SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

10-K

X — Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]

For the fiscal year ended December 31, 1997, or

_____ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

For the transition period from ___________to ___________

Commission File No. 1-9035

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Delaware	91-1313292
(State of Organization)	(IRS Employer I.D. No.)

P.O. Box 1780, Poulsbo, WA 98370
(Address of principal executive offices Zip Code)

Registrant's telephone number, including area code: (360) 697-6626

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

Title of each class	Name of each exchange on which registered
Depositary Receipts (Units)	Pacific Stock Exchange
Depositary Receipts (Units)	NASDAQ National Market System

Securities registered pursuant to Section 12(g) of the Act:
None

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [X]

Approximate aggregate market value of the voting stock held by nonaffiliates of the registrant as of March 10, 1998 was $107,423,975.

DOCUMENTS INCORPORATED BY REFERENCE:
SEE ITEM 14

Exhibit Index Item IV.

PART I

ITEM 1. BUSINESS.

Pope Resources, A Delaware Limited Partnership (the "Partnership"), including two of its subsidiaries (Ludlow Water Company and Gamble Village Water & Sewer Company) was organized in December, 1985 as a result of a spin-off by Pope & Talbot, Inc. (P&T) of certain of its assets. The Partnership is a successor to Pope & Talbot Development, Inc. and other P&T affiliates. P&T acquired its first timberlands in the Puget Sound area in 1853. The Partnership formed Ludlow Bay Realty in 1993, and ORM, Inc. and Olympic Resource Management LLC in 1997 which are wholly owned subsidiaries of the Partnership.

FINANCIAL INFORMATION ABOUT SEGMENTS.

Segment financial information is presented in Note 11 to the Partnership's Financial Statements included with this report.

NARRATIVE DESCRIPTION OF BUSINESS.

The Partnership operates in two primary industry segments, timberland resources and real estate development. The Partnership's largest segment, timberland resources, encompasses the growing and harvesting of timber. The Partnership's other segment, real estate development, consists of residential development and income-producing properties. All of the Partnership's operations are conducted within a 50-mile radius of Seattle, Washington. The following is a detailed description of each industry segment.

TIMBERLAND RESOURCES.

The Partnership's key asset is its tree farm of approximately 76,000 acres. Its principal operations consist of the growing of timber to its optimal harvest age, and the subsequent harvesting and marketing of timber and timber products to both domestic and Pacific Rim markets. The segment produced 65%, 65% and 73% of the Partnership's consolidated gross revenues in 1997, 1996 and 1995, respectively.

The dominant timber species on the tree farm is Douglas fir. Douglas fir is classified as a softwood species, though its strength, flexibility and other physical characteristics make it generally preferable to other softwoods and hardwoods for the production of construction grade lumber and plywood. As of December 31, 1997, the Partnership estimates the tree farm's total merchantable softwood inventory volume to be 457 million board feet. This compares to inventory volumes of 470 and 486 million board feet at December 31, 1996 and 1995, respectively. Due to Washington State forest practice regulations that provide for limited clear-cut size, riparian management zones, wildlife leave trees, wetlands requirements and other harvest restrictions, the Partnership estimates that between 7 and 10% of the aforementioned volume is not available for harvest. The merchantable timber volume is accounted for by the Partnership's standing timber inventory system, which involves periodic statistical sampling of the timber (cruising) with annual adjustments made for estimated growth and the depletion of areas harvested.

The Partnership views the tree farm as a core holding and is managing it accordingly. As such, the Partnership's annual harvest policy is to operate at harvest levels that are sustainable and consistent with growth. From year to year, the policy allows for flexibility in response to the external environment. For instance, when log markets are weak, annual harvest levels might be reduced whereas in strong log markets, the annual levels may be above the average. The Partnership's harvesting schedules are based on inventory data that include species, site index, classification of soils, volume, size and age of the timber. From this information, the Partnership develops its annual and long-term harvesting plans predicated on existing and anticipated economic conditions with the objective of maximizing the long-term returns.

Over the longer term, management anticipates that population and economic pressures will contribute to the development of increasing portions of the tree farm. To offset the resulting reductions in the timberland base, management is actively seeking acquisitions and trades that enhance tree farm ownership.

The Partnership markets its timber in one of two ways. Generally speaking, management engages independent logging contractors to harvest the standing timber and manufacture it into logs which management then sells on the open market. One of the principal markets served is the Pacific Rim. Logs going to this destination are generally sold to brokers who in turn sell direct to offshore destinations. Japan is by far the largest consumer of this segment, though Korea and China are significant from time to time. The balance of the logs produced are sold domestically to local sawmills and pulp and paper operations.

The second method in which timber is sold is through stumpage sales, where standing timber is sold on the stump to purchasers that in turn manage the harvesting and marketing of the wood. These operations are governed by provisions of the sales contract, and are closely monitored by management to ensure compliance with all regulatory and logging requirements. Stumpage sales are generally used in unique situations where returns can be improved through the involvement of outside parties.

There are many competitors of the Partnership, most of whom are comparable in size or larger. The principal areas of competition in the timber business are pricing and the ability to satisfy volume demands for various types and grades of timber to the competing market. Management believes that its location, type and grade of timber will enable it to effectively compete in its markets. However, the Partnership's products are subject to increasing competition from a variety of non-wood and engineered wood products as well as competition from foreign sources.

The Partnership's timber operations require forest management which primarily consists of reforestation, thinning of the timber to achieve optimal spacing after stands are established, and fertilization. During 1997, the Partnership planted 902,000 seedlings on 2,073 acres. This compares to 1996 and 1995 in which the Partnership planted 658,000 and 518,000 seedlings on 1,440 and 1,350 acres, respectively. Management's policy is to stay current on its reforestation program, returning all timberlands to productive status as soon as economically feasible following harvest.

Risk of loss from fire, while possible on any timberland, is minimized on Partnership lands for several reasons. First, the Partnership maintains a well developed road system that allows access and quick response capability to any fire that may occur. Next, management maintains a fire plan and program that provides for increased monitoring activities and requires all operators to maintain adequate fire suppression equipment during fire season. All of management's activities are supplemented by the State of Washington's Department of Natural resources, who are ultimately responsible for all fire suppression activities in the State. Finally, in the unlikely event of a fire, the Partnership's Douglas fir stands are less susceptible than other species to economic loss from fire. Salvage operations can recover a substantial portion of the green timber value from this species.

