Texas Pacific Land Trust

REPORT

for the

Year Ended December 31, 2016

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Year Ended December 31, 2016

TEXAS PACIFIC LAND TRUST

1700 Pacific Avenue, Suite 2770

Dallas, Texas 75201

To the Sub-share and Certificate Holders of Texas Pacific Land Trust:

Although 2016 began with oil at its lowest price in over a decade, the continued strength of revenue derived from the surface acreage and the rebound and stability of prices later in the year enabled the Trust to report net income of $37,239,550. This was the second highest net income in the Trust's 129-year history. The Trust earned $4.66 per share with average sub-shares outstanding totaling 7,989,030.

Total revenues in 2016, exclusive of land sales, were $56,994,962 compared to $56,825,658 in 2015 and consisted of the following:

- Oil and gas royalty revenue was $29,996,962 compared to $24,860,205 in 2015, an increase of 20.7%. Oil royalty revenue was $21,985,829 compared to $18,607,031 in 2015, up 18.2%. Oil royalty production was 569,585 barrels in 2016 compared to 383,961 barrels in 2015, up 185,624 barrels or 48.3%. The average price per barrel received in 2016 decreased 20.3% from 2015. Gas royalty revenue was $8,011,133 compared to $6,253,174, up 28.1% on a volume increase of 36.8%, partially offset by a price decrease of 6.1% per MCF.

- Easements and sundry income was $26,470,669 compared to $31,413,158 in 2015, a decrease of 15.7%. With the transition to term easements in 2016 instead of perpetual easements, the Trust deferred $7,809,669 of payments received in 2016 easement income to subsequent years in accordance with generally accepted accounting principles ("GAAP"). Without that deferral, the Trust would have recorded $34,280,338 in easements and sundry income for 2016, a 9.1% increase compared to 2015.

- Other income of $527,331, consisting of $489,982 from grazing lease rentals, $29,070 in interest income earned from investments and $8,279 from interest income from notes receivable. Grazing lease rental income was up 1.2% compared to 2015. Interest income earned from investments was up 5.9% compared to 2015 and interest income from notes receivable was down 79.7%.

Land sales in 2016 were $2,945,505 compared to $22,616,635 in 2015. The Trust sold a total of 774.6 acres located in three of the eighteen counties in which surface ownership is held. Because land sales may vary significantly from year to year, the total dollar volume of land sales in any one year should not be assumed to be indicative of sales in the future.

Total expenses for 2016 were $22,700,917, $17,847,370 of which were Federal and state taxes. The comparable 2015 figures were $29,403,786 and $25,244,515, respectively.

As provided in Article Seventh of the Declaration of Trust, dated February 1, 1888, establishing the Trust, it has been and will continue to be the practice of the Trustees to purchase and cancel outstanding certificates and sub-shares. The proliferation of oil and gas production development, particularly in the Permian basin, has enabled the Trust to purchase and retire 1,430,380 sub-shares in the five-year period beginning January 1, 2011 and ending December 31, 2015, which is 15% of the total number of sub-shares outstanding as of December 31, 2010. An additional 190,750 sub-shares were purchased in 2016 at a cost of $33,085,867, representing an average cost of $173.45 per sub-share. The market price of sub-shares on the New York Stock Exchange ranged from a low of $104.06 to a high of $307.79 during 2016. These purchases are generally made in the open market and there is no arrangement, contractual or otherwise, with any person for any such purchase. As permitted by the Declaration, the Trust may negotiate prices on unsolicited blocks of sub-shares which it may be offered from time to time.

For a number of years the Trustees have followed the practice of declaring an annual cash dividend at their meeting in February. A cash dividend of $0.31 per sub-share was declared February 25, 2016 and paid March 16, 2016. At their February 21, 2017 meeting, the Trustees declared a cash dividend of $0.35 per sub-share, payable March 16, 2017 to sub-shareholders of record at the close of business on March 9, 2017. This is the fourteenth consecutive year that the annual dividend has been increased. Additionally, the Trustees declared a special dividend of $1.00 per sub-share payable March 16, 2017 to sub-shareholders of record at the close of business on March 9, 2017.

The range of reported sales prices for sub-shares on the New York Stock Exchange for each calendar quarter during the past two years was as follows:

	2016		2015	
	High	Low	High	Low
1st quarter	$155.00	$104.06	$151.49	$106.24
2nd quarter	$174.75	$143.00	$164.47	$140.06
3rd quarter	$242.52	$156.00	$148.61	$ 96.54
4th quarter	$307.79	$235.03	$153.60	$119.80

The Trustees were saddened that Mr. James K. Norwood passed away on September 27, 2016. Mr. Norwood was a Trustee from June 14, 2006 and the Trust will sorely miss him. At a Special Meeting of the Holders of Sub-share Certificates of Proprietary Interest ("Sub-share Certificates") held on January 12, 2017, the holders of Sub-share Certificates elected Mr. David E. Barry as a Trustee to fill the vacancy created by the death of Mr. Norwood.

Mr. Barry graduated from the College of the Holy Cross in 1966 with a degree in Physics and from Harvard Law School in 1969. He spent his entire legal career at the law firm of Kelley Drye & Warren LLP until he became a retired partner in 2012. Mr. Barry is now President of Sidra Real Estate, Inc. and Tarka Resources, Inc.

Mr. Tyler Glover, formerly serving the Trust as Assistant General Agent, was promoted to General Agent, Chief Executive Officer and Secretary. Mr. Robert J. Packer, formerly serving as Chief Financial Officer, was promoted to General Agent and Chief Financial Officer.

A report showing the operations of the Trust for 2016, prepared by General Agent Robert J. Packer, follows.

Maurice Meyer III,

John R. Norris III,

David E. Barry,

Trustees.

To Messrs.

Maurice Meyer III
John R. Norris III } Trustees,
David E. Barry

GENTLEMEN:

The following is a report of the operations in connection with the properties of Texas Pacific Land Trust for the year 2016. A summary of land sales is shown in the table below:

LAND TRANSACTIONS — 2016

County	*Acres*	*Consideration*	*Cash*	*Deferred Payments*
Land sales:				
Culberson	647.34	$ 485,505.00	$ 485,505.00	$0.00
El Paso	0.06	1,000.00	1,000.00	0.00
Reeves	127.21	2,459,000.00	2,459,000.00	0.00
Total	774.61	$2,945,505.00	$2,945,505.00	$0.00

NET CHANGES IN ACREAGE

County	*Land Sales*	*Survey*	*Total*
Culberson	647.3400–	5.66–	653.0000–
El Paso	0.0619–		0.0619–
Reeves	127.2100–		127.2100–
Total	774.6119–	5.66–	780.2719–

The total consideration received for land sales in 2016 was $2,945,505, received in cash with no deferred payments. The Reeves County sales comprised 83.5% of the Trust's total dollar volume of sales. These sales totaled 127.21 acres for $2,459,000, an average of approximately $19,330 per acre, for construction of facilities and infrastructure. The remaining sales were a ranch type property located in Reeves County, totaling approximately 647 acres for $485,505, an average of approximately $750 per acre, and a sale in El Paso County of approximately .06 acres for $1,000, an average of approximately $16,155 per acre. The Trust holds only a limited amount of land near any metropolitan area.

