



November 9, 2021

VIA EMAIL ([shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov))

SEC Division of Corporation Finance  
Office of Chief Counsel  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: Texas Pacific Land Corporation  
Stockholder Proposal of Special Opportunities Fund, Inc.

Ladies and Gentlemen:

This letter is submitted by Texas Pacific Land Corporation, a Delaware corporation (the “Company”) pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, to request confirmation that the staff (the “Staff”) of the Securities and Exchange Commission (the “Commission” or the “SEC”) will not recommend enforcement action if, in reliance on Rule 14a-8, the Company excludes from the proxy materials for the Company’s 2021 Annual Meeting of Stockholders (the “Annual Meeting”) a second proposal submitted by Special Opportunities Fund, Inc. (the “Proponent”) and received by the Company on November 1, 2021 (the “Proposal”).

Pursuant to Rule 14a-8(j),

- (a) a copy of the Proposal is attached hereto as Exhibit A; and
- (b) a copy of this letter is being sent to the Proponent.

The Company filed its definitive proxy materials for the Annual Meeting on October 4, 2021. Thereafter, on October 29, 2021, the Company announced a postponement of the Annual Meeting to a new date of December 29, 2021. The postponement of the meeting will require the Company to file revised proxy materials and allow the Staff additional time to review this letter, given that the Proposal was submitted after the initial filing of the definitive proxy materials for the Annual Meeting. Due to the timing of receipt of the Proposal, the Company was unable to submit this letter prior to 80 calendar days before the Company filed its definitive 2021 proxy materials.

The Annual Meeting will be the Company’s first annual meeting following its reorganization in January 2021, as further described in Part II below. The Company did not hold an annual meeting in 2020, resulting in some ambiguity regarding the deadline for Rule 14a-8 proposals in connection with the Annual Meeting. Pursuant to *Staff Legal Bulletin No. 14D (Nov. 7, 2008)*, this letter and its exhibits are being submitted via email to [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov).

The Proposal and related supporting statement reads as follows:

### PROPOSAL

*RESOLVED:* The stockholders request that an investment banking firm be engaged to assess the profitability of the Company's Water Services and Operations business and evaluate alternatives to maximize its value.

### SUPPORTING STATEMENT

Historically, the Company's business model relied on royalties and fixed fees for use of its land by oil and gas producers. That model required virtually no capital expenditures and minimal operating expenses. As a result, the Company's profit margin was consistently greater than 90%.

Recently, we have seen the Company's expenses balloon. We estimate that fixed overhead costs, comprised primarily of (1) salaries and related employee expenses, and (2) general and administrative expenses, now total more than \$40 million per annum. The result has been a decline in its profit margin to about 73%.

We infer that the Water Services and Operations subsidiary is the source of the bulk of the Company's increased expenses. However, the Company has not broken down its expenses by business segment so it is difficult to know whether owning and operating the Water Services and Operations unit is the best use of its capital. Moreover, we are concerned that the increased expenses may be motivated by management's desire to transform the Company from a boring but consistently highly profitable business to a prestigious operating company with many employees in order to justify senior management's huge compensation. Absent an independent assessment, we suspect that most long-term investors would prefer that the Company adhere to its historical low cost, high margin business model. Thus, an investment banking firm should be engaged to assess the profitability of the Company's Water Services and Operations division and to evaluate alternatives to maximize its value.

If you agree, please vote in favor of this proposal.

### **BASES FOR EXCLUSION OF THE PROPOSAL**

The Company believes that it may omit the Proposal from its proxy materials for the 2021 Annual Meeting pursuant to:

- Rule 14a-8(c) because the Proponent already submitted a proposal for the Annual Meeting and may not submit more than one proposal for the Annual Meeting;
- Rule 14a-8(e) because the Proposal was received by the Company after the submission deadline;

- Rule 14a-8(i)(7) because the Proposal relates to the Company's ordinary business operations; and
- Rule 14a-8(i)(3) because the Proposal contains materially false or misleading statements.

**I. The Proposal May Be Excluded Under Rule 14a-8(c) Because the Proponent Already Submitted a Proposal for the Annual Meeting and May Not Submit More than One Proposal for the Annual Meeting**

*Background*

On September 16, 2021, the Company received a Proposal from the Proponent requesting that the Company's board of directors establish a goal of achieving 95% profit margin (the "Initial Proposal"). The Company previously submitted a letter to the Staff on September 23, 2021 to request confirmation that the Staff would not recommend an enforcement action to the Commission if the Company excluded the Initial Proposal from its 2021 proxy materials in reliance on Rule 14a-8(e)(2). On September 28, 2021, the Company was notified that the Staff was unable to concur that Rule 14a-8(e)(2) provides a basis to exclude the Proposal. On September 30, 2021, the Company submitted a no-action letter with a reconsideration request to the Staff arguing that the Initial Proposal dealt with matters related to the Company's ordinary business operations and was thus excludable under Rule 14a-8(i)(7). On October 5, 2021, the Staff concurred with the Company's no-action letter that the Initial Proposal was excludable under Rule 14a-8(i)(7).

*Rule 14a-8(c)*

Rule 14a-8(c) states that "[e]ach shareholder may submit no more than one proposal to a company for a particular shareholders' meeting."