In the operation and management of the tree farm, the Partnership is subject to federal, state and local laws which govern land use. Management's objective is to be in compliance with such laws and regulations at all times. They anticipate that increasingly strict requirements relating to the environment, natural resources, forestry operations, health and safety matters, as well as increasing social concern over environmental issues may result in additional restrictions on the timber operations of the Partnership. This will in turn result in increased costs, additional capital expenditures and reduced operating flexibility. Although the Partnership does not consider current laws and regulations to be materially burdensome, there can be no assurance that future legislative, governmental or judicial decisions will not adversely affect the Partnership operations.

The tree farming activities are a year-round operation of the Partnership and presently employ nine full-time salaried employees, none of which is a member of a labor union.

REAL ESTATE DEVELOPMENT.

Real estate development consists of residential development and income-producing properties. Residential development consists of the sale of single-family homes, finished lots and undeveloped acreage. Income-producing properties consists of providing water and sewer services to properties in the Port Ludlow, Washington area; a marina, golf course, commercial shopping center and RV park operated by the Partnership; certain parcels leased to Pope & Talbot, Inc.; a restaurant/lounge and related facilities leased to Village Resorts, Inc. and operated by Derrig Hobart Enterprises, Inc. The golf, marina, resort and RV park business is seasonal, with the peak season beginning in May and running through September of each year. The Partnership holds a 50% interest in a joint venture partnership which completed construction of a 36-room inn in 1994.

This segment produced 35% in 1997 and 1996 and 27% in 1996 of the Partnership's consolidated gross revenues.

The principal activity of residential development consists of building residential dwellings and developing lots in Port Ludlow. This division's key asset is approximately 4,000 acres of land located in Western Washington, of which the focus for development is Port Ludlow. Port Ludlow is an active adult community on approximately 2,000 acres. Work is progressing on five remaining subdivisions in the partnership's Port Ludlow development. Progress in being made in activities ranging from permit approval to actual construction for the final 300 lots in this development.

Other real estate development activities include Bremerton, Gig Harbor, Kingston, and Hansville. The 260-acre Bremerton project is all located within the city limits. About 60 acres will be devoted to an industrial park, while the remaining 200 acres are slated for residential dwellings. Preliminary project approval for the development was received in 1997 and marketing activities for the industrial park will commence in 1998.

Gig Harbor, a suburb of Tacoma, is the site of a 320-acre mixed-use development consisting of 200 acres for residential development; 120 acres for a business park; and a site for a neighborhood commercial center. Preliminary environmental studies were completed in 1997 and the goal in 1998 is the installation of key infrastructure including water service and road construction.

There are two on-going projects in Kitsap County, a 720-acre residential development in Kingston and a 200-acre residential development in Hansville. While significant progress has been made in the governmental entitlement process, final approval is currently stalled pending the outcome of an unrelated court case that will establish the appropriate zoning and development regulations applicable to projects pending throughout the County.

The Partnership's land sales activities are closely associated with the management of its timber properties. After logging its timberlands, the Partnership has the option of reforesting the land, developing it for sale as improved property, or selling it in developed or undeveloped acreage tracts. Management continually evaluates timber properties in terms of their best economic use (i.e., whether to continue growing timber or reclassifying the properties for sale or development). As the Partnership reclassifies timber properties for sale or development, the Partnership may replace such timber properties with land purchases in more remote areas. Although the Partnership believes it has adequate land inventory for future development, additional properties may be purchased as they become available.

The Partnership competes for property sales with other timber companies which are as large or larger than the Partnership and have substantial acreage for sale and development. Management believes location, price and terms of sale enable the Partnership to compete effectively in these markets.

The real estate development segment's backlog of sales was approximately $926,900 as of December 31, 1997, all of which are expected to be closed in 1998. This compares to sales backlogs of $1,089,000 and $2,184,000 as of December 31, 1996 and 1995, respectively.

Real estate development presently employs 30 full-time salaried employees and has in the past employed up to an additional 45 seasonal employees. No employee is a member of a labor union.

Nonclassified assets and operations are composed of the Partnership's administrative office.

The total number of employees not otherwise classified under a segment is 33, 26 of which are full-time salaried employees. No employee is a member of a labor union.

On March 14, 1997, the Partnership's unitholders authorized the Partnership's launch of a new strategic initiative called the Investor Portfolio Management Business (IPMB). The vehicle for this initiative is Olympic Resource Management LLC (ORMLLC) which will seek investors interested in developing risk-diversified portfolios of timber and land. This business venture is expected to generate fee income through ORMLLC's services to large investors in acquiring, managing, and/or disposing of timberland investments.

ORMLLC participated in recent timberland offerings in each of the three major geographic regions of the U.S., the northwest, southeast, and northeast. In December of 1997 ORMLLC won a contract with Hancock Timber Resource Group to manage over 500,000 acres of timber holdings in Washington, Oregon, and California.

The amendment to the Limited Partnership Agreement allowing management to pursue the IPMB limited cumulative net expenditures from pursuing the IPMB to $5,000,000, including debt guarantees. As of December 31, 1997, the Partnership has spent approximately $1,500,000 pursuing IPMB opportunities. The amendment further specifies that income from the IPMB will be split using a sliding scale allocation method, commencing with 80% to ORM Inc., a subsidiary of Pope Resources and 20% to Pope MGP, Inc, the managing general partner of the Partnership. The sliding scale allocation method will evenly divide income between ORM Inc. and Pope MGP once income reaches $7,000,000 in a fiscal year from the IPMB. As of December 31, 1997, the IPMB has generated no revenues.

ITEM 2. PROPERTIES.

See the discussion of each segment under "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS .

No matters were submitted to a vote of the Partnership's unitholders during the quarter ended December 31, 1997

PART II

ITEM 5. MARKET FOR PARTNERSHIP'S UNITS AND RELATED SECURITY HOLDER MATTERS.

The units are traded on both the Pacific Stock Exchange, Inc. and NASDAQ National Market System. The Partnership's units trade under the ticker symbols "PRP" (Pacific Stock Exchange) and "POPEZ" (NASDAQ). The following table sets forth the 1997-1996 quarterly range of high and low prices for the Partnership's units, as adjusted for the 5 for 1 unit split:

	1997		1996	
	High	Low	High	Low
First Quarter	$ 21.60	$ 17.40	$ 23.40	$ 20.00
Second Quarter	$ 23.60	$ 20.30	$ 23.00	$ 21.00
Third Quarter	$ 27.20	$ 22.75	$ 23.00	$ 20.40
Fourth Quarter	$ 31.00	$ 26.00	$ 21.40	$ 15.80

The number of registered holders of record of the Partnership's units as of January 31, 1998 was 437.

