

Texas Pacific Land Trust

REPORT

for the

Year Ended December 31, 2007

Texas Pacific Land Trust

REPORT

for the

Year Ended December 31, 2007

TEXAS PACIFIC LAND TRUST

1700 Pacific Avenue, Suite 1670

Dallas, Texas 75201

To Sub-share and Certificate Holders:

On June 20, 2007, the Trustees authorized a five-for-one split of sub-shares in certificates of proprietary interest effective July 2, 2007. As a result, the par value of each sub-share was reduced from \$.16 $\frac{2}{3}$ par value per sub-shares to \$.03 $\frac{1}{3}$ par value per sub-shares. The last split of sub-shares prior to July 2, 2007 was a three-for-one split effective February 25, 1980. All figures presented in this report relative to sub-shares outstanding, earnings per sub-share, dividends per sub-share, the number and cost of sub-shares purchased for cancellation, and the market price of sub-shares reflect the five-for-one split.

Oil and gas royalty income of \$10,022,709 was the highest in the 120 year history of the Trust. Total operating revenues and investment income were \$15,835,111, producing a net income of \$8,249,688. Earnings per sub-share were \$.78.

For a number of years the Trustees have declared an annual cash dividend at their meeting in February. A cash dividend of \$.16 per sub-share was declared February 23, 2007 and was paid March 15, 2007. At their February 2008 meeting, the Trustees declared an annual cash dividend of \$.18 per sub-share payable March 17, 2008 to sub-share holders of record at the close of business on March 7, 2008. This is the fifth consecutive year that the annual dividend declared in February has been increased.

Land sales in 2007 were \$1,932,664 compared to \$8,201,447 in 2006. These sales represented 12.2% of the Trust's total operating revenues and investment income in 2007, compared to 35.6% in 2006. The Trust sold a total of 1,554 acres located in three of the twenty counties in which surface ownership is held. Because land sales may vary from year to year, the total dollar volume of land sales in any one year should not be assumed to be indicative of land sales in the future.

Revenues and investment income, exclusive of land sales, were \$13,902,447 and consisted of the following:

- Oil and gas royalty revenue was \$10,022,709 in 2007 compared to \$8,773,512 in 2006, an increase of 14.2%. Total crude oil production was up 14.2%, and the average price of crude oil during 2007 was 3.9% higher than the average price of 2006. Total gas production decreased 18.8% in 2007, while the average price of gas increased 29.2% over 2006.
- Interest on notes receivable was \$1,464,249 in 2007 and other interest was \$370,000.

- Other revenues totaled \$2,045,489 in 2007, consisting of \$479,908 from grazing lease rentals, and \$1,565,581 from easements and sundry income. Grazing lease income in 2007 was 1.0% less compared to 2006. Easements and sundry income was down 57.1% from 2006. Easements and sundry income is unpredictable and may vary significantly from period to period.

The Trust received total cash principal payments on notes receivable of \$1,303,310 in 2007 which included \$51,562 of prepaid principal. At year end 2007, the principal amount of notes receivable from land sales were \$19,625,622 compared to \$20,802,132 at year end 2006.

Total expenses for 2007 were \$7,585,423, which includes Federal and state taxes of \$4,330,417. The comparable 2006 figures were \$11,452,620 and \$5,968,458, respectively.

The Trust purchased and retired 124,500 sub-shares at a cost of \$6,181,717, an average cost of \$49.65 per sub-share, during 2007. The number of sub-shares purchased and retired in 2007 amounted to 1.2% of the total number of sub-shares outstanding on December 31, 2007. The market price of sub-shares on the New York Stock Exchange ranged from a low of \$37.01 to a high of \$62.75 during 2007. At December 31, 2007, the Trust held .09 acres of land for each of the 10,488,375 sub-shares then outstanding. During 2007, there were 80.1 sub-shares purchased and retired for each net acre of land sold. As provided in Article Seventh of the Declaration of Trust dated February 1, 1888, establishing the Trust, it will continue to be the practice of the Trustees to purchase and cancel outstanding certificates and sub-shares from time to time. These purchases are generally made in the open market and there is no arrangement, contractual or otherwise, with any person for any such purchase. The Trust may negotiate prices on unsolicited blocks of sub-shares which it may be offered from time to time.

The range of reported sales prices for sub-shares on the New York Stock Exchange for the past two years has been as follows:

	2007		2006	
	High	Low	High	Low
1st quarter	\$52.60	\$41.25	\$29.90	\$27.30
2nd quarter	\$62.10	\$41.08	\$30.10	\$27.80
3rd quarter	\$62.75	\$45.48	\$34.85	\$28.00
4th quarter	\$54.65	\$37.01	\$44.20	\$30.20

Certificates of proprietary interest and sub-shares are interchangeable in the ratio of one certificate for 3,000 sub-shares or 3,000 sub-shares for one certificate of proprietary interest.

There follows a report dated February 22, 2008 by Mr. Roy Thomas, the General Agent of the Trustees, showing the operations of the Trust for 2007.

Maurice Meyer III,

John R. Norris III,

James K. Norwood,

Trustees.

To Messrs.

Maurice Meyer III John R. Norris III James K. Norwood	}	Trustees,
---	---	-----------

GENTLEMEN:

The following is a report of the operations in connection with the properties of Texas Pacific Land Trust for the year 2007. A summary of land sales is shown in the table below:

LAND TRANSACTIONS — 2007

<i>County</i>	<i>Acres</i>	<i>Consideration</i>	<i>Cash</i>	<i>Deferred Payments</i>
Land sales:				
El Paso	153.825	\$ 400,000.00	\$ 400,000.00	\$ —
Hudspeth	1,127.260	169,089.00	42,289.00	126,800.00
Midland	272.713	1,363,575.00	1,363,575.00	—
Total	1,553.798	\$1,932,664.00	\$1,805,864.00	\$126,800.00

NET CHANGES IN ACREAGE

<i>County</i>	<i>Land Sales</i>	<i>Community Water Development Conveyance</i>	<i>Total</i>
El Paso	153.825-	25.00-	178.83-
Hudspeth	1,127.260-		1,127.26-
Midland	272.713-		272.71-
Total	1,553.798-	25.00-	1,578.80-

Of the \$1,932,664 total the Trust received from land sales in 2007, \$1,805,864 (93.4%) was received in cash, with deferred balances payable in annual installments over fifteen years at interest rates of 7.0% per annum.

