

SANTA MONICA PARTNERS, L.P.
Founded 1982

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March 21, 2022

To: Texas Pacific Land Corporation Board Members

Dear Messrs. Barry, Norris, Cook, McGinnis, Oliver, Stahl, Glover and Mses. Duganier and Epps:

I, Lawrence Goldstein, am a long-term large shareholder of Texas Pacific Land Corporation. Santa Monica Partners and my family accounts currently hold 27,729 shares of TPL—the 23rd largest per the Bloomberg Professional platform. These holdings have an approximate value of \$38.7 million, as of March 21, 2022. I am the owner and portfolio manager of Santa Monica Partners since its founding in 1982. I have been involved in the investment arena for over 60 years. I have deep experience as an analyst, fund manager and shareholder activist. I am writing this letter to you for the purpose of laying out in clear and concise terms some meaningful concerns I have about the current situation at TPL.

This letter will lay out the problems and deficiencies at TPL followed by suggestions as to how to rectify them. I would like to say up front and unambiguously that I am taking this approach with the sole interest of pursuing various ways of enhancing shareholder value and improving corporate governance. In conjunction with those objectives, I also want to explain what I see as certain deficiencies in your shareholder relations and also make constructive suggestions as to how the board and management can foster a much better environment of openness and communication with the shareholder base.

As a public company and no longer a trust (per the conversion in January of last year) you now have the fiduciary responsibility to inform shareholders of material decisions on a current basis. In contrast, it appears that the board is only letting things trickle out when legally necessary. It is puzzling since as fiduciaries, you shouldn't give the impression of having anything to hide. Prompt disclosure is always the best policy. By the most recent calculation TPL is a \$10 billion company by market capitalization. I and other shareholders believe TPL is in a great place in the current economic climate. This includes of course the current industry cycle. More importantly TPL is extremely well situated to benefit mid and long term from the growth projections of the natural resource industry and from the tremendous prospects of TPL's unique assets and business structure.

The first suggestion is not necessarily the most important thing you can do but the easiest: the common stock could be split so it is affordable to retail investors, more liquid and tradable without the massive bid ask spread currently plaguing it. That spread is often 20 points on less liquid days. Please look at the example of Amazon

which just announced a 20:1 split and the stock went up ten percent immediately. The same thing happened to Apple when they did something similar. While a split does not increase the value of the underlying company in a literal sense, it certainly makes it easier for a larger swath of the retail investing public to purchase shares in meaningful lots and tends to increase public interest at no cost to the company. It is generally seen as an expression of confidence by the board in the long-term prospects of the company.

More importantly, the dividend should be increased to bring it in line with other royalty trusts or similar royalty type companies. By my calculations, the current payout is well below that of companies with a similar structure. The dividend yield is not even one percent as of today. It is easily affordable to increase the dividend significantly based on the current cash flow the company receives from its royalty income. This does not include the fact that both revenue and free cash flow are expected to increase substantially in the near future as well as longer term based on the news that oil and gas companies plan to increase activity in the Delaware basin of the Permian region in Texas. Additionally in my opinion, the paltry \$100 million buyback just announced should be tripled. Going even further I believe that if board members and management are really serious about enhancing shareholder value, I would suggest doing a Dutch tender offer immediately. The reason for this as opposed to simply buying the stock in the open market is that our shares are extremely thinly traded and a Dutch tender offer will avoid taking "forever" to acquire tens of millions of dollars, let alone \$100 million or more. Moreover, this share buyback should be substantially enhanced, especially with the stock at these low levels and the treasury holding some \$400 million in cash. Income and cash flow have been growing exceptionally well in recent quarters and projected to get even better in the future. I am not asking for the board to deplete company resources or take unnecessary risks, just to get the payout and buybacks in line with what would be appropriate, reasonable and sensible given the state of the balance sheet and income statement at present.

On a separate matter, the water business that the company has been paying so much attention to lately should be better explained to shareholders, especially by enunciating clearly what the strategy actually is! The last few conference calls have been vague regarding this segment and we are all left wondering what exactly is going on and what the plan is. While it generally seems to me that management should be almost entirely focused on the oil and gas royalty segment it would seem incumbent on the board and management to at the very least spell out what is going on with the water business since it has seen such a large increase in employees and expenses. In my opinion, a spin-off of the current water segment can easily and absolutely be effectuated with TPL retaining a royalty on its revenues. The water business board of directors can consist of several members of the TPL board so our interests can be safeguarded. Best of all it will create additional shareholder value to owners of TPL. I can further discuss with you my ideas of how best to extract value from this and some of the other assets like land etc. but in general the company has become unnecessarily conglomerated when in my long experience with similar situations value is best released through simplicity and divestiture.

