

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

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

TEXAS PACIFIC LAND TRUST

(Exact name of registrant as specified in its charter)

NOT APPLICABLE

75-0279735

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer
Identification No.)

80 Broad Street, Suite 2700, New York, New York 10004

(Address of principal executive offices)
(Zip Code)

212/269-2266

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year,
if changed since last report)

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

Part I
FINANCIAL INFORMATION
TEXAS PACIFIC LAND TRUST
BALANCE SHEETS
SEPTEMBER 30, 1998 and DECEMBER 31, 1997

<TABLE>
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ASSETS	September 30, 1998	December 31, 1997
	(Unaudited)	
<S>	<C>	<C>
Cash	\$ 303,695	\$ 112,591
Temporary cash investments, at cost which approximates market	1,050,000	1,800,000
Accounts receivable	386,971	386,781
Accrued interest receivable	380,997	411,674

Prepaid expenses	4,550	45,500
Federal income taxes receivable	196,093	--
Notes receivable for land sales	9,987,211	9,307,218
Real estate acquired through foreclosure: (26,510.63 acres at September 30, 1998 and 27,585.95 acres at December 31, 1997)	4,424,445	4,466,895
Water wells, leasehold improvements, furniture and equipment - at cost less accumulated depreciation	95,167	142,630
Property, no value assigned:		
Land (surface rights) situated in twenty-one counties in Texas - 1,039,604.95 acres in 1998 and 1,065,481.33 acres in 1997.	--	--
Town lots in Iatan, Loraine and Morita - 628 lots in 1998 and 1997.	--	--
1/16 nonparticipating perpetual royalty interest in 386,987.70 acres in 1998 and 1997.	--	--
1/128 nonparticipating perpetual royalty interest in 85,413.60 acres in 1998 and 1997.	--	--
	-----	-----
	\$16,829,129	\$16,673,289
	=====	=====
LIABILITIES AND CAPITAL		
Federal income taxes payable	\$ --	42,783
Other taxes payable	242,630	24,372
Other liabilities	12,617	93,072
Escrow deposits on land sales	8,500	--
Deferred taxes	4,493,819	4,291,856
Total liabilities	-----	-----
	4,757,566	4,452,083
Capital		
Certificates of Proprietary Interest, par value \$100 each; outstanding one certificate in 1998 and 1997	--	--
Sub-share Certificates in Certificates of Proprietary Interest, par value \$.16 2/3 each; outstanding 2,685,505 sub-shares in 1998 and 2,753,205 sub-shares in 1997	--	--
Net proceeds from all sources	12,071,563	12,221,206
Total capital	-----	-----
	12,071,563	12,221,206
	-----	-----
	\$16,829,129	\$16,673,289
	=====	=====

</TABLE>

See accompanying notes to financial statements.

(1)

TEXAS PACIFIC LAND TRUST
STATEMENTS OF INCOME

(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Income:				
Rentals, royalties and sundry income	\$ 919,344	\$ 1,419,762	\$ 3,618,405	\$ 3,851,289
Land sales	240,400	2,439,678	2,411,227	6,972,000
Interest	249,211	209,410	750,765	559,126
	-----	-----	-----	-----
	1,408,955	4,068,850	6,780,397	11,382,415
	-----	-----	-----	-----

Expenses:

Taxes, other than Federal income taxes	115,042	133,822	360,982	424,157
General and administrative expenses	271,873	251,311	913,986	899,748
Basis in real estate sold	42,450	--	42,450	1,568,074
	-----	-----	-----	-----
	429,365	385,133	1,317,418	2,891,979
	-----	-----	-----	-----
Income before provision for Federal income taxes	979,590	3,683,717	5,462,979	8,490,436
Provision for Federal income taxes	296,312	1,201,241	1,692,213	2,717,818
	-----	-----	-----	-----
Net income	\$ 683,278	\$ 2,482,476	\$ 3,770,766	\$ 5,772,618
	=====	=====	=====	=====
Average number of sub-share certificates and equivalent sub-share certificates outstanding	2,703,188	2,792,472	2,729,749	2,818,650
	=====	=====	=====	=====
Basic earnings per sub-share certificate	\$.25	\$.89	\$ 1.38	\$ 2.05
	=====	=====	=====	=====
Cash dividend per sub-share certificate	--	--	\$.40	\$.40
	=====	=====	=====	=====

</TABLE>

See accompanying notes to financial statements.

