

# Texas Pacific Land Corporation (NYSE: TPL)

*Investor Presentation – March 2024*





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# Unique Permian Basin Pure-Play



Positioned to capture upside  
**\$541 Million**  
2023 Adjusted EBITDA



Efficient conversion of revenues to cash  
**\$415 Million**  
2023 Free Cash Flow



Balance Sheet Strength  
**No Debt**  
Cash Balance of  
**\$725 Million**



**100% Texas Permian Exposure**



Diversified Revenue Streams:  
**Royalties, Water, and Surface**



**~23,700**  
Core Permian Net Royalty Acres  
**~868,000**  
Surface Acres



**~270%**  
Production growth since 2018



Decades of Cash Flow Runway Across Multiple Businesses



Robust Inventory of  
**675 DUCs**  
and  
**368 Permits**

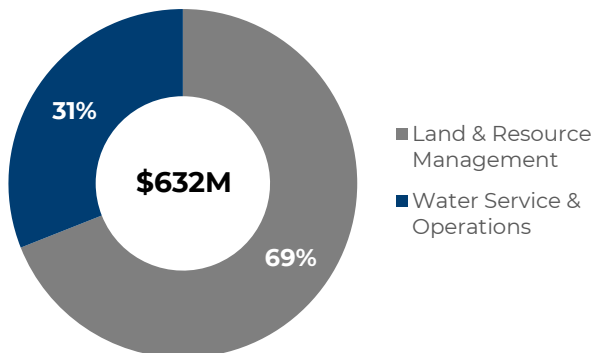
# Texas Pacific Land Corporation (NYSE: TPL)

- One of the largest landowners in Texas with approximately 868,000 acres located in the Permian Basin
- TPL was originally organized in 1888 as a business trust to manage the property of the Texas and Pacific Railway Company; for nearly 130 years, this management was mostly passive
- In 2016, the Company embarked on a new strategy to maximize the value of its footprint through active management of surface and royalty interests
- Today, the business consists of **numerous high-margin, capital-light revenue streams** linked to Permian oil and gas development
  - **Oil and Gas Royalties:** high-margin royalty revenue derived from oil and gas production with no capital and minimal operating expense burden
  - **Surface Leases, Easements and Material (“SLEM”):** monetizes 3<sup>rd</sup> party development activities occurring on surface and royalty acreage
  - **Texas Pacific Water Resources (“TPWR”):** supplies water for oil and gas activities and facilitates produced water disposal solutions

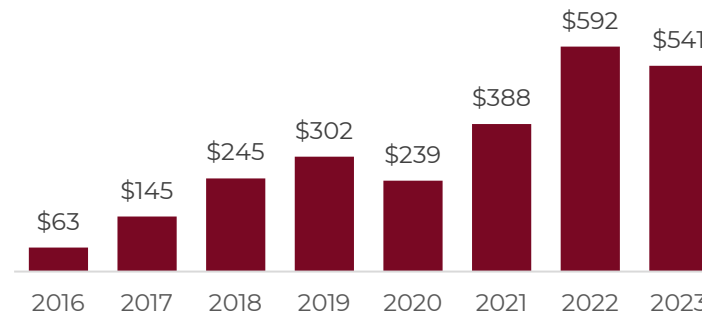
## TPL by the Numbers<sup>1</sup>

Market Value (\$MM)	\$13,225
Cash & Equivalents (\$MM)	\$725
Debt (\$MM)	\$0
Net Royalty Acres (100% net basis)	~23,700
<i>Normalized to 1/8<sup>th</sup></i>	~195,000
Surface Acres	~868,000
2023 Adj. EBITDA Margin	86%
2023 FCF Margin	66%
Average daily trading volume (1-yr avg)	~98,000

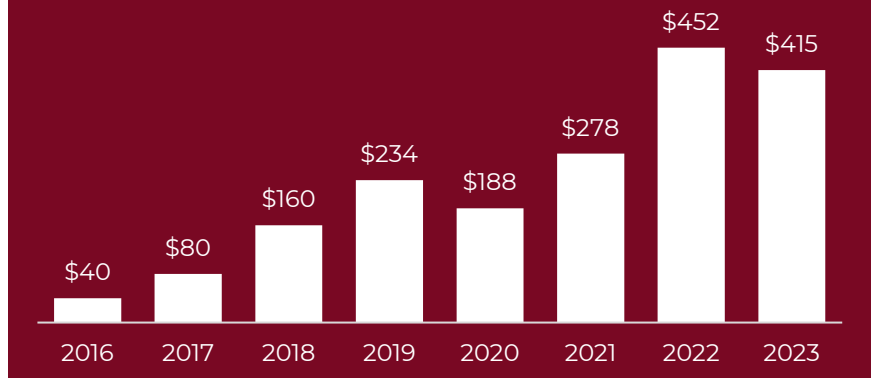
## FY 2023 Revenues (\$MM)



## Adjusted EBITDA (\$MM)

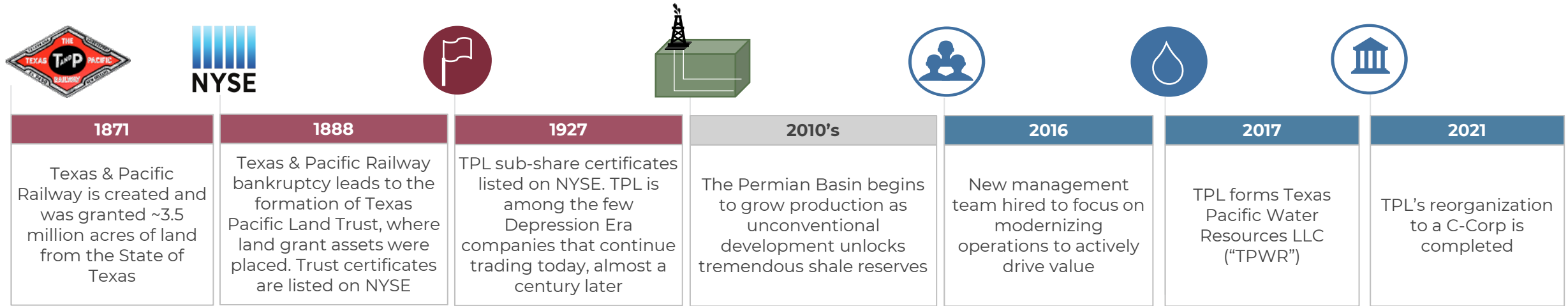


## Free Cash Flow (\$MM)





# TPL History and Evolution



## Bankrupt Railroad to Liquidating Trust (1871-2009)

## Shale Revolution (2010s)

## Modern Enterprise

**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

**1954**

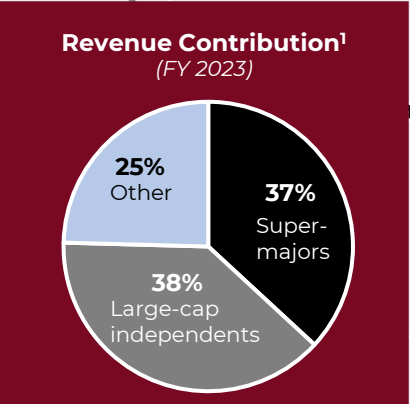
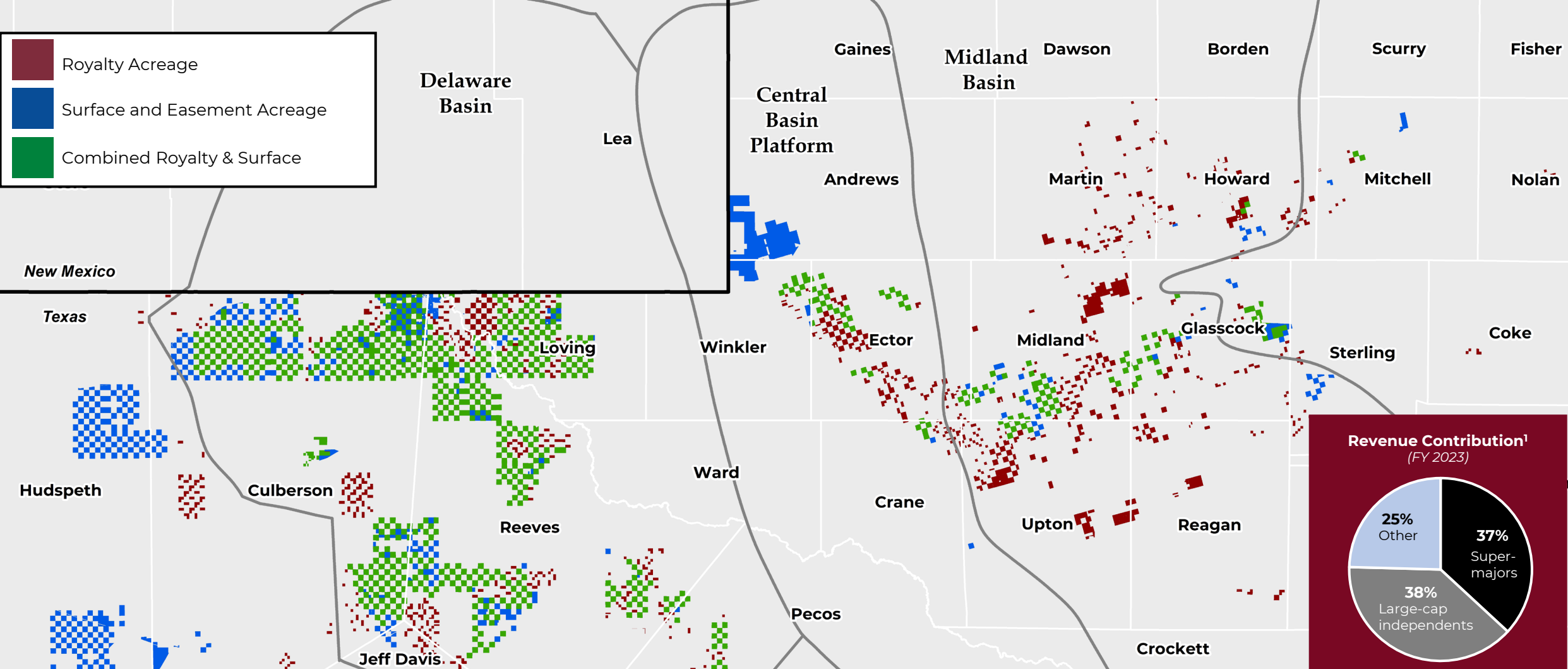
Mineral estate was spun-off to shareholders (TXL Oil). TPL reserved royalty interests on tracks under lease at the time. Texaco purchases TXL Oil in 1962 (Texaco acquired by Chevron in 2001)



- Professionalize corporate and operating functions; employ talented industry professionals
- Execute on a capital allocation approach predicated on maximizing shareholder value
- Actively pursue "next-gen" opportunities
- Deploy technology, software, and automation tools to create efficiencies, scale, and opportunities
- Expand on TPL's unique position to consolidate high quality surface, water, and royalties/minerals in a value enhancing manner
- Ensure shareholders own among the best oil and gas assets anywhere in the world

**Strengthening TPL for Durable Success Over the Long Term**

# Unmatched Permian Footprint Combined With Premier Operators

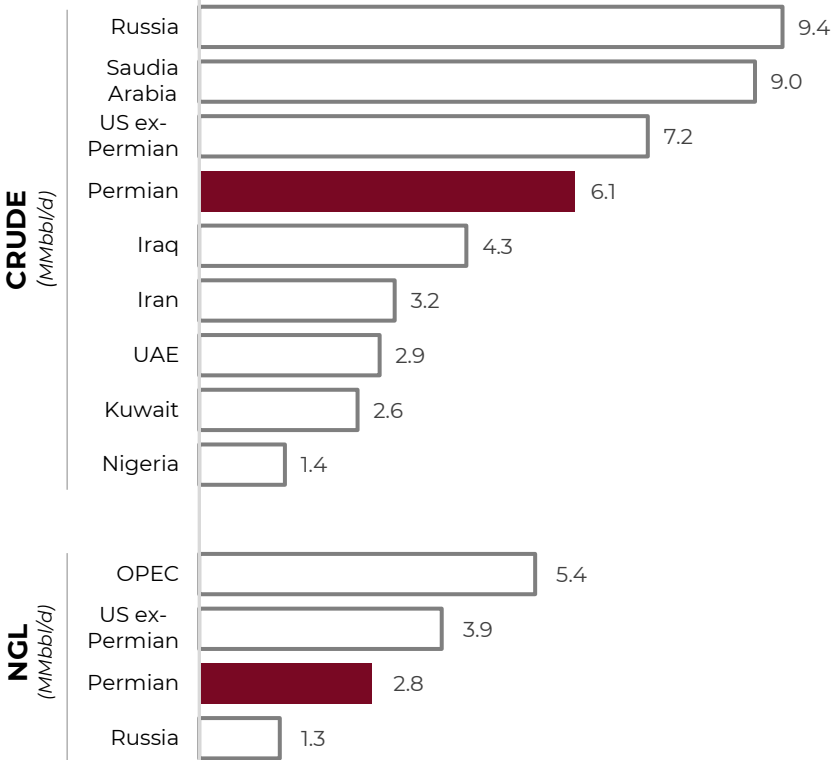


(1) Permian supermajors include Chevron, Exxon, ConocoPhillips, BP and their respective subsidiaries. Large-cap independents include independent energy companies in the S&P 500. Other includes all companies that do not fall under the other two criteria, primarily made up of publicly traded mid-cap, small-cap, and privately held companies.

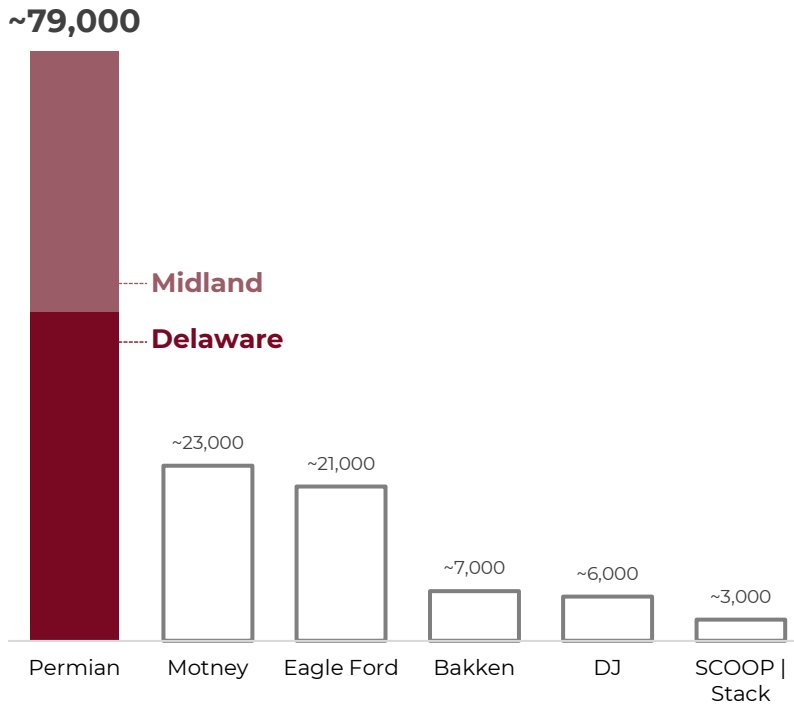


# Permian Basin is a World-Class Resource

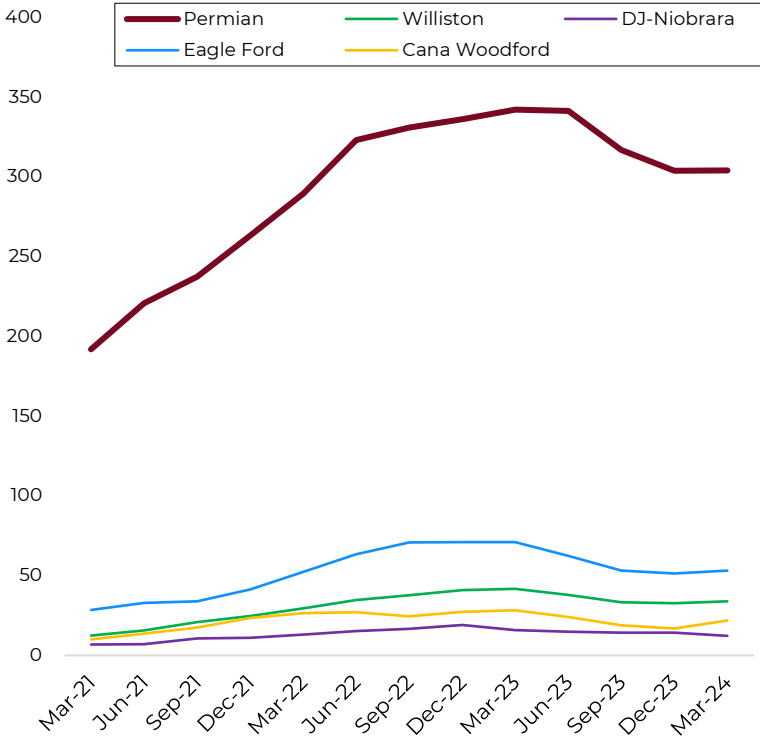
## Permian vs OPEC – Oil and NGL Production



