

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 June 30, 2023

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: 1-39804

Exact name of registrant as specified in its charter:

**Texas Pacific Land Corporation**

State or other jurisdiction of incorporation or organization:

Delaware

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
Common Stock (par value \$.01 per share)	TPL	New York Stock Exchange

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

As of July 31, 2023, the Registrant had 7,677,756 shares of Common Stock, \$0.01 par value, outstanding.

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TEXAS PACIFIC LAND CORPORATION  
Form 10-Q  
For the Quarter Ended June 30, 2023  
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**Item 1. Financial Statements**

**PART I. FINANCIAL INFORMATION**

**TEXAS PACIFIC LAND CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except shares and per share amounts)  
(Unaudited)

	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 609,252	\$ 510,834
Accounts receivable and accrued receivables, net	120,771	103,983
Prepaid expenses and other current assets	5,312	7,427
Tax like-kind exchange escrow	2,195	6,348
Prepaid income taxes	—	4,809
Total current assets	<u>737,530</u>	<u>633,401</u>
Real estate acquired	130,024	109,704
Property, plant and equipment, net	84,324	85,478
Royalty interests acquired, net	45,920	45,025
Other assets	3,526	3,819
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	<u>\$ 1,001,324</u>	<u>\$ 877,427</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable and accrued expenses	\$ 27,156	\$ 23,443
Ad valorem and other taxes payable	6,355	8,497
Income taxes payable	5,151	3,167
Unearned revenue	6,222	4,488
Total current liabilities	<u>44,884</u>	<u>39,595</u>
Deferred taxes payable	40,478	41,151
Unearned revenue - noncurrent	26,638	21,708
Accrued liabilities - noncurrent	1,774	2,086
Total liabilities	<u>113,774</u>	<u>104,540</u>
Commitments and contingencies	—	—
Equity:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized, none outstanding as of June 30, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value; 7,756,156 shares authorized and 7,679,145 and 7,695,679 outstanding as of June 30, 2023 and December 31, 2022, respectively	78	78
Treasury stock, at cost; 77,011 and 60,477 shares as of June 30, 2023 and December 31, 2022, respectively	(128,502)	(104,139)
Additional paid-in capital	10,582	8,293
Accumulated other comprehensive income	2,465	2,516
Retained earnings	1,002,927	866,139
Total equity	<u>887,550</u>	<u>772,887</u>
Total liabilities and equity	<u>\$ 1,001,324</u>	<u>\$ 877,427</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Oil and gas royalties	\$ 82,412	\$ 121,268	\$ 171,542	\$ 225,440
Water sales	37,648	22,272	59,377	41,092
Produced water royalties	20,841	18,669	40,975	33,539
Easements and other surface-related income	18,708	13,990	33,677	23,182
Land sales and other operating revenue	1,000	71	1,400	352
<b>Total revenues</b>	<b>160,609</b>	<b>176,270</b>	<b>306,971</b>	<b>323,605</b>
<b>Expenses:</b>				
Salaries and related employee expenses	10,596	9,588	21,189	18,973
Water service-related expenses	10,287	3,915	15,943	6,697
General and administrative expenses	3,329	3,674	6,884	6,641
Legal and professional fees	10,154	1,163	26,782	2,882
Ad valorem and other taxes	2,070	2,042	3,644	4,085
Depreciation, depletion and amortization	3,893	4,180	7,297	8,306
<b>Total operating expenses</b>	<b>40,329</b>	<b>24,562</b>	<b>81,739</b>	<b>47,584</b>
<b>Operating income</b>	<b>120,280</b>	<b>151,708</b>	<b>225,232</b>	<b>276,021</b>
Other income, net	6,871	630	12,260	706
<b>Income before income taxes</b>	<b>127,151</b>	<b>152,338</b>	<b>237,492</b>	<b>276,727</b>
Income tax expense	26,758	33,444	50,531	59,933
<b>Net income</b>	<b>\$ 100,393</b>	<b>\$ 118,894</b>	<b>\$ 186,961</b>	<b>\$ 216,794</b>
Other comprehensive (loss) income — periodic pension costs, net of income taxes for the three and six months ended June 30, 2023 and 2022 of \$8, \$2, \$14, and \$4, respectively	(26)	8	(51)	16
<b>Total comprehensive income</b>	<b>\$ 100,367</b>	<b>\$ 118,902</b>	<b>\$ 186,910</b>	<b>\$ 216,810</b>
<b>Net income per share of common stock</b>				
Basic	\$ 13.06	\$ 15.37	\$ 24.31	\$ 28.02
Diluted	\$ 13.05	\$ 15.37	\$ 24.30	\$ 28.01
<b>Weighted average number of shares of common stock outstanding</b>				
Basic	7,685,662	7,733,730	7,689,352	7,737,527
Diluted	7,690,950	7,737,112	7,694,548	7,739,859
<b>Cash dividends per share of common stock</b>	<b>\$ 3.25</b>	<b>\$ 23.00</b>	<b>\$ 6.50</b>	<b>\$ 26.00</b>

See accompanying notes to condensed consolidated financial statements.

**TEXAS PACIFIC LAND CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net income	\$ 186,961	\$ 216,794
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Deferred taxes	(673)	(953)
Depreciation, depletion and amortization	7,297	8,306
Share-based compensation	5,323	3,495
<b>Changes in operating assets and liabilities:</b>		
Operating assets, excluding income taxes	(14,477)	(35,472)
Operating liabilities, excluding income taxes	8,040	9,668
Income taxes payable	1,984	(6,433)
Prepaid income taxes	4,809	—
Cash provided by operating activities	<u>199,264</u>	<u>195,405</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of fixed assets	5	96
Acquisition of real estate	(20,320)	(12)
Acquisition of royalty interests	(1,803)	(1,662)
Purchase of fixed assets	(5,536)	(6,685)
Cash used in investing activities	<u>(27,654)</u>	<u>(8,263)</u>
<b>Cash flows from financing activities:</b>		
Repurchases of common stock	(26,379)	(24,592)
Shares exchanged for tax withholdings	(939)	—
Dividends paid	(50,027)	(200,998)
Cash used in financing activities	<u>(77,345)</u>	<u>(225,590)</u>
Net increase in cash, cash equivalents and restricted cash	94,265	(38,448)
Cash, cash equivalents and restricted cash, beginning of period	517,182	428,242
Cash, cash equivalents and restricted cash, end of period	<u>\$ 611,447</u>	<u>\$ 389,794</u>
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	\$ 44,396	\$ 67,324
<b>Supplemental non-cash investing and financing information:</b>		
Nonmonetary exchange of assets	\$ —	\$ 4,174
(Increase) decrease in accounts payable related to capital expenditures	\$ (392)	\$ 3,662
Share repurchases and associated excise taxes not settled at the end of the period	\$ 432	\$ 1,161

See accompanying notes to condensed consolidated financial statements.

**TEXAS PACIFIC LAND CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Organization and Description of Business Segments**

*Organization*

Texas Pacific Land Corporation (which, together with its subsidiaries as the context requires, may be referred to as “TPL”, the “Company”, “our”, “we” or “us”) is a Delaware corporation and one of the largest landowners in the State of Texas with approximately 886,000 surface acres of land in West Texas, with the majority of our ownership concentrated in the Permian Basin. Additionally, we own a 1/128th nonparticipating perpetual oil and gas royalty interest (“NPRI”) under approximately 85,000 acres of land, a 1/16th NPRI under approximately 371,000 acres of land, and approximately 4,000 additional net royalty acres (normalized to 1/8th) in the western part of Texas.

TPL’s income is derived primarily from oil, gas and produced water royalties, sales of water and land, easements and commercial leases of the land.

On January 11, 2021, we completed our reorganization from a business trust, Texas Pacific Land Trust, organized under a Declaration of Trust dated February 1, 1888 (the “Declaration of Trust”), into Texas Pacific Land Corporation, a corporation formed and existing under the laws of the state of Delaware (the “Corporate Reorganization”).

*Basis of Presentation*

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and on the same basis as the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. The condensed consolidated financial statements herein include all adjustments which are, in the opinion of management, necessary to fairly state the financial position of the Company as of June 30, 2023 and the results of its operations for the three and six months ended June 30, 2023 and 2022, respectively, and its cash flows for the six months ended June 30, 2023 and 2022, respectively. Such adjustments are of a normal nature and all intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from this report, and accordingly these interim financial statements and footnotes should be read in conjunction with the audited financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2022. The results for the interim periods shown in this report are not necessarily indicative of future financial results.

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 TPL and provide a framework for timely and rational allocation of resources within businesses. See Note 11, “Business Segment Reporting” for further information regarding our segments.

