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

# FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
**For the quarterly period ended September 30, 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:** | **IRS Employer Identification No.:** |
|---|---|
| Delaware | 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 | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer (Do not check if a smaller reporting company) | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

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

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

As of October 30, 2023, the Registrant had7,674,867 shares of Common Stock, $0.01 par value, outstanding.

**TEXAS PACIFIC LAND CORPORATION**
**Form 10-Q**
**For the Quarter Ended September 30, 2023**
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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 654,158 | $ 510,834 |
| Accounts receivable and accrued receivables, net | 126,215 | 103,983 |
| Prepaid expenses and other current assets | 5,105 | 7,427 |
| Tax like-kind exchange escrow | 5,380 | 6,348 |
| Prepaid income taxes | — | 4,809 |
| Total current assets | 790,858 | 633,401 |
| Real estate acquired | 130,024 | 109,704 |
| Property, plant and equipment, net | 86,600 | 85,478 |
| Royalty interests acquired, net | 47,213 | 45,025 |
| Intangible assets, net | 21,308 | — |
| 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 | — | — |
| Other assets | 3,315 | 3,819 |
| Total assets | $ 1,079,318 | $ 877,427 |
| **LIABILITIES AND EQUITY** | | |
| Accounts payable and accrued expenses | $ 29,027 | $ 23,443 |
| Ad valorem and other taxes payable | 7,960 | 8,497 |
| Income taxes payable | 4,281 | 3,167 |
| Unearned revenue | 6,102 | 4,488 |
| Total current liabilities | 47,370 | 39,595 |
| Deferred taxes payable | 40,117 | 41,151 |
| Unearned revenue - noncurrent | 25,664 | 21,708 |
| Accrued liabilities - noncurrent | 1,609 | 2,086 |
| Total liabilities | 114,760 | 104,540 |
| Commitments and contingencies | — | — |
| Equity: | | |
| Preferred stock, $0.01 par value; 1,000,000 shares authorized, none outstanding as of September 30, 2023 and December 31, 2022 | — | — |
| Common stock, $0.01 par value; 7,756,156 shares authorized and 7,675,994 and 7,695,679 outstanding as of September 30, 2023 and December 31, 2022, respectively | 78 | 78 |
| Treasury stock, at cost; 80,162 and 60,477 shares as of September 30, 2023 and December 31, 2022, respectively | (133,852) | (104,139) |
| Additional paid-in capital | 12,382 | 8,293 |
| Accumulated other comprehensive income | 2,439 | 2,516 |
| Retained earnings | 1,083,511 | 866,139 |
| Total equity | 964,558 | 772,887 |
| Total liabilities and equity | $ 1,079,318 | $ 877,427 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Revenues: | | | | |
| Oil and gas royalties | $ 87,102 | $ 130,298 | $ 258,644 | $ 355,738 |
| Water sales | 26,422 | 24,426 | 85,799 | 65,518 |
| Produced water royalties | 20,849 | 19,129 | 61,824 | 52,668 |
| Easements and other surface-related income | 18,188 | 14,129 | 51,865 | 37,311 |
| Land sales and other operating revenue | 5,406 | 3,129 | 6,806 | 3,481 |
| Total revenues | 157,967 | 191,111 | 464,938 | 514,716 |
| | | | | |
| Expenses: | | | | |
| Salaries and related employee expenses | 11,499 | 10,697 | 32,688 | 29,670 |
| Water service-related expenses | 8,553 | 6,348 | 24,496 | 13,045 |
| General and administrative expenses | 3,903 | 3,120 | 10,787 | 9,761 |
| Legal and professional fees | 1,689 | 2,106 | 28,471 | 4,988 |
| Ad valorem and other taxes | 1,781 | 2,868 | 5,425 | 6,953 |
| Depreciation, depletion and amortization | 3,584 | 3,917 | 10,881 | 12,223 |
| Total operating expenses | 31,009 | 29,056 | 112,748 | 76,640 |
| | | | | |
| Operating income | 126,958 | 162,055 | 352,190 | 438,076 |
| | | | | |
| Other income, net | 7,979 | 1,920 | 20,239 | 2,626 |
| Income before income taxes | 134,937 | 163,975 | 372,429 | 440,702 |
| Income tax expense | 29,363 | 34,138 | 79,894 | 94,071 |
| Net income | $ 105,574 | $ 129,837 | $ 292,535 | $ 346,631 |
| | | | | |
| Other comprehensive (loss) income — periodic pension costs, net of income taxes for the three and nine months ended September 30, 2023 and 2022 of $7, $3, $21, and $8, respectively | (26) | 8 | (77) | 24 |
| Total comprehensive income | $ 105,548 | $ 129,845 | $ 292,458 | $ 346,655 |
| | | | | |
| Net income per share of common stock | | | | |
| Basic | $ 13.75 | $ 16.83 | $ 38.07 | $ 44.84 |
| Diluted | $ 13.74 | $ 16.82 | $ 38.04 | $ 44.82 |
| | | | | |
| Weighted average number of shares of common stock outstanding | | | | |
| Basic | 7,675,521 | 7,714,796 | 7,684,691 | 7,729,866 |
| Diluted | 7,681,774 | 7,720,221 | 7,690,985 | 7,733,505 |
| | | | | |
| Cash dividends per share of common stock | $ 3.25 | $ 3.00 | $ 9.75 | $ 29.00 |

See accompanying notes to condensed consolidated financial statements.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2023** | **2022** |
| Cash flows from operating activities: | | |
| Net income | $ 292,535 | $ 346,631 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Deferred taxes | (1,034) | (840) |
| Depreciation, depletion and amortization | 10,881 | 12,223 |
| Share-based compensation | 8,112 | 5,616 |
| Changes in operating assets and liabilities: | | |
| Operating assets, excluding income taxes | (19,554) | (45,065) |
| Operating liabilities, excluding income taxes | 9,995 | 16,901 |
| Income taxes payable | 1,114 | (20,821) |
| Prepaid income taxes | 4,809 | — |
| Cash provided by operating activities | 306,858 | 314,645 |
| | | |
| Cash flows from investing activities: | | |
| Acquisition of intangible assets | (21,403) | — |
| Acquisition of real estate | (20,320) | (12) |
| Acquisition of royalty interests | (3,566) | (1,662) |
| Purchase of fixed assets | (10,630) | (13,023) |
| Proceeds from sale of fixed assets | 5 | 106 |
| Cash used in investing activities | (55,914) | (14,591) |
| | | |
| Cash flows from financing activities: | | |
| Dividends paid | (74,979) | (224,130) |
| Repurchases of common stock | (32,325) | (57,578) |
| Shares exchanged for tax withholdings | (1,284) | — |
| Cash used in financing activities | (108,588) | (281,708) |
| | | |
| Net increase in cash, cash equivalents and restricted cash | 142,356 | 18,346 |
| Cash, cash equivalents and restricted cash, beginning of period | 517,182 | 428,242 |
| Cash, cash equivalents and restricted cash, end of period | $ 659,538 | $ 446,588 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid | $ 74,984 | $ 115,609 |
| Supplemental non-cash investing and financing information: | | |
| Nonmonetary exchange of assets | $ — | $ 4,174 |
| Increase in accounts payable related to capital expenditures | $ (243) | $ (868) |
| Share repurchases and associated excise taxes not settled at the end of the period | $ 481 | $ 1,090 |
| Operating lease right-of-use assets | $ — | $ 1,364 |

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 868,000 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 Company's 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 September 30, 2023 and the results of its operations for the three and nine months ended September 30, 2023 and 2022, respectively, and its cash flows for the nine months ended September 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 12, "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 September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 654,158 | $ 510,834 |
| Tax like-kind exchange escrow | 5,380 | 6,348 |
| Total cash, cash equivalents and restricted cash shown in the statement of cash flows | $ 659,538 | $ 517,182 |

***Intangible Assets, Net***

Intangible assets include a saltwater disposal easement and acquired groundwater rights. When the Company acquires intangible assets that are attached to real estate and/or other tangible assets, an allocation of the total purchase price, including any direct costs of the acquisition, is made at the date of acquisition based on the estimated relative fair values of the assets acquired.

Intangible assets are amortized on a straight-line basis over their estimated useful lives, with remaining useful lives from15 to 20 years. Intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. In such event, the fair value of the asset is determined using an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, a loss for the difference between the carrying value and the estimated fair value of the intangible asset is recognized in the statement of income.

***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 nine months ended September 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 $33,000 and $97,000 of property taxes previously included in general and administrative expenses to ad valorem and other taxes for the three and nine months ended September 30, 2022, respectively.

## 3. Real Estate Activity

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

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Number of Acres | Net Book Value | Number of Acres | Net Book Value |
| Land (surface rights) [1] | 798,999 | $ — | 817,060 | $ — |
| Real estate acquired | 69,447 | 130,024 | 57,306 | 109,704 |
| Total real estate situated in Texas | 868,446 | $ 130,024 | 874,366 | $ 109,704 |

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

*Land Sales*

For the nine months ended September 30, 2023, we sold18,061 acres of land in Texas for an aggregate sales price of $6.8 million. For the nine months ended September 30, 2022, we sold 129 acres of land in Texas for an aggregate sales price of $3.3 million. There was no carrying value in the land associated with these sales.

*Land Acquisitions*

For the nine months ended September 30, 2023, we acquired12,141 acres of land in Texas for an aggregate purchase price of $20.0 million. There were no significant land acquisitions for the nine months ended September 30, 2022.

## 4. Property, Plant and Equipment

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Property, plant and equipment, at cost: | | |
| Water service-related assets | $ 135,293 | $ 125,166 |
| Furniture, fixtures and equipment | 9,907 | 9,718 |
| Other | 598 | 598 |
| Total property, plant and equipment, at cost | 145,798 | 135,482 |
| Less: accumulated depreciation | (59,198) | (50,004) |
| Property, plant and equipment, net | $ 86,600 | $ 85,478 |

Depreciation expense was $3.0 million and $3.6 million for the three months ended September 30, 2023 and 2022, respectively. Depreciation expense was $9.3 million and $11.4 million for the nine months ended September 30, 2023 and 2022, respectively.