Sadly, I must say something a bit harsh about the board's conduct in one very important respect: executive pay is way out of control! This is true especially since TPL is structured in practice similar to a royalty company, not a traditional operating company. Executive pay at similar royalty companies and at TPL under its previous structure were much less than the massive salaries, bonuses, stock grants etc. being doled out currently. As proud capitalists we believe that pay needs to be competitive and commensurate and in line with the prevailing market. It is just a fact that TPL is a completely different type of business than a traditional operating company and therefore paying out tens of millions of dollars to top executives every year is way out of line for a company that reports it has less than 100 full time employees. This needs to be fixed as soon as possible by restructuring the pay formulas and benchmarks. Shareholders are very concerned about this issue and it makes the board look like it is profligate with our precious resources.

Speaking of personnel expenses, there was a \$6.68 million severance expense last year. We saw that the director of acquisitions was replaced with another gentleman over a year ago. Was this sum related to a payment or settlement with Sameer Parasnis, EVP and Chief Commercial Officer, who lasted one year on the job? If it did involve him, we would like to know how a gentleman on a \$700,000 salary with the promise of a bonus could be paid anything like \$6.68 million. Whatever it was, it seems odd that this significant charge was not explained in the company filings. Do the directors know what it was for and how about explaining it to shareholders?

Based on my long-term relationship with the company and substantial knowledge of its operations, I can say with confidence that it should be relatively easy to return gross operating profit margins to approximately 95%, as existed throughout our 133+ year history. Why we have 60 or more employees in the non-water oil royalty business is unimaginable. We had 10 employees prior to entering the water business which has some 30 employees. I understand that becoming a public company rather than a trust brings certain additional costs with it but I cannot understand why profit margins have shrunk as much as they have and I believe it is a reversible situation without harming the underlying business. If you disagree, I am happy to discuss it with you. In fact, I am happy to discuss all these issues with any member of the board or management.

The proceeding paragraph brings me to an especially painful complaint I must now lodge publicly with you. I have diligently written and tried to have a telephone call with several members of the board but been ignored. I have yet to be able to have a conversation with anyone in the Company. Shawn Amini this year has diligently reversed this and responded to some questions by email so the situation has improved considerably but not at all qualitatively. I say this because I asked some specific questions at the annual meeting and received vague or non-specific responses. For example, I asked exactly how many employees we have in the water business and how many in the rest of the business? How many total employees do we have, how many W-2 statements were issued last year and what are the

various job titles utilized? More importantly I inquired why revenues from sourced and produced water are reported separately while the expenses related to each are not? I was told despite having two separate operations and revenue lines “we don’t break the expenses down.” I suspect it is likely because one is unprofitable. Do you directors know the facts? Additional questions received no response or acknowledgement.

Another example is last week’s vague press release relating to the Aris Water Solutions alliance. The release was devoid of any mention of its financial impact on the company. Yet IR gratuitously sent a copy of the release with the following notation:

“This is a great example of what our employees are working on behind the scenes to promote your and other shareholder interests. We work on these types of deals all the time without ever giving out a press release. This is with a major water client (Aris) that operates in the Delaware Basin. This updated and expanded agreement accomplishes a number of goals. It incentivizes and pushes more water onto our acreage. With Aris expanding their infrastructure and services on our land, it gives us more opportunities to capture barrels and royalties. Further, it will facilitate oil and gas royalty development by ensuring that upstream producers have the front-end and back-end solutions they need to turn permits to spuds, spuds to completions, and then completions to sales. This deal was the product of months of negotiations and was a cross-collaborative effort with our water team, legal, and executive management. I can assure you that the employees of TPL are working very hard to extract as much value from our assets as we can, to the benefit of our shareholders. This water deal was a great win for us and our shareholders.”