**2. Summary of Significant Accounting Policies**

*Use of Estimates in the Preparation of Financial Statements*

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. In the event estimates and/or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

*Cash, Cash Equivalents and Restricted Cash*

We consider investments in bank deposits, money market funds, and other highly-liquid cash investments, such as U.S. Treasury bills and commercial paper, with original maturities of three months or less to be cash equivalents. Our cash equivalents are considered Level 1 assets in the fair value hierarchy.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 609,252	\$ 510,834
Tax like-kind exchange escrow	2,195	6,348
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 611,447</u>	<u>\$ 517,182</u>

**Reclassifications**

Certain financial information on the condensed consolidated balance sheet as of December 31, 2022 and condensed consolidated statement of income and total comprehensive income for the three and six months ended June 30, 2022 has been revised to conform to the current year presentation. These revisions include a balance sheet reclassification of \$454,000 of other taxes payable previously included in accounts payable and accrued expenses to ad valorem and other taxes payable and an income statement reclassification of \$31,000 and \$64,000 of property taxes previously included in general and administrative expenses to ad valorem and other taxes for the three and six months ended June 30, 2022, respectively.

**3. Real Estate Activity**

As of June 30, 2023 and December 31, 2022, TPL owned the following land and real estate (in thousands, except number of acres):

	June 30, 2023		December 31, 2022	
	Number of Acres	Net Book Value	Number of Acres	Net Book Value
Land (surface rights) <sup>(1)</sup>	817,017	\$ —	817,060	\$ —
Real estate acquired	69,447	130,024	57,306	109,704
Total real estate situated in Texas	<u>886,464</u>	<u>\$ 130,024</u>	<u>874,366</u>	<u>\$ 109,704</u>

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

*Land Sales*

For the six months ended June 30, 2023, we sold 43 acres of land in Texas for an aggregate sales price of \$1.4 million. There were no significant land sales for the six months ended June 30, 2022.

*Land Acquisitions*

For the six months ended June 30, 2023, we acquired 12,141 acres of land in Texas for an aggregate purchase price of \$20.0 million. There were no significant land acquisitions for the six months ended June 30, 2022.

**4. Property, Plant and Equipment**

Property, plant and equipment, net consisted of the following as of June 30, 2023 and December 31, 2022 (in thousands):



	June 30, 2023	December 31, 2022
Property, plant and equipment, at cost:		
Water service-related assets	\$ 130,106	\$ 125,166
Furniture, fixtures and equipment	9,852	9,718
Other	598	598
Total property, plant and equipment, at cost	140,556	135,482
Less: accumulated depreciation	(56,232)	(50,004)
Property, plant and equipment, net	\$ 84,324	\$ 85,478

Depreciation expense was \$3.2 million and \$3.9 million for the three months ended June 30, 2023 and 2022, respectively. Depreciation expense was \$6.3 million and \$7.7 million for the six months ended June 30, 2023 and 2022, respectively.

## 5. Oil and Gas Royalty Interests

As of June 30, 2023 and December 31, 2022, we owned the following oil and gas royalty interests (in thousands):

	June 30, 2023	December 31, 2022
1/16th nonparticipating perpetual royalty interests	\$ —	\$ —
1/128th nonparticipating perpetual royalty interests	—	—
Royalty interests acquired	49,731	47,928
Total royalty interests, gross	49,731	47,928
Less: accumulated depletion	(3,811)	(2,903)
Total royalty interests, net	\$ 45,920	\$ 45,025

### *Acquisitions*

For the six months ended June 30, 2023, we acquired oil and gas royalty interests in 61 net royalty acres (normalized to 1/8th) for an aggregate purchase price of approximately \$1.8 million. For the six months ended June 30, 2022, we acquired oil and gas royalty interests in 92 net royalty acres (normalized to 1/8th) for an aggregate purchase price of approximately \$1.7 million.

Depletion expense was \$0.6 million and \$0.2 million for the three months ended June 30, 2023 and 2022, respectively. Depletion expense was \$0.9 million and \$0.5 million for the six months ended June 30, 2023 and 2022, respectively.

## 6. Share-Based Compensation

The Company grants share-based compensation to employees under the Texas Pacific Land Corporation 2021 Incentive Plan (the “2021 Plan”) and to its directors under the 2021 Non-Employee Director Stock and Deferred Compensation Plan (the “2021 Directors Plan”). Share-based compensation granted to date under the plans has included restricted stock awards (“RSAs”), restricted stock units (“RSUs”) and performance-based units (“PSUs”). Currently, all awards granted under the plans are entitled to receive dividends (which are accrued and distributed to award recipients upon vesting) or have dividend equivalent rights. Dividends and dividend equivalent rights are subject to the same vesting conditions as the awards to which they relate and are forfeitable if the related awards are forfeited. RSUs granted under the 2021 Plan vest in one-third increments and PSUs granted under the 2021 Plan cliff vest at the end of three years if the performance metrics are achieved (as discussed further below). RSAs granted under the 2021 Directors Plan vest on the first anniversary of the award.

### *Incentive Plan for Employees*

The maximum aggregate number of shares of the Company’s common stock, par value \$0.01 per share (“Common Stock”) that may be issued under the 2021 Plan is 75,000 shares, which may consist, in whole or in part, of authorized and

unissued shares (if any), treasury shares, or shares reacquired by the Company in any manner. As of June 30, 2023, 54,718 shares of Common Stock remained available under the 2021 Plan for future grants.

The following table summarizes activity related to RSAs and RSUs under the 2021 Plan for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,							
	2023				2022			
	Restricted Stock Awards		Restricted Stock Units		Restricted Stock Awards		Restricted Stock Units	
Number of RSAs	Weighted-Average Grant-Date Fair Value per Share	Number of RSUs	Weighted-Average Grant-Date Fair Value per Share	Number of RSAs	Weighted-Average Grant-Date Fair Value per Share	Number of RSUs	Weighted-Average Grant-Date Fair Value per Share	
Nonvested at beginning of period <sup>(1)</sup>	1,337	\$ 1,252	5,612	\$ 1,323	3,330	\$ 1,252	—	\$ —
Granted <sup>(2)</sup>	—	—	2,848	1,924	—	—	3,824	1,105
Vested <sup>(3)</sup>	—	—	(1,270)	1,105	—	—	—	—
Cancelled and forfeited	—	—	—	—	—	—	—	—
Nonvested at end of period	1,337	\$ 1,252	7,190	\$ 1,600	3,330	\$ 1,252	3,824	\$ 1,105

(1) The RSAs were granted on December 29, 2021: 1,993 shares vested on December 29, 2022 and 1,337 shares will vest on December 29, 2023.

(2) The RSUs were granted on February 10, 2023 and vest in one-third increments over a three-year period.

(3) Of the 1,270 shares that vested on February 11, 2023, 488 shares were surrendered by employees to the Company to settle tax withholdings.

The following table summarizes activity related to PSUs for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,			
	2023		2022	
	Number of Target PSUs	Weighted-Average Grant-Date Fair Value per Share	Number of Target PSUs	Weighted-Average Grant-Date Fair Value per Share
Nonvested at beginning of period <sup>(1)</sup>	2,394	\$ 1,355	—	\$ —
Granted <sup>(2)</sup>	1,852	2,342	2,394	1,355
Vested	—	—	—	—
Cancelled and forfeited	—	—	—	—
Nonvested at end of period	4,246	\$ 1,786	2,394	\$ 1,355

(1) The PSUs were granted on February 11, 2022 and include 1,197 RTSR (as defined below) PSUs (based on target) with a grant date fair value of \$ 1,605 per share and 1,197 FCF (as defined below) PSUs (based on target) with a grant date fair value of \$1,105 per share. If the maximum performance potential metrics described in the PSU agreements are achieved, the actual number of units that will ultimately be awarded under the PSU agreements will exceed target units by 100% (i.e., a collective 2,394 additional units would be issued).

(2) The PSUs were granted on February 10, 2023 and include 926 RTSR PSUs (based on target) with a grant date fair value of \$ 2,761 per share and 926 FCF PSUs (based on target) with a grant date fair value of \$1,924 per share. If the maximum performance potential metrics described in the PSU agreements are achieved, the actual number of units that will ultimately be awarded under the PSU agreements will exceed target units by 100% (i.e., a collective 1,852 additional units would be issued).

Each PSU has a value equal to one share of Common Stock. The PSUs will vest three years after grant if certain performance metrics are met, as follows: 50% of the PSUs may be earned based on the Company's relative total stockholder return ("RTSR") over the applicable three-year measurement period compared to the XOP Index, and 50% of the PSUs may be earned based on the cumulative free cash flow per share ("FCF") over the three-year vesting period. As the RTSR PSU is a market-based award, its grant date fair value was determined using a Monte Carlo simulation model that uses the same input assumptions as the Black-Scholes model to determine the expected potential ranking of the Company against the XOP Index, i.e. the probability of satisfying the market condition defined in the award. Expected volatility in the model was estimated

based on the volatility of historical stock prices over a period matching the expected term of the award. The risk-free interest rate was based on U.S. Treasury yield constant maturities for a term matching the expected term of the award.