COMPARATIVE STATEMENT OF TAXES

For The Past Two Years

Taxes	2016	2015	*Percentage Increase + Decrease –*
Income	$17,847,370	$25,244,515	29.3 –
Ad valorem	107,123	94,219	13.7 +
Crude oil and gas production	1,612,180	1,324,909	21.7 +
Payroll and other taxes	59,974	57,448	4.4 +
Total	$19,626,647	$26,721,091	26.5 –

GRAZING LEASES

Grazing lease rental revenue was $489,982 in 2016, an average of 55.3¢ per acre, compared to $483,989 in 2015 at an average of 54.6¢ per acre. At 2016 year end, grazing leases were in effect on 885,867 acres (99.8%) of the Trust's lands.

LOCATION OF UNSOLD LANDS AND NONPARTICIPATING PERPETUAL ROYALTY INTERESTS

As of December 31, 2016

	ACREAGE		
County	*Surface*	*1/128 Royalty*	*1/16 Royalty*
Callahan			80.00
Coke			1,183.50
Crane	3,621.36	264.65	5,198.15
Culberson	299,040.49		111,513.14
Ector	19,887.46	33,633.45	11,792.88
El Paso	16,628.34		
Fisher			320.00
Glasscock	20,712.70	3,600.00	11,110.91
Howard	4,788.04	3,098.54	2,320.00
Hudspeth	155,405.88		1,008.00
Jeff Davis	13,117.24		7,554.65
Loving	73,608.62	6,106.66	48,066.00
Martin			320.00
Midland	29,007.55	13,425.00	15,360.00
Mitchell	1,599.00	1,760.00	585.91
Nolan	1,600.00	2,487.73	3,157.43
Palo Pinto			800.00
Pecos	43,407.12	320.00	16,895.31
Presidio			3,200.00
Reagan		6,162.15	1,273.63
Reeves	185,402.64	3,013.34	116,690.98
Stephens		2,817.33	160.00
Sterling	5,212.46	640.00	2,080.00
Taylor	689.73		966.00
Upton	6,020.22	6,903.00	9,100.60
Winkler	7,803.69	1,181.75	3,040.00
Total	887,552.54	85,413.60	373,777.09

A map showing the general location of the above described surface acreage appears on the last page of this Report. Currently there are approximately 236,194 surface acres that include a 1/16 non-participating perpetual royalty interest and approximately 32,536 surface acres that include a 1/128 non-participating perpetual royalty interest. The Trust has no surface ownership in respect to the remaining 1/16 and 1/128 non-participating perpetual royalty interest acreage.

OIL AND GAS

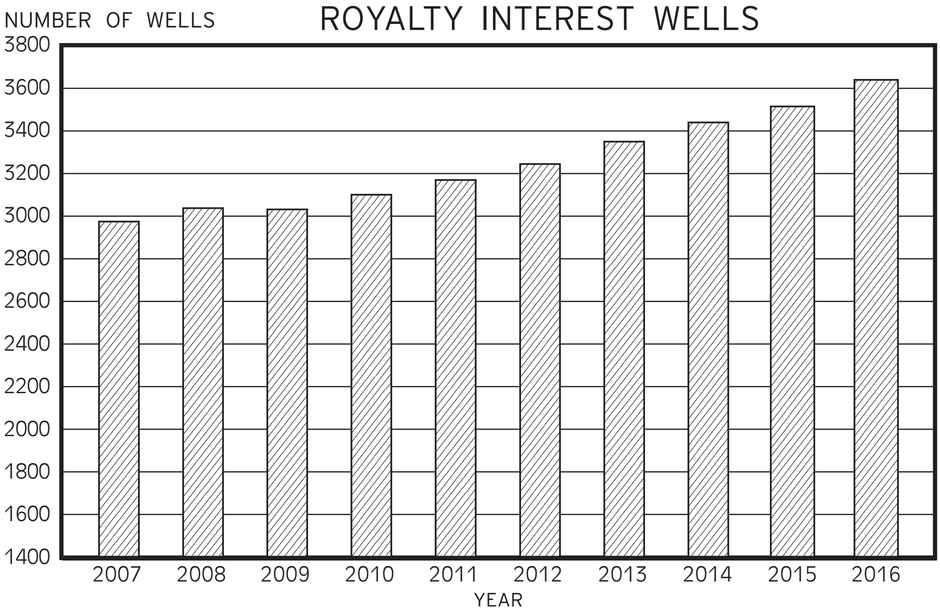
Oil and gas royalty revenue was $29,996,962 in 2016, up 20.7% from 2015. Oil royalty revenue was $21,985,829, up 18.2% and gas royalty revenue was $8,011,133, up 28.1%.

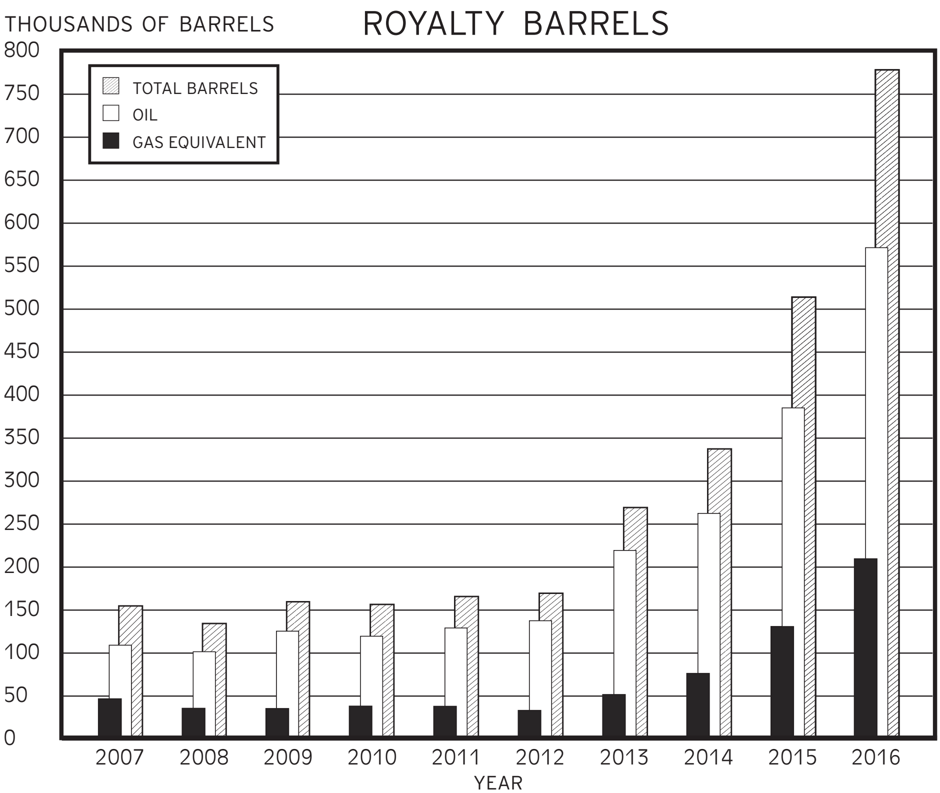
Crude oil production increased 48.3% in 2016 compared to 2015. The average price received in 2016 was $38.60 per barrel, compared to $48.46 in 2015. Gas production increased 36.8% in 2016. The average price of gas decreased to $3.07 per MCF in 2016 from $3.27 in 2015. State oil and gas production taxes were $1,612,180 in 2016 compared to $1,324,909 in 2015.