The Staff has concurred in the exclusion of proposals in cases where an original proposal was excludable on a procedural or substantive basis. In *Hanesbrands Inc.* (avail. Dec. 11, 2009), the proponent did not provide proof that he satisfied the Rule 14a-8 ownership requirements and the Staff agreed that the company could exclude the initial proposal under Rules 14a-8(b) and 14a-8(f). When the proponent sent an identical proposal one month later to be incorporated into the proxy statement for the same annual meeting, the Staff again agreed that the company could exclude the proposal from its proxy materials, in this instance under Rule 14a-8(c). The Staff stated that "the proponent previously submitted a proposal for inclusion in the company's proxy materials with respect to the same meeting." See also *Procter & Gamble Co.* (avail. Aug. 10, 2004), *Citigroup Inc.* (avail. Mar. 7, 2002) and *Motorola, Inc.* (avail. Dec. 31, 2001) (in each case, granting relief to a company that had received two proposals from the same proponent, where the Staff had already granted no-action relief for the first proposal, and the proponent in turn submitted a different proposal, which was excluded under Rule 14a-8(c)).

The Company acknowledges that the above-cited letters were issued prior to the guidance provided in *Staff Legal Bulletin No. 14F* (October 18, 2011) ("SLB 14F"). SLB 14F clarified that if proponents submitted revisions to proposals before a company's deadline for receiving shareholder proposals, such revisions must be accepted by the Company, even if a Rule 14a-8 no-

action letter had already been submitted to the Commission.<sup>1</sup> However, the facts surrounding the Proposal are distinguishable in several meaningful ways. First, the Company asserts that the Proposal was received after the submission deadline, as set forth in Part II below, and is properly excludable on that basis. Second, even if the Proposal was timely received, it was not a revision to the Initial Proposal, but was instead an entirely new, unrelated proposal. In fact, when submitting the Proposal, proponent stated that he was attempting to withdraw the Initial Proposal, although the Staff had already concurred with the exclusion of the Initial Proposal pursuant to the Company's no-action request, and therefore Proponent's "withdraw" had no impact. Third, the Proposal was not submitted until after the Commission had made a decision on the no-action request for the Initial Proposal. Assuming, for the sake of this discussion, that the submission deadline had not already passed, the Proponent had an opportunity to revise the Initial Proposal while the initial no-action request was pending. SLB 14F refers to the ability of proponents to revise proposals before or while a no-action request is pending, assuming the deadline for the submission of proposals had not passed. Now that the Commission has concurred with the exclusion of the Initial Proposal, the Proponent is unable to submit a second proposal for the same Annual Meeting. For the above reasons, the Proposal may be excluded under Rule 14a-8(c) because the Proponent has attempted to submit more than one proposal for the Annual Meeting.

## **II. The Proposal May Be Excluded Under Rule 14a-8(e) Because It was Received by the Company After the Submission Deadline**

### *Background*

On January 11, 2021, the Company completed its reorganization from a business trust, organized under a Declaration of Trust dated February 1, 1888 (the "Declaration of Trust"), to a corporation (the "Corporate Reorganization") and changed its name from Texas Pacific Land Trust (the "Trust") to Texas Pacific Land Corporation. The Trust was a publicly-traded company for almost 100 years, and after the Corporate Reorganization, the common stock of the Company, continued trading on the New York Stock Exchange. However, pursuant to the Declaration of Trust, the Trust was not required to hold regular meetings of its stockholders and only held special meetings of stockholders when a new trustee was to be elected to replace a trustee who had resigned or died. The Trust did not hold a meeting of stockholders in 2020 and the upcoming Annual Meeting will be the Company's first regular meeting of stockholders.

### *Rule 14a-8(e)*

Rule 14a-8(e) addresses the deadline for submitting stockholder proposals. Rule 14a-8(e)(2) sets forth the method of calculation of the deadline for a regularly scheduled meeting as follows (emphasis added):

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<sup>1</sup> SLB 14F, footnote 13, states, "In light of this guidance, with respect to proposals or revisions received before a company's deadline for submission, we will no longer follow Layne Christensen Co. (Mar. 21, 2011) and other prior staff no-action letters in which we took the view that a proposal would violate the Rule 14a-8(c) one-proposal limitation if such proposal is submitted to a company after the company has either submitted a Rule 14a-8 no-action request to exclude an earlier proposal submitted by the same proponent or notified the proponent that the earlier proposal was excludable under the rule."

“The proposal must be received at the company’s principal executive offices not less than 120 calendar days before the date of the company’s proxy statement released to shareholders in connection with the previous year’s annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year’s annual meeting has been changed by more than 30 days from the date of the previous year’s meeting, **then the deadline is a reasonable time before the company begins to print and send its proxy materials.**”

As the Company did not hold an annual meeting last year, the deadline for the submission of a stockholder proposal for the Annual Meeting under Rule 14a-8(e) is “a reasonable time before the company begins to print and send its proxy materials.”

The Company originally scheduled the Annual Meeting for November 16, 2021 and filed its proxy materials for such Annual Meeting on Monday, October 4, 2021. On October 29, 2021, the Company announced a postponement of the Annual Meeting to a new date of December 29, 2021. The Proposal was received on Monday, November 1, 2021, *28 days after* the Company’s proxy materials were originally filed with the Commission. Because the Proposal was received after the Company filed its proxy materials for the Annual Meeting, and during the Company’s ongoing solicitation period for the Annual Meeting, it could not have been received in a timely manner under the standards of Rule 14a-8(e), even though the Company will be providing revised proxy materials to stockholders in connection with the new meeting date.