## 5. Oil and Gas Royalty Interests

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Oil and gas royalty interests: | | |
| 1/16th nonparticipating perpetual royalty interests[(1)] | $ — | $ — |
| 1/128th nonparticipating perpetual royalty interests[(1)] | — | — |
| Royalty interests acquired, at cost | 51,494 | 47,928 |
| Total royalty interests | 51,494 | 47,928 |
| Less: accumulated depletion | (4,281) | (2,903) |
| Royalty interests, net | $ 47,213 | $ 45,025 |

*(1) Royalty interests assigned through the Declaration of Trust.*

*Acquisitions*

For the nine months ended September 30, 2023, we acquired oil and gas royalty interests in119 net royalty acres (normalized to 1/8th) for an aggregate purchase price of approximately $3.6 million. For the nine months ended September 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 $0.5 million and $0.3 million for the three months ended September 30, 2023 and 2022, respectively. Depletion expense was $1.4 million and $0.7 million for the nine months ended September 30, 2023 and 2022, respectively.

## 6. Intangible Assets

Intangible assets, net consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Intangible assets, at cost: | | |
| Saltwater disposal easement | $ 17,557 | $ — |
| Groundwater rights acquired | 3,846 | — |
| Total intangible assets, at cost[(1)] | 21,403 | — |
| Less: accumulated amortization | (95) | — |
| Intangible assets, net | $ 21,308 | $ — |

*(1) The remaining weighted average amortization period for total intangible assets was 19.0 years as of September 30, 2023.*

*Acquisitions*

For the nine months ended September 30, 2023, we acquired a saltwater disposal easement and groundwater rights in separate transactions for an aggregate cost of approximately $21.4 million. We had no intangible assets as of December 31, 2022.

Amortization of intangible assets was $0.1 million for the three and nine months ended September 30, 2023. The estimated future annual amortization expense of intangible assets is $0.4 million for the remainder of 2023, $1.1 million for 2024, $1.1 million for 2025, $1.1 million for 2026, $1.1 million for 2027, $1.1 million for 2028 and $15.4 million thereafter.

## 7. 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.

On October 31, 2023,the 2021 Plan was amended to revise the definitions of Cause, Change in Control, and Good Reason to align these definitions with the definitions provided in an employee’s employment agreement and any severance plan maintained by the Company. In addition, the related forms of Restricted Stock Unit Award Agreement, RTSR performance Unit Award Agreement and FCF/Share Performance Unit Award Agreement were adjusted.

On October 31, 2023, the 2021 Directors Plan was amended to (i) eliminate the one year vesting provision for annual grants and (ii) provide that certain plan administrative functions will be responsibility of the Compensation Committee of the Company’s board of directors, including determining grant recipients, establishing grant terms and conditions, and adopting certain amendments to the plan.

*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 September 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 nine months ended September 30, 2023 and 2022:

| | Nine Months Ended September 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 [(1)] | 1,337 | $ 1,252 | 5,612 | $ 1,323 | 3,330 | $ 1,252 | — | $ — |
| Granted [(2)] | — | — | 2,848 | 1,924 | — | — | 5,612 | 1,323 |
| Vested [(3)] | — | — | (1,864) | 1,324 | — | — | — | — |
| Cancelled and forfeited | — | — | — | — | — | — | — | — |
| Nonvested at end of period | 1,337 | $ 1,252 | 6,596 | $ 1,583 | 3,330 | $ 1,252 | 5,612 | $ 1,323 |

*(1) 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) RSUs vest in one-third increments over a three-year period.*

*(3) Of the 1,864 shares that vested during the nine months ended September 30, 2023, 669 shares were surrendered upon vesting by employees to the Company to settle tax withholdings.*

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

| | Nine Months Ended September 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 [(1)] | 2,394 | $ 1,355 | — | $ — |
| Granted [(2)] | 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 is10,000 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 September 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 nine months ended September 30, 2023 and 2022:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Number of RSAs | Weighted-Average Grant-Date Fair Value per Share | Number of RSAs | Weighted-Average Grant-Date Fair Value per Share |
| Nonvested at beginning of period | 699 | $ 1,281 | — | $ — |
| Granted [(1)] | 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) RSAs vest on the first anniversary of the grant date.*

*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):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Salaries and related employee expenses (employee awards) | $ 2,502 | $ 1,910 | $ 7,217 | $ 4,989 |
| General and administrative expenses (director awards) | 287 | 211 | 895 | 627 |
| Total share-based compensation expense [(1)] | $ 2,789 | $ 2,121 | $ 8,112 | $ 5,616 |

*(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 September 30, 2023 and 2022, respectively. The Company recognized a tax benefit of $1.7 million and $1.2 million related to share-based compensation for the nine months ended September 30, 2023 and 2022, respectively.*

As of September 30, 2023, there was $11.4 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 1.3 years.

## 8. Income Taxes

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Income before income taxes | $ 134,937 | $ 163,975 | $ 372,429 | $ 440,702 |
| Income tax expense | $ 29,363 | $ 34,138 | $ 79,894 | $ 94,071 |
| Effective tax rate | 21.8 % | 20.8 % | 21.5 % | 21.3 % |

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.

**9. 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 nine months ended September 30, 2023 and 2022 (in thousands, except number of shares and per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income | $ 105,574 | $ 129,837 | $ 292,535 | $ 346,631 |
| Basic earnings per share: | | | | |
| Weighted average shares outstanding for basic earnings per share | 7,675,521 | 7,714,796 | 7,684,691 | 7,729,866 |
| Basic earnings per share | $ 13.75 | $ 16.83 | $ 38.07 | $ 44.84 |
| Diluted earnings per share: | | | | |
| Weighted average shares outstanding for basic earnings per share | 7,675,521 | 7,714,796 | 7,684,691 | 7,729,866 |
| Effect of dilutive securities: | | | | |
| Incentive and equity compensation plans | 6,253 | 5,425 | 6,294 | 3,639 |
| Weighted average shares outstanding for diluted earnings per share | 7,681,774 | 7,720,221 | 7,690,985 | 7,733,505 |
| Diluted earnings per share | $ 13.74 | $ 16.82 | $ 38.04 | $ 44.82 |

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 nine months ended September 30, 2023.

**10. 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 September 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 a third party 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 party 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 September 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 nine months ended September 30, 2023.

## 11. Changes in Equity

The following tables present changes in our equity for the nine months ended September 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 | | | | |
| *For the nine months ended September 30, 2023:* | | | | | | | | |
| 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 |
| Net income | — | — | — | — | — | — | 105,574 | 105,574 |
| Dividends paid — $3.25 per share of common stock | — | — | — | — | — | — | (24,952) | (24,952) |
| Share-based compensation, net of forfeitures | 594 | — | (594) | 990 | 1,800 | — | (38) | 2,752 |
| Repurchases of common stock, including excise taxes of $ 50 | (3,564) | — | 3,564 | (5,995) | — | — | — | (5,995) |
| Shares exchanged for tax withholdings | (181) | — | 181 | (345) | — | — | — | (345) |
| Periodic pension costs, net of income taxes of $ 7 | — | — | — | — | — | (26) | — | (26) |
| Balances as of September 30, 2023 | 7,675,994 | $ 78 | 80,162 | $ (133,852) | $ 12,382 | $ 2,439 | $ 1,083,511 | $ 964,558 |

| | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Accum. Other Comp. Income (Loss) | Retained Earnings | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| *For the nine months ended September 30, 2022:* | | | | | | | | |
| 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 |
| Net income | — | — | — | — | — | — | 129,837 | 129,837 |
| Dividends paid — $ 3.00 per share of common stock | — | — | — | — | — | — | (23,132) | (23,132) |
| Share-based compensation, net of forfeitures | — | — | — | — | 2,121 | — | (30) | 2,091 |
| Repurchases of common stock | (19,071) | — | 19,071 | (32,915) | — | — | — | (32,915) |
| Periodic pension costs, net of income taxes of $ 3 | — | — | — | — | — | 8 | — | 8 |
| Balances as of September 30, 2022 | 7,708,845 | $ 78 | 47,311 | $ (72,926) | $ 5,477 | $ (983) | $ 789,524 | $ 721,170 |

*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 $250 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.

## 12. 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 approximately868,000 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.

The following table presents segment financial results for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *Revenues:* | | | | |
| Land and resource management | $ 109,933 | $ 147,215 | $ 315,276 | $ 393,947 |
| Water services and operations | 48,034 | 43,896 | 149,662 | 120,769 |
| Total consolidated revenues | $ 157,967 | $ 191,111 | $ 464,938 | $ 514,716 |
| *Net income:* | | | | |
| Land and resource management | $ 82,884 | $ 108,188 | $ 217,860 | $ 285,418 |
| Water services and operations | 22,690 | 21,649 | 74,675 | 61,213 |
| Total consolidated net income | $ 105,574 | $ 129,837 | $ 292,535 | $ 346,631 |
| *Capital expenditures:* | | | | |
| Land and resource management | $ 47 | $ 114 | $ 191 | $ 339 |
| Water services and operations | 5,196 | 1,694 | 10,196 | 11,816 |
| Total capital expenditures | $ 5,243 | $ 1,808 | $ 10,387 | $ 12,155 |
| *Depreciation, depletion and amortization:* | | | | |
| Land and resource management | $ 703 | $ 567 | $ 2,233 | $ 1,632 |
| Water services and operations | 2,881 | 3,350 | 8,648 | 10,591 |
| Total depreciation, depletion and amortization | $ 3,584 | $ 3,917 | $ 10,881 | $ 12,223 |

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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| *Assets:* | | |
| Land and resource management | $ 900,508 | $ 735,193 |
| Water services and operations | 178,810 | 142,234 |
| Total consolidated assets | $ 1,079,318 | $ 877,427 |
| *Property, plant and equipment, net:* | | |
| Land and resource management | $ 5,464 | $ 5,998 |
| Water services and operations | 81,136 | 79,480 |
| Total consolidated property, plant and equipment, net | $ 86,600 | $ 85,478 |

**13. 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 September 30, 2023 and 2022, our share of oil and gas produced was approximately 21.8 and 23.4 thousand Boe per day, respectively. For the nine months ended September 30, 2023 and 2022, our share of oil and gas produced was approximately 22.6 and 21.3 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 596 and 584 DUC wells subject to our royalty interest as of September 30, 2023 and December 31, 2022, respectively.