## Estimated Remaining Well Locations with <\$55/bbl Breakeven Economics



## US Rig Counts by Oily Basin



Permian is a **major contributor to global oil, natural gas, and NGL markets** – Permian production would rank as one of the largest oil producing nations globally

Permian dominates US shale activity due to **attractive drilling economics** combined with **massive undeveloped well inventory**

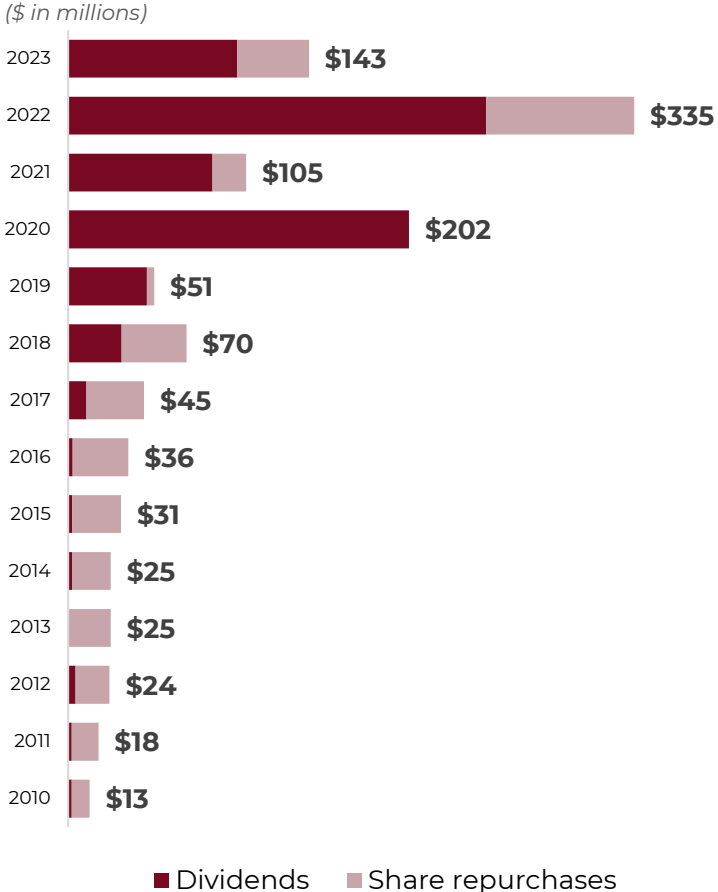
Permian is a **top-tier focus area** for many energy super-major and large-caps with multi-basin portfolios

# Capital Allocation Framework Focused on Maximizing Shareholder Value

**RETURN CAPITAL**  
Return substantial amounts of capital through dividends and repurchases

**PROTECT CAPITAL**  
Maintain strong balance sheet to preserve financial flexibility

**INVEST CAPITAL**  
Balance capital returns with attractive, high-return opportunities



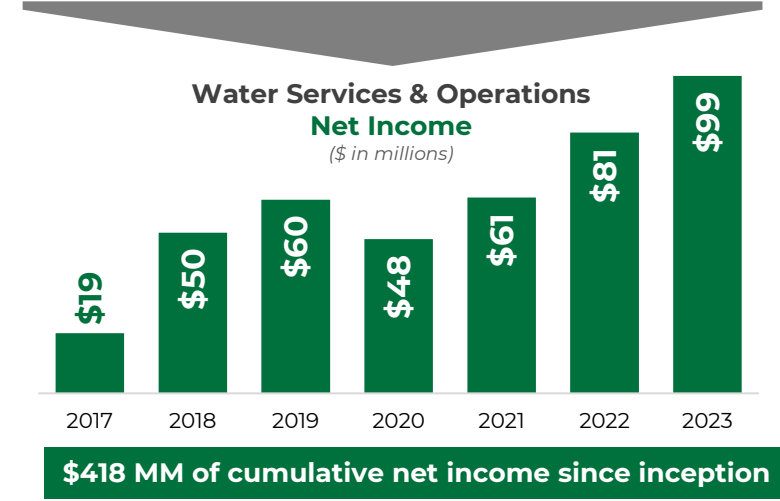
\$0  
Debt

\$725MM  
Cash

Water Services & Operations and related surface investments since 2017

**\$145** million  
Capital expenditures

**\$131** million  
Surface and easement acquisitions



Also generates significant SLEM cash flow



# Focused on Allocating Capital Towards Highest Returns

*Growing Free Cash Flow per Share the Key to Generating Value*

We believe the **key to maximizing shareholder value** is to **maximize intrinsic value per share**, which can also be expressed by **long-term free cash flow per share**

## Extract maximum value from legacy assets

*Employ highly-capable personnel, cultivate value-add culture, and deploy technology to maximize commercial potential and operating efficiency*

## Share repurchases

*Buyback shares of TPL when intrinsic value is not being fully recognized in the market*

## Organic opportunities

*Utilize our expertise, personnel, and legacy asset base to make strategic, high-return investments*

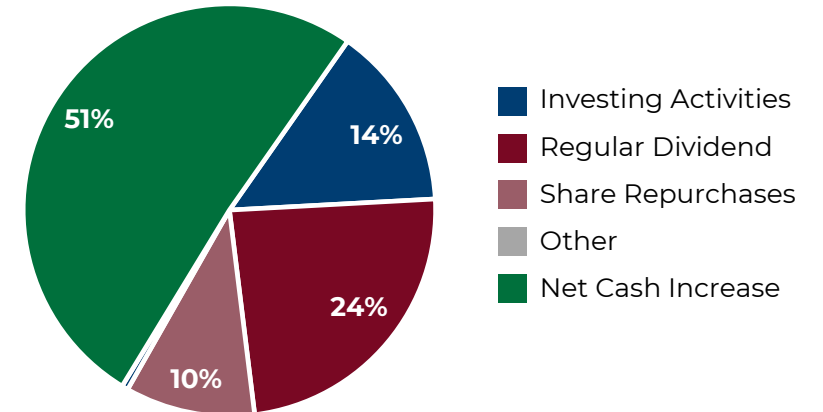
## M&A

*Buy 3<sup>rd</sup> party-owned surface, water, and/or royalty/mineral assets of similar or better quality to TPL's legacy base at valuations that generate attractive returns*

**Growing free cash flow per share** would further expand TPL's capacity to **return more capital to shareholders** via buybacks and dividends

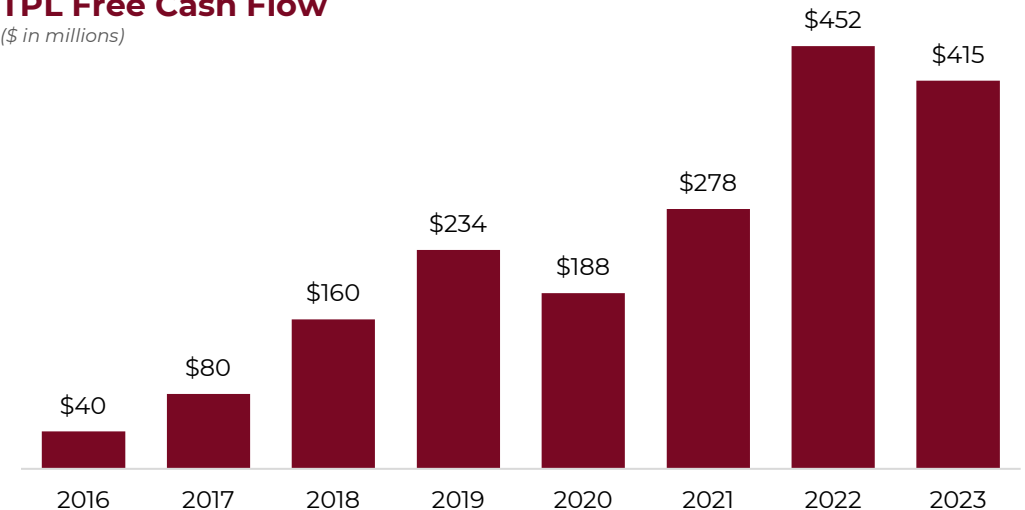
**TPL**

## TPL FY 2023 Allocation of Operating Cash Flow



## TPL Free Cash Flow

(\$ in millions)

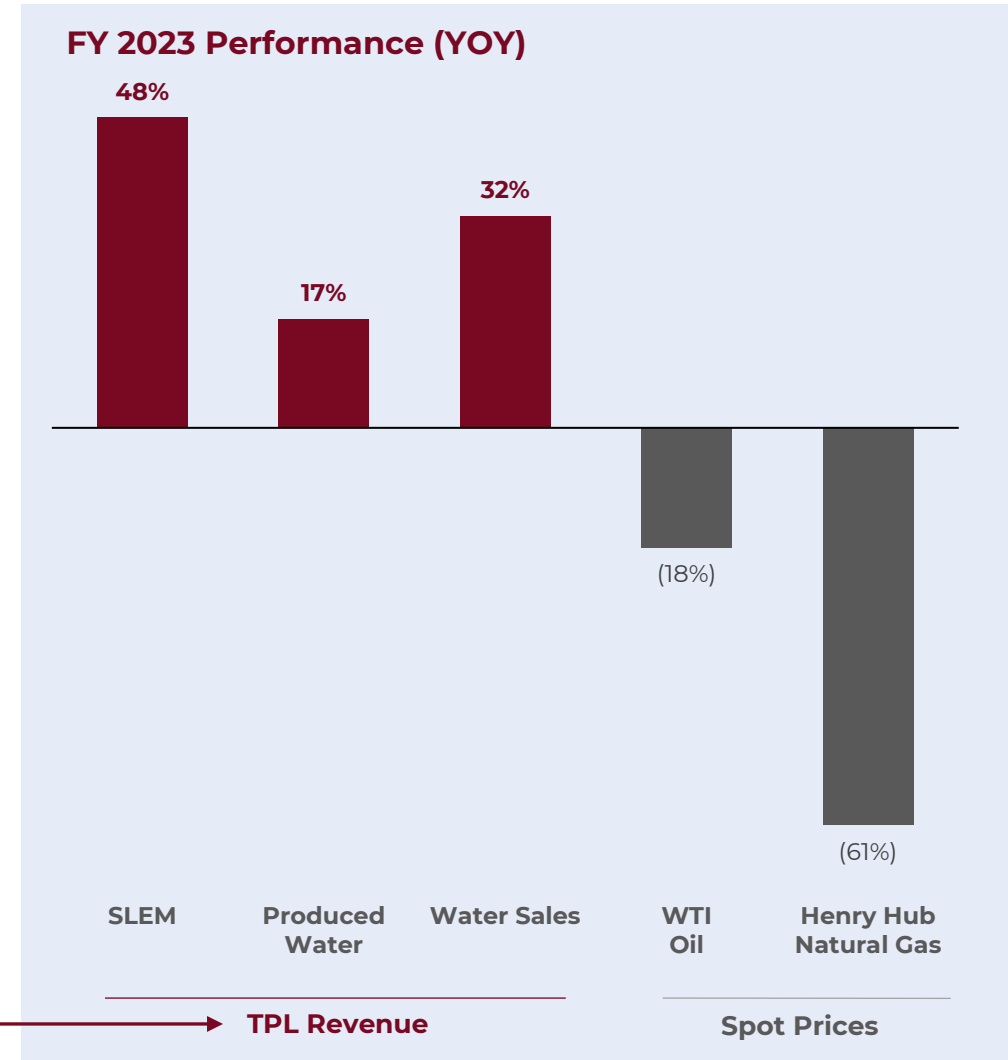


# TPL's Combined Surface and Royalties Is Unique

## Comparison of Significant Revenue Generation by Asset Type

	TEXAS PACIFIC LAND CORP.	BLACK STONE MINERALS	KIMBELL ROYALTY PARTNERS	SITIO ROYALTIES	VIPER Energy Partners	ARIS WATER	NGL Energy Partners LP
<b>SURFACE</b>	✓	—	—	—	—	—	✓
<b>WATER</b>	✓	—	—	—	—	✓	✓
<b>ROYALTIES</b>	✓	✓	✓	✓	—	—	—

Effective commercialization of surface ownership provides (i) incremental enterprise cash flow and (ii) built-in hedges to oil and gas royalties' direct exposure to commodity price volatility





