust shall not be bound thereby. Employee shall have seven (7) days after execution of this Waiver and Release to revoke ("**Revocation Period**") Employee's consent to this Waiver and Release by executing and delivering a written notice of revocation to the Trust in accordance with the Notice provision of the Employment Agreement. No such revocation by Employee shall be effective unless it is in writing and signed by Employee and delivered to the Trust before the expiration of the Revocation Period. Upon delivery of a notice of revocation to the Trust, the obligations of the Parties under this Waiver and Release shall be void and unenforceable, with the exception of Employee's obligation to keep this Waiver and Release confidential under Section 5 of this Waiver and Release.

8. Effective Date. This Waiver and Release shall become effective on the eighth (8th) day following the Employee's execution of it, provided that Employee does not timely revoke this Waiver and Release in accordance with the provisions of Section 7 of this Waiver and Release.

9. Governing Law, Arbitration & Venue. This Waiver and Release shall be governed by the laws of the State of Texas, without regard to choice-of-law principles. The parties consent to personal and exclusive jurisdiction and venue Dallas County in the State of Texas. Any controversy or claim arising out of or relating to this Waiver and Release, or the breach therefore, shall be settled in accordance with Section 9(h) of the Employment Agreement.

10. Injunctive Relief. Notwithstanding any other term of this Waiver and Release, it is expressly agreed that a breach of this Waiver and Release will cause irreparable harm to the Trust and that a remedy at law would be inadequate. Therefore, in addition to any and all remedies available at law, the Trust will be entitled to injunctive and/or other equitable remedies in the event of any threatened or actual violation of any of the provisions of this Waiver and Release.

11. Entire Agreement. The Employment Agreement and this Waiver and Release comprise the entire agreement between the Parties pertaining to the matters encompassed therein and herein, and supersede any other agreement, written or oral, that may exist between them relating to the matters encompassed therein and herein, except that this Waiver and Release does not in any way supersede or alter covenants not to compete, non-disclosure or non-solicitation agreements, or confidentiality agreements that may exist between Employee and the Trust, including, but not limited to, covenants contained in the Employment Agreement.

12. Severability. If any provision of this Waiver and Release is found to be illegal or unenforceable, such finding shall not invalidate the remainder of this Waiver and Release, and that provision shall be deemed to be severed or modified to the minimum extent necessary to equitably adjust the Parties' respective rights and obligations under this Waiver and Release.

13. Execution. This Waiver and Release may be executed in multiple counterparts, each of which will be deemed an original for all purposes. Facsimile or pdf copies of signatures to this Waiver and Release are as valid as original signatures.

14. Consideration of Medicare's Interests. Employee affirms, covenants, and warrants that Employee is not a Medicare beneficiary and is not currently receiving, has not received in the past, will not have received at the time of execution of this Waiver and Release or payment hereunder, to the extent applicable, is not entitled to, is not eligible for, and has not applied for or sought Social Security Disability or Medicare benefits. In the event any statement in the preceding sentence is incorrect (for example, but not limited to, if Employee is a Medicare beneficiary, etc.), the following sentences (i.e., the remaining sentences of this paragraph) apply. Employee affirms, covenants, and warrants Employee has made no claim for illness or injury against, nor is Employee aware of any facts supporting any claim against, the Released Parties under which the Released Parties could be liable for medical expenses incurred by Employee before or after the execution of this Waiver and Release. Furthermore, Employee is aware of no medical expenses which Medicare has paid and for which the Released Parties are or could be liable now or in the future. Employee agrees and affirms that, to the best of Employee's knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist. Employee will indemnify, defend, and hold the Released Parties harmless from Medicare claims, liens, damages, conditional payments, and rights to payment, if any, including attorneys' fees, and Employee further agrees to waive any and all future private causes of action for damages pursuant to 42 U.S.C. § 1395y(b)(3)(A) et seq.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, and intending to be legally bound, the Trust has caused this Agreement to be executed by a duly authorized officer of the Trust, and Employee has signed this Agreement, all as of the day and year first written above.

EMPLOYEE:	**TEXAS PACIFIC LAND TRUST:**
By: ____________________	By: ____________________
	Name:
Sameer Parasnis	Title:

Exhibit No. 31.1

CERTIFICATION

I, Tyler Glover, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of Texas Pacific Land Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

By: /s/ Tyler Glover

Tyler Glover, General Agent and
Chief Executive Officer

Exhibit No. 31.2

CERTIFICATION

I, Robert J. Packer, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of Texas Pacific Land Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

By: /s/ Robert J. Packer

Robert J. Packer, General Agent and
Chief Financial Officer

Exhibit No. 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 of Texas Pacific Land Trust (the "Trust") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Tyler Glover, Chief Executive Officer of the Trust, certifies, to the best of his knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

Date:	February 27, 2020	By:	/s/ Tyler Glover
			Tyler Glover, General Agent and Chief Executive Officer

Exhibit No. 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 of Texas Pacific Land Trust (the "Trust") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert J. Packer, Chief Financial Officer of the Trust, certifies, to the best of his knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

Date:	February 27, 2020	By:	/s/ Robert J. Packer
			Robert J. Packer, General Agent and Chief Financial Officer