El Paso County land sales in the year 2007 comprised 20.7% of the Trust's total dollar volume of land sales. The El Paso County sale consisted of 153.8 acres for \$400,000 or approximately \$2,600 per acre. Also in El Paso County 25 acres were conveyed for community water development which would provide water to Trust property which had previously been without water. The Trust had three commercial sales in Midland County which totaled 272.71 acres for \$1,363,575 or an average of approximately \$5,000 per acre. One ranch sale was made in Hudspeth County, consisting of 1,127.26 acres for \$169,089 total or \$150 per

acre. It should be noted that the Trust continues to hold only a limited amount of land near any metropolitan area.

COMPARATIVE STATEMENT OF TAXES
For The Past Two Years

Taxes	2007	2006	<i>Percentage Increase + Decrease -</i>
Federal income	\$3,628,026	\$5,309,153	31.7-
Ad valorem	107,673	126,747	15.0-
Crude oil and gas production	547,075	485,570	12.7+
Payroll and other taxes	47,643	46,988	1.4+
Total	\$4,330,417	\$5,968,458	27.4-

GRAZING LEASES

Grazing rental revenue was \$479,908 in 2007, an average of 50.6¢ per acre compared to \$484,759 in 2006, an average of 50.7¢ per acre. At year end, grazing leases were in effect on 949,321 acres (98.4%) of the Trust’s lands.

LOCATION OF UNSOLD LANDS AND NONPARTICIPATING
PERPETUAL ROYALTY INTERESTS
As of December 31, 2007

<i>County</i>	<i>ACREAGE</i>		
	<i>Surface</i>	<i>1/128 Royalty</i>	<i>1/16 Royalty</i>
Callahan			80.00
Coke	1,067.40		1,183.50
Crane	4,418.96	264.65	5,198.15
Culberson	315,640.09		124,723.75
Ector	20,488.66	33,633.45	11,792.88
El Paso	16,546.65		
Fisher			320.00
Glasscock	25,746.99	3,600.00	11,110.91
Howard	7,000.45	3,098.54	2,320.00
Hudspeth	160,467.44		1,008.00
Jeff Davis	15,139.62		7,554.65
Loving	74,431.51	6,106.66	48,066.00
Martin			320.00
Midland	38,673.61	13,425.00	15,360.00
Mitchell	2,046.15	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	2,189.00	6,162.15	1,273.63
Reeves	194,110.28	3,013.34	116,690.98
Stephens		2,817.33	160.00
Sterling	7,166.31	640.00	2,080.00
Taylor	689.73		966.00
Upton	26,179.42	6,903.00	9,100.60
Winkler	7,803.69	1,181.75	3,040.00
Total	964,813.08	85,413.60	386,987.70

A map showing the general location of the above described surface acreage appears on the last page of this Report.

OIL AND GAS

Oil and gas royalty revenue of \$10,022,709 was up 14.2% from \$8,773,512 in 2006. Oil royalty revenue was \$7,056,858, up 18.6%, and gas royalty revenue was \$2,965,851, up 5.0% compared to 2006. Gas royalty revenue amounted to 29.6% of total oil and gas royalty revenue in 2007 compared to 32.2% in 2006.

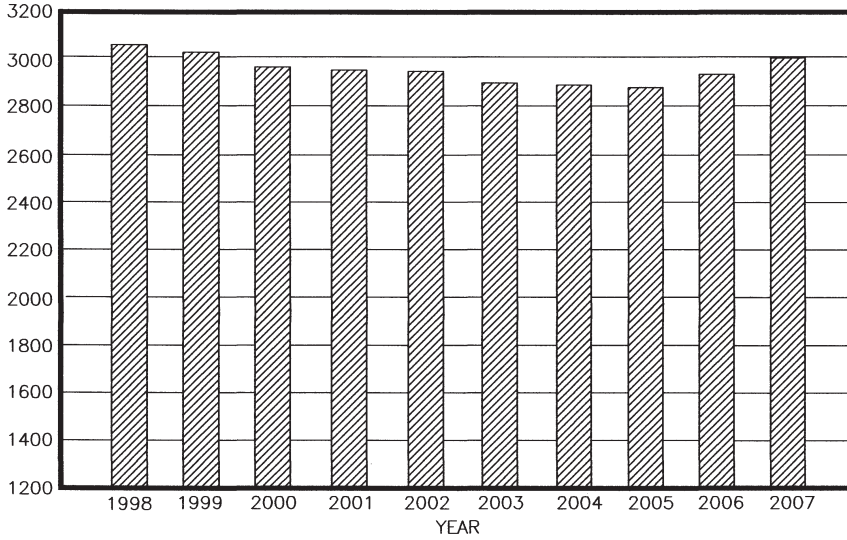
Crude oil production from Trust royalty wells increased 14.2% in 2007 compared to 2006. The average oil price received by the Trust during 2007 was \$65.36 per barrel compared to \$62.90 per barrel during 2006, up 3.9%. State oil and gas production taxes amounted to \$547,075 in 2007 compared to \$485,570 in 2006.

Total production from Trust royalty wells increased 13,412 royalty barrels and 451 gas equivalent royalty barrels as shown in the two-year comparison of royalty barrels and royalty revenue.