(2)

TEXAS PACIFIC LAND TRUST
STATEMENTS OF CASH FLOWS

(Unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	1998	1997
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 3,770,766	\$
5,772,618		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	85,500	
30,150		
Deferred taxes	201,963	
898,392		
(Increase) decrease in assets:		
Accounts receivable	(190)	
(2,713)		
New notes receivable from land sales	(1,623,650)	
(4,797,816)		
Payments received on notes receivable	943,657	
565,607		
Accrued interest receivable	30,677	
(149,037)		
Federal income taxes receivable	(196,093)	-
-		
Prepaid expenses	40,950	

41,166			
	Real estate acquired through foreclosure	42,450	
1,568,074			
	Increase (decrease) in liabilities:		
	Federal income taxes	(42,783)	
51,483			
	Other taxes payable	218,258	
255,185			
	Escrow deposits on land sales	8,500	
(50,000)			
	Other liabilities	(80,455)	
76,314			
----		-----	-----
	Total adjustments	(371,216)	
(1,513,195)		-----	-----

	Net cash provided by operating activities	3,399,550	
4,259,423		-----	-----

	Cash flows from investing activities-		
	Additions to water wells, leasehold improvements, furniture and equipment	(38,037)	
(55,138)		-----	-----

	Cash flows from financing activities:		
	Sub-shares purchased for retirement	(2,817,607)	
(2,577,068)			
	Dividends paid	(1,102,802)	
(1,134,882)		-----	-----

	Net cash used by financing activities	(3,920,409)	
(3,711,950)			
	Net (decrease) increase in cash and cash equivalents	(558,896)	
492,335			
	Cash and cash equivalents at beginning of period	1,912,591	
1,794,898		-----	-----

	Cash and cash equivalents at end of period	\$ 1,353,695	\$
2,287,233		=====	
=====			

</TABLE>

See accompanying notes to financial statements.

(3)

TEXAS PACIFIC LAND TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

(1) In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of Texas Pacific Land Trust (Trust) as of September 30, 1998 and the results of its operations and its cash flows for the three and nine months ended September 30, 1998 and September 30, 1997, respectively. These financial statements and footnotes included herein should be read in

conjunction with the Trust's annual financial statements as of December 31, 1997 and 1996 and for each of the years in the three year period ended December 31, 1997 included in the Trust's Form 10-K.

- (2) No value is assigned to the land, unless acquired through foreclosure; consequently, no allowance for depletion is computed, and no charge to income is made therefor, and no cost is deducted from the proceeds of the land sales in computing gain or loss thereon.
- (3) The Sub-shares and the Certificates of Proprietary Interest are freely interchangeable in the ratio of one Certificate of Proprietary Interest for 600 Sub-shares or 600 Sub-shares for one Certificate of Proprietary Interest.
- (4) The Trust's effective Federal income tax rate is less than the 34% statutory rate because taxable income is reduced by statutory percentage depletion allowed on mineral royalty income.
- (5) The results of operations for the nine months ended September 30, 1998 are not necessarily indicative of the results to be expected for the full year.
- (6) Cash in excess of daily requirements is invested in money market instruments with maturities of ninety days or less. Such investments are deemed to be cash equivalents for purposes of the statements of cash flows.

Supplemental cash flow information for the nine months ended September 30, 1998 and 1997 is summarized as follows:

	1998 ----	1997 ----
Federal income taxes paid	\$1,729,126 =====	\$1,767,943 =====

There were no non-cash investing and financing activities during the nine months ended September 30, 1998 and 1997.

(4)

Management's Discussion and
Analysis of Financial Condition and
Results of Operations for the
Nine and Three Months Ended
September 30, 1998 and 1997

Results of Operations for Quarter Ended September 30, 1998 Compared to Quarter Ended September 30, 1997

Earnings per sub-share certificate for the third quarter of 1998 were \$.25 compared to \$.89 in the third quarter of 1997. Total revenues were \$1,408,955 compared to \$4,068,850, a decrease of 65.4%.

In the third quarter of 1998, land sales totaled \$240,400 which was 1,521.27 acres at an average price of \$158 per acre. In the comparable period of 1997, 2,940.93 acres were sold for \$2,439,678, an average price of \$830 per acre.

Land sales may 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 land sales in the future. The Trust is a passive seller of land; it does not actively solicit sales of land. The demand for and the sales price of any particular tract of the Trust's land is influenced by many factors including the national and local economies, the rate of residential and commercial development in nearby areas, livestock carrying capacity, and the conditions of the local agricultural industry which itself is influenced by range conditions and prices for livestock and other agricultural products. Approximately 99% of the Trust's land is classified as ranch land and intermingled with other ownerships to form ranching units. Ranch land sales are, therefore, largely dependent on the actions of the adjoining landowners.

Rentals, royalties and sundry income were \$919,344 for the third quarter of

1998, compared to \$1,419,762 for the third quarter of 1997, a decrease of 35.2%.

Oil and gas royalty revenue was \$599,585 for the third quarter of 1998, compared to \$764,948 for the third quarter of 1997, down 21.6%. Oil royalty revenue was \$374,670, down 32.1% from the third quarter of 1997. Crude oil production subject to the Trust's royalty interest was up 1.9% in the third quarter of 1998, and the average price per barrel was down 33.4%. Gas royalty revenue for the third quarter was \$224,915, up 5.7% on a volume increase of 4.8%, and price increase of just under 1%.

Easement and Sundry income was \$191,076 for the third quarter of 1998 down 63.3% from the third quarter of 1997. These categories of income are not predictable and commonly have large swings in any given period.