# TPL Maintains Top Tier Profitability Margins

**64%**  
FY 2023 net  
income margin

**Consolidated  
TPL**

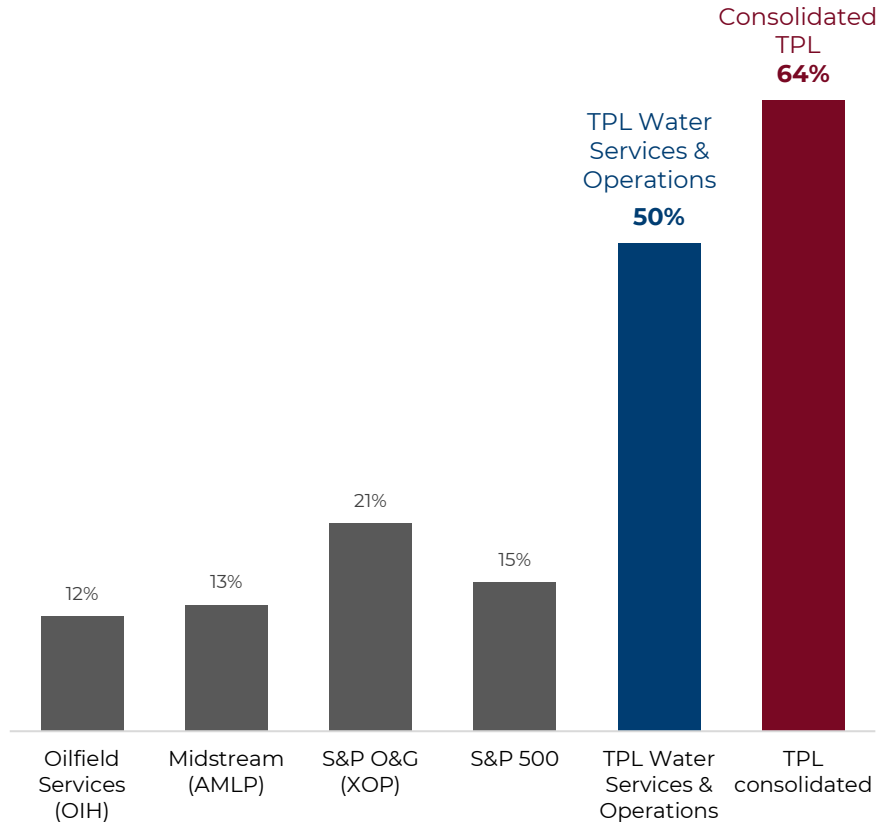
**71%**  
FY 2023 net  
income margin

**TPL Land &  
Resource  
Management**

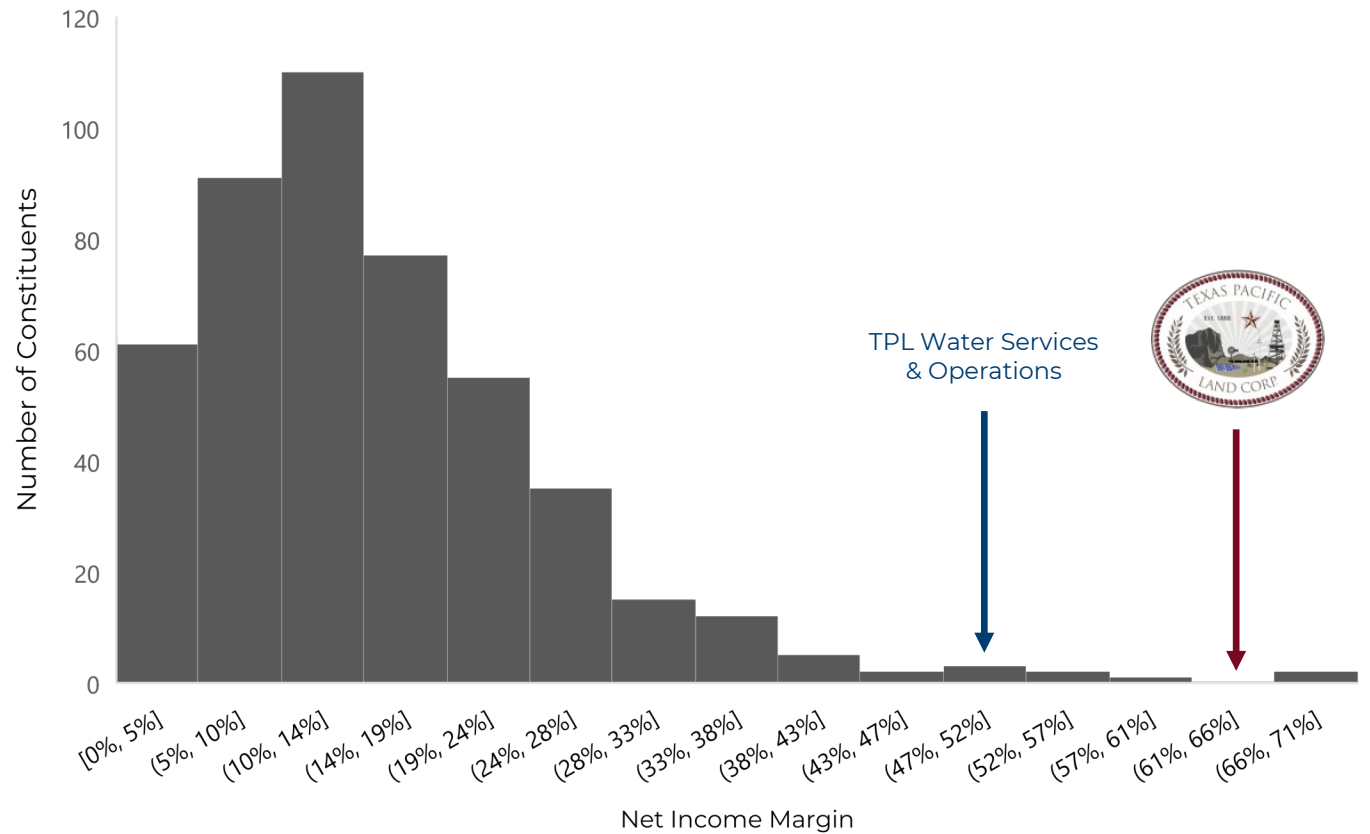
**50%**  
FY 2023 net  
income margin

**TPL Water  
Services &  
Operations**

## Net Income Margin Comparison



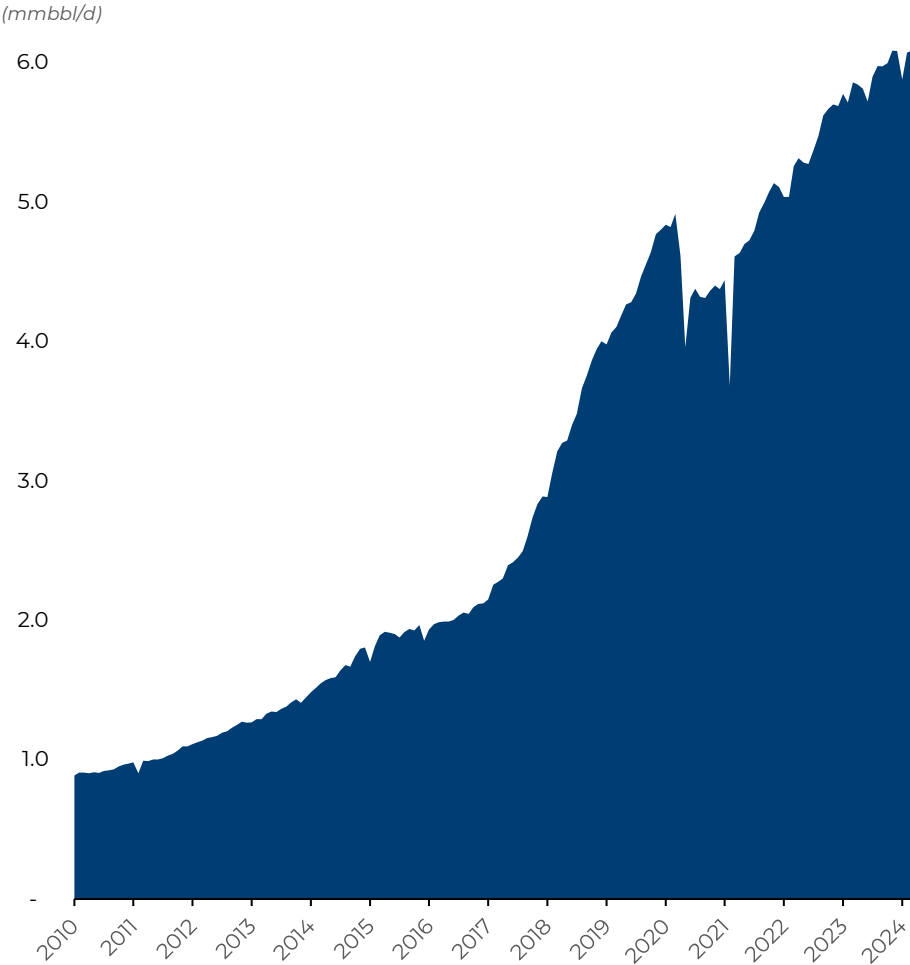
## Net Income Margin Distribution for S&P 500 Constituents



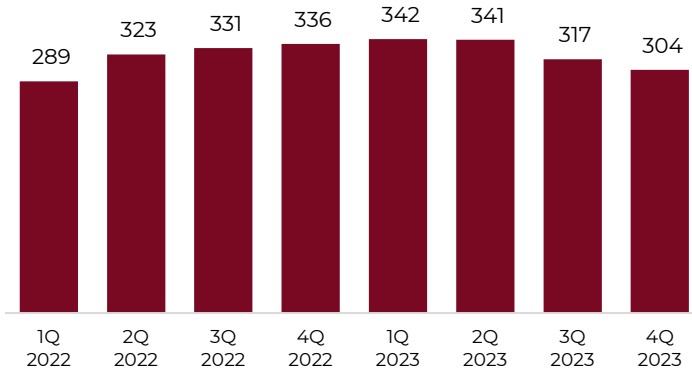
Source: Bloomberg and Company data.  
Note: Net income margin reflects last-twelve-months actuals as of 3/25/2024. Figures for OIH, AMLPL, XOP, and S&P 500 represent constituent equal-weighted averages; excludes constituents with negative net income margins. Histogram excludes S&P 500 constituents with negative net income margins.

# Permian Activity Overview

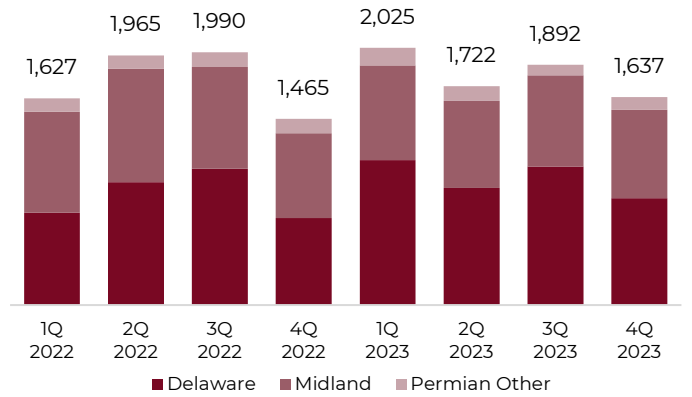
## Permian Oil Production



## Permian Rig Counts

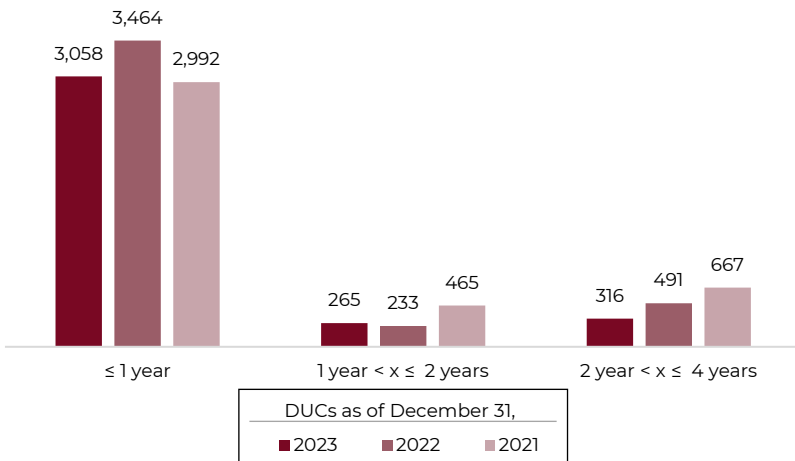


## Permian Well Permits



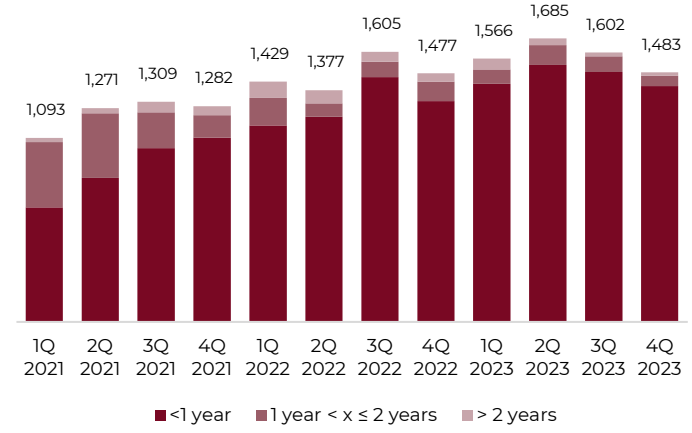
## Permian DUC Counts

(Historical counts and grouped by age)



## Permian Completion Counts

(Grouped by DUC age at completion date)



# Investment Highlights



**Permian Basin is a world class resource – Midland and Delaware Basins each possess tens of thousands of future undrilled well inventory**

**Unique combination of surface and royalty ownership generates revenue throughout the entire lifecycle of a well**

**Efficient conversion of revenues to cash flow – FY 2023 EBITDA and FCF margin of 86% and 66%, respectively**

**Disciplined, value-creation approach to capital allocation: focus on maximizing both intrinsic value and free cash flow per share**

**Attractive opportunities to extract additional value from legacy asset base and from strategic investments in growth**

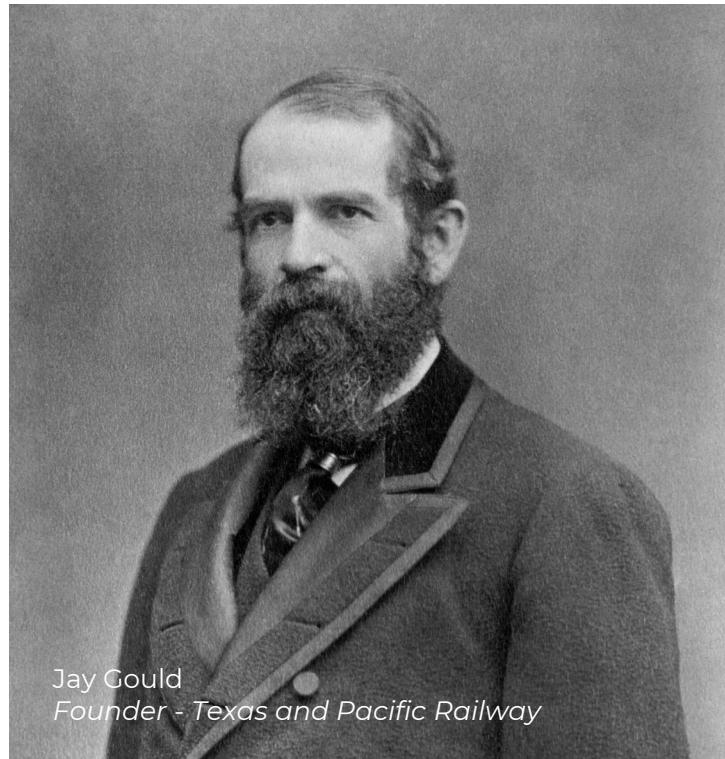
**Dedication to optimizing capital allocation towards highest-returns, with a commitment to growing capital returns through dividends and buybacks**

**Talented, experienced team of domain experts: land asset managers, water business development and operations, reservoir engineers, GIS, information technology, and corporate personnel critical to extract maximum value**

**Significant investments into technology enhance productivity and provide platform to scale efficiently**



TPL Gryffindor source water pit



Jay Gould  
Founder - Texas and Pacific Railway

As sent to Comm.  
Stk List (Hask)  
1/27/39

~~January 27, 1939.~~

Effective February 3, 1939, trading in the old shares of Texas Pacific Land Trust (Certificates of Proprietary Interest of \$100 par value) will be discontinued. The Trust was organized fifty-one years ago, on February 1, 1888, and these Certificates have been listed on the New York Stock Exchange since that time. All trading from February 3rd will be in the Sub-Shares (par value \$1) which represent a split-up of the old shares and have been available for that purpose since January 5, 1927. These Sub-Shares have been and still are interchangeable with the old shares in the ratio of one hundred for one. At the present time the par value of the old shares and the Sub-Shares outstanding is \$1,662,889.



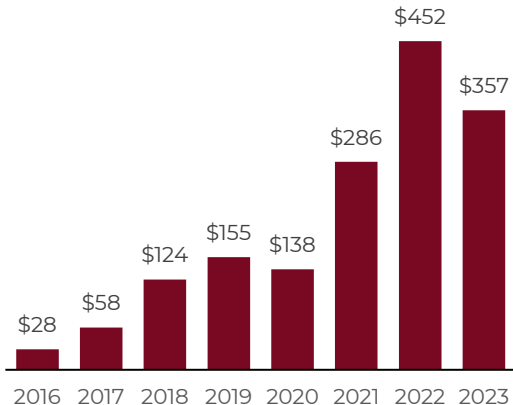
# TPL Currently Has Four Primary Revenue Streams

## O&G ROYALTIES

- Primarily own Non-Participating Royalty Interests (NPRI), which represents a real property right and is entitled to a fixed percentage of oil and gas production on a property
- Royalties are not burdened by capital expenditures (e.g., drilling and completions costs), or most operating expense (e.g., lease operating expense)
- Revenue stream contained in Land & Resource Management segment

**57%** of Consolidated Revenues  
(FY 2023)

**O&G Royalties Revenue**  
(\$ in millions)

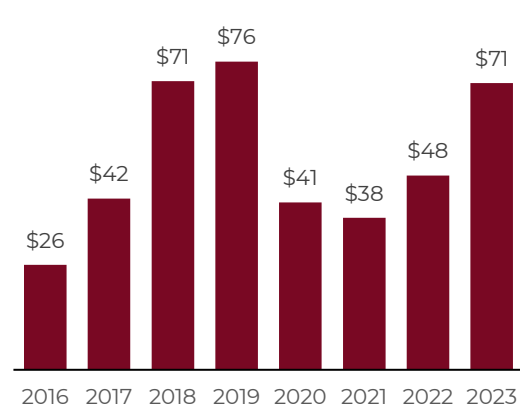


## SURFACE LEASES, EASEMENTS AND MATERIAL ("SLEM")

- Surface acreage provides multiple income streams from leases, easements, and caliche/materials, among others
- Opportunity for new revenue streams from emerging technologies (e.g., solar, wind, and carbon capture)
- Majority of SLEM revenues flow into Land & Resource Management segment, with a relatively smaller amount typically in Water Services & Operations

**11%** of Consolidated Revenues  
(FY 2023)

**SLEM Revenue**  
(\$ in millions)

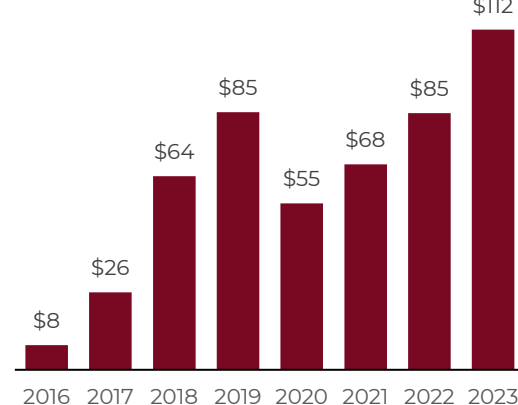


## WATER SALES

- Surface acreage provides ownership of water rights and opportunities to supply water for use in oil and gas well development
- TPL owns and operates a network of water wells, storage/frac ponds and pipelines that can source and deliver water to customers
- Revenue stream contained in Water Services & Operations