*Equity Plan for Non-Employee Directors*

The maximum aggregate number of shares of Common Stock that may be issued under the 2021 Directors Plan is 10,000 shares, which may consist, in whole or in part, of authorized and unissued shares (if any), treasury shares, or shares reacquired by the Company in any manner. As of June 30, 2023, 8,815 shares of Common Stock remained available under the 2021 Directors Plan for future grants.

The following table summarizes activity related to the RSAs under the 2021 Directors Plan for the six months ended June 30, 2023 and 2022:

	<b>Six Months Ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of RSAs</b>	<b>Weighted-Average Grant-Date Fair Value per Share</b>	<b>Number of RSAs</b>	<b>Weighted-Average Grant-Date Fair Value per Share</b>
Nonvested at beginning of period	699	\$ 1,281	—	\$ —
Granted <sup>(1)</sup>	486	2,344	784	1,277
Vested	(699)	1,281	—	—
Cancelled and forfeited	—	—	(85)	1,249
Nonvested at end of period	486	\$ 2,344	699	\$ 1,281

(1) The RSAs were granted on January 1, 2023 and will vest on the first anniversary of the grant.

*Share-Based Compensation Expense*

The following table summarizes our share-based compensation expense by line item in the condensed consolidated statements of income (in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Salaries and related employee expenses (employee awards)	\$ 2,559	\$ 1,760	\$ 4,715	\$ 3,079
General and administrative expenses (director awards)	291	230	608	416
Total share-based compensation expense <sup>(1)</sup>	\$ 2,850	\$ 1,990	\$ 5,323	\$ 3,495

(1) The Company recognized a tax benefit of \$0.6 million and \$0.4 million related to share-based compensation for the three months ended June 30, 2023 and 2022, respectively. The Company recognized a tax benefit of \$1.1 million and \$0.7 million related to share-based compensation for the six months ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, there was \$14.2 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under existing share-based plans expected to be recognized over a weighted average period of 1.5 years.

**7. Income Taxes**

The calculation of our effective tax rate is as follows for the three and six months ended June 30, 2023 and 2022 (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Income before income taxes	\$ 127,151	\$ 152,338	\$ 237,492	\$ 276,727
Income tax expense	\$ 26,758	\$ 33,444	\$ 50,531	\$ 59,933
Effective tax rate	21.0 %	22.0 %	21.3 %	21.7 %

For interim periods, our income tax expense and resulting effective tax rate are based upon an estimated annual effective tax rate adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions, and other items.

## 8. Earnings Per Share

Basic earnings per share ("EPS") is computed based on the weighted average number of shares outstanding during the period. Diluted EPS is computed based upon the weighted average number of shares outstanding during the period plus unvested restricted stock and other unvested awards granted pursuant to our incentive and equity compensation plans. The computation of diluted EPS reflects the potential dilution that could occur if all outstanding awards under the incentive and equity compensation plans were converted into shares of Common Stock or resulted in the issuance of shares of Common Stock that would then share in the earnings of the Company. The number of dilutive securities is computed using the treasury stock method.

The following table sets forth the computation of EPS for the three and six months ended June 30, 2023 and 2022 (in thousands, except number of shares and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 100,393	\$ 118,894	\$ 186,961	\$ 216,794
Basic earnings per share:				
Weighted average shares outstanding for basic earnings per share	7,685,662	7,733,730	7,689,352	7,737,527
Basic earnings per share	\$ 13.06	\$ 15.37	\$ 24.31	\$ 28.02
Diluted earnings per share:				
Weighted average shares outstanding for basic earnings per share	7,685,662	7,733,730	7,689,352	7,737,527
Effect of dilutive securities:				
Incentive and equity compensation plans	5,288	3,382	5,196	2,333
Weighted average shares outstanding for diluted earnings per share	7,690,950	7,737,112	7,694,548	7,739,859
Diluted earnings per share	\$ 13.05	\$ 15.37	\$ 24.30	\$ 28.01

Restricted stock is included in the number of shares of Common Stock issued and outstanding, but omitted from the basic EPS calculation until such time as the shares of restricted stock vest. Certain stock awards granted are not included in the dilutive securities in the table above as they are anti-dilutive for the three and six months ended June 30, 2023 and June 30, 2022.

## 9. Commitments and Contingencies

### *Litigation*

Management is not aware of any legal, environmental or other commitments or contingencies that would have a material effect on the Company's financial condition, results of operations or liquidity as of June 30, 2023.

Prior to January 1, 2022, ad valorem taxes with respect to our historical royalty interests were paid directly by third parties pursuant to an existing arrangement. Since the completion of our Corporate Reorganization, we have received notice from certain third parties that they no longer intend to pay the ad valorem taxes related to such historical royalty interests. In order to protect the historical royalty interests from any potential tax liens for non-payment of ad valorem taxes, we have accrued and/or paid such ad valorem taxes since January 1, 2022. While we intend to seek reimbursement from the third parties for such taxes, we are unable to estimate the amount and/or likelihood of such reimbursement, and accordingly, no loss recovery receivable has been recorded as of June 30, 2023.

*Ongoing Arbitration with an Operator.*

As part of an ongoing arbitration between TPL and an operator with respect to underpayment of oil and gas royalties resulting from improper deductions of post-production costs for periods before and through April 2022, the operator has agreed to pay \$8.7 million to TPL. This amount has been recorded as a receivable and included in oil and gas royalty revenue in the condensed consolidated income statement for the six months ended June 30, 2023.

## 10. Changes in Equity

The following tables present changes in our equity for the six months ended June 30, 2023 and 2022 (in thousands, except shares and per share amounts):

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accum. Other Comp. Income (Loss)	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
<i>For the six months ended June 30, 2023:</i>								
Balances as of December 31, 2022	7,695,679	\$ 78	60,477	\$ (104,139)	\$ 8,293	\$ 2,516	\$ 866,139	\$ 772,887
Net income	—	—	—	—	—	—	86,568	86,568
Dividends paid — \$3.25 per share of common stock	—	—	—	—	—	—	(25,061)	(25,061)
Share-based compensation, net of forfeitures	1,756	—	(1,756)	3,033	(560)	—	(103)	2,370
Repurchases of common stock, including excise taxes of \$ 67	(3,627)	—	3,627	(6,749)	—	—	—	(6,749)
Shares exchanged for tax withholdings	(488)	—	488	(939)	—	—	—	(939)
Periodic pension costs, net of income taxes of \$ 6	—	—	—	—	—	(25)	—	(25)
Balances as of March 31, 2023	7,693,320	\$ 78	62,836	\$ (108,794)	\$ 7,733	\$ 2,491	\$ 927,543	\$ 829,051
Net income	—	—	—	—	—	—	100,393	100,393
Dividends paid — \$3.25 per share of common stock	—	—	—	—	—	—	(24,966)	(24,966)
Share-based compensation, net of forfeitures	—	—	—	—	2,849	—	(43)	2,806
Repurchases of common stock, including excise taxes of \$ 165	(14,175)	—	14,175	(19,708)	—	—	—	(19,708)
Periodic pension costs, net of income taxes of \$ 8	—	—	—	—	—	(26)	—	(26)
Balances as of June 30, 2023	7,679,145	\$ 78	77,011	\$ (128,502)	\$ 10,582	\$ 2,465	\$ 1,002,927	\$ 887,550

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accum. Other Comp. Income (Loss)	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount				
<i>For the six months ended June 30, 2022:</i>								
Balances as of December 31, 2021	7,744,695	\$ 78	11,461	\$ (15,417)	\$ 28	\$ (1,007)	\$ 668,029	\$ 651,711
Net income	—	—	—	—	—	—	97,900	97,900
Dividends paid — \$3.00 per share of common stock	—	—	—	—	—	—	(23,224)	(23,224)
Share-based compensation, net of forfeitures	595	—	(595)	800	1,477	—	(796)	1,481
Periodic pension costs, net of income taxes of \$ 2	—	—	—	—	—	8	—	8
Balances as of March 31, 2022	7,745,290	\$ 78	10,866	\$ (14,617)	\$ 1,505	\$ (999)	\$ 741,909	\$ 727,876
Net income	—	—	—	—	—	—	118,894	118,894
Dividends paid — \$3.00 per share of common stock	—	—	—	—	—	—	(23,188)	(23,188)
Special dividends paid — \$20.00 per share of common stock	—	—	—	—	—	—	(154,586)	(154,586)
Share-based compensation, net of forfeitures	104	—	(104)	140	1,851	—	(180)	1,811
Repurchases of common stock	(17,478)	—	17,478	(25,534)	—	—	—	(25,534)
Periodic pension costs, net of income taxes of \$ 2	—	—	—	—	—	8	—	8
Balances as of June 30, 2022	7,727,916	\$ 78	28,240	\$ (40,011)	\$ 3,356	\$ (991)	\$ 682,849	\$ 645,281

#### *Stock Repurchase Program*

On November 1, 2022, our board of directors approved a stock repurchase program, which became effective January 1, 2023, to purchase up to an aggregate of \$50 million of our outstanding Common Stock.

