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

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): April 15, 2019

TEXAS PACIFIC LAND TRUST  
(Exact Name of Registrant as Specified in its Charter)

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**Not Applicable**  
(State or Other Jurisdiction  
of Incorporation)

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**1-737**  
(Commission File Number)

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**75-0279735**  
(IRS Employer  
Identification Number)

**1700 Pacific Avenue, Suite 2770, Dallas, Texas 75201**  
(Address of Principal Executive Offices, including Zip Code)

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

**Not Applicable**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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**Item 8.01. Other Events.**

On April 15, 2019, Texas Pacific Land Trust (the “*Trust*”) issued an investor presentation that provides holders of sub-share certificates additional information about the evolution of the Trust’s business model.

A copy of the investor presentation is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Investor Presentation to Shareholders of Texas Pacific Land Trust, dated April 15, 2019.</a>

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Trust has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXAS PACIFIC LAND TRUST

Date: April 15, 2019

By: /s/ Robert Packer

Robert Packer  
Chief Financial Officer



# Investor Presentation April 2019



# Disclaimer



This presentation has been designed to provide general information about Texas Pacific Land Trust and its subsidiaries ("TPL" or the "Trust"). Any information contained or referenced herein is suitable only as an introduction to the Trust. The recipient is strongly encouraged to refer to and supplement this presentation with information the Trust has filed with the Securities and Exchange Commission ("SEC").

The Trust makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation, and nothing contained herein is, or shall be, relied upon as a promise or representation, whether as to the past or to the future. This presentation does not purport to include all of the information that may be required to evaluate the subject matter herein and any recipient hereof should conduct its own independent analysis of the Trust and the data contained or referred to herein.

Unless otherwise stated, statements in this presentation are made as of the date of this presentation, and nothing shall create an implication that the information contained herein is correct as of any time after such date. TPL reserves the right to change any of its opinions expressed herein at any time as it deems appropriate. The Trust disclaims any obligations to update the data, information or opinions contained herein or to notify the market or any other party of any such changes, other than required by law.

The Trust has neither sought nor obtained consent from any third party for the use of previously published information. Any such statements or information should not be viewed as indicating the support of such third party for the views expressed herein. The Trust shall not be responsible or have any liability for any misinformation contained in any third party report, SEC or other regulatory filing. All registered or unregistered service marks, trademarks and trade names referred to in this presentation are the property of their respective owners, and TPL's use herein does not imply an affiliation with, or endorsement by, the owners of these service marks, trademarks and trade names.

This presentation contains certain forward-looking statements within the meaning of the U.S. federal securities laws that are based on TPL's beliefs, as well as assumptions made by, and information currently available to, TPL, and therefore involve risks and uncertainties that are difficult to predict. These statements include, but are not limited to, statements about strategies, plans, objectives, expectations, intentions, expenditures and assumptions and other statements that are not historical facts. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "plan" and "project" and similar expressions are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although we believe our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this presentation are reasonable, we may be unable to achieve these plans, intentions or expectations and actual results, performance or achievements may vary materially and adversely from those envisaged in this document. The tables, graphs, charts and other analyses provided throughout this document are provided for illustrative purposes only and there is no guarantee that the trends, outcomes or market conditions depicted on them will continue in the future. There is no assurance or guarantee with respect to the prices at which sub-share certificates of the Trust will trade, and such securities may not trade at prices that may be implied herein.

These materials are provided merely for general informational purposes and are not intended to be, nor should they be construed as 1) investment, financial, tax or legal advice, 2) a recommendation to buy or sell any security, or 3) an offer or solicitation to subscribe for or purchase any security. These materials do not consider the investment objective, financial situation, suitability or the particular need or circumstances of any specific individual who may receive or review this presentation, and may not be taken as advice on the merits of any investment decision. Although TPL believes the information herein to be reliable, the Trust and persons acting on its behalf make no representation or warranty, express or implied, as to the accuracy or completeness of those statements or any other written or oral communication it makes, save as provided for by law, and the Trust expressly disclaims any liability relating to those statements or communications (or any inaccuracies or omissions therein). These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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## I. Texas Pacific Land Trust Overview

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# Texas Pacific Land Trust Overview



## Leadership Team

### Management

#### **Tyler Glover, CEO, Secretary and General Agent**

A Midland native, Mr. Glover has been Chief Executive Officer, Co-General Agent and Secretary at Texas Pacific Land Trust since November 2016 and President and Chief Executive Officer of Texas Pacific Water Resources since its formation in June 2017. Under Mr. Glover's leadership, TPL has significantly grown its revenues through the active development of its water business and has positioned TPWR as one of the leading total water solution companies in the Permian Basin. Previously, Mr. Glover served as Assistant General Agent of the Trust and an independent landman in the Permian prior thereto.

#### **Robert J. Packer, CFO and General Agent**

Mr. Packer has been the Chief Financial Officer at Texas Pacific Land Trust since December 2014 and has been its Co-General Agent since November 2016. Previously, Mr. Packer served as Accounting Supervisor for Texas Pacific Land Trust, a position he held since March 2011. Formerly, he was Controller at StarCrest Realty. He is a Certified Public Accountant.

#### **Robert A. Crain, EVP — Texas Pacific Water Resources**

Mr. Crain came to Texas Pacific Water Resources from EOG Resources where he led the development of EOG's water resource programs across multiple divisions including the Permian Basin and Eagle Ford Shale. Mr. Crain brings a wealth of water resource development experience including large scale brackish water development as well as extensive water recycling treatment experience.

#### **Jeremy Smith, VP, Business Development — Texas Pacific Water Resources**

Mr. Smith came to Texas Pacific Water Resources from EOG Resources where he negotiated water sourcing and purchasing agreements across the Permian Basin and Eagle Ford Shale. Prior to EOG, Mr. Smith led a successful real estate broker service. Mr. Smith's transactional knowledge combined with his oil and gas water experience allows for capitalization on all aspects of water and land related business development and contracts.

### Board of Trustees

#### **John R. Norris III**

Mr. Norris has served as a Trustee since June 2000. He also advised and represented the Trust in legal matters for more than 17 years prior to his election as Trustee. Mr. Norris is currently a partner in the Dallas law firm of Norris & Weber, PLLC. He has been board certified in Estate Planning and Probate Law by the Texas Board of Legal Specialization since 1998.

#### **David E. Barry**

Mr. Barry has served as a Trustee since January 2017. He is President of Tarka Resources, Inc., which is engaged in oil and gas exploration in Texas, Oklahoma and Louisiana. He has served as President of Tarka Resources, Inc. and Tarka, Inc. since 2012 and 2014, respectively, continuing through their merger in 2016. Mr. Barry is also the President of Sidra Real Estate, Inc., a real estate company that owns commercial properties including 3 office buildings in Texas. Formerly, Mr. Barry was a partner of the law firm of Kelley Drye & Warren where he represented TPL for 30 years. Mr. Barry is a member of the bar of New York State and retired as a member of the bar of the State of Connecticut.