**18%** of Consolidated Revenues  
(FY 2023)

**Water Sales**  
(\$ in millions)

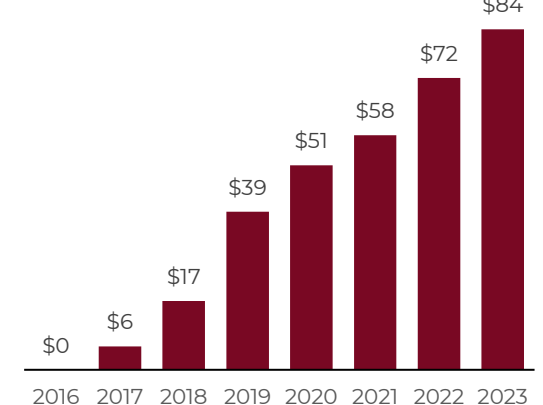


## PRODUCED WATER ROYALTIES

- Facilitates disposal of water produced from oil and gas wells
- By allowing use of its surface acreage for produced water disposal infrastructure, TPL generates a volumetric royalty fee on produced water barrels
- TPL does not own or operate produced water disposal wells
- Revenue stream contained in Water Services & Operations

**13%** of Consolidated Revenues  
(FY 2023)

**Produced Water Royalties Revenue**  
(\$ in millions)



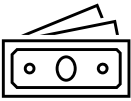
# Oil and Gas Royalties

## Overview and Management

### Revenue Mechanics and Management



Oil and gas royalties represent real property interests entitling the owner to a portion of the proceeds derived from the production of oil and gas



TPL receives a percentage of gross revenues from oil and gas wells drilled on TPL royalty acreage



Royalties are not burdened by capital costs or most operating expenses (although natural gas and NGLs may have small set of allowable deductions) associated with well development

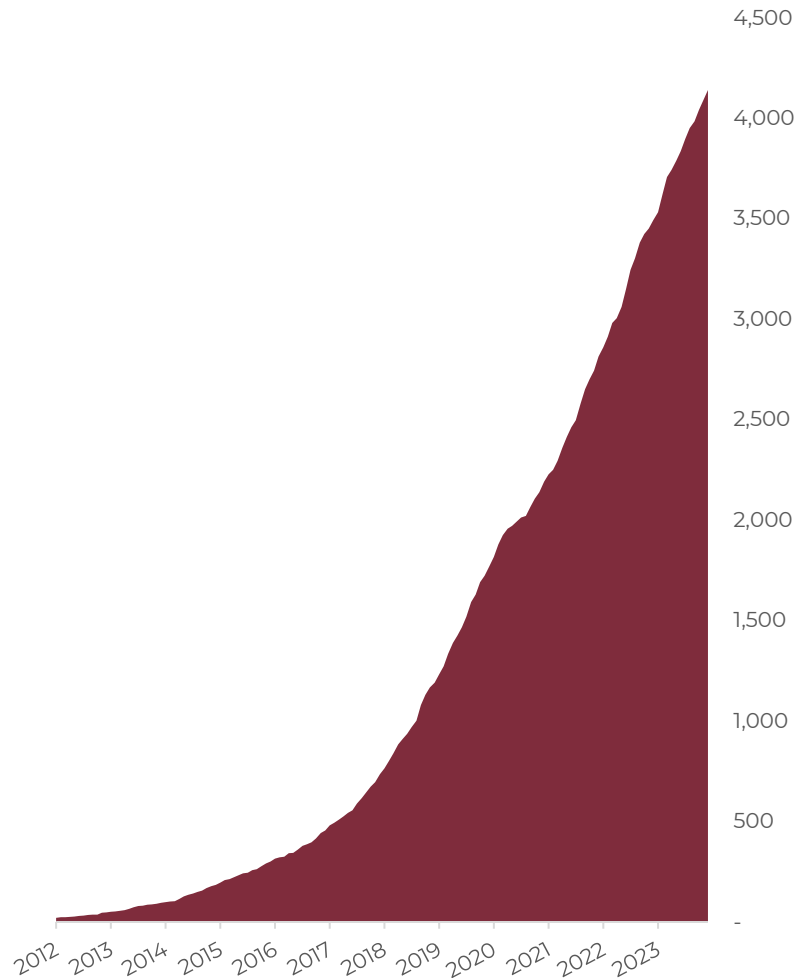


Mineral and royalty interests exist into perpetuity  
*Overriding royalty interests ("ORRIs") can be an exception as they are generally tied to leases and may not exist into perpetuity (TPL owns de minimis amount of ORRIs)*



Responsibility of royalty owner to (i) verify "decimals" (i.e., revenue interest); (ii) ensure timely pay; (iii) inspect check stubs for production, pricing, and deductions accuracy, (iv) track development status of pre-production wells, (v) extract and analyze well reservoir performance

### Producing Horizontal Wells (Gross) on TPL Oil and Gas Royalty Acreage



### How TPL is Delivering Value

By **interfacing directly with operators** across SLEM and Water, TPL **incentivizes operators to accelerate development** on TPL's royalty acreage

**Advocate for royalty ownership** during disputes (e.g., revenue deductions, pricing realization, ad valorem payments, etc)

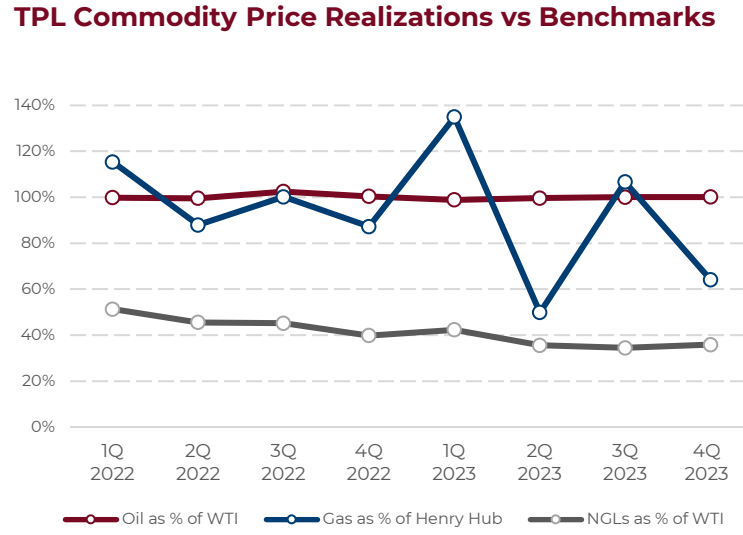
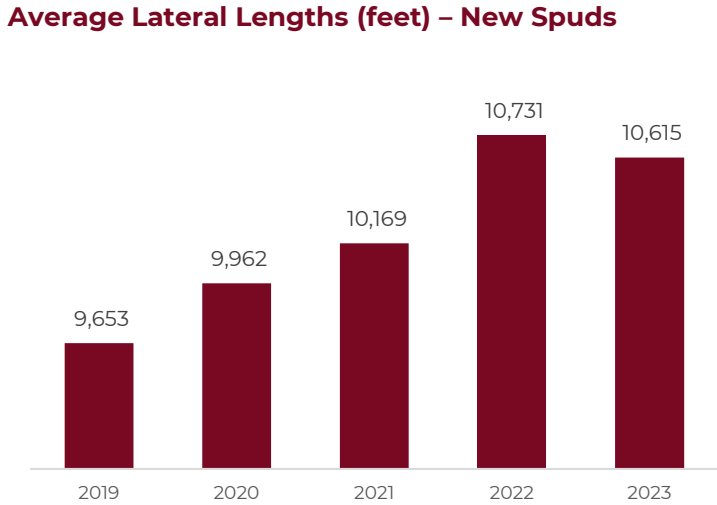
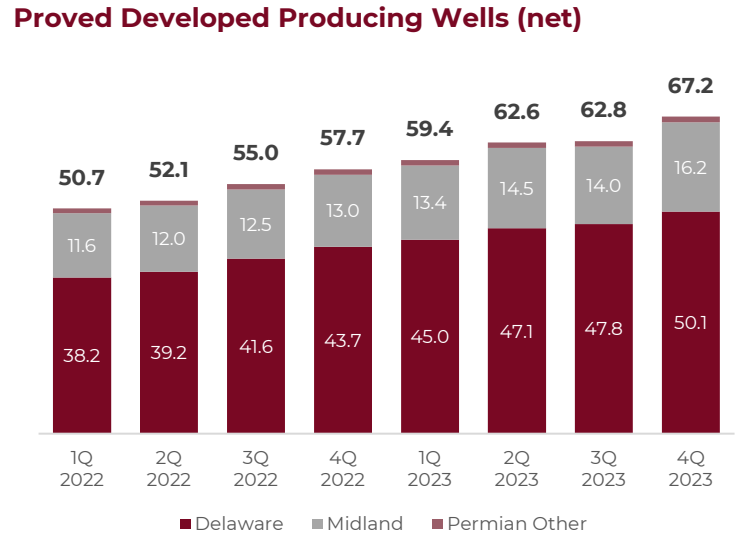
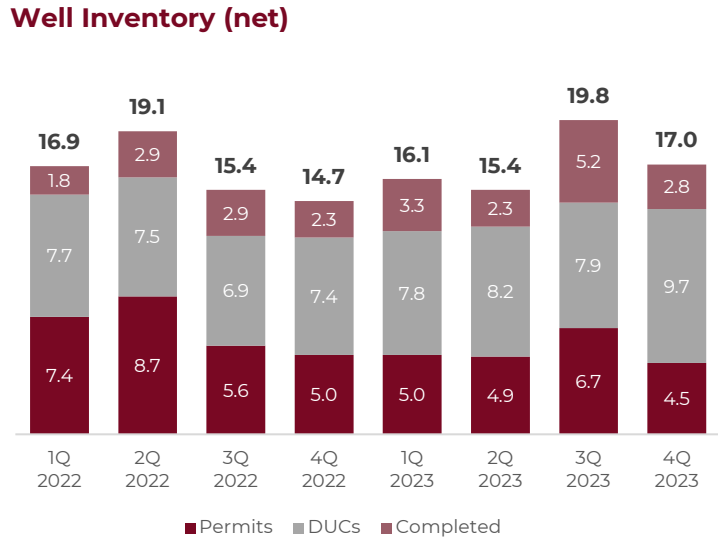
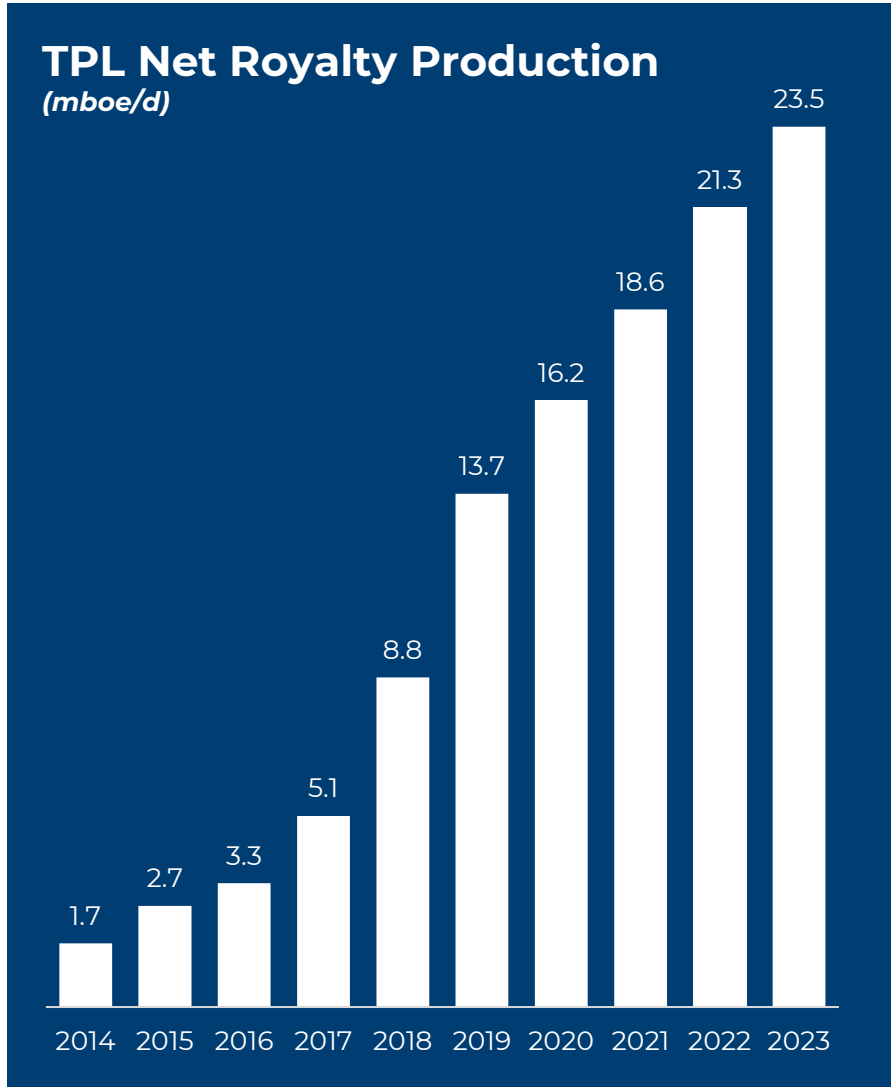
**Experienced reservoir engineers** leverage TPL's **proprietary data** for internal initiatives and evaluation of external opportunities

**Actively monitor** check stub accuracy and compliance

**Internally developed software applications** that integrate proprietary and third-party data and software, GIS systems and capabilities, and other tools to help drive further automation, efficiency, and effectiveness

**Continuously screening** for operator well activity updates and utilizing that data to cross-sell TPL services

# TPL Royalty Production and Inventory Detail







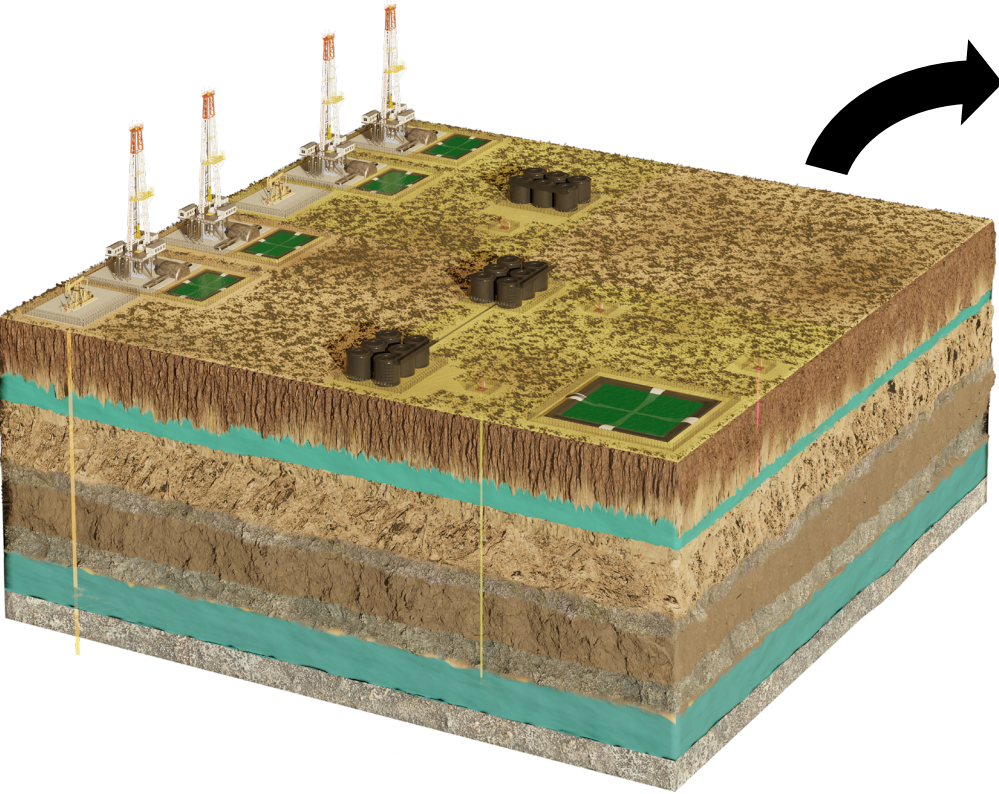


# Surface Estate Ownership

*Leveraging Ownership of Raw Surface into Cash Flow*

**RAW LAND DOES NOT MONETIZE ITSELF**

(i) Operational and legal expertise of surface estate ownership within the oil and gas industry and (ii) proactive execution are requisite towards extracting substantial cash flow from raw land