The Company intends to purchase stock under the repurchase program opportunistically with funds generated by cash from operations. This repurchase program may be suspended from time to time, modified, extended or discontinued by the board of directors at any time. Purchases under the stock repurchase program may be made through a combination of open market repurchases in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended, privately negotiated transactions, and/or other transactions at the Company's discretion, including under a Rule 10b5-1 trading plan implemented by the Company, and will be subject to market conditions, applicable legal requirements and other factors.

#### **11. 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 our strategies and objectives 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 our approximately 886,000 surface acres of land and our oil and gas royalty interests in West Texas, principally concentrated in the Permian Basin. 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 a full-service water offering to operators in the Permian Basin. The revenue streams of this segment primarily consist of revenue generated from sales of sourced and treated water as well as revenue from produced water royalties.

Segment financial results were as follows for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>Revenues:</i>				
Land and resource management	\$ 101,320	\$ 133,385	\$ 205,343	\$ 246,732
Water services and operations	59,289	42,885	101,628	76,873
Total consolidated revenues	<u>\$ 160,609</u>	<u>\$ 176,270</u>	<u>\$ 306,971</u>	<u>\$ 323,605</u>
<i>Net income:</i>				
Land and resource management	\$ 69,633	\$ 96,074	\$ 134,976	\$ 177,230
Water services and operations	30,760	22,820	51,985	39,564
Total consolidated net income	<u>\$ 100,393</u>	<u>\$ 118,894</u>	<u>\$ 186,961</u>	<u>\$ 216,794</u>
<i>Capital expenditures:</i>				
Land and resource management	\$ (31)	\$ 103	\$ 144	\$ 225
Water services and operations	1,402	7,239	5,000	10,122
Total capital expenditures	<u>\$ 1,371</u>	<u>\$ 7,342</u>	<u>\$ 5,144</u>	<u>\$ 10,347</u>
<i>Depreciation, depletion and amortization:</i>				
Land and resource management	\$ 912	\$ 529	\$ 1,530	\$ 1,065
Water services and operations	2,981	3,651	5,767	7,241
Total depreciation, depletion and amortization	<u>\$ 3,893</u>	<u>\$ 4,180</u>	<u>\$ 7,297</u>	<u>\$ 8,306</u>

The following table presents total assets and property, plant and equipment, net by segment as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
<i>Assets:</i>		
Land and resource management	\$ 845,847	\$ 735,193
Water services and operations	155,477	142,234
Total consolidated assets	<u>\$ 1,001,324</u>	<u>\$ 877,427</u>
<i>Property, plant and equipment, net:</i>		
Land and resource management	\$ 5,607	\$ 5,998
Water services and operations	78,717	79,480
Total consolidated property, plant and equipment, net	<u>\$ 84,324</u>	<u>\$ 85,478</u>

## 12. Oil and Gas Producing Activities

We measure our share of oil and gas produced in barrels of oil equivalent (“Boe”). One Boe equals one barrel of crude oil, condensate, NGLs (natural gas liquids) or approximately 6,000 cubic feet of gas. For the three months ended June 30, 2023 and 2022, our share of oil and gas produced was approximately 24.9 and 19.8 thousand Boe per day, respectively. For the six months ended June 30, 2023 and 2022, our share of oil and gas produced was approximately 22.9 and 20.3 thousand Boe per day, respectively. Reserves related to our 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 we have a royalty interest. The number of DUC wells is determined using uniform drilling spacing units with pooled interests for all wells

awaiting completion. We have identified 593 and 584 DUC wells subject to our royalty interest as of June 30, 2023 and December 31, 2022, respectively.

**13. Subsequent Events**

We 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*

On August 1, 2023, our board of directors declared a quarterly cash dividend of \$3.25 per share, payable on September 15, 2023 to stockholders of record at the close of business on September 1, 2023.

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

### 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. Words or phrases such as “expects” and “believes”, or similar expressions, when used in this Quarterly Report on 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. Forward-looking statements include statements regarding the Company’s future operations and prospects, the markets for real estate in the areas in which the Company owns real estate, applicable zoning regulations, the markets for oil and gas including actions of other oil and gas producers or consortiums worldwide such as the Organization of the Petroleum Exporting Countries (“OPEC”) and Russia (collectively referred to as “OPEC+”), expected competition, management’s intent, beliefs or current expectations with respect to the Company’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 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, 2022, 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.*

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 22, 2023 and the condensed consolidated financial statements and accompanying notes included, in Part I, Item 1 of this Quarterly Report on Form 10-Q. Period-to-period comparisons of financial data are not necessarily indicative, and therefore should not be relied upon as indicators, of the Company’s future performance.

### Overview

Texas Pacific Land Corporation (which, together with its subsidiaries as the context requires, may be referred to as “TPL”, the “Company”, “our”, “we” or “us”) is one of the largest landowners in the State of Texas with approximately 886,000 surface acres of land in West Texas, with the majority of our ownership concentrated in the Permian Basin. Additionally, we own a 1/128th nonparticipating perpetual oil and gas royalty interest (“NPRI”) under approximately 85,000 acres of land and a 1/16th NPRI under approximately 371,000 acres of land, as well as approximately 4,000 additional net royalty acres (normalized to 1/8th), all located in the western part of Texas. The Company was originally 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.

We completed our reorganization on January 11, 2021 from a business trust, Texas Pacific Land Trust, into Texas Pacific Land Corporation, a corporation formed and existing under the laws of the state of Delaware.

We are not an oil and gas producer. Our business activity is generated from surface and royalty interest ownership in West Texas, primarily in the Permian Basin. Our revenues are primarily derived from oil, gas and produced water royalties, sales of water and land, easements and commercial leases. Due to the nature of our operations and concentration of our ownership in one geographic location, our revenue and net income are subject to substantial fluctuations from quarter to quarter and year to year. In addition to fluctuations in response to changes in the market price for oil and gas, our financial results are also subject to decisions by the owners and operators of not only the oil and gas wells to which our oil and gas royalty interests relate, but also to other owners and operators in the Permian Basin as it relates to our other revenue streams, principally water sales, produced water royalties, easements and other surface-related revenue.

For a further overview of our business and business segments, see Item 1. “Business — General” in our Annual Report on Form 10-K for the year ended December 31, 2022.

### Market Conditions

Average oil and gas prices during the second quarter of 2023 have declined compared to quarterly average prices during 2022. Oil prices have been impacted by certain actions by OPEC+, uneven global supply and demand trends, and

Russia’s incursion into Ukraine, among other factors. Global and domestic natural gas markets have experienced volatility due to macroeconomic conditions, infrastructure and logistical constraints, weather, and geopolitical issues, among other factors. In 2023, domestic natural gas prices have declined in part to growing supply. Since mid-2022, the Waha Hub located in Pecos County, Texas has at times experienced significant negative price differentials relative to Henry Hub, located in Erath, Louisiana, due in part to growing local Permian natural gas production and limited natural gas pipeline takeaway capacity. Midstream infrastructure is currently under construction by operators to provide additional takeaway capacity, though the impact on future basis differentials will be dependent on future natural gas production and other factors. Industry supply chains and labor supply remain constrained, which has contributed to elevated inflation, among other factors. Changes in macro-economic conditions, including rising interest rates and lower global economic activity, could result in additional shifts in oil and gas supply and demand in future periods. Although our revenues are directly and indirectly impacted by changes in oil and natural gas prices, we believe our royalty interests (which require no capital expenditures or operating expense burden from us for well development), strong balance sheet, and liquidity position will help us navigate through potential commodity price volatility.

**Permian Basin Activity**

The Permian Basin is one of the oldest and most well-known hydrocarbon-producing areas and currently accounts for a substantial portion of oil and gas production in the United States, covering approximately 86,000 square miles in 52 counties across southeastern New Mexico and western Texas. Exploration and production (“E&P”) companies active in the Permian Basin have generally increased their drilling and development activity in 2023 compared to recent prior year activity levels. Per the U.S. Energy Information Administration (“EIA”), Permian production is currently in excess of 5.7 million barrels per day, which is higher than the average daily production of any year prior to 2023.

