

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

FORM 10-Q

(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, 2017

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
(State or Other Jurisdiction of Incorporation
or Organization)

1700 Pacific Avenue, Suite 2770, Dallas, Texas
(Address of Principal Executive Offices)

75-0279735
(I.R.S. Employer
Identification No.)

75201
(Zip Code)

(214) 969-5530
(Registrant's Telephone Number, Including Area Code)

(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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, smaller reporting company, or an emerging growth 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.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Emerging growth company

Accelerated filer

Smaller reporting 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

Cautionary Statement Regarding Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q 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" of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016, and in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TEXAS PACIFIC LAND TRUST
CONSOLIDATED BALANCE SHEETS

	September 30, 2017 <u>(Unaudited)</u>	December 31, 2016
Assets		
Cash and cash equivalents	\$ 69,496,293	\$ 49,417,889
Accrued receivables	23,376,596	6,550,429
Other assets	598,136	232,970
Deferred tax asset	12,252,382	3,874,788
Notes receivable for land sales	46,389	94,971
Water wells, vehicles, furniture, and equipment – at cost less accumulated depreciation	8,802,014	1,168,281
Real estate acquired: (10,065 acres at September 30, 2017 and 10,065 acres at December 31, 2016)	1,114,601	1,114,601
Real estate and royalty interests assigned through the 1888 Declaration of Trust, no value assigned:		
Land (surface rights) situated in eighteen counties in Texas – 877,633 acres in 2017 and 877,488 acres in 2016	–	–
1/16 nonparticipating perpetual royalty interest in 373,777 acres in 2017 and 2016	–	–
1/128 nonparticipating perpetual royalty interest in 85,414 acres in 2017 and 2016	–	–
	<u>\$ 115,686,411</u>	<u>\$ 62,453,929</u>
Liabilities and Capital		
Accounts payable and accrued expenses	\$ 2,745,047	\$ 826,771
Income taxes payable	7,199,780	1,950,774
Other taxes payable	466,350	276,813
Unearned revenue	37,436,192	11,775,049
Total liabilities	<u>47,847,369</u>	<u>14,829,407</u>
Capital:		
Certificates of Proprietary Interest, par value \$100 each; outstanding 0 Certificates	–	–
Sub-share Certificates in Certificates of Proprietary Interest, par value \$.03 1/3 each; outstanding: 7,839,042 Sub-shares in 2017 and 7,927,314 Sub-shares in 2016	–	–
Other comprehensive loss	(907,152)	(959,563)
Net proceeds from all sources	68,746,194	48,584,085
Total capital	<u>67,839,042</u>	<u>47,624,522</u>
	<u>\$ 115,686,411</u>	<u>\$ 62,453,929</u>

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST
CONSOLIDATED STATEMENTS OF INCOME AND TOTAL COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Income:				
Oil and gas royalties	\$ 21,212,568	\$ 8,454,876	\$ 45,288,306	\$ 20,932,329
Easements and sundry income	13,221,548	2,928,095	28,587,706	14,535,517
Water sales and royalties	7,917,581	2,272,653	19,583,897	5,935,174
Land sales	—	485,505	220,400	571,505
Other income	124,757	124,623	373,467	373,655
	<u>42,476,454</u>	<u>14,265,752</u>	<u>94,053,776</u>	<u>42,348,180</u>
Expenses:				
Taxes, other than income taxes	796,633	497,244	2,218,599	1,238,046
General and administrative expenses	2,608,455	676,332	5,927,862	2,123,860
	<u>3,405,088</u>	<u>1,173,576</u>	<u>8,146,461</u>	<u>3,361,906</u>
Operating income	39,071,366	13,092,176	85,907,315	38,986,274
Interest income earned from investments	20,073	7,500	39,132	19,286
	<u>39,091,439</u>	<u>13,099,676</u>	<u>85,946,447</u>	<u>39,005,560</u>
Income before income taxes	39,091,439	13,099,676	85,946,447	39,005,560
Income taxes	12,686,727	4,170,264	27,944,860	12,672,980
Net income	<u>\$ 26,404,712</u>	<u>\$ 8,929,412</u>	<u>\$ 58,001,587</u>	<u>\$ 26,332,580</u>
Other comprehensive income – periodic pension costs, net of income taxes of \$9,407, \$12,909, \$28,221, and \$38,728, respectively				
	17,470	22,855	52,411	68,566
Total comprehensive income	<u>\$ 26,422,182</u>	<u>\$ 8,952,267</u>	<u>\$ 58,053,998</u>	<u>\$ 26,401,146</u>
Average number of sub-share certificates and equivalent sub-share certificates outstanding	<u>7,851,916</u>	<u>7,984,936</u>	<u>7,872,554</u>	<u>8,025,222</u>
Basic and dilutive earnings per sub-share certificate on net income	<u>\$ 3.36</u>	<u>\$ 1.12</u>	<u>\$ 7.37</u>	<u>\$ 3.28</u>
Cash dividends per sub-share certificate	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1.35</u>	<u>\$.31</u>