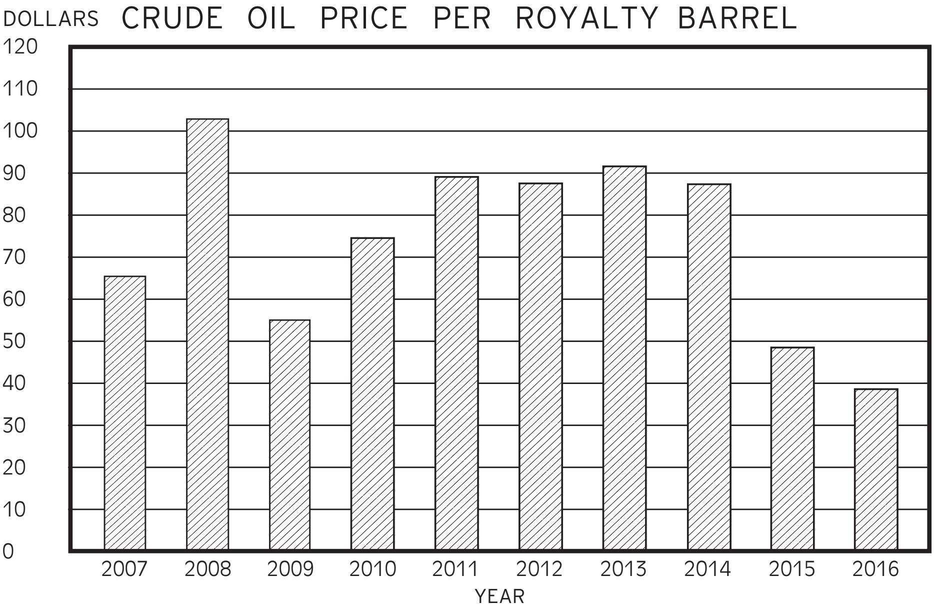
Total production increased by 185,624 oil royalty barrels and 78,508 gas equivalent royalty barrels, as shown in the two-year comparison of royalty production and royalty revenue below.

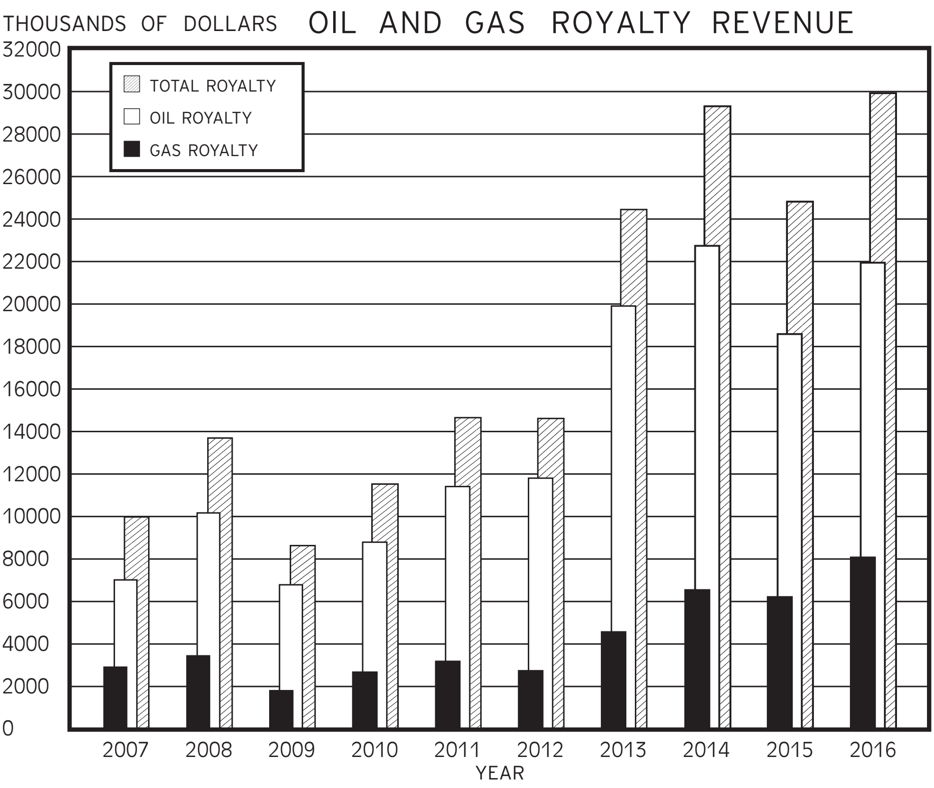
	Royalty Production	
	2016	*2015*
Oil, Bbls.	569,585	383,961
Gas, Mcf.	2,612,965	1,910,389
Gas, Bbls. Equiv.	207,544	129,036
Total, Bbls. Equiv.	777,129	512,997

	Royalty Revenue	
	2016	*2015*
Oil	$21,985,829	$18,607,031
Gas	$ 8,011,133	$ 6,253,174
Total	$29,996,962	$24,860,205


NUMBER OF WELLS
ROYALTY INTEREST WELLS
3800
3600
3400
3200
3000
2800
2600
2400
2200
2000
1800
1600
1400
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR


THOUSANDS OF BARRELS
ROYALTY BARRELS
TOTAL BARRELS
OIL
GAS EQUIVALENT
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
50
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR


DOLLARS
CRUDE OIL PRICE PER ROYALTY BARREL
120
110
100
90
80
70
60
50
40
30
20
10
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR


THOUSANDS OF DOLLARS
OIL AND GAS ROYALTY REVENUE
TOTAL ROYALTY
OIL ROYALTY
GAS ROYALTY
32000
30000
28000
26000
24000
22000
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR

NEW WELLS DEVELOPED DURING 2016
SUBJECT TO THE TRUST'S NONPARTICIPATING
PERPETUAL ROYALTY INTEREST

	NUMBER OF WELLS	
County and Field	*1/128* Royalty*	*1/16* Royalty*
CULBERSON COUNTY		
Derby — Bonespring		8
Ford, West — 4100		1
Ford, West — Wolfcamp		19
ECTOR COUNTY		
TXL — Tubb	1	
GLASSCOCK COUNTY		
Spraberry Trend Area		6
LOVING COUNTY		
Phantom — Wolfcamp	4	27
Sandbar — Bonespring	1	4
MIDLAND COUNTY		
Parks — Consolidated	2	
Pegasus — Consolidated	3	
Spraberry Trend Area		23
REEVES COUNTY		
Phantom — Wolfcamp		12
Sandbar — Bonespring		1
Wolfbone Trend Area		4
UPTON COUNTY		
Spraberry Trend Area		4
	11	109

* *Subject to adjustment for unitization or producing units.*

One hundred and twenty oil and gas wells were completed in 2016 that are subject to the Trust's non-participating perpetual royalty interest. At the end of the year, the Trust's royalty wells totaled 3,629 consisting of 1,336 wells subject to a 1/16 royalty interest (including 109 wells completed in 2016) and 2,293 wells subject to a 1/128 royalty interest (including 11 wells completed in 2016).

There are a number of wells subject to the Trust's non-participating perpetual royalty interest that are drilled but not completed. We are working towards a solution to provide that information in future reports and anticipate the ability to do so beginning in the 2nd quarter of 2017.