# Texas Pacific Land Trust Overview



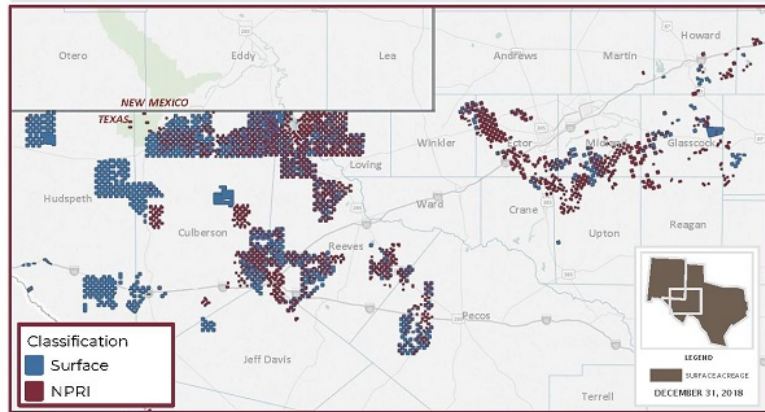
## Pure Play Permian Basin Trust

TPL is one of the **largest** landowners in the State of Texas with:

~**900,000** surface acres and  
~**455,000** NPRI acres<sup>(1)</sup> concentrated in West Texas

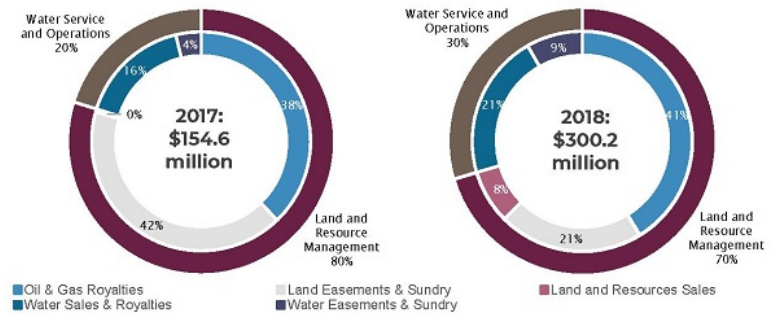
- > TPL operates under two business segments:
  - I. Land and Resource Management
  - II. Water Service and Operations

### Royalty and Surface Acreage Position



NYSE Symbol	TPL
Units Outstanding	7,756,156
Market Capitalization <sup>(2)</sup>	~ \$6.3bn
Enterprise Value <sup>(2,3)</sup>	~ \$6.2bn
2018 Operating Income	~ \$261mm
4Q18 Annualized Operating Income	~ \$312mm
Year over Year Operating Income Growth	~80%
Cash and cash equivalents <sup>(3)</sup>	~ \$122mm

### Revenue Summary



(1) ~85,000 at 1/128<sup>th</sup> net royalty interest and ~370,000 at 1/16<sup>th</sup> net royalty interest. Does not include 1,826 1/8<sup>th</sup> net royalty acres acquired in 2018

(2) Based on a closing price of \$811.00 as of 4/5/2019

(3) 2018 year end cash balance pro forma for \$100mm sale of 14,000 surface acres, \$46.9 million surface acquisition, \$46.6 million full year dividend declared and not yet paid and estimated \$4.4 million in share repurchases from 1/1/2019 through 3/14/2019

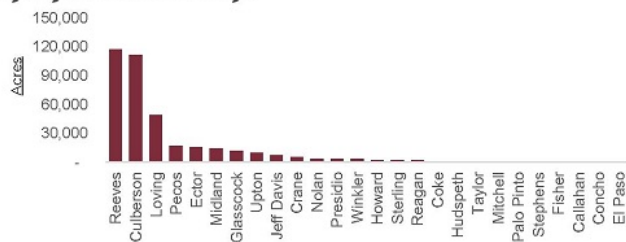
# Texas Pacific Land Trust Overview



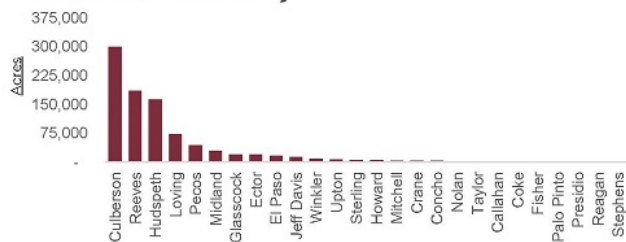
## Royalty and Surface Assets Detail

County	Surface	NPRI (1/128)	NPRI (1/16)
Callahan	-	-	80
Coke	-	-	1,184
Concho	3,401	-	-
Crane	3,621	265	5,198
Culberson	298,960	-	111,513
Ector	19,887	33,633	11,793
El Paso	16,613	-	-
Fisher	-	-	320
Glasscock	20,713	3,600	11,111
Howard	4,788	3,099	1,840
Hudspeth	163,771	-	1,008
Jeff Davis	13,117	-	7,555
Loving	73,390	6,107	48,066
Midland	29,008	12,945	13,120
Mitchell	3,842	1,760	586
Nolan	1,600	2,488	3,157
Palo Pinto	-	-	800
Pecos	43,407	320	16,895
Presidio	-	-	3,200
Reagan	-	6,162	1,274
Reeves	185,691	3,013	116,691
Stephens	-	2,817	160
Sterling	5,212	640	2,080
Taylor	690	-	966
Upton	6,661	6,903	9,101
Winkler	7,804	1,182	3,040
Total	902,177	84,934	370,737

### Royalty Assets Summary<sup>(1)</sup>



### Surface Assets Summary



Note: Mineral interest does not include 1,826 1/8<sup>th</sup> net royalty acres acquired in 2018  
 Source: Trust filings  
 (1) Net to 1/16<sup>th</sup>



# Texas Pacific Land Trust Overview

## TPL Has Outperformed the Market

TPL has prioritized **capital discipline** with an emphasis on **returning capital to shareholders** in the form of annual dividends and share repurchases

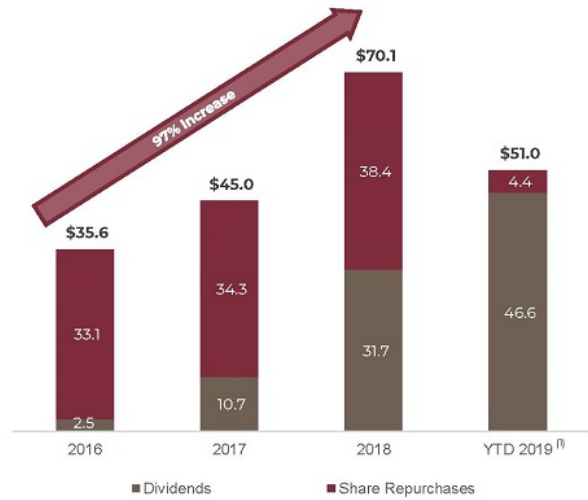


TPL has returned **~\$200 million** to shareholders since 2016

### Total Shareholder Returns Since Beginning of 2014



### Total Capital Returned Since 2016 (\$ in millions)



Source: FactSet

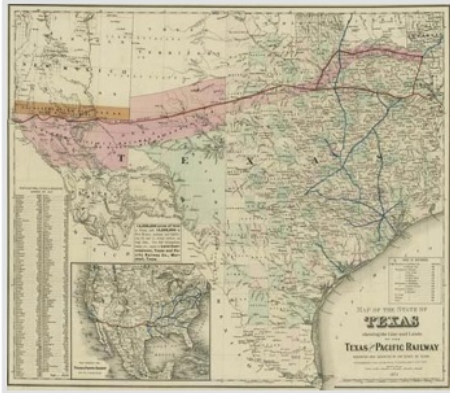
Note: As of 4/5/2019

(1) 2019 full year dividends declared but not paid; YTD share repurchases of \$4.4 million as of 3/14/2019