**Surface estate ownership** allows for control over surface access, aquifers, and sub-surface pore space

- Unlike O&G royalties, there is no statutory revenue / lease / royalty rate for activities that occur within a surface estate
- **Revenue opportunities require continual pursuit, negotiation, and commercialization**

## TPL derives three major revenue streams from its surface estate ownership

- 1 SLEM**
  - Revenue derived by providing customers access-to or use-of TPL surface
  - Revenue sources include pipeline easements, well-bore easements, commercial leases, and caliche/sand/materials sales
  - Renewables and various “next generation” opportunities, including grid-connected batteries and carbon capture, provide additional potential for revenue growth
- 2 Water Sales**
  - TPL owns and operates infrastructure to provide water for use in oil and gas development activities
  - TPL provides both brackish groundwater and recycled/treated water for customers both on and off TPL surface
  - Operated model allows for sustainable management of aquifer resource
- 3 Produced Water**
  - TPL provides surface access to operators and midstream companies for necessary infrastructure
  - TPL receives a volumetric royalty payment for produced water barrels that move across or are injected into TPL surface
  - TPL does not own or operate produced water disposal wells

**\$267MM**

*FY 2023 Revenue*

**42%**

*of TPL consolidated revenue*

Aggregate Contribution From  
Surface Estate + Active Management

# Surface, Leases, Easements and Materials (SLEM)

## Overview and Management

### Revenue Mechanics and Management



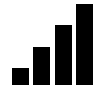
Provide operators/customers access-to or use-of TPL surface for infrastructure and materials



TPL utilizes standardized forms and payment structures and delivers quick turnaround to operator customers



TPL easements typically have initial 10-year term with additional 10-year renewal options for the life of the infrastructure



Easement renewal payments generally the greater of 115% or CPI-escalation from the previous easement payment

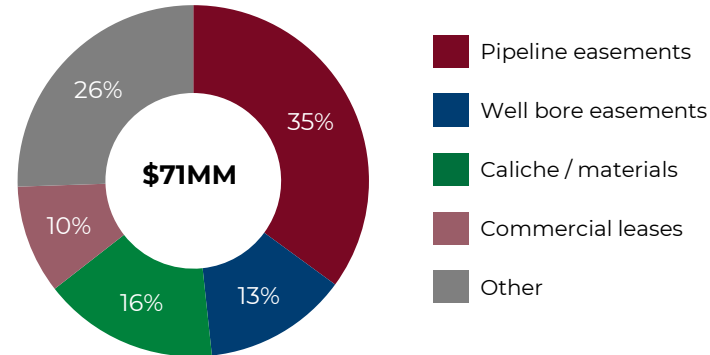


Installed infrastructure tends to be long-lived and/or permanent

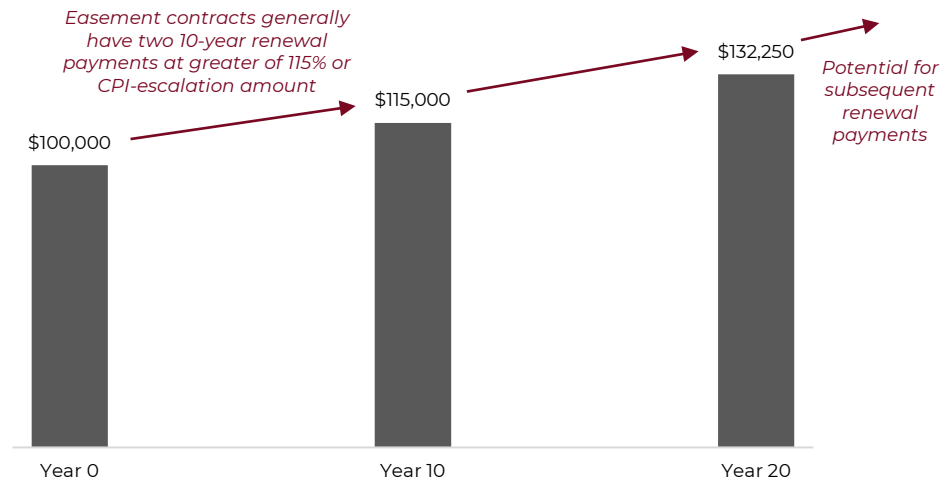


Amount of revenue opportunities generally correlates to development activity in the Permian

### TPL SLEM Revenue Breakdown (FY 2023)



### Illustrative Easement Renewal Payment



### How TPL is Delivering Value

**Leveraging technology** such as advanced GIS, satellite imaging, and automation tools to monitor surface activity

**Experienced, specialized land asset managers dedicated to all aspects of surface commercialization** provide consistent operator interaction, contract execution, and trespass monitoring

New activity developments on TPL land is shared across business groups for **lead generation and revenue opportunities**

Employs numerous personnel focused on **identifying and developing opportunities for new revenue streams**

Before active management, operators often trespassed and/or underpaid for activities on TPL land

# Water Sales

## Overview and Management

### Revenue Mechanics and Management



Surface estate ownership includes access to water aquifers



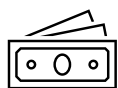
O&G upstream/E&P operators use water to complete (*i.e.*, “frac”) wells



TPL develops, owns and operates infrastructure to extract, store, and transport water for oil and gas activities



TPL provides recycled/treated produced water for reuse in completion activities



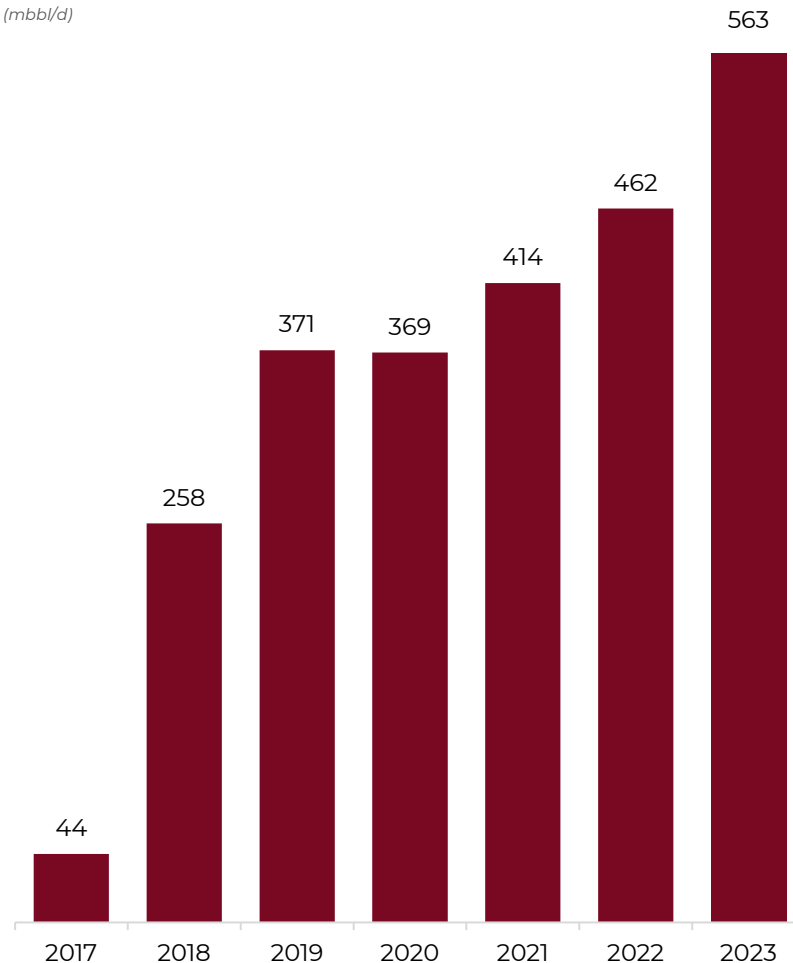
Sales price per barrel generally ranges from \$0.50 - \$1.00 versus a direct operating expense per barrel of \$0.10 - \$0.15; pricing and expenses dependent on services provided, location, transportation costs, and other factors



Annual maintenance capital of ~\$5 – \$10 million

### TPL Water Sales Volumes

(mmbbl/d)



### How TPL is Delivering Value

TPL has developed the **largest source water infrastructure network in the northern Delaware Basin**

TPL deploys professional hydrologists, advanced sensors, and monitoring systems to ensure aquifers are **managed sustainably**

Sales team **competes actively** throughout the basin to leverage TPL water capabilities, while dedicated operations team **ensures delivered water assurance and performance**

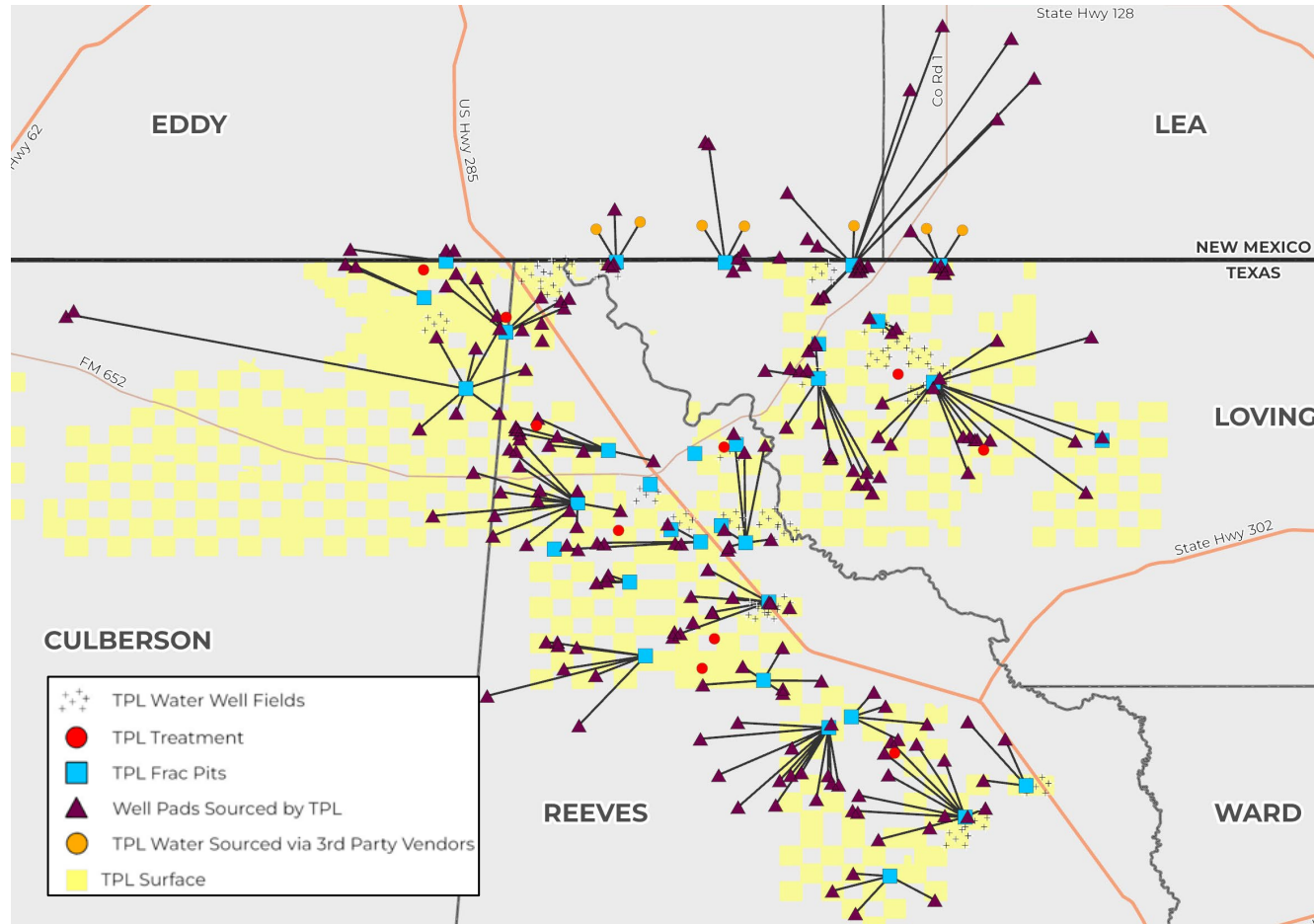
Provides water for development of oil and gas wells on TPL royalty acreage, while also securing **significant water sales outside of TPL acreage**

Ability to provide **both brackish and treated/recycled water solutions**

Water Sales **provides substantial incremental cash flow** to the overall enterprise

# Water Sales

## Asset Map



TPL has developed and currently operates the largest source water infrastructure network in the northern Delaware

Average O&G well in the Delaware requires an increasing volume of water (~500k bbl water per well)

TPL sells substantial water both on and off of TPL acreage

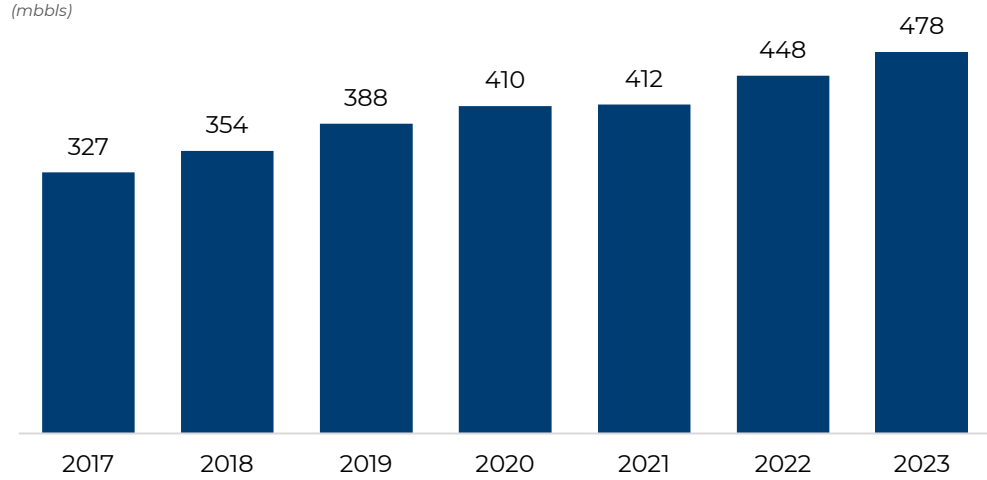
## TPL Source Water Network

**600+** sourced & treatment capacity  
*mmb/d*

**24.5** storage capacity  
*mmbbl*

**335** source water pipelines  
*miles*

### Average Fluid Used per Delaware Well Completion





# Produced Water Royalties

## Overview and Management

### Revenue Mechanics and Management



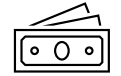
“Produced water” refers to water that flows from a producing O&G well; given solids content and salinity, produced water generally must either be injected or treated/recycled



The Delaware Basin is characterized by a high water-oil-ratio: for every crude oil barrel produced from a well, approximately 4 produced water barrels will also flow out



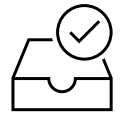
TPL receives a volumetric royalty payment via negotiated commercial agreements with upstream and midstream operators that want to move or inject produced water barrels across/into TPL surface



Average royalty fee of ~\$0.09 - \$0.11 per barrel



TPL does not own or operate saltwater disposal (“SWD”) wells



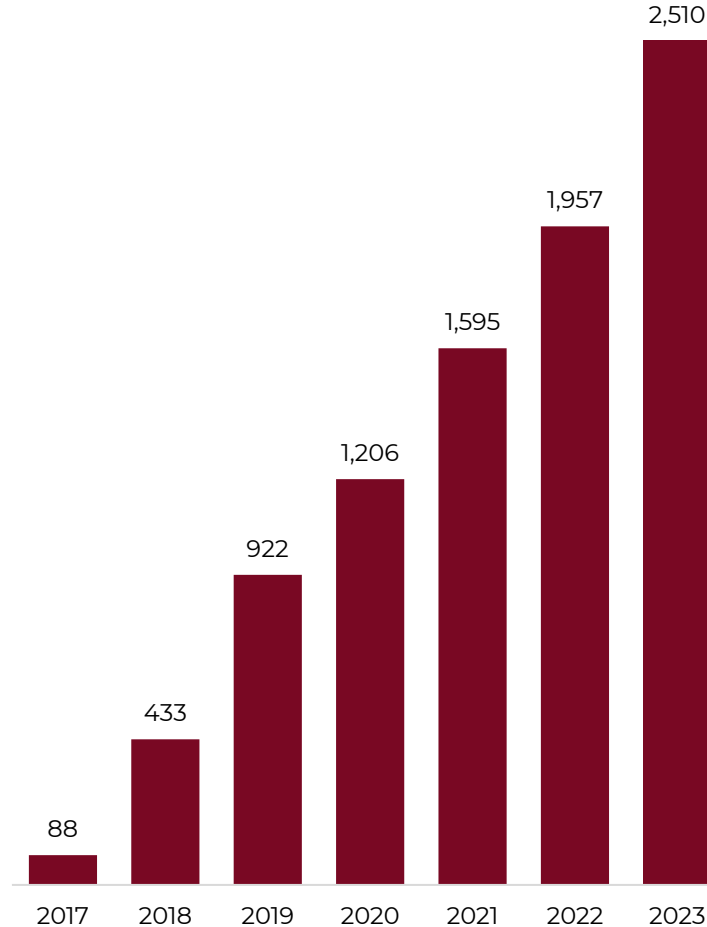
TPL’s produced water royalties are a commercially unique cash flow stream – high-margin, capex-free cash flow stream derived from an oil and gas by-product