	<i>Royalty Production</i>	
	<i>2007</i>	<i>2006</i>
Oil, Bbls.	107,969	94,557
Gas, Mcf.	387,693	477,343
Gas, Bbls. Equiv.	45,377	44,926
Total, Bbls. Equiv.	153,346	139,483
	<i>Royalty Revenue</i>	
	<i>2007</i>	<i>2006</i>
Oil.	\$ 7,056,858	\$5,947,643
Gas	\$ 2,965,851	\$2,825,869
Total	\$10,022,709	\$8,773,512

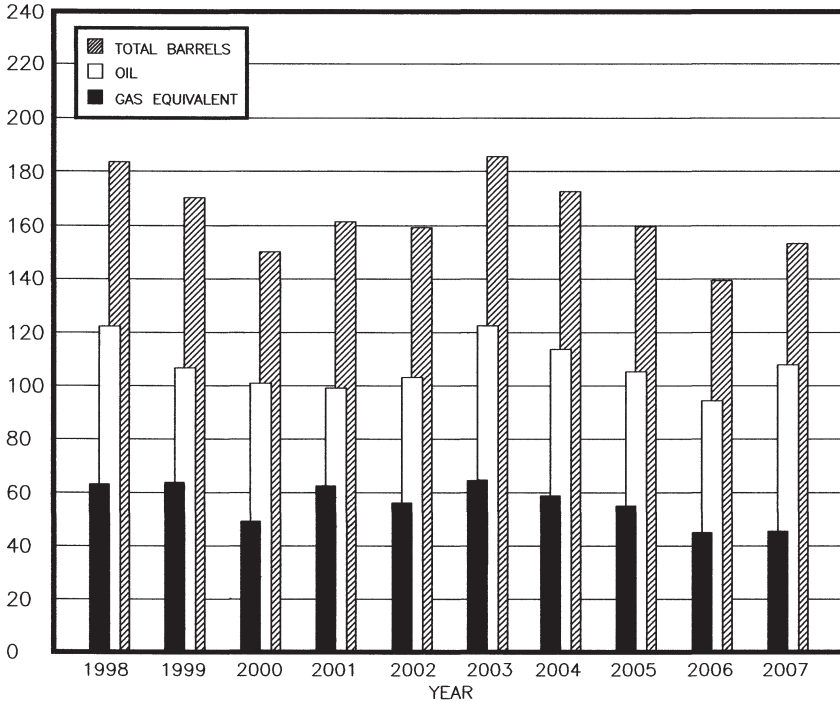
NUMBER OF WELLS

ROYALTY INTEREST WELLS

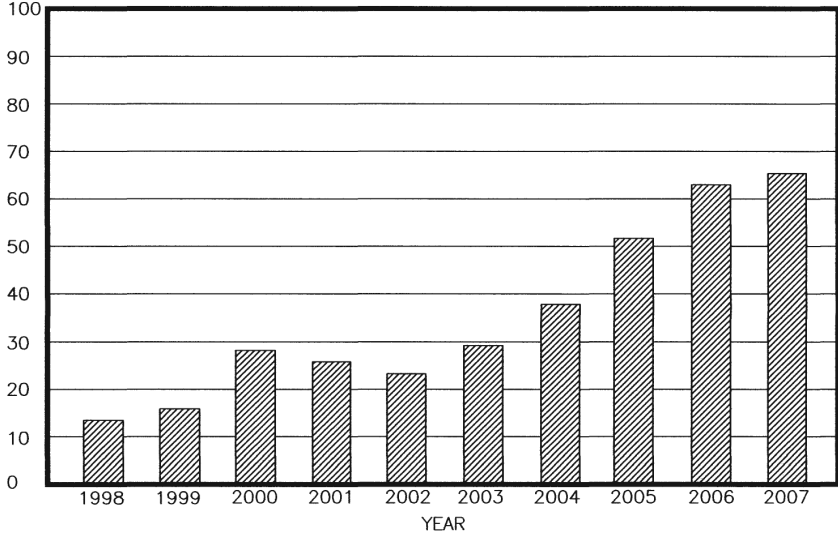


THOUSANDS OF BARRELS

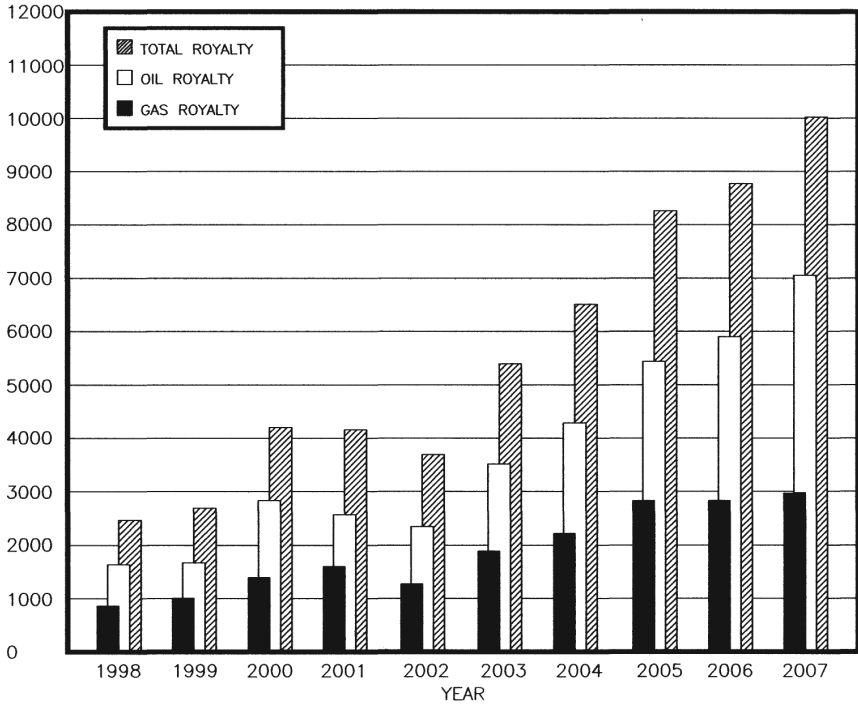
ROYALTY BARRELS



DOLLARS TRUST CRUDE OIL PRICE PER ROYALTY BARREL



THOUSANDS OF DOLLARS OIL AND GAS ROYALTY REVENUE



NEW WELLS DEVELOPED DURING 2007
 SUBJECT TO THE TRUST'S NONPARTICIPATING
 PERPETUAL ROYALTY INTEREST

<i>County and Field</i>	NUMBER OF WELLS	
	<i>1/128*</i> <i>Royalty</i>	<i>1/16*</i> <i>Royalty</i>
CRANE COUNTY		
Edwards — 04 — Devonian		1
P — Jack — Devonian		1
ECTOR COUNTY		
Cowden, North	1	
Mash — Devonian	1	
Penwell Field	2	
TXL — Tubb Sand	7	
HOWARD COUNTY		
Snyder Field	1	
LOVING COUNTY		
Chaparral Draw — Olds		1
Grice — Delaware		3
Tunstill Field	3	2
MIDLAND COUNTY		
Pegasus — Devonian	1	
Spraberry Trend Area	5	
MITCHELL COUNTY		
Westbrook Field	11	
NOLAN COUNTY		
E. A. — Cambrian	1	
Hylton, Northwest - Cambrian	1	
PECOS COUNTY		
Manzanita — Devonian		1
REEVES COUNTY		
Casey Draw — Delaware		1
Hoban — Bone Springs		1
Rojo Caballos — Delaware		2
Tunstill Field	1	
UPTON COUNTY		
Amacker — Tippet — Devonian	1	
Pegasus — Devonian	1	
Spraberry Trend Area	<u>1</u>	<u>5</u>
	<u>38</u>	<u>18</u>