Respectfully submitted,

ROBERT J. PACKER,
General Agent

Dallas, Texas
February 21, 2017

FIVE YEAR STATEMENT OF INCOME AND SELECTED FINANCIAL DATA

Income:

Oil and gas royalties . . . .
Grazing lease rentals . . . .
Land sales . . . .
Interest income from notes receivable . . . .
Easements and sundry income . . . .

Expenses:

Taxes, other than income taxes . . . .
Salaries and related employee benefits . . . .
General expense, supplies and travel . . . .
Basis in real estate sold . . . .
Legal and professional fees . . . .
Depreciation . . . .
Trustees' compensation . . . .

Operating income . . . .

Interest income earned from investments . . . .

Income before income taxes . . . .

Income taxes . . . .

Net income . . . .

Net income per Sub-share Certificate . . . .

Cash dividend per Sub-share Certificate . . . .

Total assets, exclusive of all property with no assigned value . . . .

Year Ended December 31,				
2016	2015	2014	2013	2012
$29,996,962	$24,860,205	$29,346,103	$24,496,851	$14,670,915
489,982	483,989	500,292	494,210	488,694
2,945,505	22,616,635	3,698,312	6,413,588	5,809,747
8,279	40,866	140,291	484,238	706,252
26,470,669	31,413,158	21,517,232	12,220,187	10,911,848
59,911,397	79,414,853	55,202,230	44,109,074	32,587,456
1,779,277	1,476,576	1,692,256	1,420,635	941,757
1,240,802	1,195,598	917,726	1,189,141	1,106,599
1,004,144	777,842	629,990	589,307	601,590
—	10,458	—	—	—
778,534	665,423	517,497	755,132	609,555
43,290	25,374	19,730	16,286	16,504
7,500	8,000	8,000	8,000	8,000
4,853,547	4,159,271	3,785,199	3,978,501	3,284,005
55,057,850	75,255,582	51,417,031	40,130,573	29,303,451
29,070	27,440	14,523	12,005	19,435
55,086,920	75,283,022	51,431,554	40,142,578	29,322,886
17,847,370	25,244,515	16,666,534	12,924,070	9,675,068
$37,239,550	$50,038,507	$34,765,020	$27,218,508	$19,647,818
$ 4.66	$ 6.10	$ 4.14	$ 3.16	$ 2.20
$ .31	$ .29	$ .27	$ .00	$ .48*
$62,453,929	$50,435,545	$33,102,488	$22,356,948	$21,186,872

* *Includes a cash dividend of $.25 per sub-share which would customarily have been paid in 2013, but was accelerated into 2012.*

BALANCE SHEETS

December 31, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	$49,417,889	$45,011,969
Accrued receivables	6,550,429	3,787,534
Other assets	232,970	121,426
Deferred tax asset	3,874,788	—
Notes receivable for land sales ($32,749 due in 2017 and $32,906 due in 2016) (note 2)	94,971	139,114
Water wells, vehicles, furniture, and equipment — at cost less accumulated depreciation	1,168,281	260,901
Real estate acquired (notes 2 and 4)	1,114,601	1,114,601
Real estate and royalty interests assigned through the 1888 Declaration of Trust, no value assigned (note 2):		
Land (surface rights) situated in eighteen counties in Texas — 877,488 acres in 2016 and 878,268 acres in 2015	—	—
1/16 nonparticipating perpetual royalty interest in 373,777 acres	—	—
1/128 nonparticipating perpetual royalty interest in 85,414 acres	—	—
Total assets	$62,453,929	$50,435,545

LIABILITIES AND CAPITAL

	2016	2015
Accounts payable and accrued expenses	$ 826,771	$ 868,807
Income taxes payable	1,950,774	634,911
Other taxes payable	276,813	167,290
Unearned revenue (note 2)	11,775,049	2,579,406
Deferred taxes (note 6)	—	163,213
Pension plan liability (note 5)	—	333,239
Total liabilities	14,829,407	4,746,866
Commitments and contingencies (note 7)	—	—
Capital (notes 1, 2 and 8):		
Certificates of Proprietary Interest, par value $100 each; outstanding 0 Certificates	—	—
Sub-share Certificates in Certificates of Proprietary Interest, par value $.03 1/3 each; outstanding 7,927,314 Sub-shares in 2016 and 8,118,064 Sub-shares in 2015	—	—
Accumulated other comprehensive income (loss)	(959,563)	(1,248,906)
Net proceeds from all sources	48,584,085	46,937,585
Total capital	47,624,522	45,688,679
Total liabilities and capital	$62,453,929	$50,435,545

See accompanying notes to financial statements.

STATEMENTS OF INCOME AND TOTAL COMPREHENSIVE INCOME

Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
Income:			
Oil and gas royalties	$29,996,962	$24,860,205	$29,346,103
Grazing lease rentals	489,982	483,989	500,292
Land sales	2,945,505	22,616,635	3,698,312
Interest income from notes receivable	8,279	40,866	140,291
Easements and sundry income	26,470,669	31,413,158	21,517,232
	59,911,397	79,414,853	55,202,230
Expenses:			
Taxes, other than income taxes	1,779,277	1,476,576	1,692,256
Salaries and related employee benefits	1,240,802	1,195,598	917,726
General expense, supplies, and travel	1,004,144	777,842	629,990
Basis in real estate sold	—	10,458	—
Legal and professional fees	778,534	665,423	517,497
Depreciation	43,290	25,374	19,730
Trustees' compensation	7,500	8,000	8,000
	4,853,547	4,159,271	3,785,199
Operating income	55,057,850	75,255,582	51,417,031
Interest income earned from investments	29,070	27,440	14,523
Income before income taxes	55,086,920	75,283,022	51,431,554
Income taxes (note 6):			
Current	22,041,171	25,430,382	17,641,531
Deferred	(4,193,801)	(185,867)	(974,997)
	17,847,370	25,244,515	16,666,534
Net income	$37,239,550	$50,038,507	$34,765,020
Amortization of net actuarial costs and prior service costs, net of income taxes of $49,227, $51,638, and $18,109 respectively	91,422	95,899	33,632
Net actuarial gain (loss) on pension plan net of income taxes of $106,573, $4,302, and $(423,848) respectively	197,921	7,989	(764,414)
Total other comprehensive gain (loss)	289,343	103,888	(730,782)
Total comprehensive income	$37,528,893	$50,142,395	$34,034,238
Net income per Sub-share Certificate	$4.66	$6.10	$4.14

See accompanying notes to financial statements.