**14. 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 October 31, 2023, our board of directors declared a quarterly cash dividend of $3.25 per share, payable on December 15, 2023 to stockholders of record at the close of business on December 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 868,000 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 third quarter of 2023 have declined compared to quarterly average prices during 2022. Oil prices continue to be impacted by certain actions by OPEC+, geopolitical factors, and evolving global supply and demand trends, 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 and 2022 compared to recent prior year activity levels. Per the U.S. Energy Information Administration ("EIA"), Permian production is currently in excess of 5.8 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 nine months ended September 30, 2023 and 2022:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| *Oil and Gas Pricing Metrics:*(1) | | | | |
| WTI Cushing average price per bbl | $ 82.25 | $ 93.06 | $ 77.27 | $ 98.96 |
| Henry Hub average price per mmbtu | $ 2.59 | $ 8.03 | $ 2.46 | $ 6.74 |
| *Activity Metrics specific to the Permian Basin:*(1)(2) | | | | |
| Average monthly horizontal permits | 640 | 634 | 641 | 627 |
| Average monthly horizontal wells drilled | 514 | 524 | 536 | 498 |
| Average weekly horizontal rig count | 314 | 353 | 330 | 313 |
| DUCs as of September 30 for each applicable year | 4,857 | 4,651 | 4,857 | 4,651 |
| *Total Average US weekly horizontal rig count*(2) | 578 | 692 | 642 | 643 |

*(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 nine months ended September 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. 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 water sales and surface-related income.

**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 September 30, 2023.

As of September 30, 2023, we had cash and cash equivalents of $654.2 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 nine months ended September 30, 2023, we paid $75.0 million in dividends to our stockholders and we repurchased $32.2 million of our Common Stock (including share repurchases not settled at the end of the period).

During the nine months ended September 30, 2023, we invested approximately $10.2 million in Texas Pacific Water Resources LLC ("TPWR") projects to maintain and/or enhance our water sourcing assets. Additionally, we acquired intangible assets of $21.4 million during the nine months ended September 30, 2023, consisting of a saltwater disposal ("SWD") easement and groundwater rights. The SWD easement covers approximately 49,000 acres and provides us future disposal opportunities to service injection customers seeking solutions for out-of-basin disposal. The groundwater rights provide us access to additional water volumes outside of our existing surface footprint to assist in managing fluctuations in customer demand.

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.

*Cash Flows from Operating Activities*

For the nine months ended September 30, 2023 and 2022, net cash provided by operating activities was $306.9 million and $314.6 million, respectively. Our cash flow provided by operating activities is primarily from oil, gas and produced water royalties, water and land sales, 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 decrease in cash flows provided by operating activities for the nine months ended September 30, 2023 compared to the same period of 2022 primarily related to the decrease in operating income which was partially offset by changes in working capital requirements during 2023 as compared to 2022.

*Cash Flows Used in Investing Activities*

For the nine months ended September 30, 2023 and 2022, net cash used in investing activities was $55.9 million and $14.6 million, respectively. Our cash flows used in investing activities are primarily related to land acquisitions, intangible assets such as subsurface easements, and capital expenditures related to our water services and operations segment.

Acquisitions of intangible assets and land increased $21.4 million and $20.3 million, respectively, for the nine months ended September 30, 2023 compared to the same period of 2022 and were partially offset by a decrease of $2.4 million in capital expenditures during the same time period.

*Cash Flows Used in Financing Activities*

For the nine months ended September 30, 2023 and 2022, net cash used in financing activities was $108.6 million and $281.7 million, respectively. Our cash flows used in financing activities primarily consist of activities which return capital to our stockholders such as payment of dividends and repurchases of our Common Stock.

During the nine months ended September 30, 2023, we paid total dividends of $75.0 million consisting of cumulative paid cash dividends of $9.75 per share. During the nine months ended September 30, 2022, we paid total dividends of $224.1

million consisting of cumulative paid cash dividends of $9.00 per share and special dividends of $20.00 per share. During the nine months ended September 30, 2023 and 2022, we repurchased $32.2 million and $58.4 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 nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | |
| Oil and gas royalties | $ 87,102 | $ 130,298 | $ 258,644 | $ 355,738 |
| Water sales | 26,422 | 24,426 | 85,799 | 65,518 |
| Produced water royalties | 20,849 | 19,129 | 61,824 | 52,668 |
| Easements and other surface-related income | 18,188 | 14,129 | 51,865 | 37,311 |
| Land sales and other operating revenue | 5,406 | 3,129 | 6,806 | 3,481 |
| Total revenues | 157,967 | 191,111 | 464,938 | 514,716 |
| | | | | |
| Expenses: | | | | |
| Salaries and related employee expenses | 11,499 | 10,697 | 32,688 | 29,670 |
| Water service-related expenses | 8,553 | 6,348 | 24,496 | 13,045 |
| General and administrative expenses | 3,903 | 3,120 | 10,787 | 9,761 |
| Legal and professional fees | 1,689 | 2,106 | 28,471 | 4,988 |
| Ad valorem and other taxes | 1,781 | 2,868 | 5,425 | 6,953 |
| Depreciation, depletion and amortization | 3,584 | 3,917 | 10,881 | 12,223 |
| Total operating expenses | 31,009 | 29,056 | 112,748 | 76,640 |
| | | | | |
| Operating income | 126,958 | 162,055 | 352,190 | 438,076 |
| | | | | |
| Other income, net | 7,979 | 1,920 | 20,239 | 2,626 |
| Income before income taxes | 134,937 | 163,975 | 372,429 | 440,702 |
| Income tax expense | 29,363 | 34,138 | 79,894 | 94,071 |
| Net income | $ 105,574 | $ 129,837 | $ 292,535 | $ 346,631 |

**For the Three Months Ended September 30, 2023 as Compared to the Three Months Ended September 30, 2022**

*Consolidated Revenues and Net Income:*

Total revenues decreased $33.1 million, or 17.3%, to $158.0 million for the three months ended September 30, 2023 compared to $191.1 million for the three months ended September 30, 2022. This decrease was principally due to the $43.2 million decrease in oil and gas royalty revenue and was partially offset by the $4.1 million increase in easements and other surface-related income, and the combined increase of $3.7 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 $105.6 million for the three months ended September 30, 2023 was 18.7% lower than the comparable period of 2022 principally as a result of the decrease in revenues discussed above.

*Consolidated Expenses:*

*Salaries and related employee expenses.* Salaries and related employee expenses were $11.5 million for the three months ended September 30, 2023 compared to $10.7 million for the comparable period of 2022. The increase in salaries and related employee expenses is principally related to an increase in the number of employees and market compensation adjustments.

*Water service-related expenses*. Water service-related expenses increased $2.2 million to $8.6 million for the three months ended September 30, 2023 compared to the same period of 2022. Certain types of water-related expenses, including, but not limited to, transfer, treatment, and water purchases, will vary from period to period as our customers' needs and requirements change. Water purchase, transfer, and treatment costs for the three months ended September 30, 2023 increased primarily due to increased water sales compared to the same period of 2022. These increases were partially offset by a decrease in fuel expenses resulting from lower average fuel costs over the same time period.

*General and administrative expenses.* General and administrative expenses were $3.9 million for the three months ended September 30, 2023 compared to $3.1 million for the same period of 2022. The increase in general and administrative expenses during the three months ended September 30, 2023 compared to the same period of 2022 was principally related to increases in expenses for technology applications and managed IT services and corporate insurance expenses, resulting from increased coverages and insurance rates.

*Ad valorem and other taxes.* Ad valorem and other taxes were $1.8 million for the three months ended September 30, 2023, compared to $2.9 million for the three months ended September 30, 2022. Ad valorem taxes for the three months ended September 30, 2022 included payments for prior year ad valorem tax liabilities which had not been paid by the third party responsible for those ad valorem taxes. Prior to January 1, 2022, the 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 on January 11, 2021, we have received notice from a third party that it no longer intends to pay the ad valorem taxes related to such historical royalty interests. While we continue to believe the obligation to pay these ad valorem taxes should belong to the third party, we have accrued and/or paid an estimate of such taxes in order to protect the royalty interests from any potential tax liens for nonpayment of ad valorem taxes. While we intend to seek reimbursement from the third party following payment of such taxes, we are unable to determine the amount and/or likelihood of such reimbursement, and accordingly, have not recorded a loss recovery receivable as of September 30, 2022.

*Other income, net.* Other income, net was $8.0 million and $1.9 million for the three months ended September 30, 2023 and 2022, respectively. The increase in other income, net is primarily related to increased interest income earned on our cash balances for the three months ended September 30, 2023 compared to the same period of 2022. Higher cash balances and interest yields during this period contributed to the increase in interest income.

*Total income tax expense.* Total income tax expense was $29.4 million and $34.1 million for the three months ended September 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.

**For the Nine Months Ended September 30, 2023 as Compared to the Nine Months Ended September 30, 2022**

*Consolidated Revenues and Net Income:*

Total revenues decreased $49.8 million, or 9.7%, to $464.9 million for the nine months ended September 30, 2023 compared to $514.7 million for the nine months ended September 30, 2022. This decrease was principally due to the $97.1 million decrease in oil and gas royalty revenue and was partially offset by the combined increase of $29.4 million in water sales and produced water royalties and the $14.6 million increase in easements and other surface-related income over the same period. Individual revenue line items are discussed below under "Segment Results of Operations." Net income of $292.5 million for the nine months ended September 30, 2023 was 15.6% 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 $32.7 million for the nine months ended September 30, 2023 compared to $29.7 million for the comparable period of 2022. This increase in salaries and related employee expenses is primarily related to an increase in the number of employees and market compensation adjustments.

*Water service related expenses*. Water service-related expenses were $24.5 million for the nine months ended September 30, 2023 compared to $13.0 million for the same period of 2022. Certain types of water-related expenses, including, but not limited to, transfer, treatment, and water purchases, will vary from period to period as our customers' needs and requirements change. Water purchase, transfer, and treatment expenses increased for the nine months ended September 30, 2023 compared to the same period of 2022 principally as a result of heightened sales activity in 2023. Additionally, the 31.0%

increase in water sales combined with 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.

*General and administrative expenses.* General and administrative expenses increased 10.5% to $10.8 million for the nine months ended September 30, 2023 from $9.8 million for the same period of 2022. The increase in general and administrative expenses during the nine months ended September 30, 2023 compared to the same period of 2022 was principally related to increased expenses for technology applications, board fees due to the expansion of our board to 10 directors in April 2022, and corporate insurance expenses, resulting from increased coverages and insurance rates.

*Legal and professional fees*. Legal and professional fees were $28.5 million for the nine months ended September 30, 2023 compared to $5.0 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.