This conclusion is consistent with prior Staff decisions. In *Greyhound Lines, Inc.* (Jan. 8, 1999) the Staff granted no-action relief where the registrant received a shareholder proposal 14 days after the filing of preliminary proxy materials while the company was in the final stages before commencing its proxy solicitation. Similarly, in *BioPharmX Corporation* (July 27, 2016), the Staff granted no-action relief where the registrant received a shareholder proposal 33 days after filing its proxy materials. In the Company’s situation, the Proposal was received 28 days after the Company originally filed its proxy materials. Similar to the decisions above, the Proposal was not received “a reasonable time before the company begins to print and send its proxy materials,” and the Proposal is properly excludable under Rule 14a-8(e). Furthermore, when the Proposal was submitted on November 1, 2021, the Proponent had full knowledge of the December 29, 2021 Annual Meeting date and the new record date for the Annual Meeting of November 29, 2021. The Proponent could expect that the revised proxy materials for the Annual Meeting would be filed with the SEC and printed shortly after the record date, giving the Company only a few weeks to consider the Proposal before revised proxy materials would be filed and printed. These additional facts further support the conclusion that the Proposal is properly excludable under Rule 14a-8(e).

### **III. The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Relates to Ordinary Business Operations.**

Rule 14a-8(i)(7) permits a company to omit a proposal from its proxy materials if the proposal “deals with matters relating to the company’s ordinary business operations.” The purpose of the ordinary business exclusion is “to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.” *See Release No. 34-40018* (May 21,

1998) (the “1998 Release”). As explained by the Commission, the term “ordinary business” in this context refers to “matters that are not necessarily ‘ordinary’ in the common meaning of the word, and is rooted in the corporate law concept of providing management with flexibility in directing certain core matters involving the company’s business and operations.” *Id.*

The 1998 Release explains that there are two central components of the ordinary business exclusion. First, as it relates to the subject matter of the proposal, “[c]ertain tasks are so fundamental to management’s ability to run a company on a ‘day-to-day basis’ that they are not a proper subject matter for shareholder oversight.” *Id.* The Commission has differentiated between these ordinary business matters and “significant social policy issues” that “transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.” *Id.* The latter is not excludable as pertaining to ordinary business matters, and in assessing whether a particular proposal raises a “significant social policy issues,” the Staff will review the terms of the proposal as a whole, including the supporting statement. *Id.*

Second, as it relates to the implementation of the subject matter of the proposal, the ability to exclude a proposal “relates to the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.” *Id.* As stated in *Staff Legal Bulletin No. 14L* (Nov. 3, 2021), the Staff will “focus on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management” while considering “the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic.”

The Staff has consistently found proposals calling for a company to generally seek to increase shareholder value, without identifying a specific extraordinary transaction to do so, such as in the Proposal, excludable under Rule 14a-8(i)(7). In *Mid-Southern Bancorp* (April 9, 2021), the Staff found that a proposal to hire an investment firm to “make recommendations, including but not limited to selling or merging” the company was excludable as dealing with the company’s ordinary business operations. Similarly, in *Donegal Group, Inc.* (avail. Feb 16, 2012), the Staff found that a proposal to hire an investment firm to “evaluate alternatives that could enhance shareholder value including, but not limited to, a merger or outright sale of DGI” dealt with the company’s ordinary business operations as it related to both extraordinary and non-extraordinary transactions.” The Staff further specifically stated: “Proposals concerning the exploration of strategic alternatives for maximizing shareholder value which relate to both extraordinary and nonextraordinary transactions are generally excludable under rule 14a-8(i)(7).” In *Analysts International Corp.* (avail. Mar. 11, 2013), the Staff concurred with the exclusion of a proposal that requested that “the [b]oard of [d]irectors of the [c]ompany immediately engage the services of an investment banking firm to evaluate alternatives that could enhance shareholder value including, but not limited to, a merger or sale of the [c]ompany, and . . . that the [b]oard take all other steps necessary to actively seek a sale or merger of the [c]ompany on terms that will maximize share value for shareholder.” There, the company argued, and the Staff agreed, that enhancement of stockholder value is an ordinary business matter and, as such, is the purview of the management and board of the company.

The Staff has been clear and deliberate in determining only proposals that seek to enhance stockholder value exclusively by means of an extraordinary corporate transaction (such as the sale or merger of the company) as not excludable under Rule 14a-8(i)(7). *See Allegheny Valley Bancorp. Inc.* (avail Jan. 3, 2001), where the Staff determined that a proposal which directed the company's board of directors to "retain an investment bank to solicit offers for the purchase of the Bank's stock or assets" was not excludable under Rule 14a-8(i)(7). The SEC has also clearly determined that matters related to the Company's general business plans and strategy are not appropriate for shareholder action. *See, e.g., Sears, Roebuck & Co.* (Feb. 7, 2000) (concurring with exclusion of a proposal seeking a change in the company's general business plans and strategy).