During 1997, cash distributions totaled $2,215,000, consisting of quarterly distributions of $.14, $.14, $.11, and $.10 per unit. The fourth quarter distribution of $.10 per unit was paid on January 15, 1998. During 1996, cash distributions totaled $3,706,000 consisting of two distributions of $.47 and $.35 per unit. All cash distributions are at the discretion of the Partnership's managing general partner, Pope MGP, Inc. The practice of the Partnership has been to make cash distributions only for the purpose of defraying the federal and state tax liability of unitholders on their flow-through share of Partnership net income and as approved from time to time by the managing general partner.

Item 6. SELECTED FINANCIAL DATA.

The financial information set forth below for each of the years ending December 31, 1993 through 1997 is derived from the Partnership's audited financial statements. This information should be read in conjunction with the financial statements and related notes included with this report and previously filed with the Securities and Exchange Commission. Per unit amounts reflected below have been restated for the 5 for 1 unit split completed in 1997.

(Thousands, except per unit data)

	1997	1996	1995	1994	1993
TOTAL REVENUES	$ 30,109	$ 33,013	$ 36,162	$ 30,085	$ 34,331
INCOME FROM OPERATIONS	$ 4,854	$ 9,818	$ 14,799	$ 10,572	$ 16,576
NET INCOME	$ 3,509	$ 8,334	$ 13,090	$ 8,893	$ 14,825
NET INCOME PER PARTNERSHIP UNIT	$ .78	$ 1.84	$ 2.90	$ 1.93	$ 3.00
TOTAL ASSETS	$ 56,319	$ 54,599	$ 54,147	$ 52,759	$ 48,101
LONG-TERM DEBT	$ 14,048	$ 14,403	$ 17,717	$ 25,451	$ 24,343
PARTNERS' CAPITAL	$ 38,910	$ 37,616	$ 32,988	$ 24,824	$ 20,875
DISTRIBUTION PER UNIT	$ .49	$ .82	$ 1.06	$ .71	$ 1.13

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This discussion should be read in conjunction with the Partnership's consolidated financial statements included with this report.

RESULTS OF OPERATIONS

TIMBERLAND RESOURCES

The Partnership harvested the following timber:

Year	Total		Softwood Sawlogs		Hardwood Sawlogs		Pulp Logs		Stumpage	
	MMBF	$/MBF	MMBF	$/MBF	MMBF	$/MBF	MMBF	$/MBF	MMBF	$/MBF
1997	33.2	583	24.7	701	1.3	456	7.2	219	-	-
1996	31.6	664	23.4	808	1.3	477	6.9	209	-	-
1995	38.0	682	26.2	848	.8	490	10.2	329	.8	551

Timber log sale revenues totaled $19,486,000, $21,569,000, and $26,399,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

The Partnership sells its logs into the export and domestic markets. Indirect sales to the export market totaled 10.3, 12.3, and 13.1 million board feet of soft wood logs for 1997, 1996, and 1995, respectively.

Export demand for logs is directly affected by the demand from Asian countries. As nearly all of the Partnership's export logs are sold to Japan, the strength of the Japanese economy and the relative strength of the United States Dollar directly affect the demand for export logs. The log export market weakened through 1997 as the Japanese economy declined and the United States dollar strengthened relative to the Japanese yen resulting in a decrease of export sales in 1997. Sales to the export market totaled 42%, 57%, and 52% of total timber revenues for 1997, 1996, and 1995, respectively. Management anticipates that the weakness in the Japanese market will continue in the near term and that this weakness will continue to dampen Japanese demand for export logs from the U.S.

The Partnership's domestic demand for logs is directly affected by the level of construction activity on the west coast of the United States. Changes in general economic and demographic factors have historically caused fluctuations in housing starts. This affects demand for lumber and commodity wood prices which in turn drives the demand for logs. The average prices per MBF of domestic logs realized were $617, $615, and $620 for 1997, 1996 and 1995, respectively. Management anticipates that the U.S. economy may slow slightly in 1998 which is expected to reduce demand and price for both lumber and logs. Domestic prices may further weaken if the lowered export demand results in the diversion of log volumes from offshore destinations to domestic processing facilities.

A trend of sawmill closures and consolidation of lumber manufacturing capacity into larger facilities has prevailed throughout the U.S. for the last decade and is expected to continue into the near future. This trend has held true for the Partnership's operating region. The decline in log demand within the Partnership's market has been less than the reduction in the number of mills, and the Partnership has thus far been successful in finding replacement outlets for its domestic logs. The Partnership does not believe the decline in the number of domestic sawmills will materially impact its near-term operations.

REAL ESTATE DEVELOPMENT

Real estate development revenues for the years ended December 31, 1997, 1996, and 1995 were $10,623,000, $11,444,000 and $9,763,000, respectively. These revenues were derived from residential development and income-producing properties. Residential development consists of the sale of single-family homes, developed lots and undeveloped acreage. Income-producing properties consist of the water and sewer facilities providing service to properties in the Port Ludlow area; a marina, golf course, commercial center and RV park operated by the Partnership; the Port Gamble townsite and millsite; and a restaurant/lounge and related facilities leased to Village Resorts, Inc. and operated by Derrig Hobart Enterprises, Inc..

Revenue from residential development totaled $5,825,000, $6,914,000, and $5,693,000 for the years ended December 31, 1997, 1996, and 1995, respectively. Revenue in 1996 included the recognition of $544,000 of previously deferred revenue. The revenue was recognized in 1996 when a contract on a large parcel was paid. The Partnership's largest development is in Port Ludlow, Washington. During 1997, the Partnership's development at Port Ludlow generated revenues of $4,639,000 through the sale of 17 developed lots and 13 homes. This compares to 1996 sales of $4,946,000 for 8 developed lots, and 17 homes and 1995 sales of $4,163,000 for 26 developed lots and 14 homes. Revenue per sale depends on the quality and size of the home, features of the subdivision, and the location of the lot.

The Partnership's real estate development inventory includes a number of residential subdivisions encompassing a broad spectrum of prices in several locales. The Partnership continues to be in the planning and entitlement phases for several developments located in the West Puget Sound region. In 1997, the City of Bremerton approved the Partnership's request for preliminary planned unit development status on a 270 acre property, and increased the industrial portion to 60 acres. Construction of the off-site sewer at this site is completed and the Partnership is focusing on its marketing plan. With respect to other properties, the Partnership continues to work with officials in Gig Harbor regarding the development of a 320 acre mixed use project located within the Gig Harbor city limits. The Partnership's proposed Kingston residential development, consisting of 750 acres and 765 units awaits entitlements and utility infrastructure. On September 8, 1997, the Growth Management Hearings Board again invalidated Kitsap County's comprehensive plan, where Kingston is located. The Partnership will participate with other stakeholders within Kitsap County to revise the plan for resubmission to the State Hearings Board.