# Texas Pacific Land Trust Overview



## History of the Trust



- > In 1871, the Texas and Pacific Railway ("T&P") was created through a federal charter providing a mandate to build a transcontinental railroad from Texas to California
  - Texas, California and present-day Arizona and New Mexico each agreed to grant sections of land for every mile of rail built
- > Although T&P did not complete the full line, by 1881, T&P had completed 972 miles of track, entitling it to 3.5 million acres of land in Texas
- > In 1888, T&P went through bankruptcy and the 3.5 million acres of Texas land was put into a trust for the benefit of the bondholders who invested in the railroad
  - The certificates of the Texas Pacific Land Trust were later listed on the New York Stock Exchange and remain actively traded today



**1888**  
Texas & Pacific Railway bankruptcy leads to formation of Texas Pacific Land Trust



**2010's**  
The Permian Basin, which had been in production decline since the 1970's, begins to grow production as unconventional development unlocks tremendous additional reserves



**2017**  
TPL announces formation of Texas Pacific Water Resources

**1871 - 1888**

**1889 - 2010**

**2011 - Present**

**1871**  
Texas & Pacific Railway is created



**1920's**  
Texas and Pacific Abrams #1 becomes the first well to produce oil from the Permian Basin, and a few years later, the first oil pipeline is built in the basin



**2015**  
Rapid development across much of TPL's acreage leads to increased royalty revenues for the Trust





# Texas Pacific Land Trust Overview

## Operational Segments



### Land and Resource Management

Encompasses the business of managing the ~900,000 surface acres, ~455,000 NPRI acres,<sup>(1)</sup> and related resources controlled by TPL

#### I. Oil and Gas Royalties

- > Oil and Gas Royalty revenue is derived from TPL's **perpetual** non-participating oil and gas royalty interests
  - Royalty interests are non-participating and have **no associated capital expenditures**

#### II. Easements and Other Surface Revenue

- > Easement and Other Surface Revenue is primarily generated through long-term contracts that allow use of TPL's lands for oil and gas development activities
  - Land sales and grazing leases also generate revenue for this segment



### Water Service and Operations

Provides services including brackish water sourcing and produced water gathering, recycling, treatment and disposal

#### I. Water Sales, Royalties, and Easements

- > Current water service revenue is primarily derived from selling TPL's water directly to E&P operators or oilfield service companies
- > TPL also generates water related revenue through royalties associated with the third party disposal of produced water on TPL surface
- > TPL's recently formed Texas Pacific Water Resources ("TPWR") business focuses on providing a **full service water offering** to operators in the Permian Basin

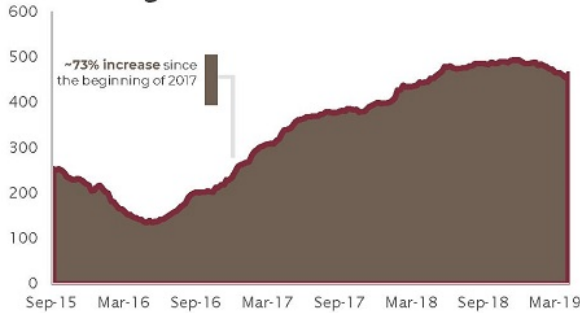
(1) ~85,000 at 1/128<sup>th</sup> net royalty interest and ~370,000 at 1/16<sup>th</sup> net royalty interest. Does not include 1,826 1/8<sup>th</sup> net royalty acres acquired in 2018

# Texas Pacific Land Trust Overview

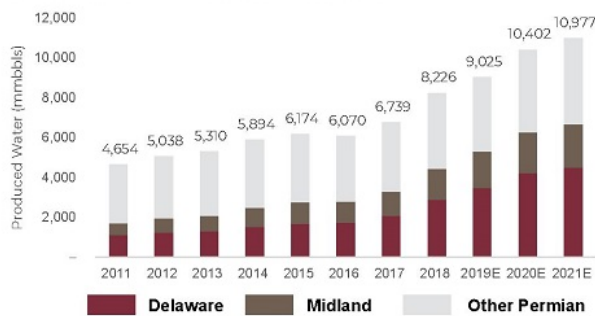


*Increased Permian Activity = Increased Revenues for TPL*

## Permian Rig Count



## Permian Produced Water Volumes



The primary economic drivers of TPL's two operating segments are the **pace of development** in the Permian Basin and the continued **evolution of horizontal completion techniques**

- 1 Significant increase in Permian rig count accelerates development activities
  - ✓ Each new well drilled on TPL's acreage generates an additional royalty cash flow stream
  - ✓ E&P operators must negotiate surface rights to use TPL's land, source water for drilling, complete new wells, and arrange for disposal of produced water
- 2 The evolution of unconventional well completion design continues to trend towards larger fracs, which require increased fluids
  - ✓ More brackish water is required per well
  - ✓ Higher production and resource recovery = higher royalty cash flows per well

Source: Baker Hughes, Rystad Energy



## II. Land and Resource Management Overview

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# Land and Resource Management Overview

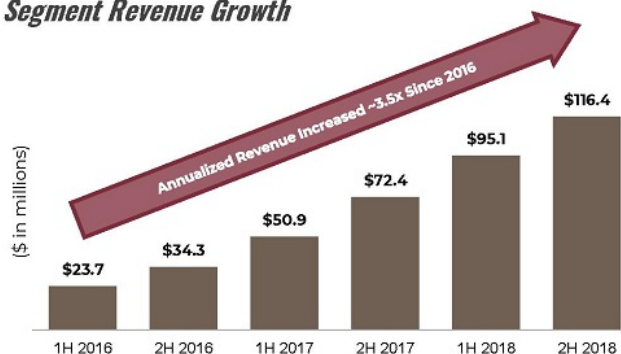


## Overview

### Summary

- > The Land and Resource Management segment focuses on managing the ~900,000 surface acres, ~455,000 NPRI<sup>(1)</sup> acres, and related resources owned by the Trust
- > TPL is not an oil and gas producer, rather its oil and gas royalty revenue is derived from its royalty interests and does not require capital investment to grow
- > Leading E&P operators across the Trust's acreage include Anadarko and Chevron
- > The revenue streams of this segment principally consist of royalties from oil and gas, revenues from easements and leases, and land sales

### Segment Revenue Growth



### Land and Resource Management Offering

Revenue Segmentation	Description
Oil and Gas Royalty	> Revenue derived from perpetual non-participating oil and gas royalties in which the Trust has an interest
Easements	> Revenue derived from easement contracts covering activities such as oil and gas pipelines and subsurface wellbore easements, leases, material sales, etc.
Sale of Royalty Interests	> Revenue generated from the sale of oil and gas royalty interests
Land Sales and Other	> Revenue generated from land sales and grazing leases