Here, the Proposal deals with the possibility of *both* extraordinary and nonextraordinary transactions. The Proposal requests that an investment firm "assess the profitability" of a business segment and "evaluate alternatives to maximize" the segment's value. This is easily distinguishable from proposals like the one in *Allegheny* that describe a clear extraordinary transaction (i.e., a company sale) for an investment bank to explore. The supporting statement of the Proposal provides no clarity or specificity of an extraordinary transaction either; it instead describes the Proponent's feelings and opinions regarding the Company's Water Services and Operations segment, along with the Company's general business strategy, and repeats the directive that an investment firm "assess the profitability" of such segment and "evaluate alternatives." The Proposal does not explicitly state the purpose of the investment banking firm's assessment and evaluation. Accordingly, the Proposal involves a decision that is an ordinary business decision and is properly excludable under Rule 14a-8(i)(7). Furthermore, the Proposal does not raise a significant policy issue, but instead deals exclusively with the management and operation of the Company.

#### **IV. The Proposal May Be Properly Omitted from the Company's Proxy Materials Under Rule 14a-8(i)(3) Because It Contains Materially False or Misleading Statements.**

Rule 14a-8(i)(3) permits the exclusion of a shareholder proposal if "the proposal or supporting statement is contrary to any of the Commission's proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials." As the Staff explained in *Staff Legal Bulletin No. 14B* (Sept. 15, 2004), Rule 14a-8(i)(3) permits the exclusion of a shareholder proposal if, among other things, the company demonstrates that a factual statement is materially false or misleading. Applying this standard, the Staff has allowed exclusion of an entire proposal that contains false or misleading statements speaking to the proposal's fundamental premise. *See, e.g., NETGEAR, Inc.* (April 9, 2021, recon. denied April 23, 2021) (concurring in the exclusion of a proposal requesting the right for stockholders to call a special meeting, when the supporting statement erroneously stated that the stockholders did not already have this right); *JPMorgan Chase & Co.* (Mar. 11, 2014, recon. denied Mar. 28, 2014) (concurring in the exclusion of a proposal in reliance on Rule 14a-8(i)(3) because, among other things, it misrepresented the company's vote counting standard for electing directors and mischaracterized the company's treatment of abstentions); *General Electric Co.* (Jan. 6, 2009) (concurring with exclusion of a proposal that falsely summarized the company's certificate of incorporation by stating that the company had plurality voting for director nominations when in actuality the company had majority voting for director nominations).

The Proposal's supporting statement includes several materially false or misleading statements that are focused on the Proposal's fundamental premise — the perceived need to engage an investment banking firm to assess the profitability of the Company's Water Services and Operations segment and evaluate alternatives to maximize its value.

For the convenience of the Staff, the Company has provided excerpts from the supporting statement below in italics, followed by an explanation of how each excerpt is materially false or misleading to stockholders (collectively, the "Erroneous Statements").

*Supporting Statement No. 1 —*

*“Historically, the Company’s business model relied on royalties and fixed fees for use of its land by oil and gas producers. That model required virtually no capital expenditures and minimal operating expenses. As a result, the Company’s profit margin was consistently greater than 90%.*

*Recently, we have seen the Company’s expenses balloon. We estimate that fixed overhead costs, comprised primarily of (1) salaries and related employee expenses, and (2) general and administrative expenses, now total more than \$40 million per annum. The result has been a decline in its profit margin to about 73%.”*

This statement is misleading with respect to the purported “decline in profit margin.” The Proponent does not explain its calculations for either the statement that “the Company’s profit margin was consistently greater than 90%” or the statement that there has been “a decline in [the Company’s] profit margin to about 73%.” There is a commonly accepted definition of the term profit margin in the investment community: net income divided by revenue. The information needed by the Proponent to do this calculation was readily available in the Company’s periodic reports filed with the SEC. As shown in the chart below, when the Company calculated its profit margin for the fiscal years from 2011 – 2020 and the nine-month period ending September 30, 2021 (in connection with this letter) the result was a profit margin in the range of approximately 60-70% - never as high as either 90% or even 73%. The Proponent was using some other unexplained formula, or perhaps intended to refer to something other than profit margin, which will be misleading to stockholders considering the Proposal.

**Company Profit Margin 2011-2021<sup>2</sup>**

<b>Years</b>	<b>2011*</b>	<b>2012*</b>	<b>2013*</b>	<b>2014*</b>	<b>2015*</b>	<b>2016**</b>
Total revenues	\$34,319	\$32,607	\$44,121	\$55,217	\$79,442	\$66,109
Net income	\$20,595	\$19,648	\$27,219	\$34,765	\$50,039	\$42,275
Profit Margin	60.0%	60.3%	61.7%	63.0%	63.0%	63.9%

<sup>2</sup> All numbers are in thousands, except percentages



<b>Years</b>	<b>2017**</b>	<b>2018**</b>	<b>2019**</b>	<b>2020**</b>	<b>9 months ended September 30, 2021***</b>
Total revenues	\$154,634	\$300,220	\$490,496	\$302,554	\$303,780
Net income	\$97,231	\$209,736	\$318,728	\$176,049	\$190,935
Profit Margin	62.9%	69.9%	65.0%	58.2%	62.9%

Profit Margin (*Profit Margin = Net income/Total Revenues*)

\* Annual Report on Form 10-K for the year ended December 31, 2015 (p. 9) (filed by the Trust prior to the Reorganization)<sup>3</sup>

\*\* Annual Report on Form 10-K for year ended December 31, 2020 (p. 16)<sup>4</sup>

\*\*\* Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (p. 2)<sup>5</sup>

Furthermore, the profit margin is a ratio involving money spent (expenses) and money earned (revenues). The Proponent misleads the reader by discussing one financial metric – that Company’s former business model “required virtually no capital expenditures and minimal operating expenses” and that its expenses have increased to “more than \$40 million per annum” without comparing an amount of purportedly lower expenses from the earlier business model to the increased amount, and, more significantly, without discussing the Company’s revenues for either the purported high expense years or the low expenses year(s) alluded to. Because profit margin is a ratio, any specific dollar amount is irrelevant on its own; it is only the relationship of the expenses to total revenues that relevant to the calculation. The Proponent’s “more than \$40 million per annum” statement serves only to mislead stockholders, and the Proponent does not address the Company’s revenues during any period, which clearly affect the profit margin calculation: even if expenses increased, if revenues increased comparably or more, profit margin would not decrease.