Revenue from income-producing properties totaled $4,798,000, $4,530,000, and $4,070,000 for the years ending December 31, 1997, 1996 and 1995, respectively. Management expects future revenues to continue to increase modestly. As of January 1, 1996, the Partnership assumed responsibility for managing the Port Gamble townsite which had been leased to Pope & Talbot, Inc. Management is presently studying alternatives to add value to Port Gamble's historic core and its upland property consisting of approximately 4,000 acres.

OTHER

Cost of sales as a percentage of sales were 44%, 43%, and 37% during 1997, 1996, and 1995, respectively. Cost of sales for the Partnership can fluctuate widely due to the various methods for selling timber and the basis of the land the Partnership sells.

Selling, general and administrative expenses were $11,942,000, $8,926,000 and $7,926,000 for the years ending December 31, 1997, 1996, and 1995, respectively. The increase in expenses is primarily due to the following: payroll and employee-related costs such as education, insurance, travel and entertainment; professional services related to computer technology to enhance our internal systems in order for us to remain competitive; expenses related to the proxy statement and unitholder vote held on March 14, 1997; and costs associated with the development of the investor portfolio management business.

Interest expense in 1997 is consistent with 1996 after a decline in the debt balance from 1995 to 1996. Interest income in 1997 has increased as a result of an increase in the balance of contracts receivable.

The Partnership is a 50% joint venture partner in a 36-room inn at Port Ludlow. The Partnership's share of joint venture losses were $337,000, $378,000 and $383,000 for the years of 1997, 1996, and 1995, respectively. Management is working with the Inn to improve occupancy and profitability.

On October 9, 1997, Pope Resources authorized the first-ever split of its partnership units. Unitholders of record as of October 31, 1997 received an additional 4 units for each unit then held. The split was intended to bring the units to a price level where they can be more easily traded in the marketplace, and to meet new Nasdaq listing requirements.

In June 1997, the FASB issued Statement of Financial Accounting Standard 131 "Disclosures about Segments of an Enterprise and Related Information," which changes the way public companies report information about operating segments. The Partnership will adopt Statement of Financial Accounting Standard 131 for the year ended December 31, 1998. This statement is based on the management approach to segment reporting. Management is in the process of evaluating the impact of SFAS 131 on the Partnership's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Funds generated internally through operations and externally through financing will provide the required resources for the Partnership's real estate development and capital expenditures. Management considers its capital resources to be adequate for its real estate development plans, both in the near-term and on a long-term basis. At December 31, 1997, the Partnership had available an unused $20 million bank loan commitment.

Management has considerable discretion to increase or decrease the level of logs cut and thereby may increase or decrease net income and cash flow assuming, of course, log prices and demand remain stable. Management's current plan is to harvest approximately 38 million board feet of timber in 1998. Since harvest plans are based on demand, price and cash needs, actual harvesting may vary subject to management's on-going review.

Cash provided by operating activities was $5,820,000 for the year ended December 31, 1997. Overall cash and cash equivalents increased by $209,000 in 1997. The cash generated was primarily used for cash payments to unitholders of $1,763,000, repayments of long-term debt of $333,000 and capital expenditures of $3,023,000, related to roads, reforestation, infrastructure, and equipment. In 1996 cash provided by operating activities was $12,330,000 and was used primarily for debt repayments of $3,289,000, unitholder distributions totaling $3,706,000, and capital and land expenditures of $2,156,000. In 1995, cash provided by operating activities generated $17,040,000 and was primarily used for debt repayments of $7,663,000, capital expenditures of $3,424,000, and unitholder distributions totaling $4,790,000.

The practice of the Partnership has been to make cash distributions only for the purpose of defraying the federal and state tax liability of unitholders on their flow-through share of Partnership net income and as approved from time to time by the managing general partner. The partnership plans to continue making quarterly partnership distributions during 1998.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

POPE RESOURCES

A DELAWARE LIMITED PARTNERSHIP

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Unitholders
Pope Resources, A Delaware Limited Partnership
Poulsbo, Washington

We have audited the accompanying consolidated balance sheets of Pope Resources, A Delaware Limited Partnership and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Pope Resources, A Delaware Limited Partnership and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Seattle, Washington
January 30, 1998

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS - DECEMBER 31, 1997 AND 1996
(Thousands)

ASSETS

Current assets:	1997	1996
Cash and cash equivalents	$ 3,950	$ 3,741
Accounts receivable	680	517
Work in progress	10,072	10,522
Contracts and construction loans receivable	1,433	1,251
Prepaid expenses and other	364	317
Total current assets	16,499	16,348
Properties and equipment, at cost:		
Land and land improvements	15,028	15,047
Roads and timber, net of accumulated depletion of $8,090 and $7,528	11,067	11,030
Buildings and equipment, net of accumulated depreciation of $12,029 and $10,961	10,944	9,600
	37,039	35,677
Other assets:		
Contracts receivable, net of current portion, including related party receivable of $271 in 1997 and $261 1996	1,877	1,561
Unallocated amenities and project costs	847	936
Other	57	77
	2,781	2,574
	$ 56,319	$ 54,599

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:	1997	1996
Accounts payable	$ 852	$ 692
Distribution payable	452	
Accrued liabilities	947	586
Current portion of long-term debt	351	325
Deposits	82	110
Total current liabilities	2,684	1,713
Deficit in investment in joint venture	160	316
Long-term debt, net of current portion	14,048	14,403
Other long-term liabilities	275	275
Deferred profit on contracts receivable	242	276
Commitments and contingencies (Notes 7 and 8)		
Partners' capital:		
General Partners' capital	519	506
Limited Partners' capital	38,391	37,110
Total Partners' capital	38,910	37,616
	$ 56,319	$ 54,599

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(Thousands, except per unit data)

	1997	1996	1995
Revenues	$ 30,109	$ 33,013	$ 36,162
Cost of revenues	(13,313)	(14,269)	(13,437)
Selling, general and administrative expenses	(11,942)	(8,926)	(7,926)
Income from operations	4,854	9,818	14,799
Other income (expense):			
Interest expense	(1,421)	(1,388)	(1,712)
Interest income	413	282	386
Equity in losses of joint venture	(337)	(378)	(383)
	(1,345)	(1,484)	(1,709)
Net income	$ 3,509	$ 8,334	$ 13,090
Net income:			
Allocable to general partners	$ 35	$ 83	$ 131
Allocable to limited partners	3,474	8,251	12,959
	$ 3,509	$ 8,334	$ 13,090
Net income per partnership unit	$ .78	$ 1.84	$ 2.90