*Ad valorem and other taxes.* Ad valorem and other taxes were $5.4 million for the nine months ended September 30, 2023, compared to $7.0 million for the nine months ended September 30, 2022. Ad valorem taxes for the nine months ended September 30, 2022 included payments for prior year ad valorem tax liabilities which had not been paid by the third party responsible for those ad valorem taxes. Prior to January 1, 2022, the 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 on January 11, 2021, we have received notice from a third party that it no longer intends to pay the ad valorem taxes related to such historical royalty interests. While we continue to believe the obligation to pay these ad valorem taxes should belong to the third party, we have accrued and/or paid an estimate of such taxes in order to protect the royalty interests from any potential tax liens for nonpayment of ad valorem taxes. While we intend to seek reimbursement from the third party following payment of such taxes, we are unable to determine the amount and/or likelihood of such reimbursement, and accordingly, have not recorded a loss recovery receivable as of September 30, 2022.

*Depreciation, depletion and amortization.* Depreciation, depletion and amortization was $10.9 million for the nine months ended September 30, 2023 compared to $12.2 million for the nine months ended September 30, 2022. The decrease is principally due to decreased depreciation expense related to fully depreciated water service-related assets and is partially offset by increased depletion related to our oil and gas royalty interests.

*Other income, net.* Other income, net was $20.2 million and $2.6 million for the nine months ended September 30, 2023 and 2022, respectively. The increase in other income, net is primarily related to increased interest income earned on our cash balances during 2023. Higher cash balances and interest yields during this period contributed to the increase in interest income.

*Total income tax expense.* Total income tax expense was $79.9 million and $94.1 million for the nine months ended September 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 12, "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 nine months ended September 30, 2023 have been impacted by lower average commodity prices compared to 2022. The decline in oil and gas royalty revenues has been partially 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 September 30, 2023 as Compared to the Three Months Ended September 30, 2022**

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

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *Revenues:* | | | | |
| Land and resource management: | | | | |
| Oil and gas royalties | $ 87,102 | 56 % | $ 130,298 | 68 % |
| Easements and other surface-related income | 17,425 | 11 % | 13,788 | 7 % |
| Land sales and other operating revenue | 5,406 | 3 % | 3,129 | 2 % |
| Total land and resource management revenue | 109,933 | 70 % | 147,215 | 77 % |
| | | | | |
| Water services and operations: | | | | |
| Water sales | 26,422 | 17 % | 24,426 | 13 % |
| Produced water royalties | 20,849 | 13 % | 19,129 | 10 % |
| Easements and other surface-related income | 763 | — % | 341 | — % |
| Total water services and operations revenue | 48,034 | 30 % | 43,896 | 23 % |
| *Total consolidated revenues* | $ 157,967 | 100 % | $ 191,111 | 100 % |
| | | | | |
| *Net income:* | | | | |
| Land and resource management | $ 82,884 | 79 % | $ 108,188 | 83 % |
| Water services and operations | 22,690 | 21 % | 21,649 | 17 % |
| *Total consolidated net income* | $ 105,574 | 100 % | $ 129,837 | 100 % |

***Land and Resource Management***

Land and Resource Management segment revenues decreased $37.3 million, or 25.3%, to $109.9 million for the three months ended September 30, 2023 as compared to the same period of 2022. The decrease in Land and Resource Management segment revenues is due to a $43.2 million decrease in oil and gas royalty revenue for three months ended September 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 $87.1 million for the three months ended September 30, 2023 compared to $130.3 million for the three months ended September 30, 2022, a decrease of 33.2%. Oil and gas royalties decreased $43.2 million due to lower average commodity prices and lower production volume for the three months ended September 30, 2023 compared to the same period of 2022. The average realized price declined 28.4% to $45.41 per barrel of oil equivalent ("Boe") for the three months ended September 30, 2023 from $63.42 per Boe for the three months ended September 30, 2022. Our share of production decreased to 21.8 thousand Boe per day for the three months ended September 30, 2023 compared to 23.4 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 September 30, 2023 and 2022:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| *Our share of production volumes [(1)]:* | | |
| Oil (MBbls) | 850 | 928 |
| Natural gas (MMcf) | 3,316 | 3,582 |
| NGL (MBbls) | 606 | 626 |
| Equivalents (MBoe) | 2,009 | 2,151 |
| Equivalents per day (MBoe/d) | 21.8 | 23.4 |
| | | |
| *Oil and gas royalty revenue (in thousands):* | | |
| Oil royalties | $ 66,892 | $ 83,374 |
| Natural gas royalties | 8,479 | 26,362 |
| NGL royalties | 11,731 | 20,562 |
| Total oil and gas royalties | $ 87,102 | $ 130,298 |
| | | |
| *Realized prices:* | | |
| Oil ($/Bbl) | $ 82.45 | $ 94.03 |
| Natural gas ($/Mcf) | $ 2.76 | $ 7.96 |
| NGL ($/Bbl) | $ 20.91 | $ 35.51 |
| Equivalents ($/Boe) | $ 45.41 | $ 63.42 |

*(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 $17.4 million for the three months ended September 30, 2023, an increase of 26.4% compared to $13.8 million for the three months ended September 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 $3.3 million in pipeline easements and $1.0 million in material sales for the three months ended September 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 September 30, 2023.

*Land sales and other operating revenue.* Land sales and other operating revenue was $5.4 million and $3.1 million for the three months ended September 30, 2023 and 2022, respectively. For the three months ended September 30, 2023, we sold 18,019 acres of land for an aggregate sales price of $5.4 million. For the three months ended September 30, 2022, we sold approximately 122 acres of land for an aggregate sales price of approximately $3.1 million.

*Net income.* Net income for the Land and Resource Management segment was $82.9 million for the three months ended September 30, 2023 compared to $108.2 million for the three months ended September 30, 2022. Segment operating income decreased $36.8 million for the three months ended September 30, 2023 compared to the same period of 2022, largely driven by the $43.2 million decrease in oil and gas royalty revenue. These changes were partially offset by a $5.5 million decrease in income tax expense 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 9.4% to $48.0 million for the three months ended September 30, 2023 as compared with revenues of $43.9 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 $2.0 million to $26.4 million for the three months ended September 30, 2023, compared to the same period of 2022. The growth in water sales is principally due to an increase in treated water sales volumes, which was partially offset by a decrease in sourced water sales volumes, for the three months ended September 30, 2023, compared to the same period of 2022. The sales mix between sourced and treated water will vary period to period as customer demand changes.

*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 September 30, 2023 compared to $19.1 million for the same period in 2022. This increase is principally due to increased produced water volumes for the three months ended September 30, 2023 compared to the same period of 2022.

*Net income*. Net income for the Water Services and Operations segment was $22.7 million for the three months ended September 30, 2023 compared to $21.6 million for the three months ended September 30, 2022. Segment operating income increased $1.7 million for the three months ended September 30, 2023 compared to the same period of 2022. The increase is principally due to the $4.1 million increase in segment revenues and was partially offset by the $2.2 million increase in water service-related expenses. Expenses are discussed further above under “Results of Operations.”

**For the Nine Months Ended September 30, 2023 as Compared to the Nine Months Ended September 30, 2022**

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

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *Revenues:* | | | | |
| Land and resource management: | | | | |
| Oil and gas royalties | $ 258,644 | 56 % | $ 355,738 | 69 % |
| Easements and other surface-related income | 49,826 | 11 % | 34,728 | 7 % |
| Land sales and other operating revenue | 6,806 | 1 % | 3,481 | 1 % |
| Total land and resource management revenue | 315,276 | 68 % | 393,947 | 77 % |
| | | | | |
| Water services and operations: | | | | |
| Water sales | 85,799 | 19 % | 65,518 | 13 % |
| Produced water royalties | 61,824 | 13 % | 52,668 | 10 % |
| Easements and other surface-related income | 2,039 | — % | 2,583 | — % |
| Total water services and operations revenue | 149,662 | 32 % | 120,769 | 23 % |
| *Total consolidated revenues* | $ 464,938 | 100 % | $ 514,716 | 100 % |
| | | | | |
| *Net income:* | | | | |
| Land and resource management | $ 217,860 | 74 % | $ 285,418 | 82 % |
| Water services and operations | 74,675 | 26 % | 61,213 | 18 % |
| *Total consolidated net income* | $ 292,535 | 100 % | $ 346,631 | 100 % |

***Land and Resource Management***

Land and Resource Management segment revenues decreased 20.0% to $315.3 million for the nine months ended September 30, 2023 as compared with $393.9 million for the comparable period of 2022. The decrease in Land and Resource Management segment revenues is principally due to the $97.1 million decrease in oil and gas royalty revenue, as discussed further below.

*Oil and gas royalties*. Oil and gas royalty revenue was $258.6 million for the nine months ended September 30, 2023 compared to $355.7 million for the nine months ended September 30, 2022, a decrease of $97.1 million. Oil and gas royalties for the nine months ended September 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 $105.8 million due to lower average commodity prices in the nine months ended September 30, 2023 compared to the same period of 2022. The average realized prices declined 33.5% to $42.49 per Boe for the nine months ended September 30, 2023 from $63.93 per Boe for the same period of 2022. Our share of crude oil, natural gas and NGL production volumes was 22.6 thousand Boe per day for the nine months ended September 30, 2023 compared to 21.3 thousand Boe per day 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 by the operator 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 nine months ended September 30, 2023.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| *Our share of production volumes [1]:* | | |
| Oil (MBbls) | 2,642 | 2,538 |
| Natural gas (MMcf) | 10,405 | 9,773 |
| NGL (MBbls) | 1,784 | 1,660 |
| Equivalents (MBoe) | 6,160 | 5,827 |
| Equivalents per day (MBoe/d) | 22.6 | 21.3 |
| | | |
| *Oil and gas royalty revenue (in thousands)[1]:* | | |
| Oil royalties | $ 193,969 | $ 239,021 |
| Natural gas royalties | 23,210 | 60,187 |
| NGL royalties | 32,800 | 56,530 |
| Total oil and gas royalties | $ 249,979 | $ 355,738 |
| | | |
| *Realized prices[1]:* | | |
| Oil ($/Bbl) | $ 76.88 | $ 98.62 |
| Natural gas ($/Mcf) | $ 2.41 | $ 6.66 |
| NGL ($/Bbl) | $ 19.88 | $ 36.81 |
| Equivalents ($/Boe) | $ 42.49 | $ 63.93 |

*(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 $49.8 million for the nine months ended September 30, 2023, an increase of 43.5% compared to $34.7 million for the nine months ended September 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 $7.4 million in pipeline easement income, $5.0 million in material sales, and $1.2 million in commercial leases for the nine months ended September 30, 2023 compared to the nine months ended September 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 nine months ended September 30, 2023 relative to the same time period of 2022.

*Land sales and other operating revenue.* Land sales and other operating revenue was $6.8 million and $3.5 million for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, we sold 18,061 acres of land for an aggregate sales price of approximately $6.8 million. For the nine months ended September 30, 2022, we sold 129 acres of land for an aggregate sales price of approximately $3.3 million.