TPL retains flexibility to provide treatment / recycling and beneficial reuse

### TPL Produced Water Royalty Volumes

(mmbbl/d)



### How TPL is Delivering Value

**Intentionally commercialized** to generate **high-quality, high-margin cash flow** stream

**Facilitating produced water solutions** allows operators to execute on upstream O&G development plans

TPL undertakes conservative approach to siting produced water infrastructure on TPL land; **focus on sustainable management of pore space resource** and other environmental and geologic factors

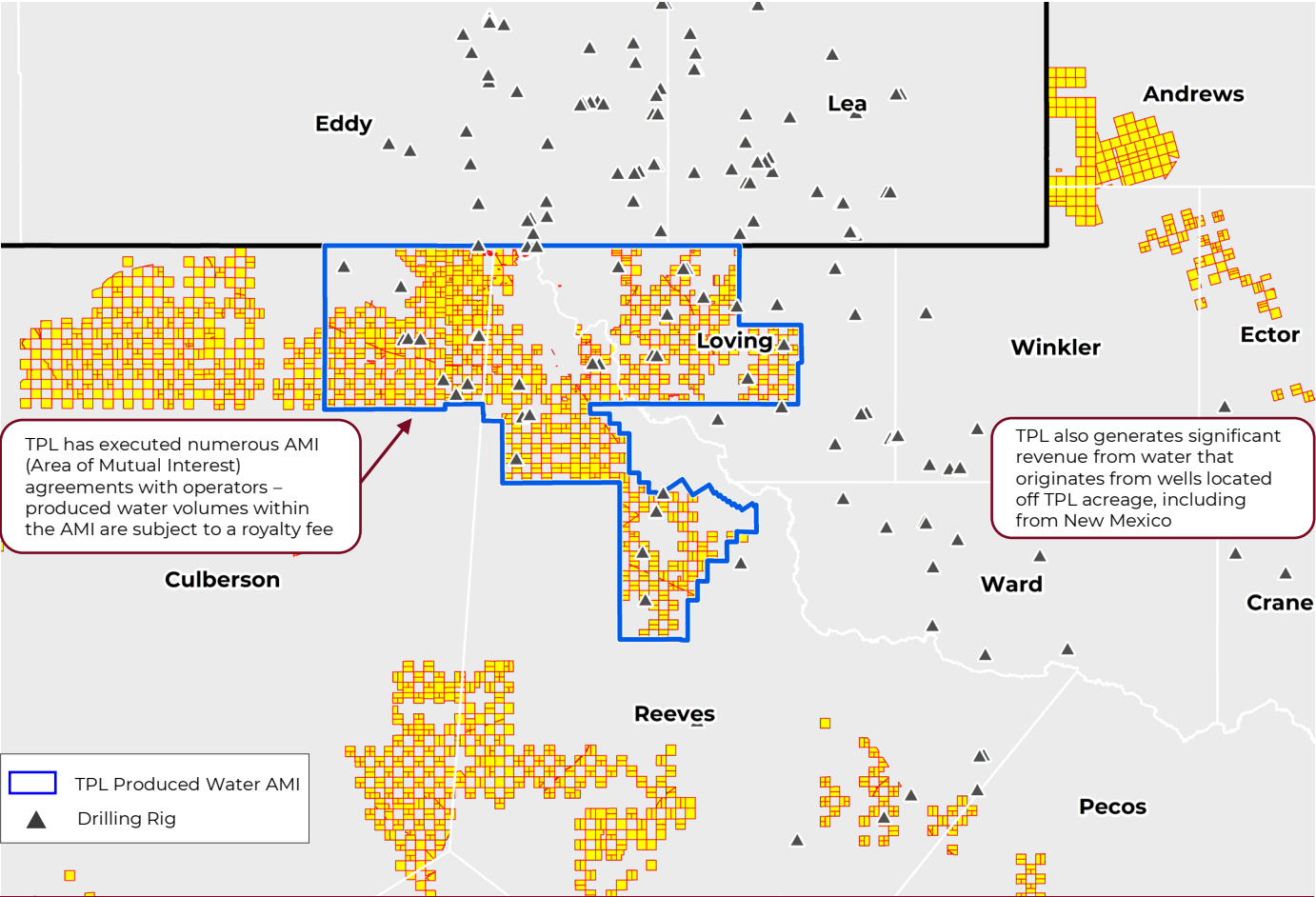
Negotiated agreements with operators covering ~450,000-acre dedication allow TPL to **capture significant produced water volumes**

Contracts provide TPL with **optionality and upside** to pursue produced water **recycling/treatment and beneficial reuse opportunities**

**Long runway of volumes and cash flow growth**, with minimal capex contributions from TPL

# Produced Water Royalties

Delaware Upstream Activity + High Water-Cuts to Drive Produced Water Volume Growth

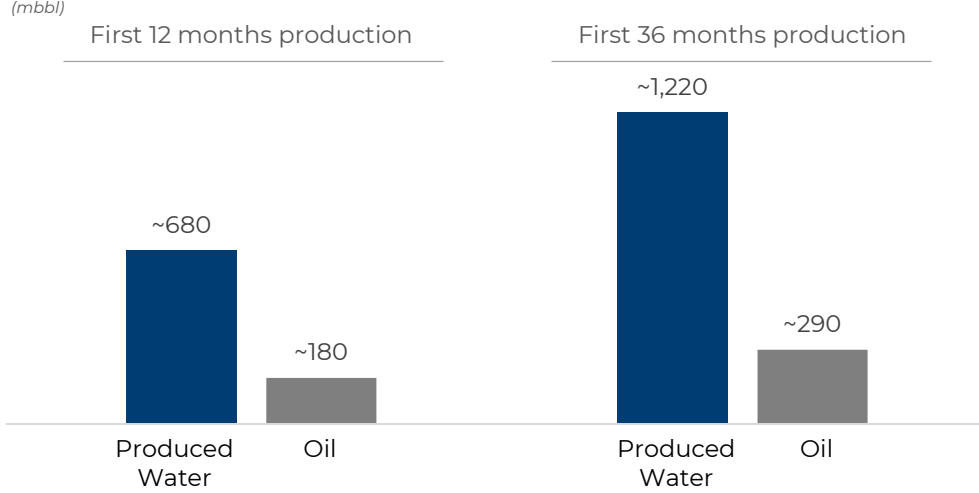


Delaware O&G wells have relatively high water-cuts, ~4 barrels of produced water per barrel of oil on average

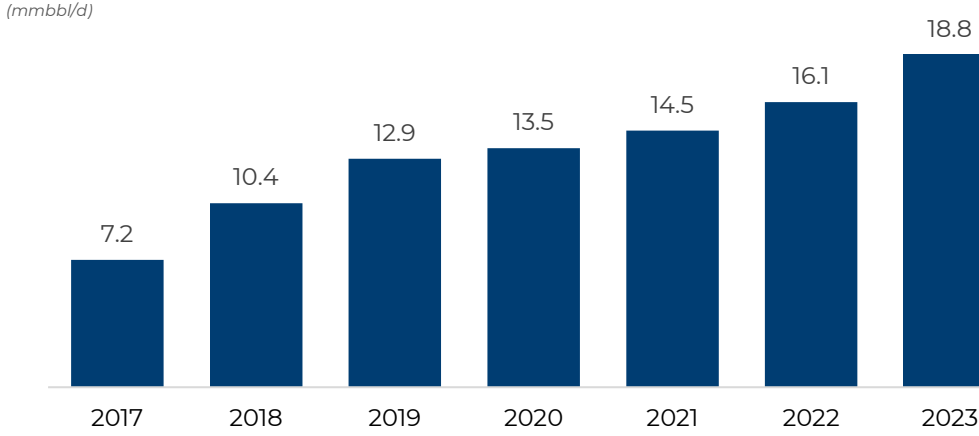
~70% of overall Permian produced water comes from the Delaware

Continued O&G development and growth in Delaware will drive produced water volume growth

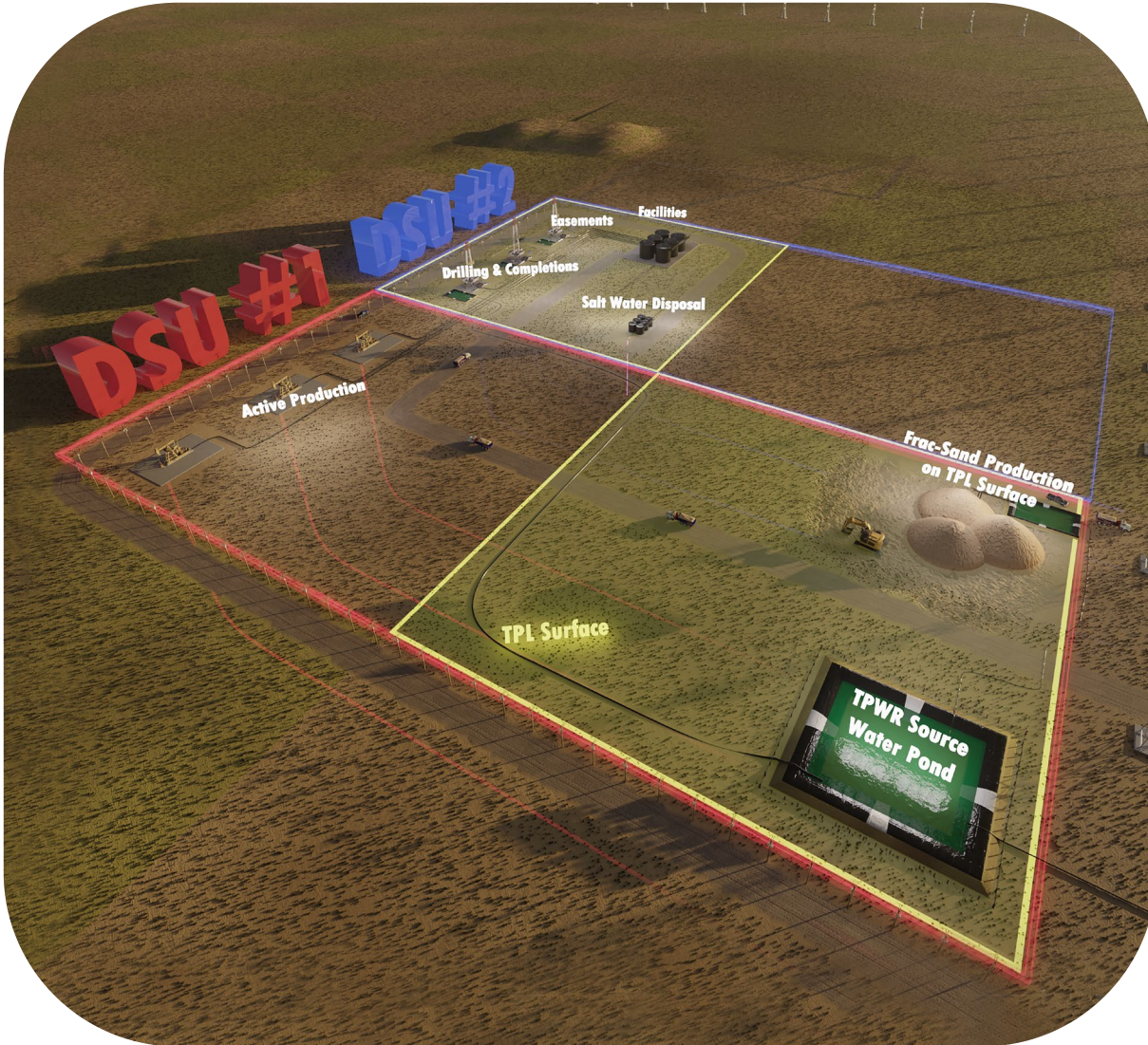
## Water vs Oil Production – Average Well in Delaware Basin



## Permian Produced Water



# TPL Captures Revenue Over the Well Lifecycle



## 1 Permit *E&P/upstream operators procure regulatory permits; prepare future well site and develop infrastructure*

**SLEM**

- Fixed fees for use of TPL’s surface for the construction and operation of infrastructure (e.g., well sites, wellbores, pipelines)
- Sale of materials (caliche) used in the construction of infrastructure

## 2 Development *Operators spud/drills new wells. After drilling concludes, next step is to complete/frac*

**Water Sales**

- Price per barrel for providing brackish groundwater and / or treated produced water

## 3 Production *Once completed, a well will be placed-on-production (“POP”) and begin generating production and revenue*

**Produced Water**

- Royalty per barrel for allowing produced water disposal related infrastructure on TPL surface

**O&G Royalties**

- TPL royalty interests generate a fixed percentage of the oil & gas produced

**SLEM**

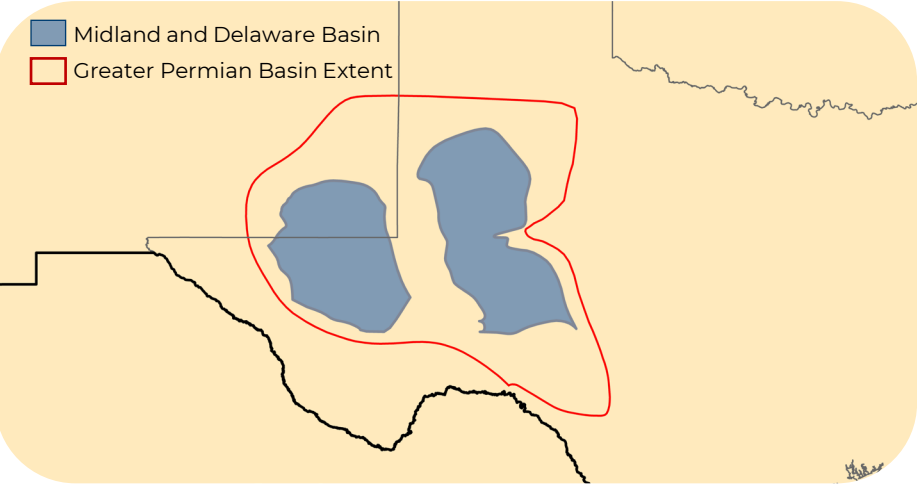
- Contracted payments to TPL as infrastructure on TPL land continues to be utilized