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 58,001,587	\$ 26,332,580
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(8,377,594)	21,997
Depreciation and amortization	312,531	18,674
(Gain) loss on disposal of fixed assets	(3,901)	8,201
Changes in operating assets and liabilities:		
Accrued receivables and other assets	(17,191,333)	(3,160,632)
Prepaid income taxes	-	(202,494)
Notes receivable for land sales	48,582	44,143
Accounts payable, accrued expenses and other liabilities	27,821,367	7,714,023
Income taxes payable	5,249,006	(634,911)
Net cash provided by operating activities	65,860,245	30,141,581
Cash flows from investing activities:		
Proceeds from sale of fixed assets	27,500	18,000
Purchase of fixed assets	(7,969,863)	(368,938)
Net cash used in investing activities	(7,942,363)	(350,938)
Cash flows from financing activities:		
Purchase of Sub-share Certificates in Certificates of Proprietary Interest	(27,158,458)	(26,799,253)
Dividends paid	(10,681,020)	(2,507,183)
Net cash used in financing activities	(37,839,478)	(29,306,436)
Net increase in cash and cash equivalents	20,078,404	484,207
Cash and cash equivalents, beginning of period	49,417,889	45,011,969
Cash and cash equivalents, end of period	\$ 69,496,293	\$ 45,496,176

See accompanying notes to consolidated financial statements.

TEXAS PACIFIC LAND TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

- (1) On June 8, 2017, Texas Pacific Land Trust (the "Trust") announced the formation of Texas Pacific Water Resources LLC ("TPWR"). TPWR, a single-member LLC and wholly owned subsidiary of the Trust, will focus on providing a full-service water offering to operators in the Permian Basin. TPWR seeks to develop with operators integrated water servicing agreements to include brackish water sourcing, produced water gathering/treatment/recycling, infrastructure development/construction, disposal, water tracking, and analytical and well testing services. TPWR is committed to sustainable water development with significant focus on the large-scale implementation of recycled water operations. For the quarter and nine months ended September 30, 2017, there were minimal operations for TPWR with an immaterial effect on the consolidated financial statements, and therefore results for TPWR are not reported separately from the Trust. The water sales and royalties line added to the consolidated statements of income and total comprehensive income currently reflects only agreements that were already in place prior to the formation of TPWR.
- (2) In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Trust, including TPWR, as of September 30, 2017 and the results of its operations for the three month and nine month periods ended September 30, 2017 and 2016, respectively, and its cash flows for the nine month periods ended September 30, 2017 and 2016, respectively. The accompanying consolidated financial statements should be read in conjunction with the annual financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 28, 2017.
- (3) We evaluate events that occur after the balance sheet date but before consolidated financial statements are, or are available to be, issued to determine if a material event requires our amending the consolidated financial statements or disclosing the event. We evaluated subsequent events through November 7, 2017, the date we issued these consolidated financial statements.
- (4) No value has been assigned to the land held by the Trust other than parcels which have been acquired through foreclosure and a limited number of parcels which have been acquired because they were offered for sale and were contiguous to parcels already owned by the Trust. Consequently, no allowance for depletion is computed, and no charge to income is made, with respect thereto, and no cost is deducted from the proceeds of the land sales in computing gain or loss thereon.
- (5) The Sub-shares and the Certificates of Proprietary Interest are freely interchangeable in the ratio of one Certificate of Proprietary Interest for 3,000 Sub-shares or 3,000 Sub-shares for one Certificate of Proprietary Interest.
- (6) The Trust's effective Federal income tax rate is less than the 35% statutory rate because taxable income is reduced by statutory percentage depletion allowed on mineral royalty income.
- (7) The results of operations for the three month and nine month periods ended September 30, 2017 are not necessarily indicative of the results to be expected for the full year.