With our ownership concentration in the Permian Basin, our revenues are directly impacted by oil and gas pricing and drilling activity in the Permian Basin. Below are metrics for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>Oil and Gas Pricing Metrics:</i> <sup>(1)</sup>				
WTI Cushing average price per bbl	\$ 73.54	\$ 108.83	\$ 74.73	\$ 102.01
Henry Hub average price per mmbtu	\$ 2.16	\$ 7.53	\$ 2.40	\$ 6.08
<i>Activity Metrics specific to the Permian Basin:</i> <sup>(1)(2)</sup>				
Average monthly horizontal permits	576	621	633	606
Average monthly horizontal wells drilled	593	504	555	483
Average weekly horizontal rig count	338	321	338	293
DUCs as of June 30 for each applicable year	5,037	4,380	5,037	4,380
<i>Total Average US weekly horizontal rig count</i> <sup>(2)</sup>	650	656	674	615

(1) Commonly used definitions in the oil and gas industry provided in the table above are defined as follows: WTI Cushing represents West Texas Intermediate. Bbl represents one barrel of 42 U.S. gallons of oil. Mmbtu represents one million British thermal units, a measurement used for natural gas. DUCs represent drilled but uncompleted wells.

(2) Permian Basin specific information per Enverus analytics. US weekly horizontal rig counts per Baker Hughes United States Rotary Rig Count for horizontal rigs. Statistics for similar data are also available from other sources. The comparability between these other sources and the sources used by the Company may differ.

The metrics above show selected domestic benchmark oil and natural gas prices and approximate activity levels in the Permian Basin for the three and six months ended June 30, 2023 and 2022. Oil and gas prices in 2023 to date have decreased compared to the same period in 2022. Although E&P companies broadly continue to deploy capital at a measured pace, drilling and development activities across the Permian Basin have remained robust through the second quarter of 2023. As we are a significant landowner in the Permian Basin and not an oil and gas producer, our revenue is affected by the development decisions made by companies that operate in the areas where we own royalty interests and land. Accordingly, these decisions

made by others affect not only our production and produced water disposal volumes but also directly impact our surface-related income and water sales.

## **Liquidity and Capital Resources**

### *Overview*

Our principal sources of liquidity are cash and cash flows generated from our operations. Our primary liquidity and capital requirements are for capital expenditures related to our Water Services and Operations segment (the extent and timing of which are under our control), working capital and general corporate needs.

We continuously review our liquidity and capital resources. If market conditions were to change and our revenues were to decline significantly or operating costs were to increase significantly, our cash flows and liquidity could be reduced. Should this occur, we could seek alternative sources of funding. We have no debt or credit facilities, nor any off-balance sheet arrangements as of June 30, 2023.

As of June 30, 2023, we had cash and cash equivalents of \$609.3 million that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business, to repurchase our common stock, par value \$0.01 per share (the "Common Stock") subject to market conditions, to pay dividends subject to the discretion of our board of directors (the "Board") and for general corporate purposes. For the six months ended June 30, 2023, we repurchased \$26.2 million of our Common Stock (including share repurchases not settled at the end of the period), and we paid \$50.0 million in dividends to our stockholders. We believe that cash from operations, together with our cash and cash equivalents balances, will be sufficient to meet ongoing capital expenditures, working capital requirements and other cash needs for the foreseeable future.

During the six months ended June 30, 2023, we invested approximately \$5.0 million in Texas Pacific Water Resources LLC ("TPWR") projects to maintain and/or enhance our water sourcing assets.

### *Cash Flows from Operating Activities*

For the six months ended June 30, 2023 and 2022, net cash provided by operating activities was \$199.3 million and \$195.4 million, respectively. Our cash flow provided by operating activities is primarily from oil, gas and produced water royalties, water and land sales, and easements and other surface-related income. Cash flow used in operations generally consists of operating expenses associated with our revenue streams, general and administrative expenses and income taxes.

The increase in cash flows provided by operating activities for the six months ended June 30, 2023 compared to the same period of 2022 primarily related to decreases in income tax payments and working capital requirements during 2023 as compared to 2022.

### *Cash Flows Used in Investing Activities*

For the six months ended June 30, 2023 and 2022, net cash used in investing activities was \$27.7 million and \$8.3 million, respectively. Our cash flows used in investing activities are primarily related to land acquisitions and capital expenditures related to our water services and operations segment.

Acquisitions of land increased \$20.3 million for the six months ended June 30, 2023 compared to the same period of 2022 and were partially offset by a decrease of \$1.1 million in capital expenditures during the same time period.

### *Cash Flows Used in Financing Activities*

For the six months ended June 30, 2023 and 2022, net cash used in financing activities was \$77.3 million and \$225.6 million, respectively. Our cash flows used in financing primarily consist of activities which return capital to our stockholders such as payment of dividends and repurchases of our Common Stock.

During the six months ended June 30, 2023, we paid total dividends of \$50.0 million consisting of cumulative paid cash dividends of \$6.50 per share. During the six months ended June 30, 2022, we paid total dividends of \$201.0 million consisting of cumulative paid cash dividends of \$6.00 per share and special dividends of \$20.00 per share. During the six months ended June 30, 2023 and 2022, we repurchased \$26.2 million and \$25.5 million of our Common Stock, respectively (including share repurchases not settled at the end of the period).

**Results of Operations - Consolidated**

The following table shows our consolidated results of operations for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Oil and gas royalties	\$ 82,412	\$ 121,268	\$ 171,542	\$ 225,440
Water sales	37,648	22,272	59,377	41,092
Produced water royalties	20,841	18,669	40,975	33,539
Easements and other surface-related income	18,708	13,990	33,677	23,182
Land sales and other operating revenue	1,000	71	1,400	352
<b>Total revenues</b>	<b>160,609</b>	<b>176,270</b>	<b>306,971</b>	<b>323,605</b>
<b>Expenses:</b>				
Salaries and related employee expenses	10,596	9,588	21,189	18,973
Water service-related expenses	10,287	3,915	15,943	6,697
General and administrative expenses	3,329	3,674	6,884	6,641
Legal and professional fees	10,154	1,163	26,782	2,882
Ad valorem and other taxes	2,070	2,042	3,644	4,085
Depreciation, depletion and amortization	3,893	4,180	7,297	8,306
<b>Total operating expenses</b>	<b>40,329</b>	<b>24,562</b>	<b>81,739</b>	<b>47,584</b>
<b>Operating income</b>	<b>120,280</b>	<b>151,708</b>	<b>225,232</b>	<b>276,021</b>
Other income, net	6,871	630	12,260	706
<b>Income before income taxes</b>	<b>127,151</b>	<b>152,338</b>	<b>237,492</b>	<b>276,727</b>
Income tax expense	26,758	33,444	50,531	59,933
<b>Net income</b>	<b>\$ 100,393</b>	<b>\$ 118,894</b>	<b>\$ 186,961</b>	<b>\$ 216,794</b>

**For the Three Months Ended June 30, 2023 as Compared to the Three Months Ended June 30, 2022**
*Consolidated Revenues and Net Income:*

Total revenues decreased \$15.7 million, or 8.9%, to \$160.6 million for the three months ended June 30, 2023 compared to \$176.3 million for the three months ended June 30, 2022. This decrease was principally due to the \$38.9 million decrease in oil and gas royalty revenue and was partially offset by the combined increase of \$17.5 million in water sales and produced water royalties over the same period. Individual revenue line items are discussed below under "Segment Results of Operations." Net income of \$100.4 million for the three months ended June 30, 2023 was 15.6% lower than the comparable period of 2022 as a result of both the decrease in revenues discussed above and the increase in operating expenses discussed further below under "Consolidated Expenses."

*Consolidated Expenses:*

*Salaries and related employee expenses.* Salaries and related employee expenses were \$10.6 million for the three months ended June 30, 2023 compared to \$9.6 million for the comparable period of 2022. The increase in salaries and related employee expenses is principally related to an increase in number of employees and market compensation adjustments.

*Water service-related expenses.* Water service-related expenses increased \$6.4 million to \$10.3 million for the three months ended June 30, 2023 compared to the same period of 2022. Certain types of water-related expenses, including, but not limited to, transfer, treatment, and electricity, will vary from period to period as our customers' needs and requirements change. Water purchase, transfer, and treatment costs for the three months ended June 30, 2023 increased primarily due to heightened

sales activity compared to the same period of 2022. Additionally, higher demand for water within shorter time commitments and increases in cost due to inflation resulted in an increase in equipment rental and fuel expenses over the same time period.

*Legal and professional fees.* Legal and professional fees were \$10.2 million for the three months ended June 30, 2023 compared to \$1.2 million for the comparable period of 2022. The increase is principally related to legal expenses associated with stockholder matters. See further discussion in Part II, Other Information — Item 1. Legal Proceedings.

*Other income, net.* Other income, net was \$6.9 million and \$0.6 million for the three months ended June 30, 2023 and 2022, respectively. The increase in other income, net is primarily related to increased interest income earned on our cash balances as interest yields have risen during the three months ended June 30, 2023 compared to the same period of 2022.