STATEMENTS OF NET PROCEEDS FROM ALL SOURCES

Years Ended December 31, 2016, 2015 and 2014

	Sub-share Certificates of Proprietary Interest	Accumulated Other Comprehensive Income (Loss)	Net Proceeds From All Sources	Total
Balances at December 31, 2013	8,473,202	$ (622,012)	$ 18,551,678	$ 17,929,666
Net income	—	—	34,765,020	34,765,020
Periodic pension costs, net of income taxes of $(405,739)	—	(730,782)	—	(730,782)
Cost of 150,803 Sub-share Certificates in Certificates of Proprietary Interest purchased and cancelled	(150,803)	—	(22,963,786)	(22,963,786)
Dividends paid — $.27 per Sub-share Certificate	—	—	(2,280,301)	(2,280,301)
Balances at December 31, 2014	8,322,399	(1,352,794)	28,072,611	26,719,817
Net income	—	—	50,038,507	50,038,507
Periodic pension costs, net of income taxes of $55,940	—	103,888	—	103,888
Cost of 204,335 Sub-share Certificates in Certificates of Proprietary Interest purchased and cancelled	(204,335)	—	(28,771,073)	(28,771,073)
Dividends paid — $.29 per Sub-share Certificate	—	—	(2,402,460)	(2,402,460)
Balances at December 31, 2015	8,118,064	(1,248,906)	46,937,585	45,688,679
Net income	—	—	37,239,550	37,239,550
Periodic pension costs, net of income taxes of $155,800	—	289,343	—	289,343
Cost of 190,750 Sub-share Certificates in Certificates of Proprietary Interest purchased and cancelled	(190,750)	—	(33,085,867)	(33,085,867)
Dividends paid — $.31 per Sub-share Certificate	—	—	(2,507,183)	(2,507,183)
Balances at December 31, 2016	7,927,314	$ (959,563)	$ 48,584,085	$ 47,624,522

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
Cash flows from operating activities:			
Net income	$ 37,239,550	$ 50,038,507	$ 34,765,020
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	(4,038,001)	(129,927)	(1,380,735)
Depreciation and amortization	43,290	25,374	19,730
(Gain) loss on disposal of fixed assets	8,201	(712)	5,083
Changes in operating assets and liabilities:			
Accrued receivables and other assets	(2,874,439)	(563,991)	689,129
Income taxes payable	1,315,863	227,966	52,258
Prepaid income taxes	—	815,937	(815,937)
Notes receivable for land sales	44,143	784,001	2,964,791
Accounts payable, accrued expenses and other liabilities	9,219,234	(1,629,956)	2,553,084
Net cash provided by operating activities	40,957,841	49,567,199	38,852,423
Cash flows from investing activities:			
Proceeds from sale of fixed assets	18,000	25,000	21,000
Purchase of fixed assets	(976,871)	(221,456)	(53,788)
Net cash used in investing activities	(958,871)	(196,456)	(32,788)
Cash flows from financing activities:			
Purchase of Sub-share Certificates in Certificates of Proprietary Interest	(33,085,867)	(28,771,073)	(22,963,786)
Dividends paid	(2,507,183)	(2,402,460)	(2,280,301)
Net cash used in financing activities	(35,593,050)	(31,173,533)	(25,244,087)
Net increase in cash and cash equivalents	4,405,920	18,197,210	13,575,548
Cash and cash equivalents, beginning of period	45,011,969	26,814,759	13,239,211
Cash and cash equivalents, end of period	$ 49,417,889	$ 45,011,969	$ 26,814,759

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

(1) Nature of Operations

Texas Pacific Land Trust (Trust) was 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, and to issue transferable Certificates of Proprietary Interest pro rata to the original holders of certain debt securities of the Texas and Pacific Railway Company.

The Trust is organized to manage land, including royalty interests, for the benefit of its owners. The Trust's income is derived primarily from oil and gas royalties, easements and sundry income, land sales, grazing and sundry leases, interest on notes receivable, and interest on investments.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The most significant accounting policies include the valuation of real estate and royalty interests assigned through the 1888 Declaration of Trust and revenue recognition policies.

(b) Use of Estimates

The preparation of financial statements in accordance with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenue Recognition

Oil and gas royalties

Oil and gas royalties (royalties) are received in connection with royalty interests owned by the Trust. Royalties are recognized as revenue when crude oil and gas products are removed from the respective mineral reserve locations. Royalty payments are generally received one to three months after the crude oil and gas products are removed. An accrual is included in accrued receivables for amounts not received during the month removed based on historical trends.

The oil and gas royalties which the Trust receives are dependent upon the market prices for oil and gas. The market prices for oil and gas are subject to national and international economic and political conditions and, in the past, have been subject to significant price fluctuations.

The Trust has analyzed public reports of drilling activities by the oil companies with which it has entered into royalty interest leases in an effort to identify unpaid royalties associated with royalty interests owned by the Trust. Rights to certain royalties believed by the Trust to be due and payable may be subject to dispute with the oil company involved as a result of disagreements with respect to drilling and related engineering information. Disputed royalties are recorded when these contingencies are resolved.

Grazing lease rentals

The Trust leases land to the ranching industry for grazing purposes. Lease income is recognized when earned. These leases generally require fixed annual payments and terms range from three to five years. Lease cancellations are allowed. Advance lease payments are deferred (unearned revenue) and amortized over the appropriate accounting period. Lease payments not received are recorded as accrued receivables.

Land sales

Income is recognized on land sales during the periods in which such sales are closed and sufficient amounts of cash down payments are received using the full accrual method of gain recognition. For income tax purposes, land sales are recognized on the installment method. The sales price of land sales are reflected as income and the cost (basis) of the respective parcels of land are reflected as expenses as these parcels of land are not primarily held as income-producing "operating" properties.

Interest income from notes receivable

Interest income is recognized when earned, using the simple interest method. Accrued interest not received is reflected in accrued receivables.

Easements and sundry income

Easement contracts represent contracts which permit companies to install pipe lines, pole lines and other equipment on land owned by the Trust. Easement income is recognized when earned. When the Trust receives a signed contract and payment, the Trust makes available the respective parcel of land to the grantee. Though a small number of payments received are for perpetual easements, the vast majority are for terms of ten years.

Sundry income represents leasing arrangements to companies in a wide array of industries, including: agricultural, oil and gas, construction, wind power and other industries. Lease income is recognized when earned. These leases generally require fixed annual payments or royalties. Lease terms generally range from month-to-month arrangements to ten years. Lease cancellations are allowed.

Advance lease payments are deferred and amortized over the appropriate accounting period. Lease payments not received are included in accrued receivables.

(d) Statements of Cash Flows

Cash and cash equivalents consist of bank deposit and savings accounts. The Trust considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. At times the cash may exceed federally insured limits. The Trust maintains its cash and cash equivalents in two large financial institutions. The Trust monitors the credit quality of these institutions and does not anticipate any losses.

Cash disbursed for income taxes in 2016, 2015 and 2014 was $20,725,307, $24,386,479, and $18,405,210, respectively. No new loans were made by the Trust in connection with land sales for the years ended December 31, 2016, 2015 and 2014, respectively.

(e) Accrued Receivables

Accrued receivables consist primarily of amounts due under oil and gas royalty leases and sundry leases. Accrued receivables are reflected at their net realizable value based on historical royalty and lease receipt information and other factors anticipated to affect valuation. A valuation allowance is recorded if amounts expected to be received are considered impaired. No allowance was considered necessary at December 31, 2016 and 2015.

(f) Notes Receivable for Land Sales

Notes receivable for land sales (notes receivable) consists of installment notes received as partial payment on land sales and are reflected at the principal amounts due net of an allowance for loan losses, if any. The Trust generally receives cash payments on land sales of 25% or more. Thereafter, annual principal and interest payments are required by the Trust. Notes receivable bear interest rates ranging from 7.0% to 7.5% as of December 31, 2016 and are secured by first lien deeds of trust on the properties sold. The weighted average interest rate is 7.1% as of

December 31, 2016. The annual installments on notes are generally payable over terms of 10 to 15 years. There is no penalty for prepayment of principal, and prepayments in 2016, 2015 and 2014 were $15,803, $713,062, and $1,764,928, respectively. The interest rates on notes receivable are considered comparable with current rates on similar land sales and, accordingly, the carrying value of such notes receivable approximates fair value.