- (8) The Trust invests cash in excess of daily requirements primarily in bank deposit and savings accounts and certificates of deposit with maturities of ninety days or less. Such investments are deemed to be highly liquid debt instruments and classified as cash equivalents for purposes of the statements of cash flows.

Supplemental cash flow information for the nine month periods ended September 30, 2017 and 2016 is summarized as follows:

	2017	2016
Income taxes paid	\$ 31,101,669	\$ 13,525,307

- (9) ASC 280, “*Segment Reporting*,” establishes standards for the way public business enterprises are to report information about operating segments. In accordance with ASC 280, the Trust utilizes the management approach as a basis for identifying reportable segments. The management approach is based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. The Trust’s management views its operations as one segment and believes the only significant activity is managing the land which was conveyed to the Trust in 1888 and any other land thereafter acquired. The Trust’s management makes decisions about resource allocation and performance assessment based on the same financial information presented in these consolidated financial statements. Managing the land includes sales and leases of such land, and the retention of oil and gas royalties.
- (10) In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-07, “*Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*” (“ASU 2017-07”). This ASU requires employers to disaggregate the service cost component from the other components of net benefit cost. ASU 2017-07 also provides explicit guidance on how to present the service cost component and the other components of net benefit costs in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The requirements of the new standard are effective for annual reporting periods beginning after December 31, 2017, and interim periods within those annual periods, which for the Trust is the first quarter of 2018. The Trust is evaluating the new guidance to determine the impact it will have on our consolidated financial statements.
- (11) In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326)*” (“ASU 2016-13”). This ASU modifies the measurement of expected credit losses of certain financial instruments. This standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which for the Trust is the first quarter of 2020. The Trust is currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.
- (12) In February 2016, the FASB issued ASU No. 2016-02, “*Leases (Topic 842)*” (“ASU 2016-02”). This ASU requires lessees to recognize a right of use asset and lease liability on the balance sheet for all leases, with the exception of short-term leases. The new guidance will also require significant disclosures about the amount, timing, and uncertainty of cash flows from leases. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which for the Trust is the first quarter of 2019. The Trust is currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.

- (13) In May 2014, the FASB issued ASU No. 2014-09, “*Revenue Recognition (Topic 606): Revenue from Contracts with Customers*” (“ASU 2014-09”). This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, “*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*” (“ASU 2015-14”). This ASU deferred the effective date for ASU 2014-09 to fiscal years beginning after December 15, 2017, including interim periods within that reporting period.

We have made significant progress evaluating our revenue agreements, by type, to determine the potential impact of adopting the new standard. The most significant impact will involve easement agreements. Under current accounting, we recognize revenue related to term easement agreements over the term of the agreement. Upon adoption of the new standard on January 1, 2018, we will recognize revenue for term easements upon execution of these agreements and as a result, we will no longer have deferred revenue on our term easements. At December 31, 2016 and September 30, 2017, deferred revenue for term easements is \$7,809,669 and \$30,845,929, respectively. In addition, we are implementing appropriate changes to our business processes, systems, and controls to support recognition and disclosure requirements as a result of the new standard. We plan to apply the full retrospective method with optional practical expedients upon adoption. Under this transition approach, all prior periods presented in the financial statements will be presented as though the new standard had always been in effect. We are continuing to monitor additional authoritative and interpretive guidance related to the new standard as it becomes available.