*Net income*. Net income for the Land and Resource Management segment decreased 23.7% to $217.9 million for the nine months ended September 30, 2023 compared to $285.4 million for the comparable period in 2022. Segment operating income decreased $103.0 million for the nine months ended September 30, 2023 compared to the same period of 2022, largely driven by the $97.1 million decrease in oil and gas royalty revenue and the $23.7 million increase in legal and professional fees. Expenses are discussed further above under "Results of Operations — Consolidated."

***Water Services and Operations***

Water Services and Operations segment revenues increased 23.9% to $149.7 million for the nine months ended September 30, 2023 as compared with $120.8 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 $20.3 million to $85.8 million for the nine months ended September 30, 2023 compared to the same period of 2022. The growth in water sales is principally due to an increase of 22.9% in water sales volumes for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

*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 $61.8 million for the nine months ended September 30, 2023 compared to $52.7 million compared to the same period in 2022. This increase is principally due to increased produced water volumes for the nine months ended September 30, 2023 compared to the same period of 2022.

*Net income*. Net income for the Water Services and Operations segment was $74.7 million for the nine months ended September 30, 2023 compared to $61.2 million for the same period in 2022. Segment operating income increased $17.1 million for the nine months ended September 30, 2023 compared to the same period of 2022. The increase is principally due to the $28.9 million increase in segment revenues and was partially offset by the $11.5 million increase in water service-related expenses and the $3.8 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 nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Net income | $ 105,574 | $ 129,837 | $ 292,535 | $ 346,631 |
| *Add:* | | | | |
| Income tax expense | 29,363 | 34,138 | 79,894 | 94,071 |
| Depreciation, depletion and amortization | 3,584 | 3,917 | 10,881 | 12,223 |
| **EBITDA** | 138,521 | 167,892 | 383,310 | 452,925 |
| *Add:* | | | | |
| Employee share-based compensation | 2,502 | 1,910 | 7,217 | 4,989 |
| **Adjusted EBITDA** | 141,023 | 169,802 | 390,527 | 457,914 |
| *Less:* | | | | |
| Current income tax expense | (29,724) | (34,024) | (80,928) | (94,911) |
| Capital expenditures | (5,243) | (1,808) | (10,387) | (12,155) |
| **Free Cash Flow** | $ 106,056 | $ 133,970 | $ 299,212 | $ 350,848 |

**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 September 30, 2023.

There have been no changes during the quarter ended September 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 September 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[(1)] |
|---|---|---|---|---|
| July 1 through July 31, 2023 | 1,389 | $ 1,428 | 1,389 | |
| August 1 through August 31, 2023 | 1,266 | 1,800 | 1,266 | |
| September 1 through September 30, 2023 | 909 | 1,852 | 909 | |
| **Total** | 3,564 | $ 1,668 | 3,564 | $ 217,829,414 |

*(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.**

***(c) Rule 10b5-1 Trading Arrangements***

On September 14, 2023, Murray Stahl, a member of our Board of Directors, on behalf of himself and accounts managed by Horizon Kinetics Asset Management LLC over which Mr. Stahl has a controlling interest, adopted a "10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K that is intended to satisfy the affirmative defense of Rule 10b5-1(c) promulgated under the Exchange Act, for the purchase of up to 738 shares of Common Stock. This 10b5-1 trading arrangement is scheduled toexpire on the earlier of (i) April 15, 2024 and (ii) the acquisition of 738 shares of Common Stock.

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**Item 6. Exhibits and Financial Statement Schedules.**

**EXHIBIT INDEX**

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 10.1* | Amendment No. 1 to 2021 Incentive Plan datedOctober 31, 2023. |
| 10.2* | Form of Restricted Stock Unit Award Agreement. |
| 10.3* | Form of RTSR Performance Unit Award Agreement. |
| 10.4* | Form of FCF/Share Performance Unit Award Agreement. |
| 10.5* | Amendment No. 1 to 2021 Non-Employee Director Stock and Deferred Compensation Plan datedOctober 31, 2023. |
| 31.1* | Rule 13a-14(a) Certification of Chief Executive Officer. |
| 31.2* | Rule 13a-14(a) Certification of Chief Financial Officer. |
| 32.1* | Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101* | The following information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 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 September 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: November 1, 2023

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

Date: November 1, 2023

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

**Exhibit No. 10.1**

**FIRST AMENDMENT**
**TO THE**
**TEXAS PACIFIC LAND CORPORATION 2021 INCENTIVE PLAN**

In accordance with Article 18 of the Texas Pacific Land Corporation 2021 Incentive Plan (the "Plan"), the Plan is hereby amended as of October 31, 2023 ("Effective Date"), as follows:

1. The definition of Cause in Section 2.7 of the Plan is hereby amended to insert the following immediately after "Award Agreement" in the first paragraph thereof:

   "or in a severance plan sponsored by the Company that covers the Participant,"

2. The definition of "Change of Control" in Section 2.8 of the Plan is hereby amended to insert the following immediately after "Change of Control means" in the first paragraph thereof:

   "unless otherwise specified in an Award Agreement or in a severance plan sponsored by the Company that covers the Participant, or in an applicable employment agreement between the Company and a Participant,"

3. The definition of "Good Reason" in Section 2.16 of the Plan is hereby amended to insert the word "plan" immediately following "an applicable severance compensation" in the first paragraph thereof.

4. The provisions of this First Amendment shall apply to all Awards granted under the Plan on and after the Effective Date, as well as Awards that were previously granted under the Plan and continue to be outstanding as of the Effective Date.

IN WITNESS WHEREOF, the Corporation by its duly authorized officer has caused these presents to be signed this 31st day of October, 2023.

TEXAS PACIFIC LAND CORPORATION

By: /s/ Micheal Dobbs
Micheal Dobbs, Senior Vice President, Secretary and General Counsel

**Exhibit No. 10.2**

# <u>NOTICE OF RESTRICTED STOCK UNIT AWARD</u>
**under the**
**TEXAS PACIFIC LAND CORPORATION 2021 INCENTIVE PLAN**

**This AWARD, made as of the __ day of _______, 20__,** by Texas Pacific Land Corporation, a Delaware corporation (the "Company"), to **<u>«Name»</u>** ("Participant"), is made pursuant to and subject to the provisions of the Texas Pacific Land Corporation 2021 Incentive Plan (the "Plan"). All terms that are used herein that are defined in the Plan shall have the same meanings given them in the Plan.

## <u>Contingent Restricted Stock Units</u>

1. **<u>Grant Date</u>**. Pursuant to the Plan, the Company, on______________, 20__ (the "Grant Date"), granted Participant an incentive award ("Award") in the form of **<u>«# of Units»</u> Restricted Stock Units**, subject to the terms and conditions of the Plan and subject to the terms and conditions set forth herein.

2. **<u>Value</u>**. The value of each Restricted Stock Unit on any date shall be equal to the value of one Share of the Company's common stock on such date; and the value of the Company's common stock is the Fair Market Value of the Shares (as defined in the Plan) on the relevant date.

## <u>Vesting of Restricted Stock Units</u>

3. **<u>Restrictions</u>**. Except as otherwise provided herein, the Restricted Stock Units shall remain nonvested, nontransferable and subject to a substantial risk of forfeiture as provided in paragraph 7.

4. **<u>Vesting</u>**. Subject to Participant's continued employment with the Company (except as otherwise provided herein), Participant's interest in the Restricted Stock Units shall become transferable and non-forfeitable ("Vested") in _________ increments as follows:

| <u>Date of Vesting</u> | <u>Number of Restricted Stock Units that will Vest</u> |
|---|---|

5. ***[IF APPLICABLE*** *<u>Qualifying Termination Events.</u> (a) Paragraph 4 to the contrary notwithstanding, if Participant experiences a Qualifying Termination Event (as defined below) while in the employ of the Company or a Subsidiary or Affiliate and prior to the forfeiture of the Restricted Stock Units under Paragraph 7, the Restricted Stock Units not then Vested shall become Vested*

***Alternative A*** *as to a pro-rata portion of the non-Vested Restricted Stock Units, as determined in accordance with the following sentence. The pro-rata portion of the non-Vested Restricted Stock Units that shall vest pursuant to the preceding sentence shall be equal to a fraction of each Tranche of the remaining non-Vested Restricted Stock Units; the numerator of such fraction shall equal the number of full months of service performed by the Participant on and after (and including the month of) the Date of Grant, and prior to the Qualifying Termination Event; and the denominator of the fraction shall equal the total number of months from the Date of the Grant until the relevant Vesting date pursuant to paragraph 3.* ***OR***

***Alternative B*** *in full upon the Qualifying Termination Event.*

*The non-Vested portion of the Restricted Stock Units shall be forfeited.*

*(b) For purposes of this Restricted Stock Unit Award Agreement, Qualifying Termination Event shall mean the Participant's death, Disability, or involuntary termination by the Company or an Affiliate other than for Cause* ***[, or a voluntary termination by the Participant for Good Reason]***. *A Disability for purposes of this sub-paragraph (b) means a Participant's Permanent Disability as defined in Section 22(e)(3) of the Code.*

*(c) Unless otherwise specified in an applicable employment agreement between the Company and the Participant, for purposes of this Award, Cause [****and Good Reason****] shall have the meaning[****s****] set forth in the Plan and the Committee shall have the authority to determine whether Participant's termination from employment is for Cause [****or Good Reason****] or for any reason other than Cause [****or Good Reason****].]*

6. **<u>Effects of a Change in Control</u>**. In the event of a Change in Control (as defined in the Plan) prior to the forfeiture of the Restricted Stock Units under paragraph 7, the provisions of this paragraph 6 shall apply in addition to the provisions of Article 17 (and related provisions) of the Plan.

a. Any Replacement Award made to the Participant shall provide that if the Participant is involuntarily terminated by the Company without Cause***[or by the Participant for Good Reason]***, the non-Vested Replacement Award shall become immediately Vested at the time of the termination.The Committee shall have the discretion to determine the terms of any Replacement Award in compliance with the Plan and applicable law.

b. If, upon a Change in Control, the Company's Shares are no longer being traded on the New York Stock Exchange or another established securities market and no Replacement Grant is granted to the Participant, the non-Vested portion of the Restricted Stock Units shall become immediately Vested upon the Change in Control.

c. Notwithstanding the provisions of subparagraph (a) hereof, in connection with a Change in Control where the Company's shares continue to be traded on the New York Stock Exchange or another established securities market and this Restricted Stock Unit Award remains in effect, if the Participant is involuntarily terminated by the Company without Cause ***[or by the Participant for Good Reason]***, the non-Vested portion of this Restricted Stock Unit Award shall become immediately Vested at the time of the termination.