(1) ~85,000 at 1/128<sup>th</sup> net royalty interest and ~370,000 at 1/16<sup>th</sup> net royalty interest. Does not include 1,826 1/8<sup>th</sup> net royalty acres acquired in 2018

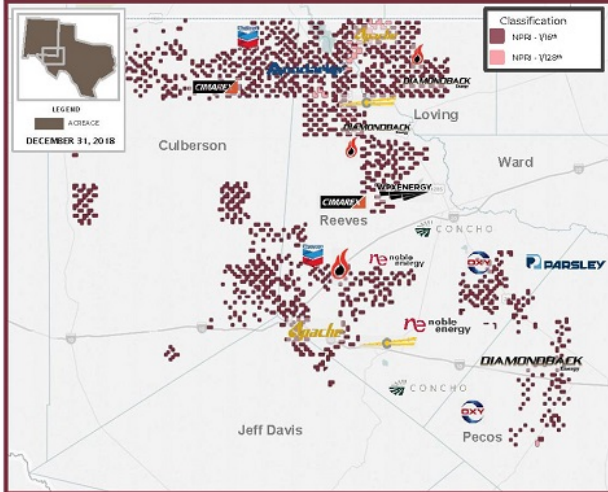


# Land and Resource Management Overview



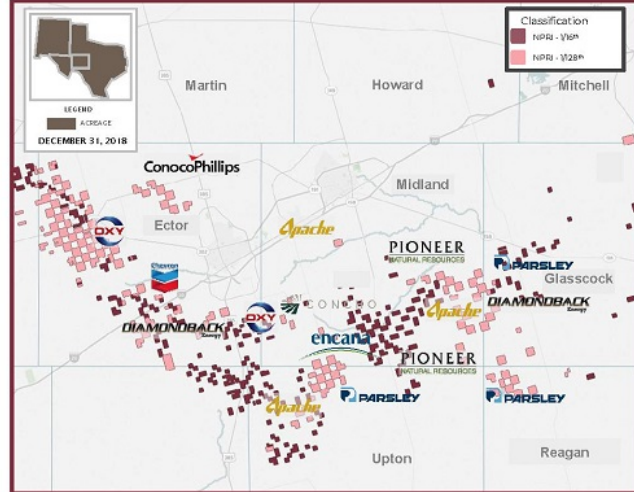
## Growth Underpinned by Blue Chip Operators

### Delaware Basin Overview – Key TPL Mineral Acreage



	Surface Acreage	NPRI Acreage <sup>(1)</sup>	Active Rig Count
Culberson	298,960	111,513	15
Loving	73,390	48,829	24
Pecos	43,407	16,935	19
Reeves	185,691	117,068	69
<b>Total</b>	<b>601,448</b>	<b>294,345</b>	<b>127</b>

### Midland Basin Overview – Key TPL Mineral Acreage



	Surface Acreage	NPRI Acreage <sup>(1)</sup>	Active Rig Count
Glasscock	20,713	11,561	16
Midland	29,008	14,738	42
Reagan	–	2,044	14
Upton	6,661	9,963	13
<b>Total</b>	<b>56,382</b>	<b>38,306</b>	<b>85</b>

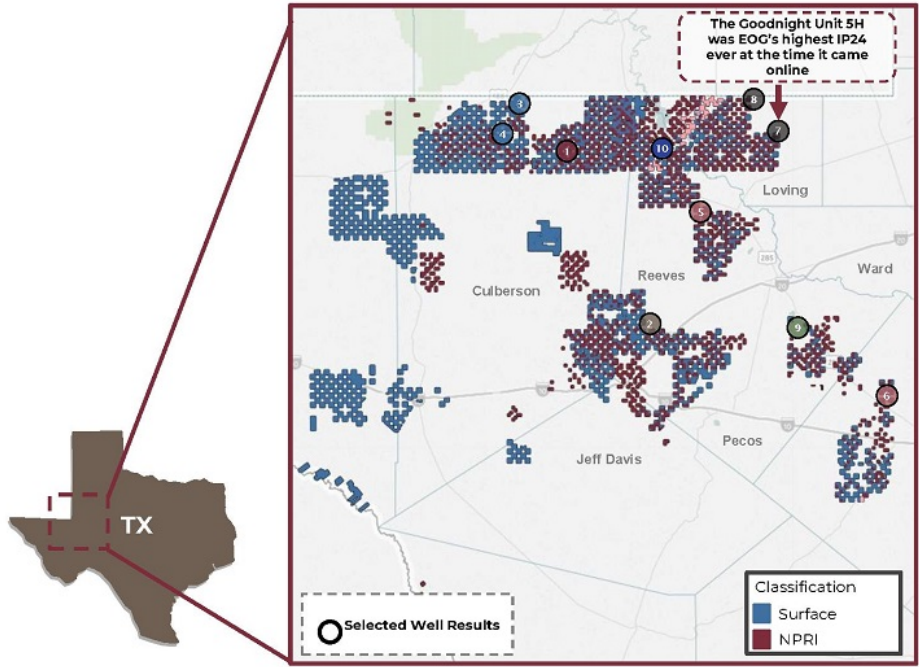
Source: Baker Hughes (rig count data)  
 (1) Net to 1/16<sup>th</sup>



# Land and Resource Management Overview

## Exposure to Core Delaware

TPL's surface and NPRI position has exposure to multiple tier 1 operators who are achieving best in class well results in the area



<b>Operator:</b> Anadarko <b>Well Name:</b> Pacer 56-1-43 - 1H <b>IP24:</b> 481 BOED / 1,000' (LL: 4,268') <b>Vintage:</b> September 2018	
<b>Operator:</b> Apache <b>Well Name:</b> Dogwood State - 105AH <b>IP24:</b> 593 BOED / 1,000' (LL: 4,890') <b>Vintage:</b> January 2018	
<b>Operator:</b> Chevron <b>Well Name:</b> Hay Bowen 29/32 - 0041WC <b>IP24:</b> 194 BOED / 1,000' (LL: 7,099') <b>Vintage:</b> September 2018	
<b>Operator:</b> Chevron <b>Well Name:</b> Hay Evelynn 17/20 - 0012WA <b>IP24:</b> 201 BOED / 1,000' (LL: 10,477') <b>Vintage:</b> June 2018	
<b>Operator:</b> Diamondback Resources <b>Well Name:</b> Intrapid 55-12 - 601H <b>IP24:</b> 743 BOED / 1,000' (LL: 4,633') <b>Vintage:</b> March 2018	
<b>Operator:</b> Diamondback Resources <b>Well Name:</b> Neal Lethco 17-18A - 1WA <b>IP24:</b> 284 BOED / 1,000' (LL: 9,864') <b>Vintage:</b> August 2018	
<b>Operator:</b> EOG Resources <b>Well Name:</b> Goodnight Unit - 5H <b>IP24:</b> 1,091 BOED / 1,000' (LL: 9,869') <b>Vintage:</b> June 2018	
<b>Operator:</b> EOG Resources <b>Well Name:</b> State Path Finder 7 - 28H <b>IP24:</b> 648 BOED / 1,000' (LL: 4,722') <b>Vintage:</b> February 2018	
<b>Operator:</b> Oxy <b>Well Name:</b> Chevron Minerals 41 - 81H <b>IP24:</b> 551 BOED / 1,000' (LL: 4,918') <b>Vintage:</b> July 2018	
<b>Operator:</b> BPX <b>Well Name:</b> STATE LRP 57-T2-12 <b>IP24:</b> 347 BOED / 1,000' (LL: 4,859') <b>Vintage:</b> Jan 2018	