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(Thousands)

	1997	1996	1995
Cash flows from operating activities:			
Cash received from customers	$ 29,371	$ 33,523	$ 37,422
Cash paid to suppliers and employees	(22,575)	(20,078)	(19,061)
Interest received	428	302	399
Interest paid, net of amounts capitalized	(1,404)	(1,417)	(1,720)
Net cash provided by operating activities	5,820	12,330	17,040
Cash flows from investing activities:			
Capital expenditures	(3,023)	(2,156)	(3,424)
Joint venture investment	(492)	(425)	(140)
Net cash used in investing activities	(3,515)	(2,581)	(3,564)
Cash flows from financing activities:			
Cash distributions to unitholders	(1,763)	(3,706)	(4,790)
Repayments of long-term debt	(333)	(3,289)	(7,663)
Purchase of partnership units	(136)		
Net cash used in financing activities	(2,096)	(6,995)	(12,589)
Net increase (decrease) in cash and cash equivalents	209	2,754	887
Cash and cash equivalents:			
Beginning of year	3,741	987	100
End of year	$ 3,950	$ 3,741	$ 987
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 3,509	$ 8,334	$ 13,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Cost of land and timber sold	306	1,192	133
Land resale expenditures	(288)	(106)	(461)
Depreciation and depletion	1,647	1,458	1,559
Loss on equity in joint venture	337	378	383
Deferred profit	(34)	(511)	27
Increase (decrease) in cash from changes in operating accounts:			
Accounts receivable	(163)	530	125
Work in progress	539	912	575
Contracts receivable	(498)	566	1,067
Accounts payable and accrued liabilities	521	(272)	261
Deposits	(28)	(56)	54
Other, net	(28)	(95)	227
Net cash provided by operating activities	$ 5,820	$ 12,330	$ 17,040

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

1. Summary of significant accounting policies:

Nature of Operations:

Pope Resources, A Delaware Limited Partnership (the "Partnership"), is a publicly-traded limited partnership engaged principally in tree farming operations and real estate development in Western Washington. Tree farming operations include the sale of logs, and the selling of standing timber under cutting contracts or other arrangements. Real estate development includes the sale of single-family homes, finished lots and undeveloped acreage, and various commercial operations.

The partnership is currently developing an investment portfolio management business (IPMB). The vehicle for this business is Olympic Resource Management LLC (ORMLLC). The business is expected to acquire and/or manage properties for third party land owners and institutional investors. The amendment to the Limited Partnership Agreement allowing management to pursue the IPMB limited cumulative net expenditures from pursuing the IPMB to $5,000,000, including debt guarantees. As of December 31, 1997, the Partnership has spent approximately $1,500,000 pursuing IPMB opportunities. The amendment further specifies that net income from the IPMB will be split using a sliding scale allocation method, commencing with 80% to ORM, Inc., a subsidiary of Pope Resources, and 20% to Pope MGP, Inc, the managing general partner of the Partnership. The sliding scale allocation method will allocate income evenly between ORM, Inc. and Pope MGP once net income reaches $7,000,000 in a fiscal year from the IPMB. As of December 31, 1997, the IPMB has not generated revenues.

Principles of consolidation:

The consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries, ORM, Inc., Olympic Resource Management LLC, Ludlow Water Company, Ludlow Bay Realty and Gamble Village Water and Sewer Company. Significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates in financial statements:

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Work in progress:

Work in progress consists of land and direct development costs, including capitalized interest, of lots and dwellings which are completed or are expected to be substantially completed and available for sale in the upcoming year and are recorded at the lower of cost or net realizable value.

Contracts receivable:

The Partnership sells land parcels under contracts requiring a minimum cash down payment of twenty percent and having financing terms of up to eight years at interest rates of ten percent. The Partnership reduces credit risk on contracts through collateral on the underlying land and down payment requirements.

Summary of significant accounting policies (continued):

Principal payments on contracts receivable for the next five years are due as follows:

	(Thousands)
1998	$155
1999	183
2000	146
2001	448
2002	125

Unallocated amenities and project costs:

Unallocated amenities and project costs represent indirect development costs for long-term real estate development projects. These costs are expensed based on anticipated project sales of residential dwellings and lots over the life of the project.

Properties and equipment:

Depreciation is provided using straight-line methods over the estimated useful lives of the assets which range from 5 to 39 years. Depletion of logging roads and costs of fee timber harvested are provided at rates based on unrecovered costs and estimated recoverable volume of softwood timber.

When facts and circumstances indicate the carrying value of properties may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the property to the projected future cash flows. Upon indication that the carrying value of such assets may not be recoverable, the Partnership would recognize an impairment loss by a charge against current operations.

Revenue recognition:

Revenue on timber sales is recorded when title and risk of loss passes to the buyer. Revenue on real estate sales is recorded on the date the sale closes. The Partnership uses the installment method of accounting for real estate sales transactions until 20% to 25% of the contract sales value has been collected, at which time the full accrual method of accounting is used.

Income per partnership unit:

Income per partnership unit is computed using the weighted average number of units outstanding during each year (4,519,470 units in 1997 and 1996, and 4,519,565 units in 1995). There were 4,519,470 units outstanding at December 31, 1997 and 1996. All unit numbers were adjusted to reflect the 5 for 1 stock split to owners of record on October 31, 1997. The unit options outstanding had no dilutive impact to net income per Partnership unit.

Summary of significant accounting policies (continued):

Statement of cash flows:

The Partnership considers all highly-liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Non-cash investing activities include a transfer of $287,000 to work in progress during 1995.

Reclassifications:

Certain reclassifications have been made to the prior years' financial statements to conform with the current year's presentation.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard 131 "Disclosures about Segments of an Enterprise and Related Information," which changes the way public companies report information about operating segments. The Partnership will adopt SFAS 131 for the year ended December 31, 1998. This statement is based on the management approach to segment reporting. Management is in the process of evaluating the impact of SFAS 131 on the Partnership's financial statements.

2. Income taxes:

The Partnership is not subject to income taxes. Instead, each partner is taxed on their share of the Partnership's taxable income, whether or not distributed.