In addition, the Proponent ignores the context of profit margin for the Company’s specific business. If the Company’s expenses had remained identical over a period of time, but the price of oil had increased or decreased, the Company’s revenues – and therefore the Company’s profit margins – would have increased or decreased accordingly. The Proponent’s statements are misleading, without context or explanation, and do not comport with the commonly accepted definition of profit margin.

*Supporting Statement No. 2 — “We infer that the Water Services and Operations subsidiary is the source of the bulk of the Company’s increased expenses. However, the Company has not broken down its expenses by business segment so it is difficult to know whether owning and operating the Water Services and Operations unit is the best use of its capital.”*

In fact, the Company has provided a substantial amount of information in its periodic reports filed with the SEC regarding its expenses related to the Water Services and Operations

<sup>3</sup> [https://www.sec.gov/Archives/edgar/data/97517/000143774916026297/tpl20151201\\_10k.htm](https://www.sec.gov/Archives/edgar/data/97517/000143774916026297/tpl20151201_10k.htm)

<sup>4</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001811074/000181107421000013/tpl-20201231.htm>

<sup>5</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001811074/000181107421000052/tpl-20210930.htm>

segment. Excerpts of this information from the Company's most recent Quarterly Report on Form 10-Q for the period ended June 30, 2021 (the "Form 10-Q")<sup>6</sup> are provided in Exhibit B and highlighted below:

- A line item for "water service-related expenses" is provided on the Company's Condensed Consolidated Statements of Income and Total Comprehensive income.
- In Note 8. "Business Segment Reporting" to the Company's Condensed Consolidated Financial Statements provides information on capital expenditures for the Water Services and Operations segment.
- The Company's Management's Discussion and Analysis in the Form 10-Q provides water service-related expenses for the three- and six- month periods ended June 30, 2021.

As set forth above, the Erroneous Statements are demonstrably false. These Erroneous Statements are also material. A fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote. *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976). The identified statements are material because stockholders would assume them to be true and would consider them in the context of determining how to vote on the Proposal. As a result, if the Company were to include the Proposal in its 2021 proxy materials, a stockholder's vote might be based upon the mistaken assumption that these Erroneous Statements are true.

### CONCLUSION


The Company requests your confirmation that the Staff will not recommend any enforcement action to the Commission if the Proposal is excluded from the Company's 2021 proxy materials for any of the reasons described in this letter.

We would be happy to provide any additional information and answer any questions regarding this matter. Should you have any questions, please contact the undersigned at [mdobbs@texaspacific.com](mailto:mdobbs@texaspacific.com) or (214) 969-5530.

Thank you for your consideration.

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<sup>6</sup> The Form 10-Q was on file with the SEC on the date the Proposal was received. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2021 was filed with the SEC on November 4, 2021 and contains similar disclosures.

Sincerely,  
  
Senior Vice President, General Counsel and  
Secretary

Enclosures

cc: Special Opportunities Fund, Inc.  
615 East Michigan Street  
Milwaukee, WI 53202  
Attn: Phillip Goldstein  
PGoldstein@bulldoginvestors.com

**EXHIBIT A**

Special Opportunities Fund, Inc. 615 East Michigan Street, Milwaukee, WI 53202

November 1, 2021

Texas Pacific Land Corporation  
1700 Pacific Avenue  
Suite 2900  
Dallas, TX 75201

Attention: The Board of Directors

Dear Directors:

Special Opportunities Fund is the beneficial owner of shares of Texas Pacific Land Corporation with a value in excess of \$2,000.00. It has held these shares continuously for more than 12 months and plans to continue to hold them through the next meeting of shareholders.

We hereby withdraw our previous proposal and submit the following proposal and supporting statement pursuant to rule 14a-8 of the Securities Exchange Act of 1934 for inclusion in management's proxy materials for the next meeting of stockholders for which this proposal is timely submitted.

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*RESOLVED:* The stockholders request that an investment banking firm be engaged to assess the profitability of the Company's Water Services and Operations business and evaluate alternatives to maximize its value.

*SUPPORTING STATEMENT*

Historically, the Company's business model relied on royalties and fixed fees for use of its land by oil and gas producers. That model required virtually no capital expenditures and minimal operating expenses. As a result, the Company's profit margin was consistently greater than 90%.

Recently, we have seen the Company's expenses balloon. We estimate that fixed overhead costs, comprised primarily of (1) salaries and related employee expenses, and (2) general and administrative expenses, now total more than \$40 million per annum. The result has been a decline in its profit margin to about 73%.