Interest revenue was up 19.0% for the third quarter compared to the third quarter of 1997. Interest from notes receivable was \$229,122 up 25.6% for the 1998 period due to increase note receivable balances over prior year. Notes receivable for land sold were \$9,987,211 as of September 30, 1998, an increase of 7.4% over the third quarter of 1997. Sundry interest was \$20,089 for the third quarter of 1998 which was down 25.5% compared to the third quarter of 1997.

Taxes, other than Federal income taxes were down 14.0% for the third quarter of 1998 compared to the third quarter of 1997 due to the decrease in land inventory and decrease in royalty income.

General and administrative expenses were up 8.2% for the third quarter of 1998 over the third quarter of 1997.

(5)

Management's Discussion (cont'd)

Results of Operations for Nine-Months Ended September 30, 1998 Compared to Nine-Months Ended September 30, 1997

Earnings per sub-share for the first nine-months of 1998 were \$1.38 compared to \$2.05 for the first nine-months of 1997. Total revenues were \$6,780,397 compared to \$11,382,415, a decrease of 40.4%.

The first nine-months of 1998 had total land sales of 26,745.61 acres for \$2,411,227, an average of \$90 per acre, compared to 9,662.02 acres for \$6,972,000, an average of \$722 per acre in 1997.

Rentals, royalties and sundry income were \$3,618,405 for the first nine-months compared to \$3,851,289 for the first nine-months of 1997, a decrease of 6.0%.

Oil and gas royalty revenue for the first nine-months was \$2,040,201 compared to \$2,633,054 for the first nine-months of 1997, down 22.5%. Oil royalty revenue was \$1,332,298, down 28.6% for the 1998 period. Crude oil production subject to the Trust's royalty interest was up 5.3% in the first nine-months of 1998, and the average price per barrel was down 32.2%. Gas royalty revenue was \$707,903 in the first nine-months of 1998, down 7.7% on a volume increase of 4.5%, and price decrease of 11.5%.

Easement and Sundry income was \$1,165,765 for the first nine-months of 1998, up 44.5% over the first nine-months of 1997. These categories of income are not predictable, and may have large increases or decreases in any given period or year.

Interest revenue was up 34.3% for the first nine-months of 1998 compared to the first nine-months of 1997 due to increased average notes receivable balances. Interest from notes receivable amounted to \$671,278 up 40.7% for the 1998 period. Sundry interest was \$79,487, down 3.1% for the first nine-months of 1998 from the first nine months of 1997.

Taxes, other than Federal income taxes were down 14.9% for the first nine-months of 1998 from the first nine-months of 1997 due to the decrease in land inventory and decrease in royalty income.

General and administrative expenses were up 1.6% for the first nine-months of 1998 over the first nine-months of 1997.

Liquidity and Capital Resources

The Trust's oil and gas royalty revenues, lease rentals and receipts of interest and principal on notes receivable has generated more than adequate amounts of cash to meet the Trust's needs and should continue to do so in the predictable future.

New Accounting Pronouncement

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an

Enterprise and Related Information". SFAS 131 establishes standards for reporting information about operating segments in interim and annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. Although the implementation of SFAS 131 is not expected to have a significant impact on the Trust's financial statements, the disclosures required by SFAS 131 will be reflected in the Trust's 1998 annual financial statements.

(6)

MANAGEMENT'S DISCUSSION (CONT'D)

YEAR 2000 ISSUE

The Trust recognized that the arrival of the Year 2000 poses a unique challenge to the ability of an entity's information technology system and non-information technology systems to recognize the date change from December 31, 1999 to January 1, 2000. The Trust is continuing to assess and has made certain changes to provide for continued functionality of its systems. An assessment of the readiness of the Trust's external entities, such as vendors, customers, payment systems and others is ongoing. Due to the nature and extent of the Trust's operations that are effected by Year 2000 issues, the Trust does not believe that Year 2000 issues will have a material adverse effect on the business operation or the financial performance of the Trust. There can be no assurance, however, that Year 2000 issues will not adversely effect the Trust or its business. The Trust believes that the cost to make appropriate changes to its internal and external systems will not be significant and that such costs will be funded completely through operations.

Words or phrases when used in this Form 10-Q or other filings with the Securities and Exchange Commission, such as "does not believe" and "believes", or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

(7)

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits. Interim report furnished to shareholders upon request per sub-part Item 601 (19) Regulation S-K.
Exhibit 27 - Financial Data Schedule.
- (b) Reports on Form 8-K. The registrant has filed no reports on Form 8-K during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements 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.

TEXAS PACIFIC LAND TRUST

(Registrant)

Date November 13, 1998

By /s/ ROY THOMAS

Roy Thomas, General Agent,
Authorized Signatory and Principal
Financial Officer

INDEX TO EXHIBITS

EXHIBIT
NUMBER
- - - - -

EXHIBIT
- - - - -

27

Financial Data Schedule

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