7. **Forfeiture of Unvested Restricted Stock Units**. All Restricted Stock Units that are forfeitable shall be forfeited if Participant's employment with the Company or an Affiliate terminates for any reason other than by reason of a Qualifying Termination Event or Change in Control as outlined in Paragraphs 5 and 6.

a. If the events described in paragraph 6 or a Qualifying Termination Event occur after the date that Participant is advised that his employment is being, or will be, terminated for Cause, accelerated vesting shall not occur and all rights under this Award shall terminate, and this Award shall expire on the date of Participant's termination of employment.

**Payment of Awards**

8. **Time of Payment**. Payment of Participant's Restricted Stock Units shall be made as soon as practicable after the Units have Vested, but in no event later than March 15$^{th}$ of the calendar year after the year in which the Units Vest.

9. **Form of Payment**. The Vested Restricted Stock Units shall be paid in (a) whole Shares of the Company's common stock, (b) cash, or (c) a combination of whole Shares of the Company's common stock and cash, as determined solely at the discretion of the Company.

10. **Death of Participant**. If Participant dies prior to the payment of their non-forfeitable Restricted Stock Units, such Units shall be paid to their Beneficiary. Participant shall have the right to designate a Beneficiary in accordance with procedures established under the Plan for such purpose. If Participant fails to designate a Beneficiary, or if at the time of Participant's death there is no surviving Beneficiary, any amounts payable will be paid to Participant's estate.

11. **Taxes**. The Company may, at the request of the Participant, withhold from the Award, to the extent paid in shares, the number of whole Shares of common stock necessary to satisfy tax-withholding requirements attributable to the Vesting of the Restricted Stock Units. It is Participant's responsibility to properly report all income and remit all Federal, state, and local taxes that may be due to the relevant taxing authorities as the result of the vesting of this Restricted Stock Unit Award.

**General Provisions**

12. **Accounts**. Restricted Stock Units granted to Participant shall be credited to an account (the "Account") established and maintained for Participant. A Participant's Account shall be the record of Restricted Stock Units granted to Participant under the Plan, is solely for accounting purposes and shall not require a segregation of any Company assets.

13. **No Right to Continued Employment**. Neither this Restricted Stock Unit Award nor the granting or Vesting of Restricted Stock Units shall confer upon Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate Participant's employment at any time.

14. **Change in Capital Structure**. In accordance with the terms of the Plan, the terms of this Restricted Stock Unit Award shall be adjusted as the Committee determines is equitable in the event the Company effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or other similar changes in capitalization.

15. **Governing Law**. This Restricted Stock Unit Award shall be governed by the laws of the State of Texas and applicable Federal law. All disputes arising under this Restricted Stock Unit Award shall be adjudicated solely within the State or Federal courts located within the State of Texas, Dallas County.

16. **Conflicts**. In the event of any conflict between the provisions of the Plan as in effect on the Grant Date and the provisions of thisRestricted Stock Unit Award, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Grant Date.

17. **Participant Bound by Plan**. Participant has been provided a copy of the Plan and shall be bound by all the terms and provisions thereof.

18. **Binding Effect**. Subject to the limitations stated above and in the Plan, this Restricted Stock Unit Award shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of Participant and the successors of the Company.

19. ***[IF APPLICABLE: Dividend Equivalent Eligibility.*** *(a) If, prior to the payment of the Restricted Stock Units, the Company declares a cash or stock dividend on its Shares, then* ***[Accrual, Treatment and Payment of Dividend Equivalents to be described.]***

20. **Recoupment**. In addition to any other applicable provision of the Plan, this Restricted Stock Unit Award is subject to the terms of any separate Clawback Policy maintained by the Company, as such Policy may be amended from time to time.

IN WITNESS WHEREOF, the Company has caused this Restricted Stock Unit Award to be signed on its behalf.

**TEXAS PACIFIC LAND CORPORATION**

By: ____________________________________

Name:

Title:

**Exhibit No. 10.3**

**NOTICE OF RTSR PERFORMANCE UNIT AWARD**
**under the**
**TEXAS PACIFIC LAND CORPORATION 2021 INCENTIVE PLAN**

**This AWARD, made as of the ___ day of _________, 20__,** by Texas Pacific Land Corporation, a Delaware corporation (the "Company"), to **«Name»** ("Participant"), is made pursuant to and subject to the provisions of the Texas Pacific Land Corporation 2021 Incentive Plan (the "Plan"). All terms that are used herein that are defined in the Plan shall have the same meanings given them in the Plan.

**Contingent Performance Units**

1. **Grant Date**. Pursuant to the Plan, the Company, on______________, 20__ (the "Grant Date"), granted Participant an incentive award ("Award") in the form of **«# of Units» RTSR Performance Units** (which number of Units is also referred to herein as the "Target Units"), subject to the terms and conditions of the Plan and subject to the terms and conditions set forth herein.

2. **Value**. The value of each RTSR Performance Unit shall be equal to the value of one Share of the Company's common stock; and the value of the Company's Shares is the Fair Market Value (as defined in the Plan) on the date any RTSR Performance Units become vested and payable hereunder, or such other relevant date as may be referenced in this Award.

3. **Definitions**. Terms used in this Award Notice shall have the following meanings:

   a. **"RTSR"** means "Relative Total Shareholder Return."

   b. **"RTSR %"** is calculated using the following formula:

$$\frac{\text{(Ending Share Price + Reinvested Dividends)} - \text{Starting Share Price}}{\text{Starting Share Price}}$$

   c. **"Starting Share Price"** means the average closing price of the Company's Shares over the month of _____________.

   d. **"Ending Share Price"** means the average closing price of the Company's Shares over the month of ______________.

   e. **"Reinvested Dividends"** means the value of reinvested dividends paid on the Company's Shares over the Measurement Period (as defined in paragraph 4).

   f. **"RTSR Relative to Reference Group"** is the RTSR % of the Company as compared to the RTSR % of the Reference Group.

   g. **"Reference Group"** is the group of companies **[described or listed]** on Exhibit A. ***[IF APPLICABLE:*** *If a company in the Reference Group has its common stock delisted or if it no longer exists as a separate entity, the RTSR % will be retroactively calculated for the remainder of the Performance Period without such company.****]***

4. **Performance Criteria**. Participant's RTSR Performance Units shall be earned on the Award Date based on the following formula (to the nearest whole RTSR Performance Unit). Such RTSR Performance Units shall be subject to the terms and conditions set forth in the following paragraphs of this Notice of Award.

   a. **"Measurement Period"** means the ____, ____ and ____calendar period.

   b. Earned Award = RTSR % of Target Units x RTSR Performance Units

   c. **RTSR % of Target Units**. The RTSR % of Target Units is determined according to the following table (awards to be interpolated between the RTSR %s below):

| RTSR Relative to Reference Group | RTSR % of Target Units |
| --- | --- |
| __ percentile or higher | ___% of Target Units |
| __th percentile | ____% of Target Units |
| —th percentile | ___% of Target Units |
| __th percentile | ___% of Target Units |
| less than __th percentile | 0% of Target Units |

d. The Company shall retain discretion to adjust Awards hereunder as appropriate, in accordance with the terms of the Plan.

e. For purposes of this Award, the number of earned RTSR Performance Units will be rounded to the nearest whole number.

**Earning and Vesting of RTSR Performance Units**

5. **Restrictions**. Except as otherwise provided herein, the earned RTSR Performance Units shall remain unvested, nontransferable and subject to a substantial risk of forfeiture.

6. **Earned Awards**. As soon as practicable after the end of the Measurement Period, a determination shall be made by the Committee of the number of whole RTSR Performance Units that Participant has earned. The date as of which the Committee determines the number of RTSR Performance Units earned shall be the "Award Date."

7. **Vesting of Earned Awards**. Participant's interest in the earned RTSR Performance Units shall become vested and non-forfeitable**[***on the Award Date* ***OR*** **_____________]**and will be paid as soon as practicable thereafter.

8. ***[IF APPLICABLE*** *Qualifying Termination Events. (a) Notwithstanding anything in this Notice of Award to the contrary, if a Participant separates from service prior to the Award Date on account of a Qualifying Termination Event (as defined below), then the Participant's RTSR Performance Units shall be earned under paragraph 6 above as of the Award Date* ***[in full OR as to a pro-rata portion of the unearned Award]****, based on the actual level of achievement of the performance criteria set forth in paragraph 4 above, and the earned RTSR Performance Units shall be fully vested as of the Award Date, and payable pursuant to paragraphs 11-14 hereof.*

***[IF APPLICABLE:*** *The pro-rata portion of the unearned Award that shall vest pursuant to the preceding sentence shall be equal to a fraction of the unearned Award where the numerator of such fraction shall equal the number of full months of service performed by the Participant on and after (and including the month of) the Date of Grant, and prior to the Qualifying Termination Event; and the denominator of the fraction shall equal 36.****]***

*The unearned portion of the Award shall be forfeited.*

*(b) For purposes of this Award, Qualifying Termination Event shall mean the Participant's death, Disability, or involuntary termination by the Company or an Affiliate other than for Cause* ***[, or a voluntary termination by the Participant for Good Reason]****. A Disability for purposes of this sub-paragraph (b) means a Participant's Permanent Disability as defined in Section 22(e)(3) of the Code.*

*(c) Unless otherwise specified in an applicable employment agreement between the Company and the Participant, for purposes of this Award, Cause [****and Good Reason****] shall have the meaning****[s]*** *set forth in the Plan and the Committee shall have the authority to determine whether Participant's termination from employment is for Cause [****or Good Reason****] or for any reason other than Cause [****or Good Reason****].]*

9. **Effects of a Change in Control**.

a. The provisions of this paragraph 9, as well as the provisions of Article 17 of the Plan, shall apply in the event of a Change in Control (as defined in the Plan) prior to the forfeiture of the RTSR Performance Units under paragraph 10.

b. Upon a Change in Control prior to the Award Date, a pro-rata number (as defined in the next sentence) of the Target Units will be immediately earned, vested and paid, based on the higher of (i) actual performance as of the date of the Change in Control, or (ii) achievement of an RTSR Relative to Reference Group at the 50th percentile as described in paragraph 4(c). The pro-rata number of Units earned shall be equal to 1/36th of the Units granted, for each full month of service performed by Participant during the Measurement Period, as of the date of the Change in Control**.** The number of RTSR Performance Units earned under this paragraph 9 shall be determined by the Committee (as it exists immediately prior to the Change in Control) in its sole and absolute discretion within the limits provided in the Plan, and the earned RTSR Performance Units shall be vested and paid pursuant to paragraphs 11-14 hereof, no later than March 15th of the calendar year after the year in which the Change in Control occurs.