We infer that the Water Services and Operations subsidiary is the source of the bulk of the Company's increased expenses. However, the Company has not broken down its expenses by business segment so it is difficult to know whether owning and operating the Water Services and Operations unit is the best use of its capital. Moreover, we are concerned that the increased expenses may be motivated by management's desire to transform the Company from a boring

but consistently highly profitable business to a prestigious operating company with many employees in order to justify senior management's huge compensation. Absent an independent assessment, we suspect that most long-term investors would prefer that the Company adhere to its historical low cost, high margin business model. Thus, an investment banking firm should be engaged to assess the profitability of the Company's Water Services and Operations division and to evaluate alternatives to maximize its value.

If you agree, please vote in favor of this proposal.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Phillip Goldstein", with a long horizontal flourish extending to the right.

Phillip Goldstein  
Chairman

## **EXHIBIT B**

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

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**FORM 10-Q**

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **June 30, 2021**

or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-39804

Exact name of registrant as specified in its charter:  
**Texas Pacific Land Corporation**

State or other jurisdiction of incorporation or organization:  
Delaware

IRS Employer Identification No.:  
75-0279735

Address of principal executive offices:  
1700 Pacific Avenue, Suite 2900 Dallas, Texas 75201

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value \$.01 per share)	TPL	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**TEXAS PACIFIC LAND CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND TOTAL COMPREHENSIVE INCOME**  
(in thousands, except shares and per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Oil and gas royalties	\$ 58,204	\$ 20,513	\$ 107,737	\$ 62,873
Produced water royalties	15,458	13,111	28,007	25,617
Water sales	12,473	8,419	25,429	35,386
Easements and other surface-related income	8,977	11,656	18,024	25,417
Land sales	746	3,493	746	4,393
Other operating revenue	74	92	144	192
<b>Total revenues</b>	<b>95,932</b>	<b>57,284</b>	<b>180,087</b>	<b>153,878</b>
<b>Expenses:</b>				
Salaries and related employee expenses	13,271	8,937	23,250	19,557
Water service-related expenses	3,551	2,165	6,849	8,945
General and administrative expenses	2,841	2,448	5,647	5,407
Legal and professional fees	1,141	2,610	3,353	4,968
Land sales expenses	-	2,706	-	2,706
Depreciation, depletion and amortization	3,858	3,678	7,696	7,013
<b>Total operating expenses</b>	<b>24,662</b>	<b>22,544</b>	<b>46,795</b>	<b>48,596</b>
<b>Operating income</b>	<b>71,270</b>	<b>34,740</b>	<b>133,292</b>	<b>105,282</b>
<b>Other income, net</b>	<b>406</b>	<b>183</b>	<b>411</b>	<b>1,009</b>
<b>Income before income taxes</b>	<b>71,676</b>	<b>34,923</b>	<b>133,703</b>	<b>106,291</b>
<b>Income tax expense</b>	<b>14,630</b>	<b>7,340</b>	<b>26,605</b>	<b>21,307</b>
<b>Net income</b>	<b>\$ 57,046</b>	<b>\$ 27,583</b>	<b>\$ 107,098</b>	<b>\$ 84,984</b>
Other comprehensive income - periodic pension costs, net of income taxes of \$8, \$3, \$15 and \$7, respectively	29	13	57	27
<b>Total comprehensive income</b>	<b>\$ 57,075</b>	<b>\$ 27,596</b>	<b>\$ 107,155</b>	<b>\$ 85,011</b>
<b>Weighted average number of common shares/Sub-share Certificates outstanding</b>	<b>7,755,886</b>	<b>7,756,156</b>	<b>7,756,020</b>	<b>7,756,156</b>
<b>Net income per common share/Sub-share Certificate - basic and diluted</b>	<b>\$ 7.36</b>	<b>\$ 3.56</b>	<b>\$ 13.81</b>	<b>\$ 10.96</b>
<b>Cash dividends per common share/Sub-share Certificate</b>	<b>\$ 2.75</b>	<b>\$ -</b>	<b>\$ 5.50</b>	<b>\$ 16.00</b>

See accompanying notes to condensed consolidated financial statements.

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Prior to the market opening on January 11, 2021, the Trust distributed all of the shares of Common Stock, par value \$0.01, of TPL Corporation (the “Common Stock”) to holders of sub-share certificates (“Sub-shares”), par value of \$0.03-1/3, of the Trust, on a pro rata, one-for-one, basis in accordance with their interests in the Trust (the “Distribution”). As a result of the Distribution, TPL Corporation is now an independent public company and its Common Stock is listed under the symbol “TPL” on the New York Stock Exchange.

The Corporate Reorganization only affected our equity structure in that Sub-shares were replaced with shares of Common Stock and net proceeds from all sources were replaced with retained earnings on the condensed consolidated balance sheet.

*Stock Repurchase Program*

On May 3, 2021, our board of directors approved a stock repurchase program to purchase up to an aggregate of \$20.0 million of shares of our outstanding Common Stock. In connection with the stock repurchase program, the Company entered into a Rule 10b5-1 trading plan that generally permits the Company to repurchase shares at times when it might otherwise be prevented from doing so under securities laws. The stock repurchase program will expire on December 31, 2021 unless otherwise modified or earlier terminated by our board of directors at any time in its sole discretion. Repurchased shares will be held in treasury. For the six months ended June 30, 2021, we repurchased 1,633 shares at an average per share amount of \$1,533.