# Permian's Massive Resource Potential

*Enormous Acreage Extent and Stacked Pay Potential*

## Enormous Acreage Extent



**~26,000**  
square miles

**~17,000,000**  
acres

Combined Midland and Delaware Footprint

## Stacked Pay Reserves

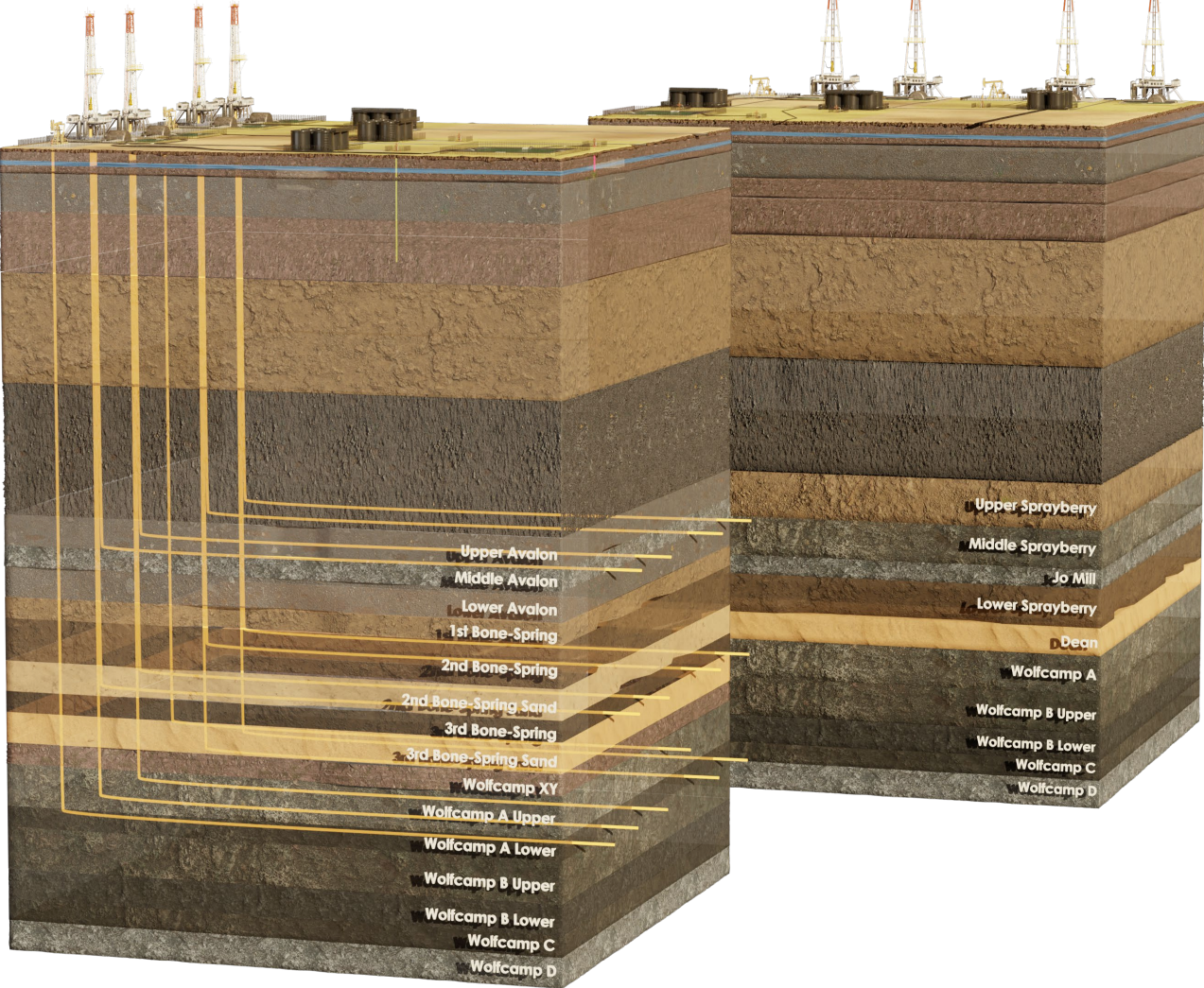
**10+**  
geologic formations

for each Midland and Delaware



## Delaware

## Midland





Treatment/recycling infrastructure on TPL land



3<sup>rd</sup> party SWD infrastructure



The background is a topographic map with contour lines and a grid. A dashed red circle is drawn across the map. Two red dots are placed on the circle's circumference, each with associated coordinate labels. A red crosshair is located in the upper right quadrant. A vertical black line is on the left side of the page.

# Appendix

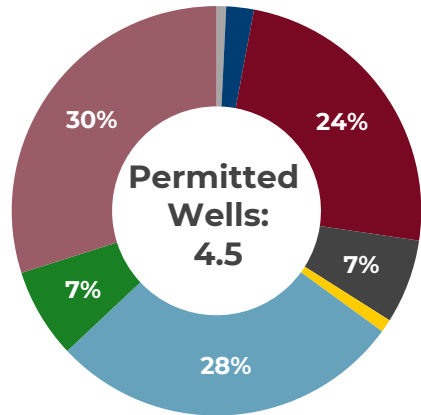
14.673272  
23.090191

14.6867212  
23.0781931

# Summary of Highest-Visibility Inventory

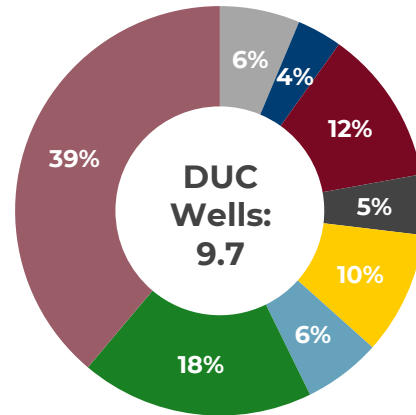
## 100% NRI Permitted Wells

~81% of Permits are drilled within 6 months  
~90% of Permits are drilled within 12 months



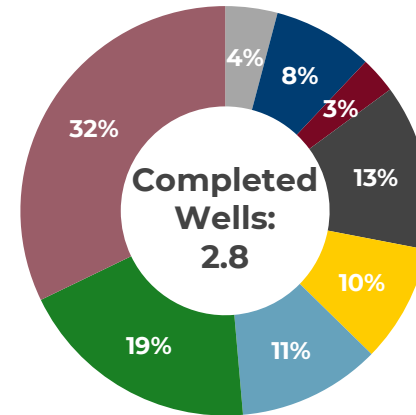
## 100% NRI DUC Wells

~44% of DUCs are completed within 6 months  
~94% of DUCs are completed within 12 months



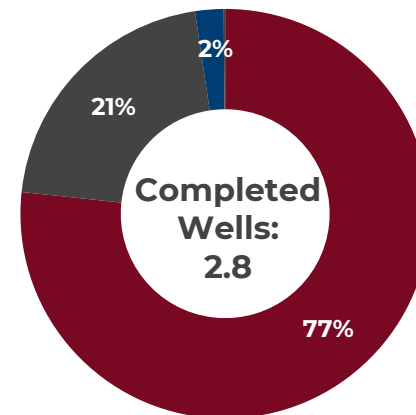
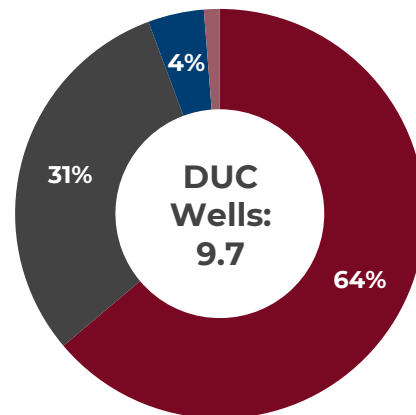
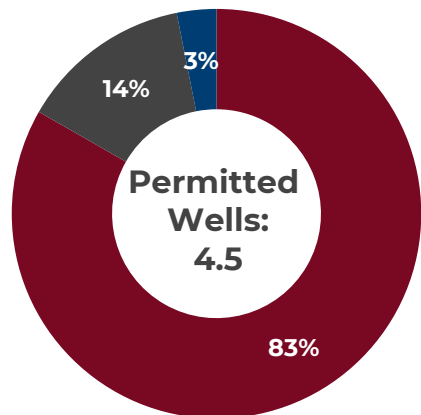
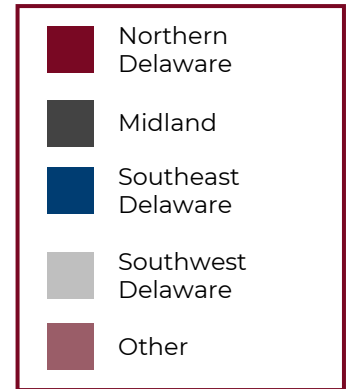
## 100% NRI Completed Wells

~92% of Completed Wells are listed as producing within ~1 month



NRI by Operator

NRI by Region



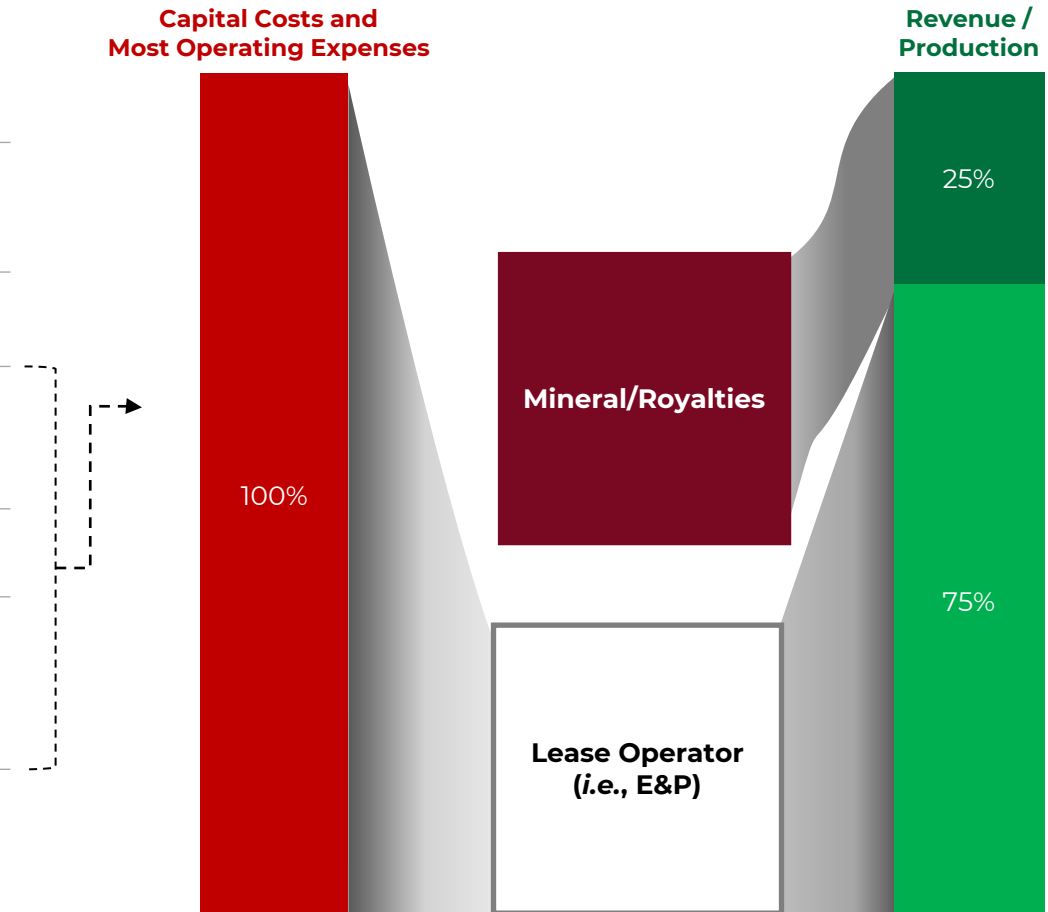
Notes: Per Company data. Permian Basin horizontal locations as of 12/31/23.  
Permitted well conversion rate based on wells permitted from 1/1/22 through 12/31/22 and then drilled through 12/31/23.  
DUC well conversion rate based on wells drilled from 1/1/22 through 12/31/22 and then completed through 12/31/23.  
Completed well conversion rates based on wells completed between 1/1/22 through 12/31/22.  
DUCs considered to be all wells awaiting completion.

# The Basics of Royalties Ownership

## Key Terms and Comparison: Royalties/Minerals vs Lease Interest

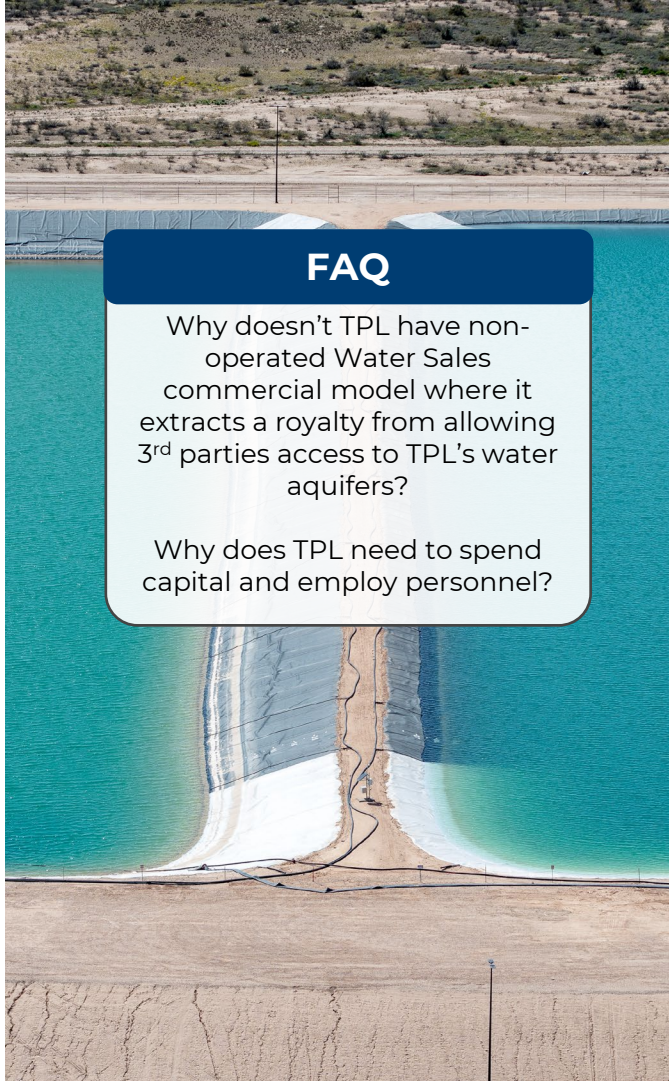
	ROYALTIES / MINERALS	LEASE INTEREST
<b>PARTICIPANTS NOMENCLATURE</b>	Simply and generally just referred to as royalty/mineral owners	Companies that own lease interests are also generally referred to as E&P (exploration & production), upstream and/or working interest companies (e.g., Occidental, EOG)
<b>OWNERSHIP</b>	Real property interest/ownership of minerals Can develop minerals itself or lease the right to extract minerals to an external party	Leases acreage from mineral estate for the right to extract subsurface minerals (e.g., oil and gas)
<b>OWNERSHIP DURATION</b>	Perpetual (though certain exclusions)	Expiration subject to lease terms
<b>REVENUE INTEREST</b>	In Texas, mineral/royalty estate in aggregate generally receives 25% of gross production; minerals leased by federal government generally receive 12.5% - 18.5%	Working interest percentages are expressed before mineral/royalty-take (i.e., 100% working interest owner would only net 75% of total well production/revenue)
<b>CAPITAL COSTS</b>	Generally not responsible for capital costs to drill a well	Generally responsible for 100% of the capital costs to drill and complete a well ("D&C")
<b>OPERATING EXPENSES</b>	For oil production, generally no operating expense deductions For gas and NGL production, may have limited expense deductions	Responsible for operating expenses such as gathering, transportation, processing, and marketing
<b>OTHER</b>	Generally incur severance and ad valorem taxes Mineral/royalty estate can be severed from surface estate	

## Illustrative Economic Model – Minerals/Royalties vs Lease Interest





# Water Sales – Operated vs Royalty/Non-Operated Business Model



## FAQ

Why doesn't TPL have non-operated Water Sales commercial model where it extracts a royalty from allowing 3<sup>rd</sup> parties access to TPL's water aquifers?

Why does TPL need to spend capital and employ personnel?