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

There were five gas wells and fifty-one oil wells completed on Trust royalty acreage in 2007. The oil wells were completed at producing depths ranging from 2,404 feet to 10,740 feet and were assigned an average allowable of 50 barrels of oil per well per day. The gas wells were completed at depths from 3,484 feet to 15,636 feet and were assigned an average allowable of 476,000 cubic feet of gas per day.

Six oil wells located in Glasscock, Loving, Sterling and Upton counties were reworked and completed in different producing formations. Thirteen depleted wells were plugged and abandoned.

At the end of the year, the Trust's royalty wells totaled 2,970, consisting of 60 gas and 784 oil wells subject to a 1/16 royalty interest and 66 gas and 2,060 oil wells subject to a 1/128 royalty interest.

Respectfully submitted,

ROY THOMAS,
General Agent

Dallas, Texas
February 22, 2008

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 Federal income taxes
 Salaries and related employee benefits
 General expense, supplies and travel
 Basis in real estate sold
 Legal and professional fees
 Commissions to local agents
 Depreciation
 Trustees' compensation

Operating income
 Interest income earned from investments
 Income before Federal income taxes
 Federal 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,

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$10,022,709	\$ 8,773,512	\$ 8,264,836	\$ 6,534,455	\$ 5,411,681
479,908	484,759	486,156	244,103	477,664
1,932,664	8,201,447	3,700,116	20,277,226	1,629,191
1,464,249	1,349,909	1,503,671	1,066,395	924,228
1,565,581	3,651,571	1,207,004	946,519	1,462,729
<u>15,465,111</u>	<u>22,461,198</u>	<u>15,161,783</u>	<u>29,068,698</u>	<u>9,905,493</u>
702,391	659,305	648,814	603,301	563,621
890,843	892,372	847,684	818,757	657,475
579,690	555,367	487,231	442,646	405,613
693,455	3,374,023	—	715,712	232,372
1,047,019	617,266	1,163,146	741,092	390,563
—	—	51,247	493	49,513
35,999	37,134	28,791	38,174	50,929
8,000	8,000	8,000	8,000	8,000
<u>3,957,397</u>	<u>6,143,467</u>	<u>3,234,913</u>	<u>3,368,175</u>	<u>2,358,086</u>
<u>11,507,714</u>	<u>16,317,731</u>	<u>11,926,870</u>	<u>25,700,523</u>	<u>7,547,407</u>
<u>370,000</u>	<u>561,284</u>	<u>245,858</u>	<u>71,912</u>	<u>47,836</u>
11,877,714	16,879,015	12,172,728	25,772,435	7,595,243
<u>3,628,026</u>	<u>5,309,153</u>	<u>3,660,141</u>	<u>8,359,477</u>	<u>2,265,092</u>
<u>\$ 8,249,688</u>	<u>\$11,569,862</u>	<u>\$ 8,512,587</u>	<u>\$17,412,958</u>	<u>\$ 5,330,151</u>
<u>\$.78</u>	<u>\$1.08</u>	<u>\$.78</u>	<u>\$1.58</u>	<u>\$.47</u>
<u>\$.16</u>	<u>\$.55</u>	<u>\$.11</u>	<u>\$.45</u>	<u>\$.15</u>
<u>\$32,656,735</u>	<u>\$32,467,548</u>	<u>\$32,304,893</u>	<u>\$31,149,178</u>	<u>\$18,321,900</u>

BALANCE SHEETS

December 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$10,153,202	\$ 8,524,177
Accrued receivables	1,540,341	1,154,605
Other assets	82,373	92,169
Prepaid Federal income taxes	62,914	—
Notes receivable for land sales (\$1,339,550 due in 2008 and \$1,253,608 due in 2007) (note 2)	19,625,622	20,802,132
Water wells, leasehold improvements, furniture, and equipment — at cost less accumulated depreciation	108,731	117,458
Real estate acquired (notes 2 and 4)	1,083,552	1,777,007
Real estate and royalty interests assigned through the 1888 Declaration of Trust, no value assigned (note 2):		
Land (surface rights) situated in twenty counties in Texas — 954,660 acres in 2007 and 955,827 acres in 2006	—	—
Town lots in Iatan, Loraine, and Morita, Texas — 628 lots	—	—
1/16 nonparticipating perpetual royalty interest in 386,987.70 acres	—	—
1/128 nonparticipating perpetual royalty interest in 85,413.60 acres	—	—
Total assets	\$32,656,735	\$32,467,548

(Continued)

BALANCE SHEETS

December 31, 2007 and 2006

LIABILITIES AND CAPITAL

	<u>2007</u>	<u>2006</u>
Accounts payable and accrued liabilities	\$ 1,142,444	\$ 653,733
Federal income taxes payable	—	213,780
Other taxes payable	75,100	57,800
Unearned revenue (note 2)	413,811	415,060
Deferred taxes (note 6)	5,964,844	6,408,682
Pension plan liability	<u>170,997</u>	<u>279,091</u>
Total liabilities	<u>7,767,196</u>	<u>8,028,146</u>
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 \$.03½ each; outstanding 10,488,375 Sub-shares in 2007 and 10,612,875 Sub-shares in 2006	—	—
Accumulated other comprehensive income (loss)	(257,842)	(336,788)
Net proceeds from all sources	<u>25,147,381</u>	<u>24,776,190</u>
Total capital	<u>24,889,539</u>	<u>24,439,402</u>
Total liabilities and capital	<u><u>\$32,656,735</u></u>	<u><u>\$32,467,548</u></u>

See accompanying notes to financial statements.