**8.  
Business Segment Reporting**

During the periods presented, we reported our financial performance based on the following segments: Land and Resource Management and Water Services and Operations. Our segments provide management with a comprehensive financial view of our key businesses. The segments enable the alignment of our strategies and objectives and provide a framework for timely and rational allocation of resources within businesses. We eliminate any inter-segment revenues and expenses upon consolidation.

The Land and Resource Management segment encompasses the business of managing our approximately 880,000 acres of land and our oil and gas royalty interests in West Texas, principally concentrated in the Permian Basin. The revenue streams of this segment consist primarily of royalties from oil and gas, revenues from easements and commercial leases and land and material sales.

The Water Services and Operations segment encompasses the business of providing a full-service water offering to operators in the Permian Basin. The revenue streams of this segment primarily consist of revenue generated from sales of sourced and treated water as well as revenue from produced water royalties.

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Segment financial results were as follows for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>Revenues:</i>				
Land and resource management	\$ 67,241	\$ 35,597	\$ 125,031	\$ 92,255
Water services and operations	28,691	21,687	55,056	61,623
Total consolidated revenues	<u>\$ 95,932</u>	<u>\$ 57,284</u>	<u>\$ 180,087</u>	<u>\$ 153,878</u>
<i>Net income:</i>				
Land and resource management	\$ 45,443	\$ 18,721	\$ 84,956	\$ 57,839
Water services and operations	11,603	8,862	22,142	27,145
Total consolidated net income	<u>\$ 57,046</u>	<u>\$ 27,583</u>	<u>\$ 107,098</u>	<u>\$ 84,984</u>
<i>Capital expenditures:</i>				
Land and resource management	\$ 13	\$ 33	\$ 13	\$ 121
Water services and operations	2,161	323	4,899	3,852
Total capital expenditures	<u>\$ 2,174</u>	<u>\$ 356</u>	<u>\$ 4,912</u>	<u>\$ 3,973</u>
<i>Depreciation, depletion and amortization:</i>				
Land and resource management	\$ 442	\$ 350	\$ 936	\$ 687
Water services and operations	3,416	3,328	6,760	6,326
Total depreciation, depletion and amortization	<u>\$ 3,858</u>	<u>\$ 3,678</u>	<u>\$ 7,696</u>	<u>\$ 7,013</u>

The following table presents total assets and property, plant and equipment, net by segment as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
<i>Assets:</i>		
Land and resource management	\$ 518,917	\$ 460,053
Water services and operations	114,926	111,582
Total consolidated assets	<u>\$ 633,843</u>	<u>\$ 571,635</u>
<i>Property, plant and equipment, net:</i>		
Land and resource management	\$ 3,060	\$ 3,527
Water services and operations	73,857	75,740
Total consolidated property, plant and equipment, net	<u>\$ 76,917</u>	<u>\$ 79,267</u>

**9. Oil and Gas Producing Activities**

We measure our share of oil and gas produced in barrels of oil equivalent (“Boe”). One Boe equals one barrel of crude oil, condensate, NGLs (natural gas liquids) or approximately 6,000 cubic feet of gas. For three months ended June 30, 2021 and 2020, our share of oil and gas produced was approximately 16.4 and 15.7 thousand Boe per day, respectively. For the six months ended June 30, 2021 and June 30, 2020, our share of oil and gas produced was approximately 16.4 and 16.2 thousand Boe per day, respectively. Reserves related to our royalty interests are not presented because the information is unavailable.

### ***Water Services and Operations***

Water Services and Operations segment revenues increased 32.3% to \$28.7 million for the three months ended June 30, 2021 as compared with \$21.7 million for the comparable period of 2020. The increase in Water Services and Operations segment revenues is principally due to an increase in water sales revenue and produced water royalties, which are discussed below. As discussed in “Market Conditions” above, our segment revenues are directly influenced by development decisions made by our customers and the overall activity level in the Permian Basin. Accordingly, our segment revenues and sales volumes, as further discussed below, will fluctuate from period to period based upon those decisions and activity levels.

*Produced water royalties.* Produced water royalties are royalties received from the transportation or disposal of produced water on our land. We do not operate any salt water disposal wells. Produced water royalties were \$15.5 million for the three months ended June 30, 2021 compared to \$13.1 million compared to the same period in 2020. This increase is principally due to increased produced water volumes for the three months ended June 30, 2021 compared to the same period of 2020.

*Water sales.* Water sales revenue was \$12.5 million for the three months ended June 30, 2021, an increase of 48.2%, compared with the three months ended June 30, 2020 when water sales revenue was \$8.4 million. This increase was principally due to a 70.8% increase in the number of barrels of sourced and treated water sold for the three months ended June 30, 2021 compared to the same period in 2020.

*Net income.* Net income for the Water Services and Operations segment was \$11.6 million for the three months ended June 30, 2021 compared to \$8.9 million for the three months ended June 30, 2020. As discussed above, segment revenues increased 32.3% for the three months ended June 30, 2021 compared to the same period of 2020. Total segment expenses, including income tax expense, were \$17.1 million for the three months ended June 30, 2021 as compared to \$12.8 million for the three months ended June 30, 2020. The overall increase in segment expenses during 2021 is principally related to increased income tax expense and water service-related expenses, primarily fuel, repairs and maintenance and equipment rental. Expenses are discussed further below under “Other Financial Data - Consolidated.”