- (14) 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. Currently, the Trust has identified 137 DUC wells affected by our royalty interest. The process of identifying these wells is ongoing and we anticipate updates going forward to be affected by a number of factors including, but not limited to, ongoing changes/updates to our identification process, changes/updates by Drilling Info (our main source of information in identifying these wells) in their identification process, the eventual completion of these DUC wells, and additional wells drilled but not completed by companies operating where we have a royalty interest.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with (i) the factors discussed in Item 1A “Risk Factors” of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016, (ii) the factors discussed in Part II, Item 1A “Risk Factors,” if any, of this Quarterly Report on Form 10-Q and (iii) the 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-Q or other filings with the Securities and Exchange Commission (the “SEC”), are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995.

Results of Operations for the Quarter Ended September 30, 2017 Compared to the Quarter Ended September 30, 2016

Earnings per Sub-share certificate. Earnings per Sub-share certificate were \$3.36 for the third quarter of 2017, compared to \$1.12 for the third quarter of 2016. Total operating and investing revenues were \$42,496,527 for the third quarter of 2017 compared to \$14,273,252 for the third quarter of 2016, an increase of 197.7%. This increase in revenue and earnings was due primarily to increases in oil and gas royalty revenue, easements and sundry income, and water sales and royalty revenue. See further discussion of these revenue increases below.

Oil and gas royalties. Oil and gas royalty revenue was \$21,212,568 (including \$7,710,543 for the arbitration settlement with Chevron U.S.A., Inc. previously disclosed in our Form 8-K filed with the SEC on September 14, 2017, the "Chevron Settlement") for the third quarter of 2017, compared to \$8,454,876 for the third quarter of 2016, an increase of 150.9% (59.7% excluding the Chevron Settlement). Oil royalty revenue was \$9,703,529 (excluding the Chevron Settlement) for the third quarter of 2017, an increase of 63.3% from the third quarter of 2016 when oil royalty revenue was \$5,942,203. This increase is due to the combined effect of a 55.3% increase in crude oil production, subject to the Trust's royalty interest, and a 5.1% increase in the average price per royalty barrel of crude oil during the third quarter of 2017 compared to the third quarter of 2016. Gas royalty revenue was \$3,798,496 (excluding the Chevron Settlement) for the third quarter of 2017, an increase of 51.2% from the third quarter of 2016 when gas royalty revenue was \$2,512,673. This increase in gas royalty revenue resulted from a volume increase of 58.2% in the third quarter of 2017 compared to the third quarter of 2016, partially offset by a 4.5% decrease in the average price received.

Easements and sundry income. Easements and sundry income was \$13,221,548 for the third quarter of 2017, an increase of 351.5% compared to the third quarter of 2016 when easements and sundry income was \$2,928,095. This increase resulted primarily from increases in pipeline easement income and, to a lesser extent, sundry lease rental income, temporary permit income, and material sales. Pipeline easement income was \$14,490,663 (before deferral of term easements) for the third quarter of 2017, compared to \$4,313,407 (before deferral of term easements) for the third quarter of 2016, an increase of 235.9%. During the third quarter of 2017, \$10,292,827 of easement income was deferred compared to \$3,240,403 in the third quarter of 2016. This category of income was the primary reason for the 217.9% increase in unearned revenue on the Trust's consolidated balance sheets. This category of income is unpredictable and may vary significantly from quarter to quarter.

Water sales and royalties. Water sales and royalty revenue was \$7,917,581 for the third quarter of 2017, compared to \$2,272,653 for the third quarter of 2016, an increase of 248.4%. This increase in water sales and royalties is due primarily to the Trust's decision to develop water well fields on its land along with an increase in the royalties received from existing agreements.