STATEMENTS OF INCOME

Years Ended December 31, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income:			
Oil and gas royalties	\$10,022,709	\$ 8,773,512	\$ 8,264,836
Grazing lease rentals	479,908	484,759	486,156
Land sales	1,932,664	8,201,447	3,700,116
Interest income from notes receivable	1,464,249	1,349,909	1,503,671
Easements and sundry income	<u>1,565,581</u>	<u>3,651,571</u>	<u>1,207,004</u>
	<u>15,465,111</u>	<u>22,461,198</u>	<u>15,161,783</u>
Expenses:			
Taxes, other than Federal income taxes	702,391	659,305	648,814
Salaries and related employee benefits	890,843	892,372	847,684
General expense, supplies, and travel	579,690	555,367	487,231
Basis in real estate sold	693,455	3,374,023	—
Legal and professional fees	1,047,019	617,266	1,163,146
Commissions to local agents	—	—	51,247
Depreciation	35,999	37,134	28,791
Trustees' compensation	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
	<u>3,957,397</u>	<u>6,143,467</u>	<u>3,234,913</u>
Operating income	<u>11,507,714</u>	<u>16,317,731</u>	<u>11,926,870</u>
Interest income earned from investments	<u>370,000</u>	<u>561,284</u>	<u>245,858</u>
Income before Federal income taxes	11,877,714	16,879,015	12,172,728
Federal income taxes (note 6):			
Current	4,114,374	5,527,613	4,689,294
Deferred	<u>(486,348)</u>	<u>(218,460)</u>	<u>(1,029,153)</u>
	<u>3,628,026</u>	<u>5,309,153</u>	<u>3,660,141</u>
Net income	<u>\$ 8,249,688</u>	<u>\$11,569,862</u>	<u>\$ 8,512,587</u>
Net income per Sub-share Certificate	<u>\$0.78</u>	<u>\$1.08</u>	<u>\$0.78</u>

See accompanying notes to financial statements.

STATEMENTS OF NET PROCEEDS FROM ALL SOURCES

Years Ended December 31, 2007, 2006 and 2005

	Sub-share Certificates of Proprietary Interest	Accumulated Other Comprehensive Income (Loss)	Net Proceeds From All Sources	Total
Balances at December 31, 2004	10,971,375	\$ —	\$22,705,259	\$22,705,259
Net income	—	—	8,512,587	8,512,587
Cost of 178,500 Sub-share Certificates in Certificates of Proprietary Interest purchased and cancelled	(178,500)	—	(5,400,790)	(5,400,790)
Dividends paid — \$.11 per Sub-share Certificate	—	—	(1,203,386)	(1,203,386)
Balances at December 31, 2005	10,792,875	—	24,613,670	<u>24,613,670</u>
Net income	—	—	11,569,862	11,569,862
Provision for unfunded pension status; adopted SFAS No. 158, net of income taxes of \$(181,348)	—	(336,788)	—	<u>(336,788)</u>
Total comprehensive income	—	—	—	<u>\$11,233,074</u>
Cost of 180,000 Sub-share Certificates in Certificates of Proprietary Interest purchased and cancelled	(180,000)	—	(5,534,661)	(5,534,661)
Dividends paid — \$.55 per Sub-share Certificate	—	—	(5,872,681)	(5,872,681)
Balances at December 31, 2006	10,612,875	(336,788)	24,776,190	<u>24,439,402</u>
Net income	—	—	8,249,688	8,249,688
Amortization of net actuarial costs and prior service costs, net of income taxes of \$11,042	—	20,506	—	20,506
Net actuarial gain on pension plan, net of income taxes of \$31,468	—	58,440	—	<u>58,440</u>
Total comprehensive income	—	—	—	<u>\$ 8,328,634</u>
Cost of 124,500 Sub-share Certificates in Certificates of Proprietary Interest purchased and cancelled	(124,500)	—	(6,181,717)	(6,181,717)
Dividends paid — \$.16 per Sub-share Certificate	—	—	(1,696,780)	(1,696,780)
Balances at December 31, 2007	<u>10,488,375</u>	<u>\$(257,842)</u>	<u>\$25,147,381</u>	<u>\$24,889,539</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Net income	\$ 8,249,688	\$ 11,569,862	\$ 8,512,587
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	(443,838)	(399,808)	(1,029,153)
Depreciation and amortization	35,999	37,134	28,791
Changes in operating assets and liabilities:			
Accrued receivables and other assets	(375,940)	188,628	(123,256)
Prepaid Federal income taxes and Federal income taxes payable	(276,694)	442,350	(174,299)
Notes receivable for land sales	1,176,510	(1,718,284)	3,167,836
Real estate acquired	693,455	61,318	(315,501)
Accounts payable, accrued expenses and other liabilities	<u>475,614</u>	<u>186,163</u>	<u>265,056</u>
Net cash provided by operating activities	<u>9,534,794</u>	<u>10,367,363</u>	<u>10,332,061</u>
Cash flows from investing activities:			
Purchase of fixed assets	<u>(27,272)</u>	<u>(62,828)</u>	<u>(43,846)</u>
Net cash used in investing activities	<u>(27,272)</u>	<u>(62,828)</u>	<u>(43,846)</u>
Cash flows from financing activities:			
Purchase of Sub-share Certificates in Certificates of Proprietary Interest	(6,181,717)	(5,534,661)	(5,400,790)
Dividends paid	<u>(1,696,780)</u>	<u>(5,872,681)</u>	<u>(1,203,386)</u>
Net cash used in financing activities	<u>(7,878,497)</u>	<u>(11,407,342)</u>	<u>(6,604,176)</u>
Net increase (decrease) in cash and cash equivalents	1,629,025	(1,102,807)	3,684,039
Cash and cash equivalents, beginning of period	<u>8,524,177</u>	<u>9,626,984</u>	<u>5,942,945</u>
Cash and cash equivalents, end of period	<u>\$10,153,202</u>	<u>\$ 8,524,177</u>	<u>\$ 9,626,984</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007, 2006 and 2005

(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 land sales, oil and gas royalties, 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. 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.

The presentations of certain prior year amounts were changed to conform to current year presentation.

(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 underground mineral reserve locations. Royalty payments are generally received one to three

NOTES TO FINANCIAL STATEMENTS — (Continued)

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 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. The Trust received income of \$288,634, \$4,000, and \$42,560 in 2007, 2006 and 2005, respectively, related to past production due to settlements of claims for unpaid oil and gas royalties.