Source: Texas Railroad Commission and Trust Data  
 Note: IP24 represents 24-hour average initial production of Boe (converted at 6:1)

# Land and Resource Management Overview



## Oil & Gas Mineral Interests – Public Company Comparison

			Royalty Focused Company A	Royalty Focused Company B	Royalty Focused Company C
Organic Growth Potential		✓	✗	✓	✓
Pure Play Basin Exposure		✓	✓	✗	✗
No E&P Capex or LOE		✓	✓	✓	✓
Substantial Undeveloped Holdings		✓	✓	✓	✗
Diversified Income Streams		✓	✗	✗	✗
Flexible Policy on Return of Capital		✓	✗	✗	✗



### **III. Water Service and Operations Overview**

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# Water Service and Operations Overview

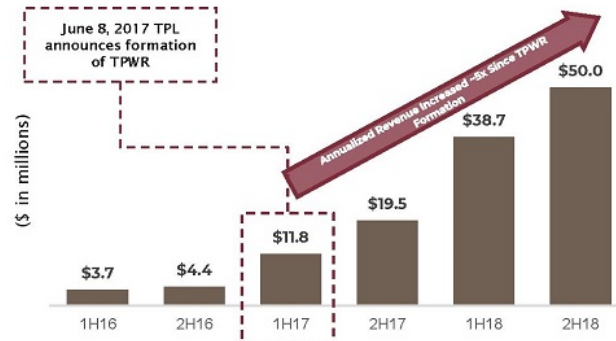


## Overview

### Summary

- > The Water Service and Operations segment primarily consists of the direct sale of water, royalties on sales of water, salt water disposal ("SWD") royalties and to a lesser extent, easements and other income
  - In the past, TPL's agreements with operators and service providers primarily allowed third parties to develop their own water infrastructure and sourcing on TPL's land. This model provided little incentive for operators to maximize the Trust's resources
  - The Trust now takes a more active approach to developing and managing its water assets, with TPWR developing sustainable, full service water solutions for oil and gas operators in the Permian Basin
- > We believe our expansive surface position across the Permian Basin gives us a significant advantage to develop water infrastructure, eliminating right of way issues and incentivizing neighbor cooperation via partnerships

### Segment Revenue Growth



### Water Service Offering

Full-Service Water Offering	Service Description
Brackish Water Sourcing	> Providing brackish water to the well site for use in fracking
Produced Water Gathering / Treatment / Recycling	> Collection, treatment and recycling of water produced by the oil and gas wells for reuse into future wells
Infrastructure Development	> Design, construction and management of water infrastructure (well fields, storage pits (ponds), reuse facilities, etc.)
Disposal	> Disposal services of produced water through third party providers
Water Tracking / Analytics / Well Testing	> Tracking, analytics and well testing services providing critical data to operators to optimize their oil and gas operations

# Water Service and Operations Overview



## *Texas Pacific Water Resources Key Milestones Achieved*

We believe TPWR is positioned to become the **leading water service company** in the Permian Basin

### **Brackish Water Sourcing Systems**

- > **Current Development:**
  - +/- 1,000M bbl/day brackish water production capacity
  - +/- 16MM bbl storage capacity
  - +/- 200 miles of delivery lines
  - Phase 1 Electrical infrastructure, system automation and WIFI completed
- > **Continuous ongoing development to remain the largest brackish water production, storage and delivery infrastructure system in the Permian Basin**

### **Exclusive Sourcing Commitments**

- > **TPWR has entered into multiple exclusive sourcing contracts with oil and gas operators throughout the Permian Basin**
- > **Delivery commitments provide firm basis to justify current and future infrastructure development and ensure prudent ROI**

### **Commercial Recycle**

- > **TPWR has introduced a new model of commercial gathering and disposal by implementing commercial recycle operations into the gathering/disposal structure**
  - TPWR has executed multiple commercial gathering and disposal contracts with leading third party disposal providers and operators
  - TPWR has assumed the role of commercial recycler in this scenario that provides for increased optionality when combined with its existing sourcing contracts
  - TPWR will commence construction of a commercial recycling facility during 2Q 2019

### **Technical Advantage**

- > **TPWR is developing state-of-the-art communication and automation programs across the basin allowing for the lowest cost production, treatment, handling and delivery of brackish and produced water**
- > **In-house laboratory and analytics, construction, automations/communications, and field operators position TPWR to build and maintain the most advanced water system in the Permian Basin**

# Water Service and Operations Overview



## Permian Basin Water Landscape Highlights

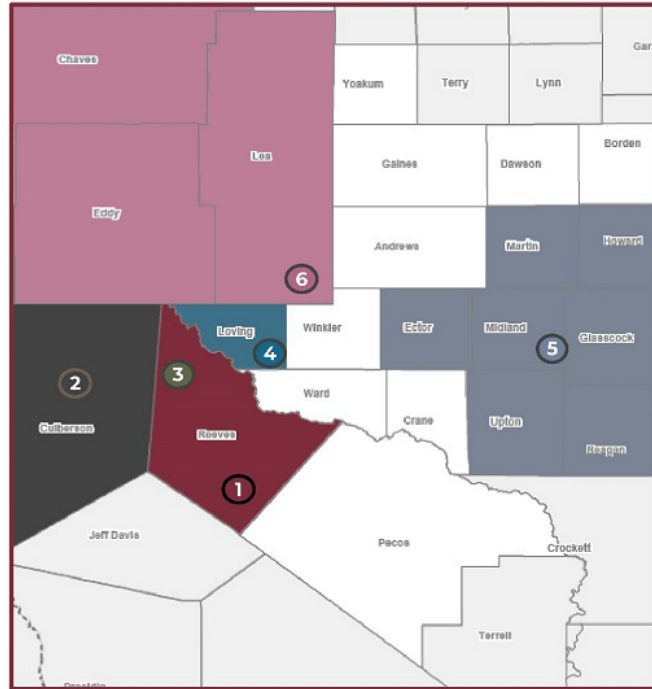
- > **Increased focus on surface ownership by water-related companies**
  - Tightening of market
- > **More encompassing water contracts with operators**
  - Contracts that encompass all aspects of upstream cycle: sourcing, recycle, and disposal
- > **Vast gathering and distribution systems**
  - Diversity among customers and disposal locations
- > **Commercial recycling becoming a reality**
  - Sale of third party produced water to operators is increasing

### Water Sub-market Opportunity for Sourcing, Treatment, Recycle, and Disposal

	<u>Profit</u>	<u>Growth</u>
1 Southern Reeves		
2 Culberson		
3 Northern Reeves		
4 Loving		
5 Midland		
6 Interior New Mexico		