Land sales. In the third quarter of 2016, the Trust sold approximately 647 acres of land for a total of \$485,505, or approximately \$750 per acre. There were no land sales in the third quarter of 2017.

Other income. Other income, including interest on investments, was \$144,830 for the third quarter of 2017 compared to \$132,123 for the third quarter of 2016, an increase of 9.6%. Grazing lease income was \$123,913 for the third quarter of 2017, compared to \$122,769 for the third quarter of 2016. Interest income earned from investments was \$20,073 for the third quarter of 2017, compared to \$7,500 for the third quarter of 2016, an increase of 167.6%. Interest on investments is affected by such variables as cash on hand for investment and the rate of interest on short-term investments.

Taxes, other than income taxes. Taxes, other than income taxes, were \$796,633 for the third quarter of 2017 compared to \$497,244 for the third quarter of 2016, an increase of 60.2%. This increase is primarily attributable to an increase in oil and gas production taxes which resulted from the increase in oil and gas royalty revenues discussed above.

General and administrative expenses. General and administrative expenses were \$2,608,455 for the third quarter of 2017 compared to \$676,332 for the third quarter of 2016, an increase of 285.7%. This increase was primarily due to increases in employment expenses, including contract labor costs and, to a lesser extent, non-recurring legal fees and depreciation. Employment costs were higher for third quarter 2017 due to the hiring of additional staff and contractors to address the ongoing increase in drilling and exploration activity on land owned by the Trust.

Results of Operations for the Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016

Earnings per Sub-share certificate. Earnings per Sub-share certificate were \$7.37 for the first nine months of 2017, compared to \$3.28 for the first nine months of 2016. Total operating and investing revenues were \$94,092,908 for the first nine months of 2017 compared to \$42,367,466 for the first nine months of 2016, an increase of 122.1%. This increase in revenue and earnings was due primarily to increases in oil and gas royalty revenue, easements and sundry income, and water sales and royalty revenue. See further discussion of these revenue increases below.

Oil and gas royalty revenue. Oil and gas royalty revenue was \$45,288,306 (including \$7,710,543 for the previously announced Chevron Settlement) for the first nine months of 2017, compared to \$20,932,329 for the first nine months of 2016, an increase of 116.4% (79.5% excluding the Chevron Settlement). Oil royalty revenue was \$26,975,330 (excluding the Chevron Settlement) for the first nine months of 2017, an increase of 75.3% from the first nine months of 2016 when oil royalty revenue was \$15,387,710. This increase is due to the combined effect of a 39.0% increase in crude oil production, subject to the Trust's royalty interest, and a 26.1% increase in the average price per royalty barrel of crude oil during the third quarter of 2017 compared to the third quarter of 2016. Gas royalty revenue was \$10,602,433 (excluding the Chevron Settlement) for the first nine months of 2017, an increase of 91.2% from the first nine months of 2016 when gas royalty revenue was \$5,544,619. This increase in gas royalty revenue resulted from a volume increase of 52.7% in the first nine months of 2017 compared to the first nine months of 2016, coupled with a price increase of 25.3%.

Easements and sundry income. Easements and sundry income was \$28,587,706 for the first nine months of 2017, an increase of 96.7% compared to the first nine months of 2016 when easements and sundry income was \$14,535,517. This increase resulted primarily from increases in pipeline easement income, temporary permit income, and material sales. Pipeline easement income was \$33,441,720 (before deferral of term easements) for the first nine months of 2017, compared to \$13,810,736 (before deferral of term easements) for the first nine months of 2016, an increase of 142.1%. During the first nine months of 2017, \$23,036,260 of easement income was deferred compared to \$5,726,314 in the first nine months of 2016. This category of income was the primary reason for the 217.9% increase in unearned revenue on the Trust's consolidated balance sheets. This category of income is unpredictable and may vary significantly from quarter to quarter.