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 paid 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 Federal 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 earned 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 the Trust receives a signed

NOTES TO FINANCIAL STATEMENTS — (Continued)

contract and when the Trust makes available the respective parcel of land to the grantee.

Sundry income represents sundry (diverse) leasing arrangements to companies in a wide array of industries, including: agricultural, oil and gas, construction, 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 paid are included in accrued receivables.

(d) *Statements of Cash Flows*

Cash and cash equivalents consist of U.S. Treasury Bills, temporary cash investments in loan participation agreements, 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. The Trust maintains its cash and cash equivalents in large financial institutions. The Trust monitors the credit quality of these institutions and does not anticipate any losses.

Cash disbursed for income taxes in 2007, 2006 and 2005 was \$4,391,068, \$5,129,000, and \$4,875,000, respectively. New loans made by the Trust in connection with land sales amounted to \$126,800, \$4,834,897, and \$1,656,510 for the years ended December 31, 2007, 2006 and 2005, respectively.

(e) *Accrued Receivables*

Accrued receivables consist primarily of amounts due under oil and gas royalty leases and unpaid interest on notes receivable for land sales. Accrued receivables are reflected at their net realizable value based on historical royalty and interest 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, 2007 and 2006.

(f) *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 three to five years.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(g) *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 9.5% as of December 31, 2007 and are secured by first lien deeds of trust on the properties sold. The weighted average interest rate is 7.2% as of December 31, 2007. 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 2007, 2006 and 2005 were \$51,562, \$1,849,801, and \$3,516,738, 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. 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, 2007 and 2006.

Three customers represented approximately 83% and 82% of notes receivable at December 31, 2007 and 2006, respectively.

The maturities of notes receivable for each of the five years subsequent to December 31, 2007 are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 1,339,550
2009	1,368,193
2010	1,399,993
2011	1,434,849
2012	1,513,950
Thereafter.	<u>12,569,087</u>
	<u>\$19,625,622</u>

NOTES TO FINANCIAL STATEMENTS — (Continued)

(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, if any, 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, town lots, 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, 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, if any, real estate improvements are made to land.

(j) *Net Income per Sub-share*

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 (10,536,367 in 2007, 10,695,644 in 2006, and 10,864,657 in 2005).

NOTES TO FINANCIAL STATEMENTS — (Continued)

(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 carryforwards. 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, 2007 and 2006.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of income.

(l) *Recent Accounting Pronouncements*

No recent accounting pronouncements during 2007 significantly affected 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 the calculation of net income.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(3) SEGMENT INFORMATION

Segment information has been considered in accordance with Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures About Segments of an Enterprise and Related Information*. SFAS No. 131 establishes standards for the way public business enterprises are to report information about operating segments. SFAS No. 131 utilizes the management approach as a basis for identifying reportable segments. The management approach is 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, 2007 and 2006:

	2007		2006	
	<u>Acres</u>	<u>Book Value</u>	<u>Acres</u>	<u>Book Value</u>
Balance at January 1:	10,564.57	\$1,777,007	12,118.84	\$ 1,838,325
Additions	—	—	20,077.77	3,312,705
Sales	(411.34)	(693,455)	(21,632.04)	(3,374,023)
Balance at December 31:	<u>10,153.23</u>	<u>\$1,083,552</u>	<u>10,564.57</u>	<u>\$ 1,777,007</u>

No valuation allowance was necessary at December 31, 2007 and 2006.

(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 \$41,631, \$40,334 and \$38,973 in 2007, 2006, and 2005, 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. Plan assets consist primarily of investments in Banc of America Common Trust Fund.

NOTES TO FINANCIAL STATEMENTS — (Continued)

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, 2007 and 2006 using a measurement date of December 31:

	<u>2007</u>	<u>2006</u>
Change in projected benefits obligation:		
Projected benefit obligation at beginning of year	\$2,476,108	\$2,429,460
Service cost	87,351	87,193
Interest cost	144,896	137,124
Actuarial gain	(15,803)	(80,020)
Benefits paid	<u>(97,649)</u>	<u>(97,649)</u>
Projected benefit obligation at end of year	<u>\$2,594,903</u>	<u>\$2,476,108</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$2,197,017	\$2,025,408
Actual return on plan assets	224,538	119,258
Contributions by employer	100,000	150,000
Benefits paid	<u>(97,649)</u>	<u>(97,649)</u>
Fair value of plan assets at end of year	<u>\$2,423,906</u>	<u>\$2,197,017</u>
Unfunded status at end of year	<u>\$ (170,997)</u>	<u>\$ (279,091)</u>

The accumulated benefit obligation of the Plan was \$2,045,243 and \$1,926,015 as of December 31, 2007 and 2006, respectively.

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

	<u>2007</u>	<u>2006</u>
Assets	\$ —	\$ —
Liabilities	<u>(170,997)</u>	<u>(279,091)</u>
	<u>\$(170,997)</u>	<u>\$(279,091)</u>

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

	<u>2007</u>	<u>2006</u>
Net actuarial loss	\$ 326,037	\$ 433,437
Prior service cost	<u>70,643</u>	<u>84,699</u>
Amounts recognized in accumulated other comprehensive income (loss), before taxes	396,680	518,136
Income taxes	<u>(138,838)</u>	<u>(181,348)</u>
Amounts recognized in accumulated other comprehensive income (loss), after taxes	<u>\$ 257,842</u>	<u>\$ 336,788</u>

NOTES TO FINANCIAL STATEMENTS — (Continued)

Net periodic benefit cost for the years ended December 31, 2007, 2006 and 2005 include the following components:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Components of net periodic benefit cost:			
Service cost	\$ 87,351	\$ 87,193	\$ 79,628
Interest cost	144,896	137,124	131,164
Expected return on plan assets	(150,433)	(138,423)	(123,804)
Amortization of unrecognized gains	17,492	26,363	19,125
Amortization of prior service cost	<u>14,056</u>	<u>14,056</u>	<u>14,056</u>
Net periodic benefit cost	<u>\$ 113,362</u>	<u>\$ 126,313</u>	<u>\$ 120,169</u>

The estimated net actuarial loss and prior service cost for the Plan that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are \$6,688 and \$14,056, respectively.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 97,598
2009	97,640
2010	97,970
2011	122,035
2012	190,505
2013 to 2017	1,063,326

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Weighted average assumptions used to determine benefit obligations as of December 31:			
Discount rate	6.25%	6.00%	5.75%
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	6.00%	5.75%	6.00%
Expected return on plan assets	7.00	7.00	7.00
Rate of compensation increase	7.29	7.29	7.29

NOTES TO FINANCIAL STATEMENTS — (Continued)

The Plan's asset allocations at December 31, 2007 and 2006 by asset category are as follows:

Asset Category	Percentage of Plan Assets at December 31,	
	<u>2007</u>	<u>2006</u>
Equity securities	43%	25%
Debt securities	51	62
Other (cash)	<u>6</u>	<u>13</u>
Total	<u>100%</u>	<u>100%</u>

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 60% 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 40%. 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.