Management of the Trust monitors delinquencies to assess the propriety of the carrying value of its notes receivable. Accounts are considered delinquent thirty days after the contractual due dates. At the point in time that notes receivable become delinquent, management reviews the operations information of the debtor and the estimated fair value of the collateral held as security to determine whether an allowance for losses is required. There was no allowance for uncollectible notes receivable at December 31, 2016 and 2015.

Three customers represented 100% of notes receivable at December 31, 2016 and 2015.

The maturities of notes receivable for each of the five years subsequent to December 31, 2016 are:

Year ending December 31,	Amount
2017	$32,749
2018	30,181
2019	27,229
2020	4,812
2021	—
Thereafter	—
	$94,971

(g) Depreciation

Provision for depreciation of depreciable assets is made by charges to income at straight-line and accelerated rates considered to be adequate to amortize the cost of such assets over their useful lives, which generally range from five to fifteen years. Accumulated depreciation as of December 31, 2016 and 2015 is $164,851 and $132,677, respectively.

(h) Real Estate Acquired

While the Trust is generally not a purchaser of land, parcels are purchased from time to time at the discretion of the Trustees. Newly acquired real estate is recorded at cost.

Real estate acquired through foreclosure is recorded at the aggregate of the outstanding principal balance, accrued interest, past due ad valorem taxes, and other fees incurred relating to the foreclosure.

Real estate acquired is carried at the lower of cost or market. Valuations are periodically performed or obtained by management whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments, if any, are recorded by a charge to net income and a valuation allowance if the carrying value of the property exceeds its estimated fair value. Minimal real estate improvements are made to land.

(i) Real Estate and Royalty Interests Assigned Through the 1888 Declaration of Trust

The fair market value of the Trust's land and royalty interests was not determined in 1888 when the Trust was formed; therefore, no value is assigned to the land, royalty interests, Certificates of Proprietary Interest, and Sub-share Certificates in Certificates of Proprietary Interest in the accompanying balance sheets. Consequently, in the statements of income and total comprehensive income, no allowance is made for depletion and no cost is deducted from the proceeds of original land sales. Even though the 1888 value of real properties cannot be precisely determined, it has been concluded that the effect of this matter can no longer be significant to the Trust's financial position or results of operations. For Federal income tax purposes, however, deductions are made for depletion, computed on the statutory percentage basis of income received from royalties. Minimal real estate improvements are made to land.

(j) Net Income per Sub-share Certificate

The cost of Sub-share Certificates purchased and retired is charged to net proceeds from all sources. Net income per Sub-share Certificate is based on the weighted average number of Sub-share Certificates in Certificates of Proprietary Interest and equivalent Sub-share Certificates of Proprietary Interest outstanding during each period (7,989,030 in 2016, 8,197,632 in 2015 and 8,397,314 in 2014).

(k) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The liability for unrecognized tax benefits is zero at December 31, 2016 and 2015.

(l) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue Recognition (Topic 606): Revenue from Contracts with Customers*" ("ASU 2014-09"). This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Trust is reviewing and analyzing the impact that this ASU will have on our financial statements. This review process includes evaluating key accounting policy decisions, judgments, estimates, and disclosures for each significant category of revenue. This ASU will require additional disclosures on revenue and could affect the timing of revenue recognition. Certain categories of revenue may be more impacted than others. The Trust will complete its implementation process during the second and third quarters of 2017, including preparing the quantitative impact on comparable periods, if applicable.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*" ("ASU 2016-02"). This ASU requires lessees to recognize a right of use asset and lease liability on the balance sheet for all leases, with the exception of short-term leases. The new guidance will also require significant disclosures about the amount, timing and uncertainty of cash flows from leases. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Trust is currently evaluating the new guidance to determine the impact it will have on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments — Credit Losses (Topic 326)"* ("ASU 2016-13"). This ASU modifies the measurement of expected credit losses of certain financial instruments. This standard is effective for fiscal years beginning after December 15, 2019. The Trust is currently evaluating the new guidance to determine the impact it will have on our financial statements.

No other effective or pending accounting pronouncements are expected to affect the Trust.

(m) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other gains and losses affecting capital that, under accounting principles generally accepted in the United States of America, are excluded from net income.

(n) Significant Customers

Two customers represented 23.7%, 18.8% and 29.1% of the Trust's total revenues for the year ended December 31, 2016, 2015 and 2014, respectively. For 2016, the total revenue number for purposes of the calculation includes deferred revenue.

(3) Segment Information

Segment information has been considered in accordance with applicable accounting standards. GAAP suggests using a management approach based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. The Trust's management views its operations as one segment and believes the only significant activity is managing the land, which was conveyed to the Trust in 1888. Managing the land includes sales and leases of such land, and the retention of oil and gas royalties. The cost structure of the Trust is centralized and not segmented.

(4) Real Estate Acquired

Real estate acquired included the following activity for the years ended December 31, 2016 and 2015:

	2016		*2015*	
	Acres	*Book Value*	*Acres*	*Book Value*
Balance at January 1:	10,064.78	$1,114,601	10,124.78	$1,125,059
Additions	—	—	—	—
Sales	—	—	(60.00)	(10,458)
Balance at December 31:	10,064.78	$1,114,601	10,064.78	$1,114,601

No valuation allowance was necessary at December 31, 2016 and 2015.

(5) Employee Benefit Plans

The Trust has a defined contribution plan available to all regular employees having one or more years of continuous service. Contributions are at the discretion of the Trustees of the Trust. The Trust contributed $51,438, $46,519 and $41,172, in 2016, 2015 and 2014, respectively.

The Trust has a noncontributory pension plan (Plan) available to all regular employees having one or more years of continuous service. The Plan provides for normal retirement at age 65. Contributions to the Plan reflect benefits attributed to employees' services to date, as well as services expected in the future.

The following table sets forth the Plan's changes in benefit obligation, changes in fair value of plan assets, and funded status as of December 31, 2016 and 2015 using a measurement date of December 31:

	2016	2015
Change in projected benefits obligation:		
Projected benefit obligation at beginning of year	$4,884,300	$5,093,080
Service cost	152,743	160,133
Interest cost	215,006	199,538
Actuarial (gain) loss	(202,520)	(355,346)
Benefits paid	(216,451)	(213,105)
Projected benefit obligation at end of year	$4,833,078	$4,884,300
Change in plan assets:		
Fair value of plan assets at beginning of year	$4,551,061	$4,338,820
Actual return on plan assets	413,144	(46,609)
Contributions by employer	189,219	471,955
Benefits paid	(216,451)	(213,105)
Fair value of plan assets at end of year	$4,936,973	$4,551,061
Funded (unfunded) status at end of year	$ 103,895	$ (333,239)

Amounts recognized in the balance sheets as of December 31 consist of:

	2016	2015
Assets	$103,895	$ —
Liabilities	—	(333,239)
	$103,895	$(333,239)

Amounts recognized in accumulated other comprehensive income (loss) consist of the following at December 31:

	2016	2015
Net actuarial loss	$(1,484,936)	$(1,930,079)
Prior service cost	—	—
Amounts recognized in accumulated other comprehensive income (loss), before taxes	(1,484,936)	(1,930,079)
Income tax benefit	525,373	681,173
Amounts recognized in accumulated other comprehensive income (loss), after taxes	$ (959,563)	$(1,248,906)

Net periodic benefit cost for the years ended December 31, 2016, 2015 and 2014 include the following components:

	2016	2015	2014
Components of net periodic benefit cost:			
Service cost	$ 152,743	$ 160,133	$ 100,480
Interest cost	215,006	199,538	189,163
Expected return on plan assets	(311,170)	(296,446)	(278,521)
Amortization of net loss	140,649	144,026	46,171
Amortization of prior service cost	—	3,511	5,570
Net periodic benefit cost	$ 197,228	$ 210,762	$ 62,863

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	2016	2015	2014
Net actuarial (gain) loss	$(304,494)	$ (12,291)	$1,188,262
Recognized actuarial loss	(140,649)	(144,026)	(46,171)
Recognized prior service cost	—	(3,511)	(5,570)
Total recognized in other comprehensive income, before taxes	$(445,143)	$(159,828)	$1,136,521
Total recognized in net benefit cost and other comprehensive income, before taxes	$(247,915)	$ 50,934	$1,199,384

The Trust reclassified $91,422, $95,899 and $33,632, net of income tax of $49,227, $51,638 and $18,109, out of accumulated other comprehensive income (loss) for net periodic benefit cost in 2016, 2015 and 2014, respectively. This amount is reflected in our Statements of Income and Total Comprehensive Income within salaries and related employee benefits. The estimated net actuarial loss and prior service cost for the Plan that will be amortized from accumulated other comprehensive income (loss) into salaries and related employee benefits over the next fiscal year are $107,510 and $0, respectively.

The following table summarizes the Plan assets in excess of projected benefit obligation and accumulated benefit obligation at December 31, 2016, and the projected benefit obligation in excess of Plan assets and Plan assets in excess of accumulated benefit obligation at December 31, 2015:

	2016	2015
Plan assets in excess of projected benefit obligation:		
Projected benefit obligation	$4,833,078	$4,884,300
Fair value of plan assets	$4,936,973	$4,551,061
Plan assets in excess of accumulated benefit obligation:		
Accumulated benefit obligation	$4,365,973	$4,059,334
Fair value of plan assets	$4,936,973	$4,551,061

The following are weighted-average assumptions used to determine benefit obligations and costs at December 31, 2016, 2015 and 2014

	2016	2015	2014
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	4.25%	4.50%	4.00%
Rate of compensation increase	7.29	7.29	7.29
Weighted average assumptions used to determine benefit costs for the years ended December 31:			
Discount rate	4.50%	4.00%	5.00%
Expected return on plan assets	7.00	7.00	7.00
Rate of compensation increase	7.29	7.29	7.29

The expected return on Plan assets assumption of 7.0% was selected by the Trust based on historical real rates of return for the current asset mix and an assumption with respect to future inflation. The rate was determined based on a long-term allocation of about two-thirds fixed income and one-third equity securities; historical real rates of return of about 2.5% and 8.5% for fixed income and equity securities, respectively; and assuming a long-term inflation rate of 2.5%.

The Plan has a formal investment policy statement. The Plan's investment objective is balanced income, with a moderate risk tolerance. This objective emphasizes current income through a 30% to 80% allocation to fixed income securities, complemented by a secondary consideration for capital appreciation through an equity allocation in the range of 20% to 60%. Diversification is achieved through investment in mutual funds and bonds. The asset allocation is reviewed annually with respect to the target allocations and rebalancing adjustments and/or target allocation changes are made as appropriate. The Trust's current funding policy is to maintain the Plan's fully funded status on an ERISA minimum funding basis.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The fair value accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs used in measuring fair value, as follows:

Level 1 – Inputs are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Since inputs are based on quoted prices that are readily and regularly available in an active market, Level 1 inputs require the least judgment.

Level 2 – Inputs are based on quoted prices for similar instruments in active markets, or are observable either directly or indirectly. Inputs are obtained from various sources including financial institutions and brokers.

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised by us in determining fair value is greatest for fair value measurements categorized in Level 3.

The fair values of plan assets by major asset category at December 31, 2016 and 2015, respectively, are as follows:

	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and Cash Equivalents				
Money Markets	$1,048,282	$1,048,282	$ —	$ —
Equities	445,155	445,155	—	—
Mutual Funds				
Equity Funds	1,684,408	1,684,408	—	—
Fixed Income Funds	1,759,128	1,759,128	—	—
Total	$4,936,973	$4,936,973	$ —	$ —

	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and Cash Equivalents				
Money Markets	$ 827,692	$ 827,692	$ —	$ —
Equities	196,380	196,380	—	—
Mutual Funds				
Equity Funds	1,730,404	1,730,404	—	—
Fixed Income Funds	1,796,585	1,796,585	—	—
Total	$4,551,061	$4,551,061	$ —	$ —

Management intends to fund the minimum ERISA amount for 2017. The Trust may make some discretionary contributions to the Plan, the amounts of which have not yet been determined.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the following ten year period:

Year ending December 31,	Amount
2017	$ 214,910
2018	245,175
2019	268,755
2020	282,475
2021	276,299
2022 to 2026	1,287,248

(6) Income Taxes

The income tax provision charged to operations for the years ended December 31, 2016, 2015 and 2014 was as follows:

	2016	2015	2014
Current:			
U.S. Federal	$21,665,130	$25,029,693	$17,243,130
State and local	376,041	400,689	398,401
	22,041,171	25,430,382	17,641,531
Deferred benefit	(4,193,801)	(185,867)	(974,997)
	$17,847,370	$25,244,515	$16,666,534

The Trust is taxed as if it were a corporation. Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to income before Federal income taxes as a result of the following:

	2016	2015	2014
Computed tax expense at the statutory rate	$19,280,422	$26,349,057	$18,001,044
Reduction in income taxes resulting from:			
Statutory depletion	(1,608,961)	(1,320,605)	(1,569,762)
State taxes	204,776	256,876	246,534
Other, net	(28,867)	(40,813)	(11,282)
	$17,847,370	$25,244,515	$16,666,534

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred revenue	$4,177,130	$ —
Basis difference in pension plan liability	(36,363)	118,967
Total deferred tax assets	4,140,767	118,967
Basis differences in real estate acquired through foreclosure	233,977	235,130
Deferred installment revenue on land sales for tax purposes	32,002	47,050
Total deferred tax liability	265,979	282,180
Net deferred tax asset (liability)	$3,874,788	$(163,213)

The Trust files a U. S. Federal income tax return. With few exceptions, the Trust is no longer subject to U. S. Federal income tax examination by tax authorities for years before 2013.

(7) Lease Commitments

The Trust is a lessee under an operating lease in connection with its administrative offices located in Dallas, Texas. This lease agreement requires monthly rent payments and expires in March 2025. Future minimum lease payments were as follows at December 31, 2016:

Year ending December 31,	Amount
2017	$ 75,224
2018	77,841
2019	80,457
2020	83,074
2021	85,690
Thereafter	296,319
	$698,605

Rent expense for this lease agreement amounted to $82,420, $79,415 and $70,400 for the years ended December 31, 2016, 2015 and 2014, respectively.

(8) Capital

Certificates of Proprietary Interest (Certificates) and Sub-share Certificates in Certificates of Proprietary Interest (Sub-shares) are exchangeable in the ratio of one Certificate to 3,000 Sub-shares. No Certificates were exchanged for Sub-shares in 2016 and 2015.