10. **Forfeiture**. Except as provided in paragraphs 8 and 9 hereof, all RTSR Performance Units that are forfeitable shall be forfeited if Participant’s employment with the Company or an Affiliate terminates for any reason other than by reason of a Qualifying Termination Event or Change in Control as outlined in paragraphs 8 and 9.

    a. Notwithstanding the foregoing, if the events described in paragraph 8 or paragraph 9 occur after the date that the Participant is advised (upon recommendation by the Committee) that their employment is being, or will be, terminated for Cause, accelerated vesting shall not occur and all rights to this Award shall terminate on the date of Participant's termination of employment.

**Payment of Awards**

11. **Time of Payment**. Payment of Participant’s RTSR Performance Units shall be made as soon as practicable after the Units have become non-forfeitable (or the Award Date, if later), but in no event later than March 15th of the calendar year after the year in which the Units become earned and non-forfeitable.

12. **Form of Payment**. The vested RTSR Performance Units shall be paid in (a) whole Shares of the Company’s common stock, (b) cash, or (c) a combination of whole Shares of the Company’s common stock and cash, as determined solely at the discretion of the Company.

13. **Death of Participant**. If Participant dies prior to the payment of his or her earned and vested RTSR Performance Units, an amount equal to the amount of Participant’s non-forfeitable RTSR Performance Units shall be paid to his or her Beneficiary. Participant shall have the right to designate a Beneficiary in accordance with procedures established under the Plan for such purpose. If Participant fails to designate a Beneficiary, or if at the time of Participant’s death there is no surviving Beneficiary, any amounts payable will be paid to Participant’s estate.

14. **Taxes**. The Company may, at the request of the Participant, withhold from the Award, to the extent paid in shares, the number of whole shares of common stock necessary to satisfy Federal tax-withholding requirements and state and local tax-withholding requirements with respect to the state and locality designated by Participant as their place of residence in the Company's system of record at the time the Award becomes taxable. It is Participant's responsibility to properly report all income and remit all Federal, state, and local taxes that may be due to the relevant taxing authorities as the result of receiving this Award.

**General Provisions**

15. **Accounts**. RTSR Performance Units granted to Participant shall be credited to an account (the “Account”) established and maintained for Participant. The Account of Participant shall be the record of RTSR Performance Units granted to Participant under the Plan, is solely for accounting purposes and shall not require a segregation of any Company assets.

16. **No Right to Continued Employment**. Neither this Award nor the granting, earning or vesting of RTSR Performance Units shall confer upon Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate Participant’s employment at any time.

17. **Change in Capital Structure**. In accordance with the terms of the Plan, the terms of this Award shall be adjusted as the Committee determines is equitable in the event the Company effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or other similar changes in capitalization.

18. **Governing Law**. This Award shall be governed by the laws of the State of Texas and applicable Federal law. All disputes arising under this Award shall be adjudicated solely within the State or Federal courts located within the State of Texas, Dallas County.

19. **Conflicts**. In the event of any conflict between the provisions of the Plan as in effect on the Grant Date and the provisions of this Award, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Grant Date.

20. **Participant Bound By Plan**. Participant has been provided a copy of the Plan and shall be bound by the terms and provisions thereof.

21. **Binding Effect**. Subject to the limitations stated above and in the Plan, this Award shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of Participant and the successors of the Company.

22. ***[IF APPLICABLE: Dividend Equivalents.*** *(a) If, prior to the earning, vesting and payment of the RTSR Performance Units, the Company declares a cash or stock dividend on its Shares, then* ***[Accrual, Treatment and Payment of Dividend Equivalents to be described.]***

23. **Recoupment**. In addition to any other applicable provision of the Plan, this Award is subject to the terms of any separate Clawback Policy maintained by the Company, as such Policy may be amended from time to time.

IN WITNESS WHEREOF, the Company has caused this Award to be signed on its behalf.

**TEXAS PACIFIC LAND CORPORATION**

By: ________________________________

**EXHIBIT A**

**Reference Group for 20__ Award**

**The Reference Group for the 20__ RTSR Performance Unit Award shall be ______________________________________________________________________**

**______________________________________________________________________**

**Exhibit No. 10.4**

**NOTICE OF FCF/SHARE PERFORMANCE UNIT AWARD**
**under the**
**TEXAS PACIFIC LAND CORPORATION 2021 INCENTIVE PLAN**

**This AWARD, made as of the ___ day of _________, 20__,** by Texas Pacific Land Corporation, a Delaware corporation (the "Company"), to **«Name»** ("Participant"), is made pursuant to and subject to the provisions of the Texas Pacific Land Corporation 2021 Incentive Plan (the "Plan"). All terms that are used herein that are defined in the Plan shall have the same meanings given them in the Plan.

**Contingent Performance Units**

1. **Grant Date**. Pursuant to the Plan, the Company, on______________, 20__ (the "Grant Date"), granted Participant an incentive award ("Award") in the form of **«# of Units» FCF/Share Performance Units** (which number of Units is also referred to herein as the "Target Units"), subject to the terms and conditions of the Plan and subject to the terms and conditions set forth herein.

2. **Value**. The value of each FCF/Share Performance Unit shall be equal to the value of one Share of the common stock; and the value of the Company's Shares is the Fair Market Value (as defined in the Plan) on the date any FCF/Share Performance Units become vested and payable hereunder, or such other relevant date as may be referenced in this Award.

3. **Definitions**. Terms used in this Award Notice shall have the following meanings:

   a. **"Measurement Period"** means the 20__, 20__ and 20__ calendar period.

   b. **"Free Cash Flow"** shall be determined using the following formula—

      **X** minus **Y** minus **Z**, where:

      **X = Adjusted EBITDA** (as defined in the Company's Financial filings);

      **Y = Current income tax expense** (as defined in the Company's Financial filings); and

      **Z = Capital Expenditures** (defined as purchase of fixed assets for Texas Pacific Water Resources LLC)

   c. **"Cumulative Free Cash Flow"** means the total Free Cash Flow during the Measurement Period.

   d. **"Cumulative Free Cash Flow/Share"** means the total Free Cash Flow during the Measurement Period divided by the weighted average shares outstanding (as reported in the Company's 10-K balance sheet.

4. **Performance Criteria**. Except as otherwise provided herein, Participant's FCF/Share Performance Units shall be earned on the Award Date (defined in paragraph 5) in a percentage determined by the performance level for the Cumulative 3-Year FCF/Share achieved during the Measurement Period, as set forth in paragraph 3 and on Exhibit A. The performance criteria set forth on Exhibit A may be adjusted by the Committee in its sole and absolute discretion to reflect any extraordinary or significant events that affect Free Cash Flow.

**Earning and Vesting of FCF/Share Performance Units**

5. **Earned Awards**. As soon as practicable after the end of the Measurement Period, a determination shall be made by the Committee of the number of whole FCF/Share Performance Units that Participant has earned. The date as of which the Committee determines the number of FCF/Share Performance Units earned shall be the "Award Date."

6. **Vesting of Earned Awards**. Participant's interest in the earned FCF/SHARE Performance Units shall become vested and non-forfeitable **[***on the Award Date* ***OR*** **_____________]** and will be paid as soon as practicable thereafter.

7. ***[IF APPLICABLE*** *Qualifying Termination Events. (a) Notwithstanding anything in this Notice of Award to the contrary, if a Participant separates from service prior to the Award Date on account of a Qualifying Termination Event (as defined below), then the Participant's FCF/Share Performance Units shall be earned under paragraph 6 above as of the Award Date* ***[in full OR as to a pro-rata portion of the unearned Award]****, based on the actual level of*

*achievement of the performance criteria set forth in paragraph 3 above and Exhibit A, and the earned FCF/Share Performance Units shall be fully vested as of the Award Date, and payable pursuant to paragraphs 10-13 hereof.*

***[IF APPLICABLE:*** *The pro-rata portion of the unearned Award that shall vest pursuant to the preceding sentence shall be equal to a fraction of the unearned Award where the numerator of such fraction shall equal the number of full months of service performed by the Participant on and after (and including the month of) the Date of Grant, and prior to the Qualifying Termination Event; and the denominator of the fraction shall equal 36.**]***

*The unearned portion of the Award shall be forfeited.*

*(b) For purposes of this Award, Qualifying Termination Event shall mean the Participant's death, Disability, or involuntary termination by the Company or an Affiliate other than for Cause **[, or a voluntary termination by the Participant for Good Reason]**. A Disability for purposes of this sub-paragraph (b) means a Participant's Permanent Disability as defined in Section 22(e)(3) of the Code.*

*(c) Unless otherwise specified in an applicable employment agreement between the Company and the Participant, for purposes of this Award, Cause [**and Good Reason**] shall have the meaning[**s**] set forth in the Plan and the Committee shall have the authority to determine whether Participant's termination from employment is for Cause [**or Good Reason**] or for any reason other than Cause [**or Good Reason**].]*

8. **Effects of a Change in Control**.

   a. The provisions of this paragraph 8, as well as the provisions of Article 17 of the Plan, shall apply in the event of a Change in Control (as defined in the Plan) prior to the forfeiture of the FCF/Share Performance Units under paragraph 9.

   b. Upon a Change in Control prior to the Award Date, a pro-rata number (as defined in the next sentence) of the Target Units will be immediately earned, vested and paid, based on achievement of the Target level of 3 -Year FCF/Share as described in Exhibit A. The pro-rata number of Units earned shall be equal to 1/36th of the Units granted, for each full month of service performed by Participant during the Measurement Period, as of the date of the Change in Control**.** The number of FCF/Share Performance Units earned under this paragraph 9 shall be determined by the Committee (as it exists immediately prior to the Change in Control) in its sole and absolute discretion within the limits provided in the Plan, and the earned FCF/Share Performance Units shall be vested and paid pursuant to paragraphs 10-13 hereof, no later than March 15th of the calendar year after the year in which the Change in Control occurs.