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%.

Management intends to fund the minimum ERISA amount for 2008. The Trust may make some discretionary contributions to the Plan, the amounts of which have not yet been determined.

(6) FEDERAL TAXES ON INCOME

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

NOTES TO FINANCIAL STATEMENTS — (Continued)

rate of 34% to income before Federal income taxes as a result of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Computed tax expense at the statutory rate	\$4,038,423	\$5,738,865	\$4,138,728
Reduction in income taxes resulting from:			
Statutory depletion	(541,150)	(477,969)	(451,152)
Other, net	<u>130,753</u>	<u>48,257</u>	<u>(27,435)</u>
	<u>\$3,628,026</u>	<u>\$5,309,153</u>	<u>\$3,660,141</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Basis difference in pension plan liability	\$ 59,849	\$ 181,348
Total deferred tax assets	59,849	181,348
Basis differences in real estate acquired through foreclosure . . .	226,378	437,531
Deferred installment revenue on land sales for tax purposes . . .	<u>5,798,315</u>	<u>6,152,499</u>
Total deferred tax liability	<u>6,024,693</u>	<u>6,590,030</u>
Net deferred tax liability	<u>\$5,964,844</u>	<u>\$6,408,682</u>

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Trust adopted the provisions of FIN No. 48 as of January 1, 2007. The adoption of FIN No. 48 has not resulted in any impact on the Trust's results of operations or financial position, and the Trust does not expect the adoption to have a material impact on the Trust's future results of operations, financial position or liquidity.

The Trust files a United States Federal income tax return. With few exceptions, the Trust is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2004.

(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

NOTES TO FINANCIAL STATEMENTS — (Continued)

monthly rent of approximately \$5,867 and expires in June 2014. Future minimum lease payments were as follows at December 31, 2007:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 64,469
2009	70,400
2010	70,400
2011	70,400
2012	70,400
Thereafter	<u>105,601</u>
	<u>\$451,670</u>

Rent expense amounted to \$53,226, \$50,142, and \$48,498 for the years ended December 31, 2007, 2006, and 2005, 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 2007 and 2006.

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.

On July 2, 2007, the Trust split all outstanding Sub-shares five-for-one, and in connection therewith changed the par value of the Sub-shares from \$.16 $\frac{2}{3}$ to \$.03 $\frac{1}{3}$. The split had no effect on certificates outstanding. All Sub-share and per Sub-share for periods presented in the accompanying financial statements and notes thereto give effect to this split.

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.

NOTES TO FINANCIAL STATEMENTS — (Continued)

(9) 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, 2007, 2006 and 2005, respectively: oil (in barrels) — 107,969, 94,557, and 105,208, and gas (in thousands of cubic feet) — 387,693, 477,343, and 472,508. Reserves related to the Trust's royalty interests are not presented because the information is unavailable.

(10) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present unaudited financial data of the Trust for each quarter of 2007 and 2006:

	Quarter Ended			
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Income	<u>\$4,204,382</u>	<u>\$5,084,832</u>	<u>\$3,581,661</u>	<u>\$2,964,236</u>
Income before Federal income taxes	<u>\$3,187,938</u>	<u>\$3,658,544</u>	<u>\$2,814,070</u>	<u>\$2,217,162</u>
Net income	<u>\$2,170,989</u>	<u>\$2,535,135</u>	<u>\$1,972,951</u>	<u>\$1,570,613</u>
Net income per Sub-share Certificate	<u>\$0.21</u>	<u>\$0.24</u>	<u>\$0.19</u>	<u>\$0.15</u>

	Quarter Ended			
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Income	<u>\$9,708,697</u>	<u>\$4,802,539</u>	<u>\$5,012,478</u>	<u>\$3,498,768</u>
Income before Federal income taxes	<u>\$5,574,656</u>	<u>\$4,178,133</u>	<u>\$4,311,222</u>	<u>\$2,815,004</u>
Net income	<u>\$3,800,222</u>	<u>\$2,857,702</u>	<u>\$2,959,319</u>	<u>\$1,952,619</u>
Net income per Sub-share Certificate	<u>\$0.36</u>	<u>\$0.27</u>	<u>\$0.28</u>	<u>\$0.18</u>



Lane Gorman Trubitt, L.L.P.
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, 2007 and 2006 and the related statements of income, net proceeds from all sources, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Pacific Land Trust as of December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

LANE GORMAN TRUBITT, L.L.P.

Dallas, Texas
February 21, 2008

TEXAS PACIFIC LAND TRUST

TRUSTEES

MAURICE MEYER III, *Chairman of the Trustees**
Private Investor
Jupiter, Florida

JOHN R. NORRIS III
Attorney at Law
Dallas, Texas

JAMES K. NORWOOD*
Real Estate Appraiser
Fort Worth, Texas

*Member of Audit Committee

OFFICERS

ROY THOMAS, *General Agent and Secretary, Chief Executive Officer*
Dallas, Texas

DAVID M. PETERSON, *Assistant General Agent, Chief Financial Officer*
Dallas, Texas

REGISTRAR

BNY MELLON SHAREOWNER SERVICES
Jersey City, N.J.

TRANSFER AGENT

BNY MELLON SHAREOWNER SERVICES
Jersey City, N.J.

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. To obtain copies please write to Texas Pacific Land Trust, 1700 Pacific Avenue, Suite 1670, Dallas, TX 75201.