*Total income tax expense.* Total income tax expense was \$26.8 million and \$33.4 million for the three months ended June 30, 2023 and 2022, respectively. The decrease in income tax expense is primarily related to decreased operating income resulting from decreased oil and gas royalty revenue and increased operating expenses.

#### **For the Six Months Ended June 30, 2023 as Compared to the Six Months Ended June 30, 2022**

##### *Consolidated Revenues and Net Income:*

Total revenues decreased \$16.6 million, or 5.1%, to \$307.0 million for the six months ended June 30, 2023 compared to \$323.6 million for the six months ended June 30, 2022. This decrease was principally due to the \$53.9 million decrease in oil and gas royalty revenue and was partially offset by the combined increase of \$25.7 million in water sales and produced water royalties over the same period. Individual revenue line items are discussed below under “Segment Results of Operations.” Net income of \$187.0 million for the six months ended June 30, 2023 was 13.8% lower than the comparable period of 2022, principally as a result of both the decrease in revenues discussed above and the increase in operating expenses discussed further below under “Consolidated Expenses.”

##### *Consolidated Expenses:*

*Salaries and related employee expenses.* Salaries and related employee expenses were \$21.2 million for the six months ended June 30, 2023 compared to \$19.0 million for the comparable period of 2022. This increase in salaries and related employee expenses is primarily related to an increase in number of employees and market compensation adjustments.

*Water service related expenses.* Water service-related expenses were \$15.9 million for the six months ended June 30, 2023 compared to \$6.7 million for the same period of 2022. Certain types of water-related expenses, including, but not limited to, transfer, treatment, and electricity, will vary from period to period as our customers’ needs and requirements change. Water purchase, transfer, and treatment expenses increased for the six months ended June 30, 2023 compared to the same period of 2022 principally as a result of heightened sales activity in 2023. Additionally, higher demand for water within shorter time commitments and increases in cost due to inflation resulted in an increase in equipment rental and fuel expenses over the same time period.

*Legal and professional fees.* Legal and professional fees were \$26.8 million for the six months ended June 30, 2023 compared to \$2.9 million for the comparable period of 2022. The increase is principally related to legal expenses associated with stockholder matters. See further discussion in Part II, Other Information — Item 1. Legal Proceedings.

*Other income, net.* Other income, net was \$12.3 million and \$0.7 million for the six months ended June 30, 2023 and 2022, respectively. The increase in other income, net is primarily related to increased interest income earned on our cash balances as interest yields have risen during 2023.

*Total income tax expense.* Total income tax expense was \$50.5 million and \$59.9 million for the six months ended June 30, 2023 and 2022, respectively. The decrease in income tax expense is primarily related to decreased operating income resulting from decreased oil and gas royalty revenue and increased operating expenses.

#### **Segment Results of Operations**

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

We evaluate the performance of our operating segments separately to monitor the different factors affecting financial results. The reportable segments presented are consistent with our reportable segments discussed in Note 11, “Business Segment Reporting” in the notes to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q. 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”).

Our oil and gas royalty revenue, and, in turn, our results of operations for the three and six months ended June 30, 2023 have been impacted by declining commodity prices compared to 2022. The decline in oil and gas royalty revenues has been largely offset by increases in revenues derived from water sales, easements and other surface-related income, and produced water royalties which have been positively impacted by ongoing development activity in the Permian Basin.

#### For the Three Months Ended June 30, 2023 as Compared to the Three Months Ended June 30, 2022

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

	Three Months Ended June 30,			
	2023		2022	
<i>Revenues:</i>				
Land and resource management:				
Oil and gas royalties	\$ 82,412	51 %	\$ 121,268	68 %
Easements and other surface-related income	17,908	11 %	12,046	7 %
Land sales and other operating revenue	1,000	1 %	71	— %
Total land and resource management revenue	101,320	63 %	133,385	75 %
Water services and operations:				
Water sales	37,648	24 %	22,272	13 %
Produced water royalties	20,841	13 %	18,669	11 %
Easements and other surface-related income	800	— %	1,944	1 %
Total water services and operations revenue	59,289	37 %	42,885	25 %
<i>Total consolidated revenues</i>	<u>\$ 160,609</u>	<u>100 %</u>	<u>\$ 176,270</u>	<u>100 %</u>
<i>Net income:</i>				
Land and resource management	\$ 69,633	69 %	\$ 96,074	81 %
Water services and operations	30,760	31 %	22,820	19 %
<i>Total consolidated net income</i>	<u>\$ 100,393</u>	<u>100 %</u>	<u>\$ 118,894</u>	<u>100 %</u>

#### Land and Resource Management

Land and Resource Management segment revenues decreased \$32.1 million, or 24.0%, to \$101.3 million for the three months ended June 30, 2023 as compared to the same period of 2022. The decrease in Land and Resource Management segment revenues is due to a \$38.9 million decrease in oil and gas royalty revenue for three months ended June 30, 2023 compared to the same period of 2022. The decrease in oil and gas royalty revenue was partially offset by an increase in easements and other surface-related income over the same time period.

*Oil and gas royalties.* Oil and gas royalty revenue was \$82.4 million for the three months ended June 30, 2023 compared to \$121.3 million for the three months ended June 30, 2022, a decrease of 32.0%. Oil and gas royalties decreased \$38.9 million due to lower average commodity prices for the three months ended June 30, 2023 compared to the same period of 2022. The average realized price declined 45.9% to \$38.04 per barrel of oil equivalent (“Boe”) for the three months ended June 30, 2023 from \$70.36 per Boe for the three months ended June 30, 2022. The decrease in the average realized price per Boe was partially offset by an increase in production volumes. Our share of production increased to 24.9 thousand Boe per day for the three months ended June 30, 2023 compared to 19.8 thousand Boe per day for the same period of 2022.

The financial and operational data by royalty stream is presented in the table below for the three months ended June 30, 2023 and 2022:

	Three Months Ended June 30,	
	2023	2022
<i>Our share of production volumes <sup>(1)</sup>:</i>		
Oil (MBbls)	1,000	813
Natural gas (MMcf)	3,782	2,912
NGL (MBbls)	638	507
Equivalents (MBoe)	2,269	1,805
Equivalents per day (MBoe/d)	24.9	19.8
<i>Oil and gas royalty revenue (in thousands):</i>		
Oil royalties	\$ 70,183	\$ 83,966
Natural gas royalties	3,775	17,650
NGL royalties	8,454	19,652
Total oil and gas royalties	\$ 82,412	\$ 121,268
<i>Realized prices:</i>		
Oil (\$/Bbl)	\$ 73.46	\$ 108.16
Natural gas (\$/Mcf)	\$ 1.08	\$ 6.55
NGL (\$/Bbl)	\$ 14.33	\$ 41.93
Equivalents (\$/Boe)	\$ 38.04	\$ 70.36

(1) Commonly used definitions in the oil and gas industry not previously defined: Boe represents barrels of oil equivalent. MBbls represents one thousand barrels of crude oil, condensate or NGLs. Mcf represents one thousand cubic feet of natural gas. MMcf represents one million cubic feet of natural gas. MBoe represents one thousand Boe. MBoe/d represents one thousand Boe per day.

*Easements and other surface-related income.* Easements and other surface-related income was \$17.9 million for the three months ended June 30, 2023, an increase of 48.7% compared to \$12.0 million for the three months ended June 30, 2022. Easements and other surface-related income includes revenue related to the use and crossing of our land for oil and gas exploration and production, renewable energy, and agricultural operations. The increase in easements and other surface-related income is principally related to increases of \$2.4 million in pipeline easements, \$1.8 million in material sales, and \$0.7 million in commercial leases for the three months ended June 30, 2023 compared to the same period of 2022. The amount of income derived from pipeline easements is a function of the term of the easement, the size of the easement, and the number of easements entered into for any given period. Easements and other surface-related income is dependent on development decisions made by companies that operate in the areas where we own land and is, therefore, unpredictable and may vary significantly from period to period. See “Market Conditions” above for additional discussion of development activity in the Permian Basin during the three months ended June 30, 2023.

*Land sales and other operating revenue.* Land sales and other operating revenue was \$1.0 million and \$0.1 million for the three months ended June 30, 2023 and 2022, respectively. For the three months ended June 30, 2023, we sold 34 acres of land for an aggregate sales price of \$1.0 million. We did not sell any land during the three months ended June 30, 2022.

*Net income.* Net income for the Land and Resource Management segment was \$69.6 million for the three months ended June 30, 2023 compared to \$96.1 million for the three months ended June 30, 2022. Segment operating income decreased \$41.1 million for the three months ended June 30, 2023 compared to the same period of 2022, largely driven by the \$38.9 million decrease in oil and gas royalty revenue and the \$9.0 million increase in legal and professional fees. These changes were partially offset by an \$8.5 million decrease in income tax expense and a \$6.2 million increase in other income, net over the same time periods. Expenses are discussed further above under “Results of Operations.”