## Royalty / Non-Operated Source Water Model *(i.e., pre-TPWR)*

### History

TPL formed TPWR in July 2017

Pre-TPWR development, TPL had negotiated various royalty agreements with 3<sup>rd</sup> party operators

### Sustainable Extraction

Professional hydrologists, advanced sensors, and active monitoring to ensure aquifers are sustainably managed

Operators often extracted water resource at unsustainably high rates; primary concern was water for their own development/commercial needs rather than TPL's long-term interests

### Economic development

Efficiently developed infrastructure that could serve vast upstream development areas for virtually every nearby upstream operator

Operator(s) would build relatively narrow water systems to serve only their own interests, rather than for broader commercial utilization for peer operators

### Control

TPL could sell water at competitive prices, have control over expansion and market capture, and leverage its SLEM and produced water offerings to expand sales and incentivize development of royalty acreage

Operators could leverage TPL's royalty rates to negotiate better pricing for water off TPL acreage, thereby undercutting TPL sales/royalties

### Shareholder Interests

- **TPL manages Water Sales for the benefit and in the best interests of TPL shareholders**
- **Water Sales has provided TPL shareholders with significant incremental earnings and free cash flow**

Operators utilizing TPL source water resource have their own stakeholders, whose interests may not align with TPL shareholder interests

# Compensation Incentives Aligned With Shareholder Value Creation

	Mix (% of Total) <sup>1</sup>	Intent	Key Performance Dimensions
Fixed (16%) <sup>1</sup>	<b>Base Salary</b> 	<ul style="list-style-type: none"> <li>Deliver competitive fixed cash compensation for day-to-day job performance</li> </ul>	<ul style="list-style-type: none"> <li>Based on individual role, level of experience and performance</li> </ul>
	<b>Annual Incentive Plan</b> 	<ul style="list-style-type: none"> <li>Incentivize executives to achieve important near-term financial and operational goals</li> <li>Reward individual and Company performance</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted EBITDA margin (37.5% weight)</li> <li>Free cash flow per share (37.5% weight)</li> <li>Strategic objectives (25% weight)</li> </ul>
Variable (84%) <sup>1</sup>	Performance-Based Restricted Stock Units (PSUs) 	<ul style="list-style-type: none"> <li>Reward performance that drives long-term value creation</li> <li>Align interests of executives with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Three-year cumulative free cash flow per share</li> <li>Relative TSR vs. SPDR S&amp;P Oil &amp; Gas Exploration &amp; Production ETF</li> </ul>
	Time-Based Restricted Stock Units (RSUs) 	<ul style="list-style-type: none"> <li>Incentivize long-term value creation</li> <li>Align interests of executives with shareholders</li> <li>Retention</li> </ul>	<ul style="list-style-type: none"> <li>Long-term stock price appreciation</li> </ul>

# Sustainability is Embedded in Our Strategy

## Key Opportunities

### Carbon Management

- Government policies incentivize sustainable energy projects (e.g., carbon capture, utilization and storage) and TPL can reposition its business to take advantage of the opportunities created by these policies

### Water Management

- Water recycling capabilities allow operators to minimize freshwater usage; ongoing water asset electrification can reduce diesel reliance and manage emissions profile

### Environmental Management

- Adoption of new technology can reduce our costs and environmental impact
- Allowance of easements on land to construct electricity infrastructure supports emissions reductions from our land operators

### Renewable Development

- Expanding efforts to encourage wind and solar development on our surface and exploring all options to increase our existing renewable footprint

### Investing in Our People

- Comprehensive, job-specific training and development opportunities; high employee retention and low turnover rates, with annual employee satisfaction surveys
- Demonstrated commitment to enhancing diversity - 41% of workforce are women and continual assessment of organizational dynamics to cultivate a more inclusive workforce



# Our Environmental Management Initiatives

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## Incidents and Spill Prevention Control



- Implementation of Spill Prevention, Control, and Countermeasure plan and protocol for water assets, which are equipped with tech / containment protections
- Thorough tracking and monitoring of all spills; information is entered into centralized database to allow easy tracking and data management
- Prioritization of continued education and engagement of employees and contractors

## Environmental Impact Assessments



- Prior to acquiring additional surface acreage, on-site Phase 1 Environmental Site Assessments are regularly conducted by environmental consultants to gauge property condition
- Regularly scheduled pipeline maintenance checkups of existing pipeline assets; Health, Safety and Environment team closely monitors assets for spills, leaks or any other release

## Ecological and Biodiversity Partnerships



- Partnership with New Mexico Bureau of Land Management to obtain biodiversity impact guidance
- Contractual requirement for grazing tenants to use proper grazing and stockman standards and participate in conservation, range and wildlife improvement programs

## Operator and Lessee Requirements



- Prioritization of consistent engagement and communications with operators and lessees on TPL's land to ensure maintenance of environmental due diligence
- Requirement of reclamation process to verify land has been restored to environmental condition stipulated by contractual agreement







# Royalty Key Terms

Focus Area <sup>(1)</sup>	Gross Royalty Acres	Net Royalty Acres	Average Royalty	Gross DSU Acres	Implied Average Net Revenue Interest per Well
Northern Delaware	155,364	9,206	5.9%	399,860	2.3%
Southeast Delaware	34,285	2,126	6.2%	101,993	2.1%
Southwest Delaware	81,795	5,112	6.2%	168,459	3.0%
<b>Delaware</b>	<b>271,444</b>	<b>16,444</b>	<b>6.1%</b>	<b>670,312</b>	<b>2.4%</b>
<b>Midland</b>	<b>150,888</b>	<b>2,640</b>	<b>1.7%</b>	<b>499,709</b>	<b>0.5%</b>
Other	110,928	4,631	4.2%	258,617	1.8%
<b>Total</b>	<b>533,260</b>	<b>23,715</b>	<b>4.4%</b>	<b>1,428,638</b>	<b>1.7%</b>

	Description	How's It Calculated
<b>Gross Royalty Acres</b>	<ul style="list-style-type: none"> <li>An undivided ownership of the oil, gas, and minerals underneath one acre of land</li> </ul>	<ul style="list-style-type: none"> <li>Total Texas Pacific Land Corporation acreage 533,260</li> </ul>
<b>Net Royalty Acres (Normalized to 1/8)</b>	<ul style="list-style-type: none"> <li>Gross Royalty Acres standardized to 12.5% (or 1/8) oil and gas lease royalty</li> </ul>	<ul style="list-style-type: none"> <li>Gross Royalty Acres * Avg. royalty / (1/8) <math>189,720 = 533,260 * 4.4\% / (1/8)</math></li> </ul>
<b>Net Royalty Acres</b>	<ul style="list-style-type: none"> <li>Gross Royalty Acres standardized on a 100% (or 8/8) oil and gas lease royalty basis</li> </ul>	<ul style="list-style-type: none"> <li>Gross Royalty Acres * Avg. royalty <math>23,715 = 533,260 * 4.4\%</math></li> </ul>
<b>Drilling Spacing Units ("DSUs")</b>	<ul style="list-style-type: none"> <li>Areas designated in a spacing order or unit designation as a unit and within which operators drill wellbores to develop our oil and natural gas rights</li> </ul>	<ul style="list-style-type: none"> <li>Total number of gross DSU acres 1,428,638</li> </ul>
<b>Implied Average Net Revenue Interest per Well</b>	<ul style="list-style-type: none"> <li>Number of 100% oil and gas lease royalty acres per gross DSU acre</li> </ul>	<ul style="list-style-type: none"> <li>Net Royalty Acres / Gross DSU Acres <math>1.7\% = 23,715 / 1,428,638</math></li> </ul>



# Non-GAAP Reconciliations

(\$ in millions)	Year ended December 31,						Three months ended,				Year ended December 31, 2023		
	2018	2019	2020	2021	2022	2023	1Q23	2Q23	3Q23	4Q23	Land and Resource Management	Water Services and Operations	Total
<b>Net income</b>	\$ 209.7	\$ 318.7	\$ 176.1	\$ 270.0	\$ 446.4	\$ 405.6	\$ 86.6	\$ 100.4	\$ 105.6	\$ 113.1	\$ 306.7	\$ 98.9	\$ 405.6
Adjustments:													
Income tax expense	52.0	83.6	43.6	93.0	122.5	111.9	23.8	26.8	29.4	32.0	84.3	27.6	111.9
Depreciation, depletion and amortization	2.6	8.9	14.4	16.3	15.4	14.8	3.4	3.9	3.6	3.9	3.1	11.7	14.8
<b>EBITDA</b>	<b>\$ 264.3</b>	<b>\$ 411.2</b>	<b>\$ 234.1</b>	<b>\$ 379.3</b>	<b>\$ 584.2</b>	<b>\$ 532.3</b>	<b>\$ 113.7</b>	<b>\$ 131.0</b>	<b>\$ 138.5</b>	<b>\$ 149.0</b>	<b>\$ 394.1</b>	<b>\$ 138.2</b>	<b>\$ 532.3</b>
Revenue	\$ 300.2	\$ 490.5	\$ 302.6	\$ 451.0	\$ 667.4	\$ 631.6	\$ 146.4	\$ 160.6	\$ 158.0	\$ 166.7	\$ 432.1	\$ 199.5	\$ 631.6
<b>EBITDA Margin</b>	<b>88.0%</b>	<b>83.8%</b>	<b>77.4%</b>	<b>84.1%</b>	<b>87.5%</b>	<b>84.3%</b>	<b>77.7%</b>	<b>81.6%</b>	<b>87.7%</b>	<b>89.4%</b>	<b>91.2%</b>	<b>69.3%</b>	<b>84.3%</b>
EBITDA	\$ 264.3	\$ 411.2	\$ 234.1	\$ 379.3	\$ 584.2	\$ 532.3	\$ 113.7	\$ 131.0	\$ 138.5	\$ 149.0	\$ 394.1	\$ 138.2	\$ 532.3
Adjustments:													
Less: land sales deemed significant <sup>(1)</sup>	—	(122.0)	—	—	—	—	—	—	—	—	—	—	—
Less: sale of oil and gas royalty interests <sup>(2)</sup>	(18.9)	—	—	—	—	—	—	—	—	—	—	—	—
Add: proxy contests, settlement, and corporate reorganization costs <sup>(3)</sup>	—	13.0	5.1	8.7	—	—	—	—	—	—	—	—	—
Add: Share-based compensation	—	—	—	—	7.6	9.1	2.2	2.6	2.5	1.9	5.3	3.8	9.1
<b>Adjusted EBITDA</b>	<b>\$ 245.4</b>	<b>\$ 302.2</b>	<b>\$ 239.1</b>	<b>\$ 388.0</b>	<b>\$ 591.8</b>	<b>\$ 541.4</b>	<b>\$ 115.9</b>	<b>\$ 133.6</b>	<b>\$ 141.0</b>	<b>\$ 150.9</b>	<b>\$ 399.4</b>	<b>\$ 142.0</b>	<b>\$ 541.4</b>
Adjusted Revenue <sup>(4)</sup>	\$ 281.3	\$ 368.5	\$ 302.6	\$ 451.0	\$ 667.4	\$ 631.6	\$ 146.4	\$ 160.6	\$ 158.0	\$ 166.7	\$ 432.1	\$ 199.5	\$ 631.6
<b>Adjusted EBITDA Margin</b>	<b>87.2%</b>	<b>82.0%</b>	<b>79.0%</b>	<b>86.0%</b>	<b>88.7%</b>	<b>85.7%</b>	<b>79.2%</b>	<b>83.2%</b>	<b>89.3%</b>	<b>90.6%</b>	<b>92.4%</b>	<b>71.2%</b>	<b>85.7%</b>
Adjusted EBITDA	\$ 245.4	\$ 302.2	\$ 239.1	\$ 388.0	\$ 591.8	\$ 541.4	\$ 115.9	\$ 133.6	\$ 141.0	\$ 150.9	\$ 399.4	\$ 142.0	\$ 541.4
Adjustments:													
Less: current income tax expense	(37.2)	(57.5)	(46.0)	(93.3)	(121.2)	(110.5)	(24.1)	(27.1)	(29.7)	(29.6)	(82.8)	(27.7)	(110.5)
Less: capex	(47.9)	(32.7)	(5.1)	(16.4)	(19.0)	(15.4)	(3.8)	(1.4)	(5.2)	(5.0)	(0.2)	(15.2)	(15.4)
Add: tax impact of land sales deemed	—	21.5	—	—	—	—	—	—	—	—	—	—	—
Add: interest	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Free cash flow</b>	<b>\$ 160.3</b>	<b>\$ 233.5</b>	<b>\$ 188.0</b>	<b>\$ 278.3</b>	<b>\$ 451.6</b>	<b>\$ 415.5</b>	<b>\$ 88.0</b>	<b>\$ 105.1</b>	<b>\$ 106.1</b>	<b>\$ 116.3</b>	<b>\$ 316.4</b>	<b>\$ 99.1</b>	<b>\$ 415.5</b>

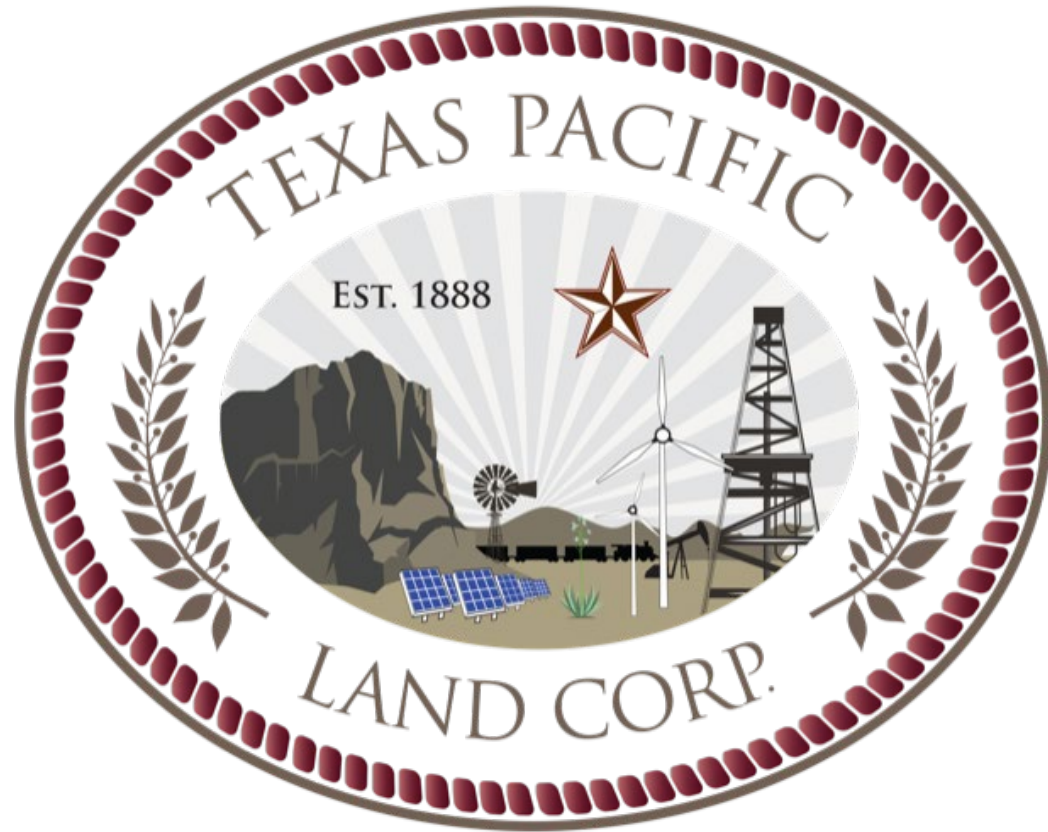
Source: Company data.

Note: Numbers may not foot due to immaterial rounding.

1. Land swap of ~\$22 million in 4Q19, and sale to WPX in 1Q19 of ~\$100 million.
2. Sale of nonparticipating perpetual oil and gas royalty interest in approximately 812 net royalty acres (1/8<sup>th</sup> interest) of ~\$19 million.
3. Costs related to proxy contest to elect a new Trustee, settlement agreement and corporate reorganization.
4. Excludes land sales deemed significant and sales of oil and gas royalty interests.

# Historical Financial Summary

(\$ in millions)	Year ended December 31,		Three months ended,	
	2022	2023	December 31, 2022	December 31, 2023
<b>Total Acres</b>	874,366	868,446	874,366	868,446
<b>Revenues:</b>				
Oil and gas royalties	\$452.4	\$357.4	\$96.7	\$98.8
Water sales	84.7	112.2	19.2	26.4
Produced water royalties	72.2	84.3	19.6	22.4
Easements and other surface-related income	48.1	70.9	10.7	19.1
Land sales and other operating revenue	10.0	6.8	6.5	—
<b>Total Revenues</b>	<b>\$667.4</b>	<b>\$631.6</b>	<b>\$152.7</b>	<b>\$166.7</b>
<b>Expenses:</b>				
Salaries and related employee benefits	\$41.4	\$43.4	\$11.7	\$10.7
Water service related expenses	17.5	33.6	4.4	9.1
General and administrative expenses	13.3	14.9	3.5	4.1
Legal and professional fees	8.7	31.5	3.7	3.1
Ad valorem taxes	8.9	7.4	1.9	2.0
Depreciation, depletion and amortization	15.4	14.8	3.2	3.9
<b>Total operating expenses</b>	<b>\$105.1</b>	<b>\$145.5</b>	<b>\$28.5</b>	<b>\$32.8</b>
<b>Operating income (loss)</b>	<b>\$562.3</b>	<b>\$486.1</b>	<b>\$124.2</b>	<b>\$133.9</b>
Margin (%)	84.3%	77.0%	81.4%	80.3%
Other income (expense)	6.5	31.5	3.9	11.3
<b>Income before income taxes</b>	<b>\$568.9</b>	<b>\$517.6</b>	<b>\$128.2</b>	<b>\$145.1</b>
Income tax expense	122.5	111.9	28.4	32.0
<b>Net income</b>	<b>\$446.4</b>	<b>\$405.6</b>	<b>\$99.7</b>	<b>\$113.1</b>
Margin (%)	66.9%	64.2%	65.3%	67.9%
<b>Key balance sheet items:</b>	<b>2022</b>	<b>2023</b>	<b>4Q22</b>	<b>4Q23</b>
Cash and cash equivalents	\$510.8	\$725.2	\$510.8	\$725.2
Total debt	—	—	—	—
Total capital	772.9	1,043.2	772.9	1,043.2
Total assets	877.4	1,156.4	877.4	1,156.4
Total liabilities	104.5	113.2	104.5	113.2



## **Texas Pacific Land Corporation**

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