<https://www.texaspacific.com/investors/news-events/press-releases/detail/127/texas-pacific-land-corporation-and-aris-water-solutions>

One of our analysts, was “loathe to accept Shawn’s ‘months of hard work’ anecdote”, because it omits the fact that Aris already had significant operations on TPL land. It seems that another smaller competitor which deals almost exclusively in source water (Sea Wolf) wanted to pursue a similar deal last year. At that time, it seemed that Ty Glover wanted to be an acquirer, not a partner. So, this is a good shift, I suppose, in that perhaps he’s seeing the ‘light’ (hopefully after board guidance) in pursuing this type of capital light approach. The beauty of TPL in our opinion is it needs neither acquisitions nor CAPEX.

It appears you have little regard for your public shareholder base and for your fiduciary responsibilities. We question your lack of transparency; we question your blatant actions of withholding information that should be readily available to shareholders. Why the secrecy? Despite the voluminous inquiries of shareholders, your shameless and arrogant actions point to the simplest of questions...WHY?

As you know, there is a publicly available TPL shareholders’ blog where concerned shareholders congregate and exchange views. The blog contains intelligent

opinions and suggestions. As a matter of fact, last December Director General Donald Cook submitted the following letter to the blog:

“So why was I asked to be a trustee nominee for the vacant trustee position? I was told the shareholders want someone with corporate governance experience and that they wanted to move the trust forward in a more open and transparent direction. I can be that change agent, and I have served that role in the past. I’m an independent director as defined by the criteria established by the Securities Exchange Commission and the New York Stock Exchange. I have no conflicts of interest and will exercise my duties of care and loyalty with seriousness.” – General Donald Cook

Yet we have not seen any improvement in governance. And there has been continued avoidance of shareholder questions submitted during quarterly and annual conference calls. Once again...WHY? Your actions dilute and minimize the interest in our stock to new retail investors or institutions. It leaves the impression that something is in fact rotten in Denmark! Perhaps that is not the case, but the board’s actions seem to speak otherwise.

The board as well as the management have never provided an explanation as to why the company has added 60 or so employees in our oil royalty business. Since the trust converted to a C corporation in January 2021, we are left in the dark as to why they were needed, what they are responsible for and what they have in fact achieved. It appears that no new sales or marketing positions were created, and we have none whatever, so why hasn’t your decision been made clear and transparent?

To be clear, when I ask for an opportunity to speak with someone from the board or senior management, I am not looking for inside information or anything that could be construed as inappropriate conversation. As a regular 13D filer and as a portfolio manager for over sixty years I know the rules well. I have always conducted myself in an ethical and above-board manner and you should have no reason to not at least return my phone calls. Beyond being rude and unnecessary this has been done without any explanation. Why the secrecy? As previously stated, I am one of your largest shareholders, holding at present approximately \$38.7 million worth of TPL and have been a loyal shareholder for many decades. You should know that despite whatever disagreements we may have about the above issues that I have no axe to grind and no separate agenda from the other public shareholders. It just seems to me that you do not care very much about your public shareholder base, that you feel it is somehow beneath you to communicate plainly and directly with us and that I and others are just a distraction to you. This is shameful conduct for a public company and there are many other shareholders both large and small who feel the exact same way.

By not being responsive to shareholders, by not taking responsibility for answering our submitted questions at both the annual meeting and quarterly conference call, by not providing us with appropriate information and timely updates on the company's activities you are in my considered opinion neglecting your fiduciary responsibility and duties. This is a public company, not a private institution where

you can do basically whatever you feel like regardless of what others think or need. This level of secrecy and neglect most importantly has the effect of depressing interest in the company, repelling new investors and leaving the impression that perhaps something untoward is going on. There is basically no Wall Street analyst coverage and I can understand why now since you apparently have no desire to be communicative.

Let me be clear that I am not making any accusations of impropriety and I give people the benefit of the doubt in life but what are we supposed to think when you barely acknowledge that we exist??

Getting back to the operations of the company: the number of employees in our oil royalty business has risen substantially without any adequate explanation or seeming need based on my analysis, which includes the fact that there are no sales or marketing operations or personnel. Therefore, I believe public shareholders deserve an explanation as to why the 60+/- employees in the core royalty business are necessary or what they are actually doing and did since incorporating in January 2021.