The following schedule reconciles net income reported for financial statement purposes to consolidated taxable income:

(Thousands)	1997	1996	1995
Net income per financial statements	$ 3,509	$ 8,334	$ 13,090
Difference in reporting depreciation	(163)	(37)	(104)
Cost basis of land, timber and homes sold	29	175	269
Difference in reporting depletion	(116)	(27)	(130)
Deferred profit from differences in the use of the installment method	(129)	326	315
Other, net	1	4	292
Consolidated taxable income	$ 3,131	$ 8,775	$ 13,732

3. Long-term debt:

Long-term debt at December 31 consisted of:

(Thousands)	1997	1996
Mortgage note payable to an insurance company with interest at 9.65%, collateralized by timberlands, with a minimum monthly payment of $136,000, maturing May 2022	$ 13,935	$ 14,212
Local improvement district assessments, with interest ranging from 6.5% to 10%, due through 2009	464	516
	14,399	14,728
Less current portion	351	325
	$ 14,048	$ 14,403

The Partnership has a $20 million revolving term loan agreement. There was no balance outstanding on the agreement as of December 31, 1997 and 1996. The maximum available borrowings are reduced by $10 million on September 30, 2000 and the agreement expires on September 30, 2001.

The Partnership debt agreements contain certain financial statement ratio covenants and have tangible net worth requirements for which the Partnership is in compliance as of December 31, 1997. The minimum net worth requirements for the bank and the insurance company notes were $32,975,000 as of December 31, 1997. The net worth requirements increase each year by a percentage of the current year's net income. The mortgage note payable also includes debt repayment provisions in the event of timber harvests in excess of specified amounts.

Principal payments on long-term debt for the next five years are due as follows:

	(Thousands)
1998	$351
1999	382
2000	411
2001	448
2002	489

4. Fair value of financial instruments:

The Partnership's financial instruments include cash and cash equivalents, accounts receivable, contracts receivable, and variable rate debt, for which the carrying amount of each approximates fair value. The fair value of contracts receivable was determined based on current yields for similar contracts. The fair value of fixed rate debt having a carrying value of $14,399,000 and $14,728,000, has been estimated based on current interest rates for similar financial instruments and totals $15,796,000 and $15,350,000 as of December 31, 1997 and 1996, respectively.

5. Partners' capital:

The general partners of the Partnership are Pope MGP, Inc. and Pope EGP, Inc. Allocations of partner distributions and net income are based on units held.

5. Partners' capital: (Continued)

The following presents the partners' capital account activity for the three years ended December 31, 1997:

	(Thousands)		
	General Partners	Limited Partners	Total
January 1, 1995	$ 392	$ 24,432	$ 24,824
Repurchase of 8,500 units		(136)	(136)
Distributions	(63)	(4,727)	(4,790)
Net income	131	12,959	13,090
December 31, 1995	$ 460	$ 32,528	$ 32,988
Distributions	(37)	(3,669)	(3,706)
Net income	83	8,251	8,334
December 31, 1996	$ 506	$ 37,110	$ 37,616
Distributions	(22)	(2,193)	(2,215)
Net income	35	3,474	3,509
December 31, 1997	$ 519	$ 38,391	$ 38,910

Distributions in 1997 include $.10 per Partnership unit paid January 15, 1998.

6. Unit Option Plan

The Partnership's 1997 Unit Option Plan authorized the granting of nonqualified unit options to employees, officers, and directors of the Partnership. A total of 300,000 units have been reserved for issuance under the plan, of which 42,500 were granted during 1997 at a strike price of $20 per unit. Unit options are granted at prices not less than the fair value of the limited partnership units on the date of the grant. The options generally become exercisable over a four year period and have a maximum term of 10 years. No options were exercisable at December 31, 1997.

6. Unit Option Plan (continued)

The Partnership accounts for unit-based compensation in accordance with APB Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES. Accordingly, compensation cost for unit options is measured as the excess, if any, of the fair value of the Partnership's units at the date of grant over the amount an employee must pay to acquire the unit. No compensation expense has been recognized on original grants of unit options, which have all had an exercise price not less than the fair value of the Partnership's unit price on the date of the grant. Had compensation expense for unit option grants been recognized based on the fair value at the grant date consistent with the method described in SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, the Partnership's net income would not have been materially affected.

7. Employee benefits:

Full-time salaried employees with one year of service are eligible to receive benefits under a defined contribution plan. The Partnership is required to contribute 3% of eligible employee compensation into the plan, which amounted to $60,000, $49,000, $48,000 for December 31, 1997, 1996, and 1995, respectively. The Partnership also accrued $181,000 in 1995 related to a supplemental retirement plan for a key employee.

8. Commitments:

In the ordinary course of business, and as part of the entitlement and development process, the Partnership is required to provide performance bonds and letters of credit to assure completion of certain public facilities. The Partnership had performance bonds and letters of credit outstanding totaling $712,000 and $1,821,000 at December 31, 1997 and 1996, respectively.

9. Joint Venture

In 1994, the Partnership entered into a joint venture, as 50% owner, to develop and manage a real estate investment property. The Partnership's share of joint venture losses have been accounted for using the equity method of accounting and, as of December 31, 1997 and 1996, exceed the Partnership's capital investment. Such excess has been recorded as a liability as the Partnership is a joint and several guarantor with its partner of joint venture debt obligations, which amount to $5,182,000 and $5,750,000 as of December 31, 1997 and 1996, respectively.

10. Related party and major customer transactions:

Pope MGP, Inc. is the managing general partner of the Partnership and receives an annual fee of $150,000.

A director of Pope MGP, Inc. is also a director of Pope & Talbot, Inc. (P&T). In 1997 the Partnership received lease payments of $75,000 from P&T for lease of a log dump site at Port Gamble, Washington. Under an agreement between P&T and the Partnership which expired on December 31, 1995, P&T managed the townsite of Port Gamble and a log dump at Port Ludlow for an annual fee of $175,000.

A former director of Pope MGP, Inc. was a managing director of MRGC and is its President and Chief Executive Officer and a director of Merrill & Ring, Inc. MRGC was 50%-owned by Merrill & Ring, Inc. Such individual served as a director of Pope MGP, Inc. during 1995. During the year ended December 31, 1995, the Partnership paid $268,000 for fees and commissions related to export timber sales through MRGC which totaled $4,389,000.

In 1996, the Partnership sold one of its residential homes at Port Ludlow, Washington to Gary F. Tucker, a Director, President, and CEO of Pope MGP, Inc. in connection with his relocation and employment by Pope MGP. The Partnership holds Mr. Tucker's promissory note for a portion of the purchase price with a balance of $271,000 and $261,000 at December 31, 1997 and 1996, respectively. The note bears interest at 6.48% and requires interest-only payments until maturity in 2001.