## Permian Basin Water Sub-Markets



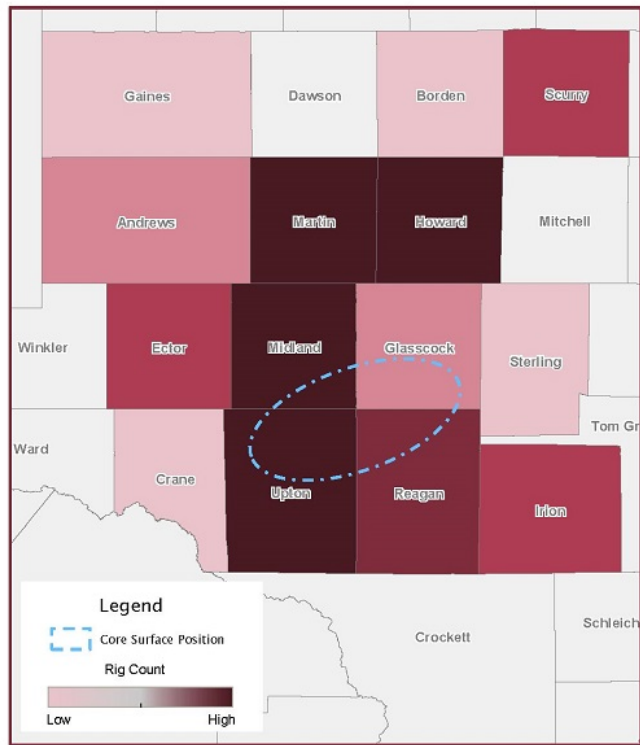
# Water Service and Operations Overview



## Exposure to the Core of the Midland Basin

**TPL is focused on becoming a market leader in water reuse and recycling across the Core of the Midland Basin**

- > **Substantial infrastructure development to advance the state-of-the-art in “full-cycle” water services**
  - 1 Water sourcing during initial well fracking and completion
  - 2 Tracking and analytics to maximize efficiency and minimize waste
  - 3 Disposal and recycling to safely and responsibly manage wastewater and facilitate fluid reuse
- > **Surface acreage in the most active areas of the Midland Basin**
  - TPWR is able to capture operating and service agreements with leading Midland E&P operators and third party service companies





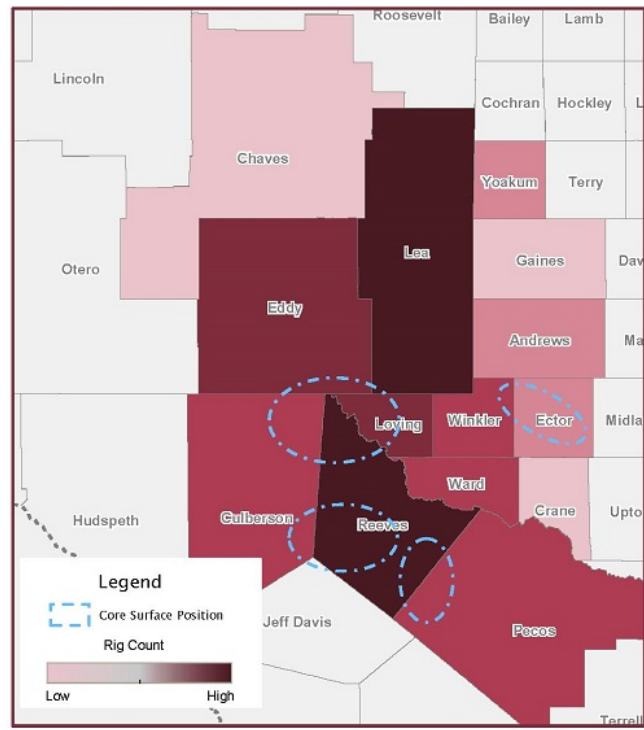
# Water Service and Operations Overview



## Exposure to the Core of the Delaware Basin

**Our expansive and contiguous acreage footprint provides a significant strategic advantage**

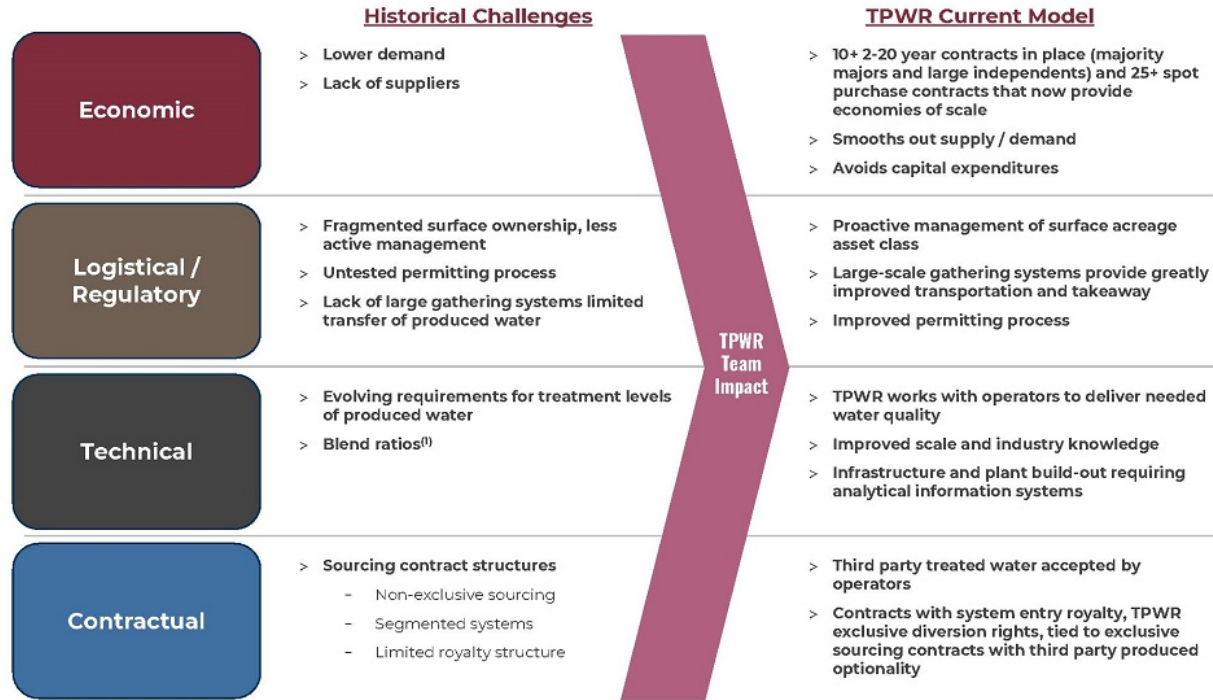
- > **TPL controls over 600,000 surface acres across key counties in the Delaware Basin, giving TPWR unparalleled access and options to transport water throughout the basin**
  - Securing water sourcing commitments from blue chip operators across the basin
  - Commanding right-of-way provides unmatched flexibility in transportation and infrastructure development throughout the region