Water sales and royalties. Water sales and royalty revenue was \$19,583,897 for the first nine months of 2017, compared to \$5,935,174 for the first nine months of 2016, an increase of 230.0%. This increase in water sales and royalties is due primarily to the Trust's decision to develop water well fields on its land along with an increase in the royalties received from existing agreements.

Land sales. During the first nine months of 2017, the Trust sold approximately 11.02 acres of land for a total of \$220,400 or approximately \$20,000 per acre. In the first nine months of 2016, the Trust sold approximately 656 acres for a total of \$571,505, or approximately \$871 per acre.

Other income. Other income, including interest on investments, was \$412,599 for the first nine months of 2017 compared to \$392,941 for the first nine months of 2016, an increase of 5.0%. Grazing lease income was \$370,521 for the first nine months of 2017, compared to \$367,078 for the first nine months of 2016. Interest income earned from investments was \$39,132 for the first nine months of 2017, compared to \$19,286 for the first nine months of 2016, an increase of 102.9%. Interest on investments is affected by such variables as cash on hand for investment and the rate of interest on short-term investments.

Taxes, other than income taxes. Taxes, other than income taxes, were \$2,218,599 for the first nine months of 2017 compared to \$1,238,046 for the first nine months of 2016, an increase of 79.2%. This increase is primarily attributable to an increase in oil and gas production taxes which resulted from the increase in oil and gas royalty revenue discussed above.

General and administrative expenses. General and administrative expenses were \$5,927,862 for the first nine months of 2017 compared to \$2,123,860 for the first nine months of 2016, an increase of 179.1%. This increase is primarily due to an increase in professional fees related to a strategic review of the Trust and an increase in employment expenses (including contract labor) related to the hiring of additional staff to address the ongoing increase in drilling and exploration activity on land owned by the Trust.

Liquidity and Capital Resources

The Trust's principal sources of liquidity are revenues from oil and gas royalties, easements and sundry income, and land sales. In the past, those sources have generated more than adequate amounts of cash to meet the Trust's needs and, in the opinion of management, should continue to do so in the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the information related to market risk of the Trust since December 31, 2016.

Item 4. Controls and Procedures

Pursuant to Rule 13a-15, 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 quarter covered by this Report on Form 10-Q. 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.

There have been no changes in the Trust's internal control over financial reporting during the Trust's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

**PART II
OTHER INFORMATION**

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in response to Item 1A “Risk Factors” of Part I of the Trust’s Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) During the third quarter of 2017, the Trust repurchased Sub-share certificates as follows:

<u>Period</u>	<u>Total Number of Sub-shares Purchased</u>	<u>Average Price Paid per Sub-share</u>	<u>Total Number of Sub-shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Sub-shares that May Yet Be Purchased Under the Plans or Programs</u>
July 1, through July 31, 2017	3,120	\$304.50	–	–
August 1, through August 31, 2017	8,077	\$365.86	–	–
September 1, through September 30, 2017	8,315	\$389.62	–	–
Total	<u>19,512*</u>	\$366.17	–	–

* The Trust purchased and retired 19,512 Sub-shares in the open market.

INDEX TO EXHIBITS

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
31.1	<u>Rule 13a-14(a) Certification of Chief Executive Officer.</u>
31.2	<u>Rule 13a-14(a) Certification of Chief Financial Officer.</u>
32.1	<u>Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

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 7, 2017

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

Date: November 7, 2017

By: /s/ Robert J. Packer
Robert J. Packer, General Agent and
Chief Financial Officer

CERTIFICATION

I, Tyler Glover, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 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: November 7, 2017

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

CERTIFICATION

I, Robert J. Packer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 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: November 7, 2017

By: /s/ Robert J. Packer

Robert J. Packer, General Agent and
Chief Financial Officer

**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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 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: November 7, 2017

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

**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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 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: November 7, 2017

By: /s/ Robert J. Packer
Robert J. Packer, General Agent and
Chief Financial Officer