The partnership contracts with a company which is owned by a relative of the President and Chief Executive Officer to direct the Partnership's outreach acquisition program, including location of potential property and negotiation of acquisition terms for property to be included in investor portfolios. The partnership paid $102,000 to the company during 1997. The President and Chief Executive Officer has no ownership interest in the Company.

The Partnership had a note receivable from an individual participating with the Partnership in a joint venture to develop and manage real estate. The balance of the note receivable was $224,000 and $106,000 at December 31, 1997 and 1996, respectively

Major customers in 1997 include two customers with timber sales of $4,475,000 and $2,663,000, respectively. Major customers in 1996 include two customers with timber sales of $6,312,000 and 3,723,000. Sales to a major customer in 1995 were to a related party, as described above.

11. Segment information:

The Partnership's operations are classified into two segments: timberland resources and real estate development. Identifiable assets are those used exclusively in the operations of each industry segment or those allocated when used jointly. Non-allocable assets of the Partnership include cash, accounts receivable, certain prepaid expenses and the Partnership's administrative office. Details of the Partnership's operations by business segment for the years ended December 31 were as follows:

(Thousands)	Timberland Resources	Real Estate Development	Administrative	Consolidated
1997				
Revenues	$ 19,486	$ 10,623		$ 30,109
Income (loss) from operations	10,151	(727)	$ (4,570)	4,854
Depreciation and depletion	573	763	311	1,647
Identifiable assets	16,015	33,515	6,789	56,319
Capital and land expenditures	719	769	1,884	3,372
1996				
Revenues	$ 21,569	$ 11,444		$ 33,013
Income (loss) from operations	13,650	(77)	$ (3,755)	9,818
Depreciation and depletion	505	800	153	1,458
Identifiable assets	15,947	33,178	5,474	54,599
Capital and land expenditures	490	1,249	526	2,265
1995				
Revenues	$ 26,399	$ 9,763		$ 36,162
Income (loss) from operations	18,087	(904)	$ (2,384)	14,799
Depreciation and depletion	592	842	125	1,559
Identifiable assets	17,414	32,648	4,085	54,147
Capital and land expenditures	2,555	1,265	70	3,890

Sales to the export market which primarily are indirect were $8,200, $12,300 and $13,700 for 1997, 1996, and 1995, respectively.

12. Quarterly financial information (unaudited):

(Thousands, except per unit data)	Revenues	Income/(loss) from Operations	Net Income /(loss)	Net Income/(loss) per Partnership unit
1997				
First quarter	$ 7,080	$ 2,045	$ 1,683	$ .37
Second quarter	7,526	1,086	739	.16
Third quarter	8,591	2,017	1,761	.39
Fourth quarter	6,912	(294)	(674)	(.14)
1996				
First quarter	$ 9,139	$ 4,344	$ 3,894	$ .86
Second quarter	9,282	3,560	3,209	.71
Third quarter	8,676	2,220	1,916	.42
Fourth quarter	5,916	(306)	(685)	(.15)
1995				
First quarter	$ 7,350	$ 2,818	$ 2,395	$ .53
Second quarter	11,437	5,609	5,289	1.17
Third quarter	8,053	3,029	2,722	.60
Fourth quarter	9,322	3,343	2,684	.60

Item 9

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Managing General Partner of the Partnership is Pope MGP, Inc. Its address is the same as the address of the principal offices of the Partnership. Pope MGP, Inc. receives $150,000 per year for acting as managing general partner of the Partnership.

The following table identifies the directors of Pope MGP, Inc. as of December 31, 1997. The Partnership has no directors. Officers of Pope MGP, Inc. hold identical offices with the Partnership.

Name	Age	Position and Background
Adolphus Andrews, Jr. (1), (2)	75	Director; President of Andrews Associates, Inc., 1981 to present.
Peter T. Pope (1), (2)	63	Director; President, CEO and Chairman of the Board of Pope & Talbot, Inc., 1971 to present.
Gary F. Tucker (3)(4)	62	Director; President and CEO of Pope MGP, Inc. and the Partnership since December 1995; President of Trees Inc., June 1989 to December 1995; Vice President Resources of Plum Creek Timber Company, Inc., March 1984 to May 1989.
Marco F. Vitulli (4)	63	Director; President, Vitulli Ventures Ltd., 1980 to present.
Douglas E. Norberg (2)	57	Director; President, Wright Runstad & Company, 1975 to present.
David Cunningham (3)	51	Vice President Public Affairs, since June 1996, Vice President Land Use from December 1985 to June 1996 of Pope MGP, Inc. and the Partnership; Planning Director, Pope & Talbot Development, Inc., July 1978 to December 1985.
Thomas R. Gilkey (3)	51	Senior Vice President Timberland and Acquisitions since January 1997 of Pope MGP, Inc. and the Partnership. Private consultant from January 1994 to December 1996. Executive Vice President, The Campbell Group 1987 to 1994. Timberland Division Manager of Crown Zellerbach 1974 to 1987.
Meredith R. Green (3)	38	Vice President Finance and Treasurer since December 1997, Controller and Treasurer from January 1997 to December 1997 of Pope MGP, Inc. and the Partnership. Controller of Trillium Corporation from October 1995 to December 1996; Controller of Fiberchem/Hanna Resin Distribution from December 1989 to October 1995; Emerging Business Consultant with Ernst and Young from September 1986 to December 1989.

Thomas A. Griffin (3)	40	Vice President Income Properties from June 1996, Treasurer and Controller from November 1991 to June 1996, and Controller from March 1989 to October 1991, and Assistant Controller May 1988 to February 1989 of Pope MGP, Inc. and the Partnership; Property Manager of Wood Associates, January 1986 to April 1988; Controller of Vestar, January 1984 to January 1986
Craig L. Jones (3)	43	Senior Vice President General Counsel and Secretary since September 1996 of Pope MGP, Inc. and the Partnership. Private law practice from 1981 to 1996.
Gregory M. McCarry (3)	48	Senior Vice President Real Estate since June 1996, Vice President Development from November 1987 to June 1996 of Pope MGP, Inc. and the Partnership; owner of Pace Builders, 1986 to November 1987; Treasurer of Security Resources, Inc., from 1983 to 1986
Dave Nunes (3)	36	Vice President Portfolio Development since December 1997, Director of Portfolio Development from April 1997 to December 1997 of Pope MGP, Inc. and the Partnership; Strategic Planning Director of Weyerhaeuser Company from June 1988 to April 1997.
Thomas M. Ringo (3)	44	Senior Vice President Finance and Client Relations since June 1996, Vice President Finance from November 1991 to June 1996, and Treasurer from March 1989 through October 1991 of Pope MGP, Inc. and the Partnership; Tax Manager of Westin Hotel Company, 1985 to March 1989; Tax Consultant for Price Waterhouse, 1981 to 1985

(1) Mr. Pope is the first cousin of Emily T. Andrews, Mr. Andrews' wife.
(2) Terms expire December 31, 1998.
(3) Term as an officer expires December 31, 1998.
(4) Term as a director expires December 31, 1999.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth certain information concerning the cash compensation paid to each of the five most highly compensated executive officers of the Partnership.