The number of Certificates authorized for issuance at a given date is the number then outstanding plus one/three-thousandth of the number of Sub-shares then outstanding. The number of Sub-shares authorized for issuance at a given date is the number then outstanding plus three thousand times the number of Certificates then outstanding.

The Declaration of Trust was executed and delivered in New York. In the opinion of counsel for the Trust, under the laws of the State of New York, the Certificate and Sub-share Certificate holders are not subject to any personal liability for the acts or obligations of the Trust.

The assets of the Trust are located in Texas. In the opinion of Texas counsel, under the laws of the State of Texas, the Certificate and Sub-share Certificate holders may be held personally liable with respect to claims against the Trust, but only after the assets of the Trust first have been exhausted.

(9) Subsequent Events

The Trust evaluated events that occurred after the balance sheet date through the date these financial statements were issued, and the following event that met recognition or disclosure criteria was identified:

At their February 2017 meeting, the Trustees declared a cash dividend of $0.35 per Sub-share, payable March 16, 2017 to Sub-share holders of record at the close of business on March 9, 2017. Additionally, the Trustees declared a special dividend of $1.00 per Sub-share, payable March 16, 2017 to Sub-share holders of record at the close of business on March 9, 2017.

(10) Oil and Gas Producing Activities (Unaudited)

The Trust's share of oil and gas produced, all of which is from royalty interests, was as follows for the years ended December 31, 2016, 2015 and 2014, respectively: oil (in barrels) — 569,585, 383,961 and 260,829, and gas (in thousands of cubic feet) — 2,612,965, 1,910,389 and 1,370,377. Reserves related to the Trust's royalty interests are not presented because the information is unavailable.

(11) Selected Quarterly Financial Data (Unaudited)

The following tables present unaudited financial data of the Trust for each quarter of 2016 and 2015:

	Quarter ended December 31, 2016	Quarter ended September 30, 2016	Quarter ended June 30, 2016	Quarter ended March 31, 2016
Income	$17,573,001	$14,273,252	$16,196,110	$11,898,103
Income before income taxes	$16,081,359	$13,099,676	$15,103,470	$10,802,414
Net income	$10,906,970	$ 8,929,412	$10,123,117	$ 7,280,051
Net income per Sub-share Certificate	$ 1.37	$ 1.12	$ 1.26	$ .90

	Quarter ended December 31, 2015	Quarter ended September 30, 2015	Quarter ended June 30, 2015	Quarter ended March 31, 2015
Income	$14,721,058	$18,186,748	$11,795,134	$34,739,353
Income before income taxes	$13,345,170	$17,233,208	$10,949,033	$33,755,611
Net income	$ 8,995,057	$11,461,349	$ 7,416,012	$22,166,089
Net income per Sub-share Certificate	$ 1.10	$ 1.40	$ 0.90	$ 2.67

LANE GORMAN TRUBITT LLC
Accountants & Advisors

Report of Independent Registered Public Accounting Firm

To the Trustees and Certificate Holders
Texas Pacific Land Trust

We have audited the accompanying balance sheets of Texas Pacific Land Trust (the "Trust") as of December 31, 2016 and 2015 and the related statements of income and total comprehensive income, net proceeds from all sources, and cash flows for each of the three years in the three-year period ended December 31, 2016. We also have audited the Trust's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Trust's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Trust's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A trust's internal control over financial reporting is a process designed 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. A trust's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Trust; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Trust are being made only in accordance with authorizations of management and trustees of the Trust; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Trust's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the three-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

LANE GORMAN TRUBITT, LLC

Dallas, Texas
February 28, 2017

Members of AICPA and The Leading Edge Alliance
2626 Howell Street | Suite 700 | Dallas, TX 75204 | 214.871.7500 | Toll Free 877.231.7500 | Fax 214.871.0011 | www.lgt-cpa.com

TEXAS PACIFIC LAND TRUST

REGISTRAR

American Stock Transfer & Trust Company, LLC
Brooklyn, NY

TRANSFER AGENT

American Stock Transfer & Trust Company, LLC
Brooklyn, NY

PRINCIPAL MARKET FOR SUB-SHARE CERTIFICATES

New York Stock Exchange
Ticker Symbol — TPL

Copies of the Trust's Form 10-K Annual Report filed with the Securities and Exchange Commission will be made available to shareholders who request it, without charge (except for Exhibits). To obtain copies please write to Texas Pacific Land Trust, 1700 Pacific Avenue, Suite 2770, Dallas, TX 75201, or visit us on line at http://www.TPLTrust.com.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

By mail, contact our Transfer Agent at the below address:
Texas Pacific Land Trust
c/o American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

Shareholder website
Online: www.amstock.com
Telephone: 1-800-937-5449

TDD for hearing impaired: 718-921-8386; 866-703-9077
Foreign shareowners: 718-921-8386;866-703-9077

As a Texas Pacific Land Trust shareholder we encourage you to access your account(s) online at www.amstock.com. Here you can easily initiate a number of transactions and inquiries as well as access important details about our portfolio and general stock transfer information.

American Stock Transfer & Trust Company, LLC

AST, our transfer agent, maintains the records for our registered shareholders and can help you with a variety of shareholder related services.

- Update your mailing address
- Access statement information
- Print a duplicate 1099 tax form
- Consolidate accounts
- Enroll in our Direct Stock Purchase Plan
- Request a replacement dividend check
- Download stock transfer forms
- And more


NEW MEXICO
REPUBLIC OF MEXICO
GAINES
SEMINOLE
DAWSON
LAMESA
BORDEN
GAIL
SCURRY
SNYDER
FISHER
ROBY
JONES
ANSON
SHACKELFORD
ALBANY
STEPHENS
BRECKENRIDGE
PALO PINTO
PALO PINTO
ANDREWS
ANDREWS
MARTIN
STANTON
HOWARD
BIG SPRING
MITCHELL
COLORADO CITY
NOLAN
SWEETWATER
TAYLOR
ABILENE
CALLAHAN
BAIRD
EL PASO
EL PASO
HUDSPETH
SIERRA BLANCA
CULBERSON
VAN HORN
REEVES
PECOS
LOVING
MENTONE
WINKLER
KERMIT
ECTOR
ODESSA
MIDLAND
MIDLAND
GLASSCOCK
GARDEN CITY
STERLING
STERLING CITY
COKE
ROBERT LEE
RUNNELS
BALLINGER
COLEMAN
COLEMAN
WARD
MONAHANS
CRANE
CRANE
UPTON
RANKIN
REAGAN
BIG LAKE
IRION
MERTZON
TOM GREEN
SAN ANGELO
CONCHO
PAINT ROCK
JEFF DAVIS
FORT DAVIS
PECOS
FORT STOCKTON
CROCKETT
OZONA
SCHLEICHER
ELDORADO
MENARD
SUTTON
SONORA
KIMBLE
PRESIDIO
MARFA
PRESIDIO
BREWSTER
ALPINE
TERRELL
SANDERSON
VAL VERDE
DEL RIO
EDWARDS
ROCKSPRINGS
TEXAS
AREA COVERED BY THIS MAP
WEST TEXAS
LEGEND
TRUST SURFACE ACREAGE
0 10 20 30 40 50 60 70 80 90 100
SCALE IN MILES
THIS MAP SHOWS ONLY THE GENERAL LOCATION OF TRUST SURFACE ACREAGE AND NO REPRESENTATION IS MADE AS TO ITS ACCURACY.
DECEMBER 31, 2016