### ***Water Services and Operations***

Water Services and Operations segment revenues increased 38.3% to \$59.3 million for the three months ended June 30, 2023 as compared with revenues of \$42.9 million for the same period of 2022. The increase in Water Services and Operations segment revenues is due to increases in water sales revenue and produced water royalties, which are discussed below. As discussed in “Market Conditions” above, our segment revenues are directly influenced by development decisions made by our customers and the overall activity level in the Permian Basin. Accordingly, our segment revenues and sales volumes, as further discussed below, will fluctuate from period to period based upon those decisions and activity levels.

*Water sales.* Water sales revenue increased \$15.4 million to \$37.6 million for the three months ended June 30, 2023, compared to the same period of 2022. The growth in water sales is principally due to an increase of approximately 38.5% in water sales volumes for the three months ended June 30, 2023, compared to the same period of 2022. This increase in volumes is partially attributable to increased activity in contracted areas of mutual interests (“AMI”).

*Produced water royalties.* Produced water royalties are received from the transfer or disposal of produced water on our land. Produced water royalties are contractual and not paid as a matter of right. We do not operate any saltwater disposal wells. Produced water royalties were \$20.8 million for the three months ended June 30, 2023 compared to \$18.7 million for the same period in 2022. This increase is principally due to increased produced water volumes for the three months ended June 30, 2023 compared to the same period of 2022.

*Easements and other surface-related income.* Easements and other surface-related income was \$0.8 million for the three months ended June 30, 2023, a decrease of \$1.1 million compared to the same period in 2022. The decrease in easements and other surface-related income relates to a decrease in temporary permits for sourced water lines for the three months ended June 30, 2023, compared to the same period in 2022.

*Net income.* Net income for the Water Services and Operations segment was \$30.8 million for the three months ended June 30, 2023 compared to \$22.8 million for the three months ended June 30, 2022. Segment operating income increased \$9.7 million for the three months ended June 30, 2023 compared to the same period of 2022. The increase is principally due to the \$16.4 million increase in segment revenues and was partially offset by the \$6.4 million increase in water service-related expenses and the \$1.8 million increase in income tax expense. Expenses are discussed further above under “Results of Operations.”



**For the Six Months Ended June 30, 2023 as Compared to the Six Months Ended June 30, 2022**

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

	<b>Six Months Ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
<i>Revenues:</i>				
Land and resource management:				
Oil and gas royalty revenue	\$ 171,542	56 %	\$ 225,440	70 %
Easements and other surface-related income	32,401	11 %	20,940	6 %
Land sales and other operating revenue	1,400	— %	352	— %
Total land and resource management revenue	<u>205,343</u>	<u>67 %</u>	<u>246,732</u>	<u>76 %</u>
Water services and operations:				
Water sales	59,377	20 %	41,092	13 %
Produced water royalties	40,975	13 %	33,539	10 %
Easements and other surface-related income	1,276	— %	2,242	1 %
Total water services and operations revenue	<u>101,628</u>	<u>33 %</u>	<u>76,873</u>	<u>24 %</u>
<i>Total consolidated revenues</i>	<u>\$ 306,971</u>	<u>100 %</u>	<u>\$ 323,605</u>	<u>100 %</u>
<i>Net income:</i>				
Land and resource management	\$ 134,976	72 %	\$ 177,230	82 %
Water services and operations	51,985	28 %	39,564	18 %
<i>Total consolidated net income</i>	<u>\$ 186,961</u>	<u>100 %</u>	<u>\$ 216,794</u>	<u>100 %</u>

**Land and Resource Management**

Land and Resource Management segment revenues decreased 16.8% to \$205.3 million for the six months ended June 30, 2023 as compared with \$246.7 million for the comparable period of 2022. The decrease in Land and Resource Management segment revenues is principally due to the \$53.9 million decrease in oil and gas royalty revenue, as discussed further below.

*Oil and gas royalties.* Oil and gas royalty revenue was \$171.5 million for the six months ended June 30, 2023 compared to \$225.4 million for the six months ended June 30, 2022, a decrease of \$53.9 million. Oil and gas royalties for the six months ended June 30, 2023 included an \$8.7 million recovery, discussed further in the following paragraph. Excluding the \$8.7 million recovery, oil and gas royalties decreased \$62.6 million due to lower average commodity prices in the six months ended June 30, 2023 compared to the same period of 2022. Our share of crude oil, natural gas and NGL production volumes was 22.9 thousand Boe per day for the six months ended June 30, 2023 compared to 20.3 thousand Boe per day for the same period of 2022. The average realized prices were \$74.24 per barrel of oil, \$2.25 per Mcf of natural gas, and \$19.34 per barrel of NGL, for a total equivalent price of \$41.08 per Boe for the six months ended June 30, 2023, a decrease of 36.0% over a total equivalent price of \$64.22 per Boe for the same period of 2022.

As part of an ongoing arbitration between TPL and an operator with respect to underpayment of oil and gas royalties resulting from improper deductions of post-production costs for periods before and through April 2022, the operator has agreed to pay \$8.7 million to TPL (the “\$8.7 Million Stipulation”). This amount has been recorded as a receivable and included in oil and gas royalty revenue in the condensed consolidated income statement and in the table above for the six months ended June 30, 2023.

The table below provides financial and operational data by royalty stream for the six months ended June 30, 2023 and 2022 and excludes the \$8.7 Million Stipulation discussed above:

	Six Months Ended June 30,	
	2023	2022
<i>Our share of production volumes <sup>(1)</sup>:</i>		
Oil (MBbls)	1,792	1,609
Natural gas (MMcf)	7,088	6,191
NGL (MBbls)	1,177	1,035
Equivalents (MBoe)	4,151	3,676
Equivalents per day (MBoe/d)	22.9	20.3
<i>Oil and gas royalty revenue (in thousands)<sup>(1)</sup>:</i>		
Oil royalties	\$ 127,077	\$ 155,647
Natural gas royalties	14,731	33,825
NGL royalties	21,069	35,968
Total oil and gas royalties	<u>\$ 162,877</u>	<u>\$ 225,440</u>
<i>Realized prices<sup>(1)</sup>:</i>		
Oil (\$/Bbl)	\$ 74.24	\$ 101.27
Natural gas (\$/Mcf)	\$ 2.25	\$ 5.91
NGL (\$/Bbl)	\$ 19.34	\$ 37.59
Equivalents (\$/Boe)	\$ 41.08	\$ 64.22

(1) The metrics provided exclude the impact of the \$8.7 Million Stipulation discussed above.

*Easements and other surface-related income.* Easements and other surface-related income was \$32.4 million for the six months ended June 30, 2023, an increase of 54.7% compared to \$20.9 million for the six months ended June 30, 2022. Easements and other surface-related income includes revenue related to the use and crossing of our land for oil and gas exploration and production, renewable energy, and agricultural operations. The increase in easements and other surface-related income is principally related to increases of \$4.1 million in pipeline easement income, \$4.0 million in material sales, and \$1.0 million in commercial lease revenue for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The amount of income derived from pipeline easements is a function of the term of the easement, the size of the easement and the number of easements entered into for any given period. Easements and other surface-related income is dependent on development decisions made by companies that operate in the areas where we own land and is therefore, unpredictable and may vary significantly from period to period. See “Market Conditions” above for additional discussion of development activity in the Permian Basin during the six months ended June 30, 2023 relative to the same time period of 2022.

*Land sales and other operating revenue.* Land sales and other operating revenue was \$1.4 million and \$0.4 million for the six months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023, we sold 43 acres of land for an aggregate sales price of approximately \$1.4 million. For the six months ended June 30, 2022, there were no significant land sales.

*Net income.* Net income for the Land and Resource Management segment decreased 23.8% to \$135.0 million for the six months ended June 30, 2023 compared to \$177.2 million for the comparable period in 2022. Segment operating income decreased \$66.2 million for the six months ended June 30, 2023 compared to the same period of 2022, largely driven by the \$53.9 million decrease in oil and gas royalty revenue and the \$23.7 million increase in legal and professional fees. These changes were partially offset by a \$12.5 million decrease in income tax expense and an \$11.4 million increase in other income, net over the same time periods. Expenses are discussed further above under “Results of Operations — Consolidated.”

### ***Water Services and Operations***

Water Services and Operations segment revenues increased 32.2% to \$101.6 million for the six months ended June 30, 2023 as compared with \$76.9 million for the comparable period of 2022. The increase in Water Services and Operations segment revenues is principally due to increases in water sales revenue and produced water royalties, which are discussed below. As discussed in “Market Conditions” above, our segment revenues are directly influenced by development decisions made by our customers and the overall activity level in the Permian Basin. Accordingly, our segment revenues and sales volumes, as further discussed below, will fluctuate from period to period based upon those decisions and activity levels.