# Water Service and Operations Overview



## Commercial Recycling Drivers and Benefits

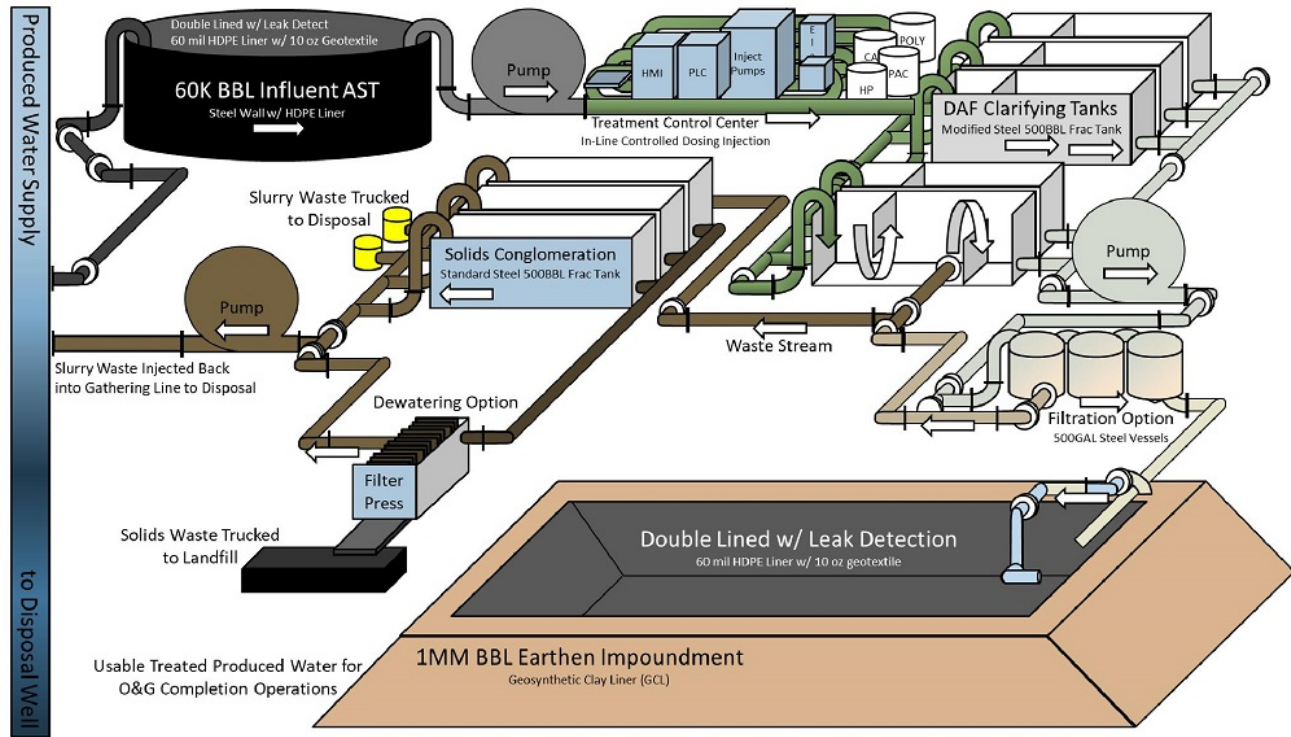


(1) Percentage of produced water compatible for oil & gas operations

# Water Service and Operations Overview



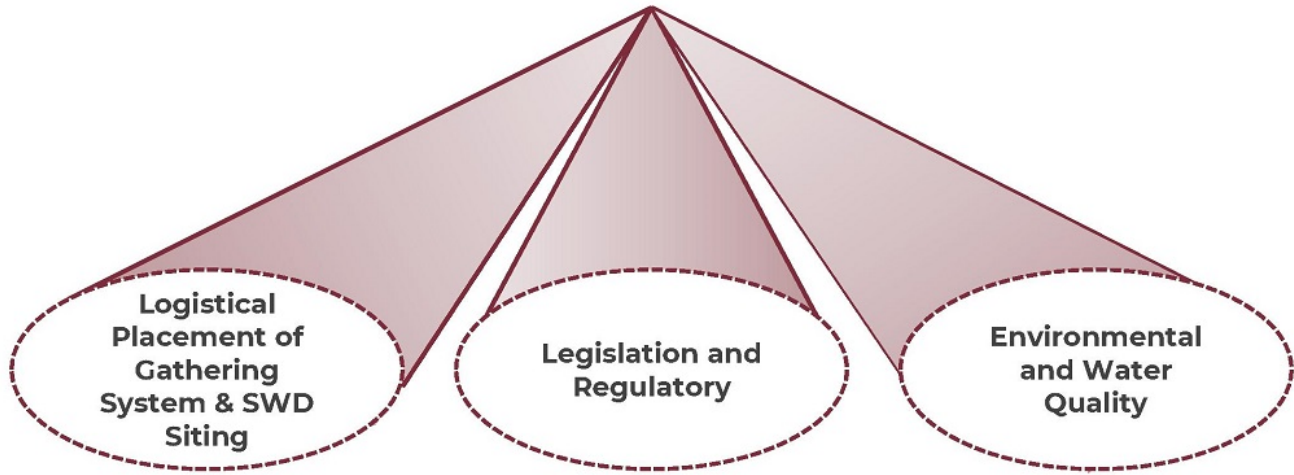
## Produced Water Supply



# Water Service and Operations Overview



*TPWR Advantage*





## IV. Summary of Financials

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# Summary of Financials



## Financial Summary

### TPL's Financial Policy



#### Leverage

- > We are currently unlevered and intend to maintain a strong balance sheet



#### Distributions and Share Repurchases

- > We intend to continue our practice of share repurchases and TPL's 60+ year history of paying annual cash dividends



#### Growth

- > We intend to continue to execute on our successful water business while also actively managing TPL's Land and Resource Management segment to drive growth



### Summary Statements

(\$ in millions) As of December 31, 2018

#### Capitalization

Cash and cash equivalents<sup>(1)</sup> \$121.8

(\$ in millions)

Twelve Months Ended

#### Revenue

December 31, 2018

Land and Resource Management \$211.5

Water Service and Operations 88.7

**Total Revenue \$300.2**

Operating Expenses (\$39.4)

**Operating Income \$260.8**

Operating Income Margin 86.9%

(1) 2018 year end cash balance pro forma for \$100mm sale of 14,000 surface acres, \$46.9 million surface acquisition, \$46.6 million full year dividend declared and not yet paid and estimated \$4.4 million in share repurchases from 1/1/2019 through 3/14/2019

(2) Includes \$7.7mm settlement received from Chevron



## V. Appendix

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# Interest Classification Overview



## *Summary of Mineral & Royalty Interest Categories*

### Minerals

- > Perpetual real-property interests that grant oil and natural gas ownership under a tract of land
- > Represents the right to either explore, drill and produce oil and natural gas or lease that right to third parties for an upfront payment (i.e., lease bonus) and a negotiated percentage of production revenues

### NPRIs

- > Nonparticipating royalty interests
- > Royalty interests that are carved out of a mineral estate
- > Perpetual right to receive a fixed cost-free percentage of production revenue
- > Do not participate in upfront payments (i.e., lease bonus)

### ORRIs

- > Overriding royalty interests
- > Royalty interests that burden the working interests of a lease
- > Right to receive a fixed, cost-free percentage of production revenue (term limited to life of leasehold estate)