9. **Forfeiture**. Except as provided in paragraphs 8 and 9 hereof, all FCF/Share Performance Units that are forfeitable shall be forfeited if Participant's employment with the Company or an Affiliate terminates for any reason other than by reason of a Qualifying Termination Event or Change in Control as outlined in paragraphs 7 and 8.

   a. Notwithstanding the foregoing, if the events described in paragraph 7 or paragraph 8 occur after the date that the Participant is advised (upon recommendation by the Committee) that their employment is being, or will be, terminated for Cause, accelerated vesting shall not occur and all rights to this Award shall terminate on the date of Participant's termination of employment.

**Payment of Awards**

10. **Time of Payment**. Payment of Participant's FCF/Share Performance Units shall be made as soon as practicable after the Units have become non-forfeitable (or the Award Date, if later), but in no event later than March 15th of the calendar year after the year in which the Units become earned and non-forfeitable.

11. **Form of Payment**. The vested FCF/Share Performance Units shall be paid in (a) whole Shares of the Company's common stock, (b) cash, or (c) a combination of whole Shares of the Company's common stock and cash, as determined solely at the discretion of the Company.

12. **Death of Participant**. If Participant dies prior to the payment of his or her earned and vested FCF/Share Performance Units, an amount equal to the amount of Participant's non-forfeitable FCF/Share Performance Units shall be paid to his or her Beneficiary. Participant shall have the right to designate a Beneficiary in accordance with procedures established under the Plan for such purpose. If Participant fails to designate a Beneficiary, or if at the time of Participant's death there is no surviving Beneficiary, any amounts payable will be paid to Participant's estate.

13. **Taxes**. The Company may, at the request of the Participant, withhold from the Award, to the extent paid in Shares, the number of whole shares of common stock necessary to satisfy Federal tax-withholding requirements and state and local tax-withholding requirements with respect to the state and locality designated by Participant as their place of residence in the Company's system of record at the time the Award becomes taxable. It is Participant's responsibility to properly report all income and remit all Federal, state, and local taxes that may be due to the relevant taxing authorities as the result of receiving this Award.

**General Provisions**

14. **Accounts**. FCF/Share Performance Units granted to Participant shall be credited to an account (the "Account") established and maintained for Participant. The Account of Participant shall be the record of FCF/Share Performance Units granted to Participant under the Plan, is solely for accounting purposes and shall not require a segregation of any Company assets.

15. **No Right to Continued Employment**. Neither this Award nor the granting, earning or vesting of FCF/Share Performance Units shall confer upon Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate Participant's employment at any time.

16. **Change in Capital Structure**. In accordance with the terms of the Plan, the terms of this Award shall be adjusted as the Committee determines is equitable in the event the Company effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or other similar changes in capitalization.

17. **Governing Law**. This Award shall be governed by the laws of the State of Texas and applicable Federal law. All disputes arising under this Award shall be adjudicated solely within the state or Federal courts located within the State of Texas, Dallas County.

18. **Conflicts**. In the event of any conflict between the provisions of the Plan as in effect on the Grant Date and the provisions of this Award, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Grant Date.

19. **Participant Bound By Plan**. Participant has been provided a copy of the Plan and shall be bound by the terms and provisions thereof.

20. **Binding Effect**. Subject to the limitations stated above and in the Plan, this Award shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of Participant and the successors of the Company.

21. ***[IF APPLICABLE: Dividend Equivalents.*** *(a) If, prior to the earning, vesting and payment of the FCF/Share Performance Units, the Company declares a cash or stock dividend on its Shares, then* ***[Accrual, Treatment and Payment of Dividend Equivalents to be described.]***

22. **Recoupment**. In addition to any other applicable provision of the Plan, this Award is subject to the terms of any separate Clawback Policy maintained by the Company, as such Policy may be amended from time to time.

IN WITNESS WHEREOF, the Company has caused this Award to be signed on its behalf.

**TEXAS PACIFIC LAND CORPORATION**

By: ________________________________

**EXHIBIT A**

**FCF/Share Performance Goals**

| **3 -Year FCF/Share Achieved in Measurement Period** | **Percentage of Target Units Earned*** |
|---|---|
| Less than Threshold-- | 0% |
| Threshold--- | ___% |
| Target--- $ | % |
| Maximum---$ | ___% |

* The percentage of Target Units earned for performance between the Threshold, Target and Maximum Performance Levels will be determined by linear interpolation. No percentage of the Target Units will be earned for performance below the Threshold Performance Level. The number of FCF/Share Performance Units earned hereunder shall be rounded to the nearest whole number.

**Exhibit No. 10.5**

**FIRST AMENDMENT
TO THE
TEXAS PACIFIC LAND CORPORATION
2021 NON-EMPLOYEE DIRECTOR STOCK AND DEFERRED COMPENSATION PLAN**

In accordance with Article 12 of the Texas Pacific Land Corporation 2021 Non-Employee Director Stock and Deferred Compensation Plan (the "Plan"), the Plan is hereby amended, as follows:

1. Section 2.1 of the Plan is amended in its entirety to read as follows:

"'**Administrator**' means the General Counsel of the Company, *provided, however,* effective October 31, 2023, various administrative functions under the Plan, as specified in this Amendment, shall be the responsibility of the Company's Compensation Committee of the Board (referenced herein as the "Committee") instead."

2. Section 3.1 of the Plan is amended in its entirety to read as follows:

"**3.1 General**. Except as otherwise provided herein, the Committee and Administrator shall be responsible for administering this Plan, subject to this Article 3 and the other provisions of this Plan, and may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an employee, and the Committee and Administrator, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such individuals. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Directors, the Company, and all other interested individuals."

3. Section 3.2 of the Plan is amended in its entirety to read as follows:

"**3.2 Authority of the Committee**. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of this Plan and any agreement or document ancillary to or in connection with this Plan, to determine eligibility for Grants and the right to make deferrals, and to adopt such rules, regulations, forms, instruments, and guidelines for administering this Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, determining Grant recipients, establishing Grant and deferral terms and conditions, construing any ambiguous provision of the Plan, and, subject to Article 12, adopting modifications and amendments to this Plan, including without limitation, any that are necessary to comply with applicable laws."

4. Section 3.3 of the Plan is amended in its entirety to read as follows:

"**3.3 Delegation**. The Administrator and Committee may delegate to one or more officers of the Company, and/or its Subsidiaries and Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or Administrator or any individuals to whom they have delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility they may have under this Plan."

5. Section 4.3 of the Plan is amended in its entirety to read as follows:

"4.3 **Adjustments in Authorized Shares**. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure, number of outstanding Shares or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Directors' rights under this Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under this Plan, the number and kind of Shares subject to outstanding Grants, the Annual Grant Limits, and other value determinations applicable to outstanding Grants.

The Committee, in its sole discretion, may also make appropriate adjustments in the terms of any Grants under this Plan to reflect or relate to such changes or distributions and to modify any other terms of outstanding Grants. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Directors under this Plan.

Notwithstanding anything else herein to the contrary, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate."

6. Section 6.1 of the Plan shall be revised to delete the last sentence therefrom, and shall accordingly read as follows:

"**6.1 Annual Grants.** Effective for each Compensation Year, the Company will grant to each Director a number of Shares for that Compensation Year. The number of Shares granted to each Director shall be determined by (i) dividing the amount of each Director's cash retainer for the Compensation Year by the Fair Market Value of the Shares on the first day of the Compensation Year (which date is the Grant Date for purposes of this Plan), and (ii) rounding such number of Shares up to the nearest whole Share, provided, however, that the Committee may revise the foregoing formula for any year without shareholder approval, subject to the Plan's overall Share limits."

7. Section 6.3 of the Plan shall be amended in its entirety to read as follows:

"**6.3 Limits on Shares**. The Committee shall have the authority to increase the number of Shares granted to each Director during a Compensation Year but in no event shall the amount granted exceed the limits set forth in Article 4 above."

8. Section 6.4 of the Plan shall be amended in its entirety to read as follows:

"**6.4 Vesting of Shares.** Unless otherwise determined by the Committee or Board, each Director's Shares pursuant to a Grant (including the Shares of Directors whose Grants were subject to Section 6.2) shall become immediately vested and non-forfeitable on the Grant Date."

9. Sections 6.5, 6.6, and 6.7 of the Plan shall all be amended in their entirety to read as follows:

"**6.5 RESERVED.**

**6.6 RESERVED.**

**6.7 RESERVED."**

10. Section 12.1 of the Plan shall be amended in its entirety to read as follows:

"**12.1 Amendment, Modification, Suspension, and Termination**. The Committee, subject to approval of the Board, may, at any time and from time to time, alter, amend, modify, suspend, or terminate this Plan in whole or in part; provided, however, that, without the prior approval of the Company's shareholders, no such amendment shall increase the number of Shares that may be granted to any Director, except as otherwise described in this Plan, or increase the total number of Shares that may be granted under the Plan. In addition, any amendment of the Plan must comply with the rules of the NYSE and no material amendment of this Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule."

11. Section 12.3 of the Plan shall be amended in its entirety to read as follows:

**"12.3 Adjustment of Grants Upon the Occurrence of Certain Unusual or Nonrecurring Events**. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Grants in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Directors under this Plan."

12. Section 13.1 of the Plan shall be amended in its entirety to read as follows:

"**13.1 Forfeiture Events**. Any Shares granted under this Plan will be subject to recoupment in accordance with any clawback policy that the Company currently has in effect, or is required to adopt or modify, pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or the Sarbanes-Oxley Act of 2002, or other applicable law ("Clawback Policy"). In addition, the Committee or the Board may impose such clawback, recovery or recoupment provisions on any Shares granted under this Plan as the Committee determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Shares or other cash or property."

13. Section 13.12 of the Plan shall be amended in its entirety to read as follow:

"**13.12 Nonexclusivity of this Plan**. The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Director.

14. The provisions of this First Amendment shall be effective as of October 31, 2023.

IN WITNESS WHEREOF, the Corporation by its duly authorized officer has caused these presents to be signed this 31st day of October, 2023.

TEXAS PACIFIC LAND CORPORATION

By: /s/ Micheal Dobbs

Micheal Dobbs, Administrator

**Exhibit No. 31.1**

**CERTIFICATION**

I, Tyler Glover, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 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: November 1, 2023

By: /s/ Tyler Glover

Tyler Glover, President and
Chief Executive Officer

**Exhibit No. 31.2**

**CERTIFICATION**

I, Chris Steddum, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 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: November 1, 2023

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

**Exhibit No. 32.1**

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 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: | November 1, 2023 | By: | /s/ Tyler Glover |
| | | | Tyler Glover, President and<br>Chief Executive Officer |

**Exhibit No. 32.2**

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 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: | November 1, 2023 | By: | /s/ Chris Steddum |
| | | | Chris Steddum, Chief Financial Officer |