*Water sales.* Water sales revenue increased \$18.3 million to \$59.4 million for the six months ended June 30, 2023 compared to the same period of 2022. The growth in water sales is principally due to an increase of approximately 30.8% in water sales volumes for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. This increase in volumes is partially attributable to increased activity in contracted AMI.

*Produced water royalties.* Produced water royalties are royalties received from the transfer or disposal of produced water on our land. Produced water royalties are contractual and not paid as a matter of right. We do not operate any salt water disposal wells. Produced water royalties were \$41.0 million for the six months ended June 30, 2023 compared to \$33.5 million compared to the same period in 2022. This increase is principally due to increased produced water volumes for the six months ended June 30, 2023 compared to the same period of 2022.

*Easements and other surface-related income.* Easements and other surface-related income was \$1.3 million and \$2.2 million for the six months ended June 30, 2023 and 2022, respectively. The decrease in easements and other surface-related income relates to a decrease in temporary permits for sourced water lines for the six months ended June 30, 2023 compared to the same period in 2022.

*Net income.* Net income for the Water Services and Operations segment was \$52.0 million for the six months ended June 30, 2023 compared to \$39.6 million for the same period in 2022. Segment operating income increased \$15.4 million for the six months ended June 30, 2023 compared to the same period of 2022. The increase is principally due to the \$24.8 million increase in segment revenues and was partially offset by the \$9.2 million increase in water service-related expenses and the \$3.1 million increase in income tax expense. Expenses are discussed further above under “Results of Operations — Consolidated.”

### **Non-GAAP Performance Measures**

In addition to amounts presented in accordance with generally accepted accounting principles in the United States of America (“GAAP”), we also present certain supplemental non-GAAP performance measurements. These measurements are not to be considered more relevant or accurate than the measurements presented in accordance with GAAP. In compliance with the requirements of the SEC, our non-GAAP measurements are reconciled to net income, the most directly comparable GAAP performance measure. For all non-GAAP measurements, neither the SEC nor any other regulatory body has passed judgment on these non-GAAP measurements.

#### *EBITDA, Adjusted EBITDA and Free Cash Flow*

EBITDA is a non-GAAP financial measurement of earnings before interest, taxes, depreciation, depletion and amortization. Its purpose is to highlight earnings without finance, taxes, and depreciation, depletion and amortization expense, and its use is limited to specialized analysis. We calculate Adjusted EBITDA as EBITDA excluding employee share-based compensation. Its purpose is to highlight earnings without non-cash activity such as share-based compensation and/or other non-recurring or unusual items. We calculate Free Cash Flow as Adjusted EBITDA less current income tax expense and capital expenditures. Its purpose is to provide an additional measure of operating performance. We have presented EBITDA, Adjusted EBITDA and Free Cash Flow because we believe that these metrics are useful supplements to net income in analyzing the Company's operating performance. Our definitions of Adjusted EBITDA and Free Cash Flow may differ from computations of similarly titled measures of other companies.

The following table presents a reconciliation of net income to EBITDA, Adjusted EBITDA and Free Cash Flow for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 100,393	\$ 118,894	\$ 186,961	\$ 216,794
<i>Add:</i>				
Income tax expense	26,758	33,444	50,531	59,933
Depreciation, depletion and amortization	3,893	4,180	7,297	8,306
<b>EBITDA</b>	131,044	156,518	244,789	285,033
<i>Add:</i>				
Employee share-based compensation	2,559	1,760	4,715	3,079
<b>Adjusted EBITDA</b>	133,603	158,278	249,504	288,112
<i>Less:</i>				
Current income tax expense	(27,125)	(33,992)	(51,204)	(60,887)
Capital expenditures	(1,371)	(7,342)	(5,144)	(10,347)
<b>Free Cash Flow</b>	\$ 105,107	\$ 116,944	\$ 193,156	\$ 216,878

### Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. For a full discussion of our accounting policies please refer to Note 2 to the Consolidated Financial Statements included in our 2022 Annual Report on Form 10-K filed with the SEC on February 22, 2023.

There have been no material changes to our critical accounting policies or in the estimates and assumptions underlying those policies, from those provided in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our 2022 Annual Report on Form 10-K.

### New Accounting Pronouncements

For further information regarding recently issued accounting pronouncements, see Note 2, “Summary of Significant Accounting Policies” in the notes to the condensed consolidated financial statements included in [Item 1. “Financial Statements”](#) in this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes in the information related to market risk of the Company since December 31, 2022.

**Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

Our management, under the supervision and with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), performed an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15 under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

There have been no changes during the quarter ended June 30, 2023 in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II  
OTHER INFORMATION**

**Item 1. Legal Proceedings.**

TPL is not involved in any material pending legal proceedings other than the item disclosed below.

On November 23, 2022, TPL filed a complaint in Delaware Chancery Court (“the Court”) against Horizon Kinetics, LLC, Horizon Kinetics Asset Management LLC, SoftVest Advisors LLC, and SoftVest, L.P. (collectively, the “Stockholder Defendants”) under the caption Texas Pacific Land Corporation v. Horizon Kinetics LLC, Horizon Kinetics Asset Management LLC, SoftVest Advisors, LLC, and SoftVest L.P. (C.A. No. 2022-1066-JTL) (the “Action”). Horizon Kinetics LLC and Horizon Kinetics Asset Management LLC are affiliated with Murray Stahl, a member of the Board, and Softvest Advisors, LLC and SoftVest L.P. are affiliated with Eric Oliver, a member of the Board. TPL filed the Action to resolve a disagreement with the Stockholder Defendants over their voting commitments pursuant to the Stockholders’ Agreement with the Company. A trial was held on April 17, 2023, and post-trial oral arguments occurred on June 30, 2023. No ruling has been issued as of this date.

**Item 1A. Risk Factors.**

There have been no material changes in the risk factors previously disclosed in response to Part I, Item 1A. “Risk Factors” set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 22, 2023.

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

During the three months ended June 30, 2023, the Company repurchased shares as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
April 1 through April 30, 2023	1,142	\$ 1,645	1,142	
May 1 through May 31, 2023	8,043	1,349	8,043	
June 1 through June 30, 2023	4,990	1,365	4,990	
<b>Total</b>	<b>14,175</b>	<b>\$ 1,379</b>	<b>14,175</b>	<b>\$ 223,775,340</b>

(1) On November 1, 2022, our Board approved a stock repurchase program to purchase up to an aggregate of \$250 million of our outstanding Common Stock effective beginning January 1, 2023. The Company intends to purchase stock under the repurchase program opportunistically with funds generated by cash from operations. This repurchase program may be suspended from time to time, modified, extended or discontinued by the Board at any time. Purchases under the stock repurchase program may be made through a combination of open market repurchases in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended, privately negotiated transactions, and/or other transactions at the Company’s discretion, including under a Rule 10b5-1 trading plan implemented by the Company, and will be subject to market conditions, applicable legal requirements and other factors.

**Item 3. Defaults Upon Senior Securities**

Not applicable

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

Item 6. Exhibits and Financial Statement Schedules.

EXHIBIT INDEX

<b><u>EXHIBIT NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
<a href="#">31.1*</a>	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer.</a>
<a href="#">31.2*</a>	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer.</a>
<a href="#">32.1*</a>	<a href="#">Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2*</a>	<a href="#">Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	The following information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Income and Total Comprehensive Income, (iii) Condensed Consolidated Statements of Cash Flows and (iv) Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in iXBRL.

\* Filed or furnished herewith.

**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 CORPORATION  
(Registrant)

Date: August 2, 2023

By: /s/ Tyler Glover  
Tyler Glover  
President, Chief Executive Officer and Director

Date: August 2, 2023

By: /s/ Chris Steddum  
Chris Steddum  
Chief Financial Officer



## CERTIFICATION

I, Tyler Glover, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Texas Pacific Land Corporation;
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: August 2, 2023

By: /s/ Tyler Glover

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Tyler Glover, President and  
Chief Executive Officer

## CERTIFICATION

I, Chris Steddum, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Texas Pacific Land Corporation;
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: August 2, 2023

By: /s/ Chris Steddum  
Chris Steddum, 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 June 30, 2023 of Texas Pacific Land Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Tyler Glover, Chief Executive Officer of the Company, 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 Company.

Date: August 2, 2023

By: /s/ Tyler Glover  
Tyler Glover, President 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 June 30, 2023 of Texas Pacific Land Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Chris Steddum, Chief Financial Officer of the Company, 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 Company.

Date: August 2, 2023

By: /s/ Chris Steddum  
Chris Steddum, Chief Financial Officer