**BNY MELLON
SHAREOWNER SERVICES**

Transfer Agent and Registrar

BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, New Jersey 07310-1900

Telephone: 800-524-4458; 201-680-6685

Web: www.bnymellon.com/shareowner/isd

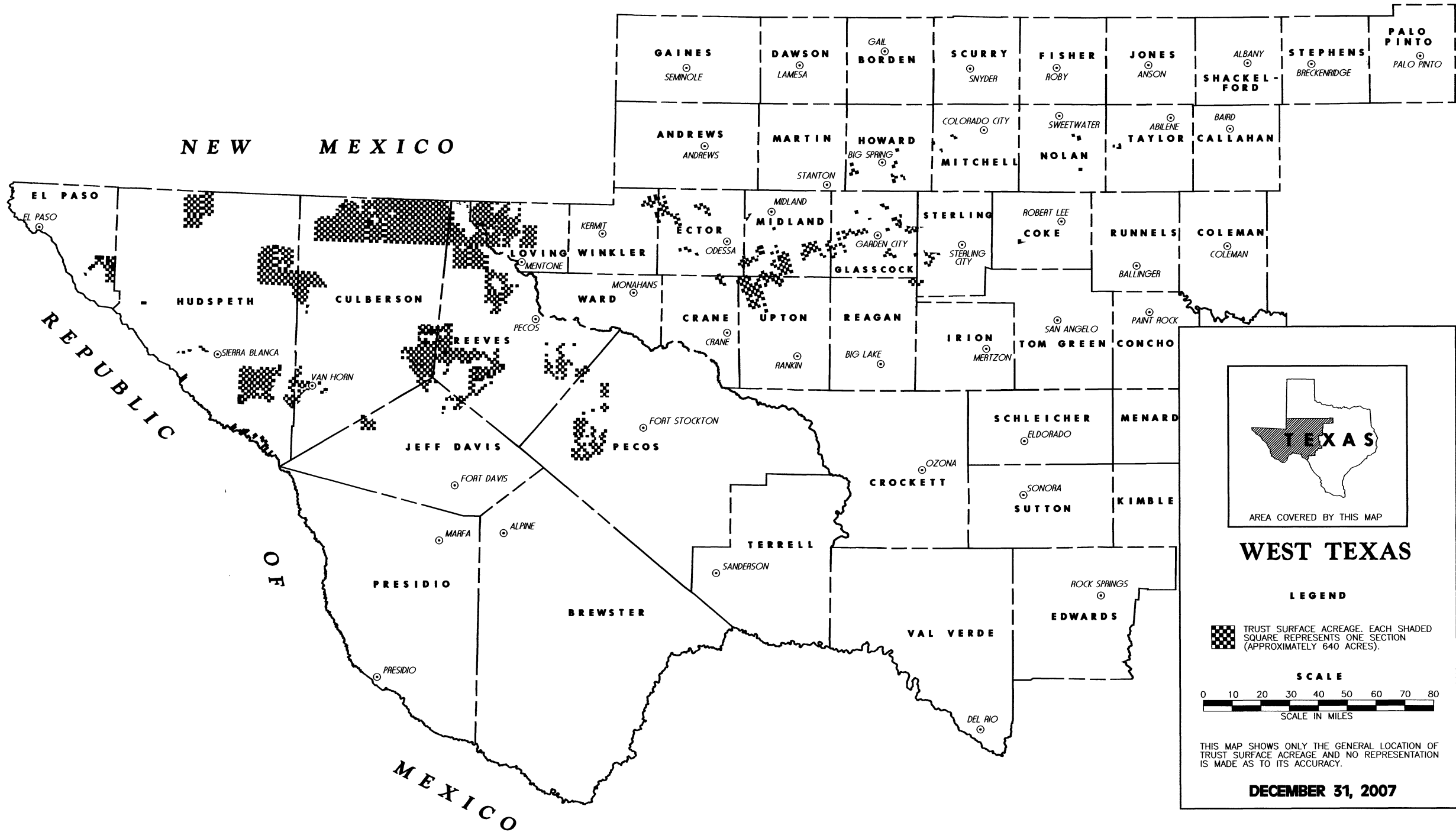
As a Texas Pacific Land Trust shareholder, you are invited to take advantage of our convenient shareholder services or request more information about Texas Pacific Land Trust.

Shareholder Services

BNY Mellon Shareowner Services, our transfer agent, maintains the records for our registered shareholders and can help you with a variety of shareholder related services at no charge including:

- Change of name address
- Consolidation of accounts
- Duplicate mailings
- Dividend reinvestment enrollment
- Lost stock certificates
- Transfer of stock to another person
- Additional administrative services

Access your investor statements online 24 hours a day, 7 days a week with MLink. For more information, go to www.bnymellon.com/shareowner/isd.



GAINES
SEMINOLE

DAWSON
LAMESA

GAIL BORDEN

SCURRY
SNYDER

FISHER
ROBY

JONES
ANSON

ALBANY
SHACKELFORD

STEPHENS
BRECKENRIDGE

PALO PINTO
PALO PINTO

ANDREWS
ANDREWS

MARTIN
STANTON

HOWARD
BIG SPRING

COLORADO CITY
MITCHELL

SWEETWATER

NOLAN

ABILENE
TAYLOR

BAIRD
CALLAHAN

EL PASO
EL PASO

HUDSPETH

CULBERSON

LOVING
MENTONE

WINKLER

ECTOR
ODESSA

MIDLAND
MIDLAND

STERLING
STERLING CITY

ROBERT LEE
COKE

RUNNELS
BALLINGER

COLEMAN
COLEMAN

WARD
MONAHANS

CRANE
CRANE

UPTON
BANKIN

REAGAN
BIG LAKE

IRION
MERTZON

SAN ANGELO
TOM GREEN

CONCHO
PAINT ROCK

SIERRA BLANCA

VAN HORN

REEVES

PECOS
PECOS

JEFF DAVIS
FORT DAVIS

FORT STOCKTON
PECOS

MARFA

ALPINE

PRESIDIO
PRESIDIO

TERRELL
SANDERSON

CROCKETT
OZONA

SCHLEICHER
ELDORADO

MENARD

SONORA
SUTTON

KIMBLE

ROCK SPRINGS
EDWARDS

VAL VERDE

DEL RIO