On another governance matter it seems obvious to me that we do not need two Board Chairmen. This is quite an unusual structure and makes no practical sense. Furthermore, the share ownership of the current Chairmen is relatively paltry. Board director Murray Stahl is by far the largest shareholder with over two billion dollars' worth of holdings in his various Horizon Kinetics funds and his personal account. It would seem therefore only natural that he indeed he should be the Board Chairman as his interest is most aligned with the shareholder base. Additionally, he is someone with forty years of successful experience in the financial industry, deep knowledge of investments and most importantly a man widely known as having the highest integrity. His reputation is well known so I will not explicate further except to say that were he willing to take on the role as Board Chairman it would be seen by the investment community and current shareholders as an extremely positive development. I have not and do not intend to lobby him or to discuss it privately with him. My statement herein is a suggestion to the entire board to consider it at your next scheduled meeting.

The subject of one of your directors, Mr. Dana McGinnis needs to be addressed rapidly and directly. When arguing against the Horizon Kinetics nominee several years ago, he publicly stated that he was the second largest shareholder of the company by the number of shares under his control. Mr. McGinnis was at best disingenuous regarding his holdings of TPL securities. It appears that his holdings are in fact paltry based on recent SEC filings. Personally, I have repeatedly asked for proof of this from the board of directors. Rather than provide it, you have rebuffed my entreaties. CEO Glover simply stated at one time that he was "satisfied with the evidence" of such ownership but refused to document it. CEO Glover will not simply answer the question...WHY? His arrogant evasion of the question leaves us wondering how much due diligence the board actually does when either appointing or keeping track of the related activities of its members. A

publicly held ten-billion-dollar company should not be conducting itself with such contempt for the owners of common shares.

Most importantly, Mr. McGinnis lost his vote for re-election months ago and should be off the board immediately. Why haven't we received any information as to whether proper procedure has been followed regarding the aftermath of the vote...WHY? If he has tendered his resignation, has that been accepted by the board? Is he still a board member and if so for how long? It's been several months since the annual meeting and it is intolerable to keep his status secret as if this were some kind of clandestine operation. We once again ask the question...WHY?

It is clear that after the annual meeting vote against Mr. McGinnis that a new director needs to be appointed to replace him, with priority given to someone with relevant experience and an outside perspective—not a self-serving flunky of management. The board may call a special meeting to elect a new director after a person is selected by the board. The new director should be a unanimous selection of the board.

We have commented previously about management compensation. Now we would like to address directors' compensation. Under the previous structure, trustee compensation was merely four digits and directors initially got less than \$25K annually. Obviously, this was subject to increase after the conversion to a public company. However, it's the recent massive increase that we take issue with. After the conversion last year, you subsequently raised your board compensation over 10-fold...while the underlying duties and responsibilities did not increase accordingly. TPL is NOT an oil company and should be operated similar to a trust. Thus, comparing compensation to oil companies and not royalty trusts was an outrageous way of justifying increasing directors' compensation.

At the most recent annual meeting in December 2021, the shareholders voted in favor of a proposal on the proxy statement to eliminate the classified staggered board. The proposal clearly won despite management objections and must be implemented starting with the next annual meeting. Failure to do so would expose the board as delinquent in its duties. I understand this may require a change in TPL's by-laws and in turn a shareholder vote. What are we waiting for...WHAT?

Ladies and gentlemen of the board: we share our thoughts, concerns, suggestions and comments with a large number of shareholders concerning our company. We all believe the company is being severely undervalued in the current market and with proper care and attention could be made into an entity worth multiples of its current price. This will require taking many, if not most, of the actions suggested to you in this letter.

We hope and expect the board will pay attention to our comments which I am sure are material to a large group of shareholders. These ideas will most certainly help us achieve what we think is our common purpose: to make this company as prosperous, successful and valuable as it can be!

We urge you to consider at your next board of directors meeting all of the above matters. We believe you are committed to the success of the company but it seems that you have unfortunately not taken all the necessary actions to reach our common objective. All good ideas are not always internally generated and getting an outside independent perspective is a positive step and constructive way to implement beneficial changes.

In the very near future, we look forward to your announcement of proactive steps to deal with the critical issues which currently plague our company. Taking the above actions are critically important from an operational, corporate governance and shareholder communication perspective. Most definitively doing these things will lead to the company being able to radically enhance significant shareholder value which is inherently and intrinsically present but currently unrealized.

Warmly,

A handwritten signature in blue ink that reads "Lawrence J. Goldstein". The signature is written in a cursive, flowing style.

Lawrence J. Goldstein
General Partner