# A Distinct Asset Class

*Attractive Alternative to Traditional E&P Investment*



## Avoids Operational Costs and Risks

- > Perpetual royalty interest generates higher operating margin and mitigates risk associated with individual operators, both because of operator diversity and the long term nature of the interest
- TPL currently has long term contracts with dozens of counterparties



## Substantial Upside Potential

- > TPL's position has allowed the Trust to realize the upside associated with increased development in the Permian Basin. As drilling continues, the Trust is positioned to realize additional revenues from its large, undeveloped acreage position



## Sizeable Asset Base

- > **~900,000 surface acres** across land in 19 different counties
- > Net profit royalty interests in **~455,000 acres<sup>(1)</sup>**
- > The sheer scale of Texas Pacific Land Trust allows for potential that cannot be found in other companies operating within the Permian Basin



## Attractive Cash Flow Stream

- > TPL has recognized a ~40% revenue CAGR from 2010 – 2018 across its asset base
- > In 2017, TPL established Texas Pacific Water Resources to focus on the build out of the Water Service and Operations business

**TPL believes that royalty ownership is attractive in that it provides an attractive risk-return profile, especially when compared to ownership of E&P operating companies**

<sup>(1)</sup> ~85,000 at 1/28<sup>th</sup> and ~370,000 at 1/16<sup>th</sup>. Does not include 1,826 1/8<sup>th</sup> net royalty acres acquired in 2018

# Royalty Economics



## Mineral Interest Margin Illustration

Given the same revenue per barrel, a mineral interest barrel realizes:

- > **Significantly higher operating margin**
- > **No direct operating or capital expenses**
- > **No abandonment or environmental liabilities**

**TPL** offers **higher margins** than conventional working interest production

### Revenue of \$50.00

Illustrative TPL NPRI Interest<sup>(1)</sup>



Illustrative Working Interest Owner



<sup>(1)</sup> TPL's NPRI interest varies across its position with a portion of its acreage owning a 1/16<sup>th</sup> interest and a portion owning a 1/28<sup>th</sup> interest. This chart represents the margin associated with an illustrative net royalty acre on an 8/8<sup>ths</sup> basis

# Easement Revenue Summary



## Illustrative Operators Contracted Service Easements

Easements represent a “nonpossessory” property interest that allows the easement holder to use property that they do not possess. TPL leverages its ~900,000 surface acres to generate easement revenue from a **diverse set of activities**, with a majority of easements carrying **10-year terms**, locking in predictable, long term income



### Hydrocarbon Pipeline Easements

- > Gathering Pipelines
- > Transportation Pipelines



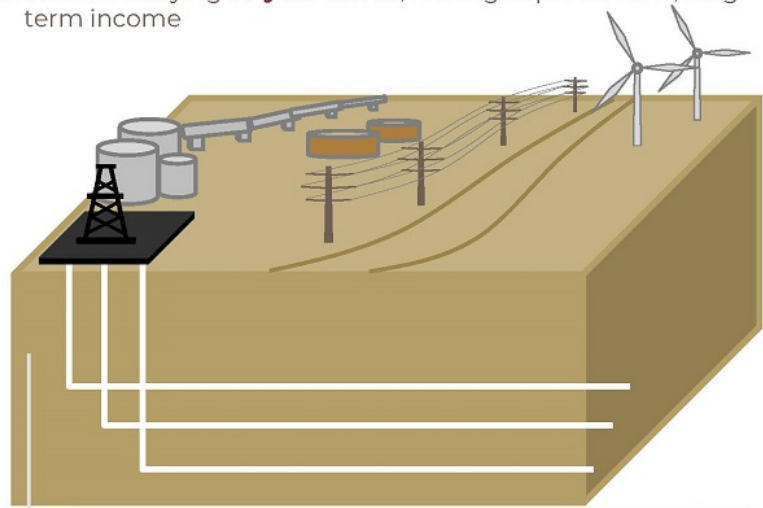
### Water Pipeline Easements

- > Consideration on a per rod basis<sup>(1)</sup>
- > Consideration on a per bbl basis



### Pole Line Easements

- > Consideration on a per rod basis<sup>(1)</sup>



TPL holds rights to both the **surface and mineral estate**, representing a significant competitive advantage over pure royalty peers

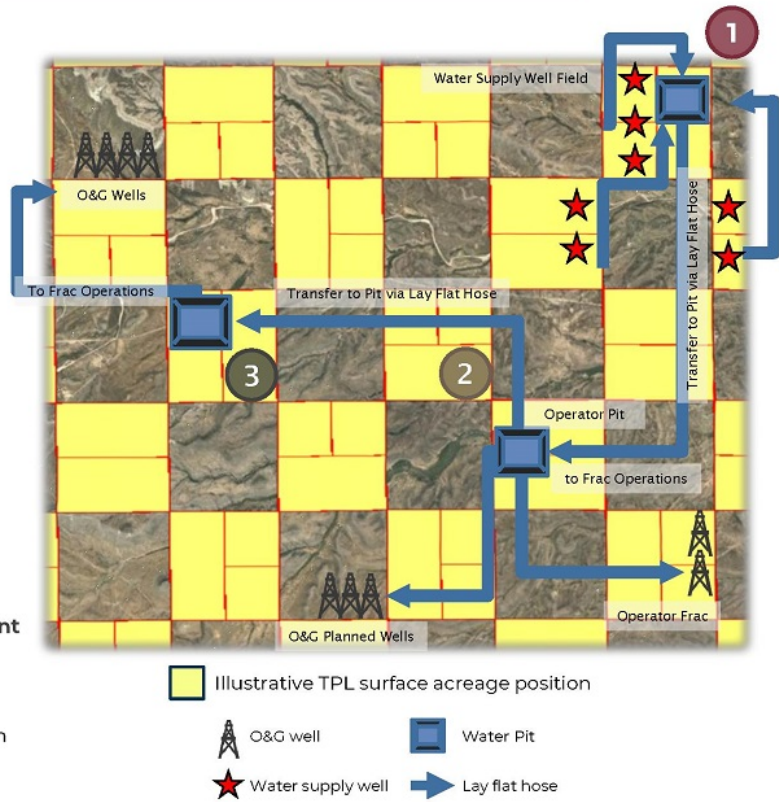
(1) A rod is equal to 16.5 feet

# Water Sourcing Management



## Illustrative Produced Water Logistics

- 1 Groundwater Wellfield Development:**
  - > Local brackish aquifer identified and water wells drilled for source
  - > Earthen impoundment pit built and lined for water storage
  - > Water wells are pumped via poly piping to fill storage pits
  
- 2 Storage Impoundment and Transfer**
  - > Logistic "take-points" identified for economical access to water and additional pits built for storage
  - > Water is transferred from well field storage pit to take-point pits via 12" lay flat hose using large horsepower diesel or electric pumps
  
- 3 Oil & Gas Well Completion Water Management**
  - > Water is transferred from take-point pits to the nearby operator frac locations
  - > Multiple take-points may be needed to make water accessible over large distances away from the water well field source





## **Texas Pacific Land Trust**

**1700 Pacific Avenue, Suite 2770  
Dallas, Texas 75201**

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