### ***Other Financial Data - Consolidated***

*Salaries and related employee expenses.* Salaries and related employee expenses were \$13.3 million for the three months ended June 30, 2021 compared to \$8.9 million for the comparable period of 2020. The increase in salaries and related employee expenses for the three months ended June 30, 2021 as compared to the same period of 2020 is principally due to approximately \$4.7 million of severance costs.

*Water service-related expenses.* Water service-related expenses were \$3.6 million for the three months ended June 30, 2021 compared to \$2.2 million for the comparable period of 2020. The increase in expenses during 2021 is primarily related to increased fuel, repairs and maintenance and equipment rental expenses related to the 70.8% increase in the number of barrels of sourced and treated water sold.

*Legal and professional expenses.* Legal and professional fees were \$1.1 million for the three months ended June 30, 2021 compared to \$2.6 million for the comparable period of 2020. Legal and professional fees for the three months ended June 30, 2020 principally related to the conversion exploration committee and planning and preparation for the Corporate Reorganization. The Corporate Reorganization was completed in January 2021.

*Land sales expenses.* There were no land sales expenses for the three months ended June 30, 2021 compared to \$2.7 million in land sales expenses for the comparable period of 2020. Land sales expenses represent expenses related to land sales and include cost basis and closing costs associated with land sales. Land sales expenses for the three months ended June 30, 2020 include \$2.7 million of cost basis.

### **For the six months ended June 30, 2021 as compared to the six months ended June 30, 2020**

*Revenues.* Revenues increased \$26.2 million, or 17.0%, to \$180.1 million for the six months ended June 30, 2021 compared to \$153.9 million for the six months ended June 30, 2020. Net income increased \$22.1 million, or 26.0%, to \$107.1 million for the six months ended June 30, 2021 compared to \$85.0 million for the six months ended June 30, 2020.

The following is an analysis of our operating results for the comparable periods by reportable segment (in thousands):

### ***Water Services and Operations***

Water Services and Operations segment revenues decreased 10.7% to \$55.1 million for the six months ended June 30, 2021 as compared with \$61.6 million for the comparable period of 2020. The decrease in Water Services and Operations segment revenues is principally due to a decrease in water sales revenue, which is discussed below. As discussed in “Market Conditions” above, our segment revenues are directly influenced by development decisions made by our customers and the overall activity level in the Permian Basin. Accordingly, our segment revenues and sales volumes, as further discussed below, will fluctuate from period to period based upon those decisions and activity levels.

*Produced water royalties.* Produced water royalties are royalties received from the transportation or disposal of produced water on our land. We do not operate any salt water disposal wells. Produced water royalties were \$28.0 million for the six months ended June 30, 2021 compared to \$25.6 million compared to the same period in 2020. This increase is principally due to increased produced water volumes for the six months ended June 30, 2021 compared to the same period of 2020.

*Water sales.* Water sales revenue decreased \$10.0 million to \$25.4 million for the six months ended June 30, 2021 compared to the same period of 2020, principally due to a 16.5% decrease in the number of barrels of sourced and treated water sold.

*Net income.* Net income for the Water Services and Operations segment was \$22.1 million for the six months ended June 30, 2021 compared to \$27.1 million for the same period in 2020. As discussed above, segment revenues decreased 10.7% for the six months ended June 30, 2021 compared to the same period of 2020. Total segment expenses, including income tax expense, were \$32.9 million for the six months ended June 30, 2021 as compared to \$34.5 million for the six months ended June 30, 2020. The overall decrease in segment expenses during 2021 is principally related to decreased water service-related expenses, primarily equipment rental, fuel and income tax expense. Expenses are discussed further below under “Other Financial Data - Consolidated.”

### ***Other Financial Data - Consolidated***

*Salaries and related employee expenses.* Salaries and related employee expenses were \$23.3 million for the six months ended June 30, 2021 compared to \$19.6 million for the comparable period of 2020. The increase in salaries and related employee expenses during 2021 as compared to the same period of 2020 is principally due to \$6.7 million of severance costs, partially offset by decreased usage of contract labor by our Water Services and Operations segment.

*Water service-related expenses.* Water service-related expenses were \$6.8 million for the six months ended June 30, 2021 compared to \$8.9 million for the comparable period of 2020. The decrease in expenses during 2021 is primarily related to decreased equipment rental and fuel expenses related to the 16.5% decrease in the number of barrels of sourced and treated water sold and ongoing cost saving measures as discussed above in “Market Conditions.”

*Legal and professional expenses.* Legal and professional fees were \$3.4 million for the six months ended June 30, 2021 compared to \$5.0 million for the comparable period of 2020. Legal and professional fees for the six months ended June 30, 2021 principally related to the completion of our Corporate Reorganization effective January 11, 2021. Legal and professional fees for the six months ended June 30, 2020 principally related to the conversion exploration committee and planning and preparation for the Corporate Reorganization.

*Land sales expenses.* There were no land sales expenses for the six months ended June 30, 2021 compared to \$2.7 million for the comparable period of 2020. Land sales expenses represent expenses related to land sales and include cost basis and closing costs associated with land sales. Land sales expenses for the six months ended June 30, 2020 include \$2.7 million of cost basis.

*Depreciation, depletion and amortization.* Depreciation, depletion and amortization was \$7.7 million for the six months ended June 30, 2021 compared to \$7.0 million for the six months ended June 30, 2020. The increase in depreciation, depletion and amortization is principally related to our investment in water service-related assets placed in service in 2021 and 2020 and, to a lesser extent, increased depletion related to our oil and gas royalty interests.