SUMMARY COMPENSATION TABLE

		Annual Compensation			
Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Other Annual Compensation ($)(2)	All Other Compensation ($)(3)
Gary F. Tucker CEO & President	1997	252,000	100,000		4,800
	1996	240,000	110,000		
Greg McCarry Sr. V.P. Real Estate	1997	144,581	44,400		4,800
	1996	136,048	50,000		4,363
	1995	132,400	60,500		4,500
Craig Jones Sr. V.P. General Counsel(4)	1997	141,750	80,500		4,800
	1996	45,000	20,000		
Thomas M Ringo Sr. V.P. Finance and Client Relations	1997	130,000	45,600		4,800
	1996	107,925	50,000		3,960
	1995	100,850	21,000		3,510
Thomas Gilkey Sr. V.P. Timber & Acquisitions	1997	130,000	73,700		4,800

(1) Amounts represent bonuses or commissions earned in the year shown but paid in either the current or following years.

(2) Perquisites and other personal benefits paid to each named executive officer in each instance aggregated less than 10% of the total annual salary and bonus for each officer and accordingly were omitted from the table as permitted by the rules of the Securities and Exchange Commission (SEC).

(3) Amounts represent contributions to the Partnerships 401(k) plan.

(4) Mr. Jones was hired as the Partnership's Sr. V.P. General Counsel in September, 1996.

COMPENSATION PURSUANT TO UNIT OPTIONS

During 1997 unit options were issued at the unit market value as follows:

Name	Number Securities Underlying Options	% of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term 5%	10%
Gary F. Tucker CEO & President	15,000 (1)	35%	20	3/14/07	$150,000	$300,000
Greg McCarry Sr. V.P. Real Estate	3,750 (1)	9%	20	3/14/07	37,500	75,000
Craig Jones Sr. V.P. General Counsel	3,750 (1)	9%	20	3/14/07	37,500	75,000
Thomas M. Ringo Sr. V.P. Finance and Client Relations	3,750 (1)	9%	20	3/14/07	37,500	75,000
Thomas Gilkey Sr. V.P. Timber & Acquisitions	3,750 (1)	9%	20	3/14/07	37,500	75,000

(1) Options granted vest annually over four years. As of December 31, 1997, there were no vested unit options.

COMPENSATION OF DIRECTORS.

Compensation of the directors of Pope MGP, Inc. consisted of a monthly fee of $1,500 plus a $1,000 per day fee for each board meeting attended.

EMPLOYEE BENEFIT PLANS.

Full-time salaried employees with one year of service are eligible to receive benefits under a defined contribution plan. The Partnership is required to contribute 3% of eligible employee compensation into the plan, which amounted to $60,000, $49,000, and $48,000 for each of the three years ended December 31, 1997. Employees become fully vested over a six year period in the Partnership's contribution.

The Partnership has a supplemental retirement plan for a retired key employee. The plan provides for a retirement income of 70% of the employee's base salary at retirement after taking into account both 401(k) and social security benefits. The Partnership accrued $181,000 for this benefit in 1995.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

PRINCIPAL UNITHOLDERS.

As of December 31, 1997, the following persons were known or believed by the Partnership to be the beneficial owners of more than five percent (5%) of the outstanding Partnership units:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)		Percent of Class
Units	Private Capital Management, Inc. 3003 Tamiami Trail North Naples, FL 33940	1,321,266	(2)	29.2
Units	Emily T. Andrews 600 Montgomery Street 35th Floor San Francisco, CA 94111	557,100	(3)	12.3
Units	Peter T. Pope 1500 S.W. 1st Avenue Portland, OR 97201	314,345	(4)	7.0

(1) Each beneficial owner has sole voting and investment power unless otherwise indicated.

(2) Private Capital Management, Inc. is an investment adviser shown registered under the Investors Advisers Act of 1940. Units are held in various accounts managed by Private Capital Management, Inc. which shares dispositive powers as to those units.

(3) Includes 1,090 units owned by her husband, Adolphus Andrews, Jr. as to which she disclaims beneficial ownership. Also includes a total of 60,000 units held by Pope MGP, Inc. and Pope EGP, Inc., as to which she shares voting and investment power.

(4) Includes 53,420 units held in trust for his children. Also includes a total of 60,000 units held by Pope MGP, Inc., and Pope EGP, Inc., as to which he shares investment and voting power.

MANAGEMENT.

As of December 31, 1997, the beneficial ownership of the Partnership units of (I) the general partners, (II) the directors of the Partnership's general partners, and (III) the Partnership's general partners, directors and officers of the Partnership as a group was as follows:

Name	Position and Offices	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Adolphus Andrews, Jr.	Director, Pope MGP, Inc. and Pope EGP, Inc. (3)	557,100 (2)	12.3
Peter T. Pope	Director, Pope MGP, Inc. and Pope EGP, Inc. (5)	314,345 (4)	7.0
Pope EGP, Inc.	Equity General Partner	54,000	1.2
Pope MGP, Inc.	Managing General Partner	6,000	*
Marco Vitulli	Director, Pope MGP, Inc.	1,000	*
Douglas Norberg	Director, Pope MGP, Inc.	2,250	*
Thomas M. Ringo	Senior Vice President Finance, Pope MGP, Inc. and the Partnership	500	*
All general partners, directors and officers of general partners, and officers of the Partnership as a group (11 individuals and 2 partners)		815,195 (6)	18.0

* Less than 1%

(1) Each beneficial owner has sole voting and investment power unless otherwise indicated.

(2) Includes 499,510 units as to which he shares investment and voting power. Also includes units owned by Pope MGP, Inc. or Pope EGP, Inc., as to all of which he disclaims beneficial ownership. See footnote (3) under "Principal Unitholders."

(3) Mr. Andrews is also Vice President of Pope EGP, Inc.

(4) See footnote (4) under "Principal Unitholders."

(5) Mr. Pope is also President of Pope EGP, Inc.

(6) For this computation, the 60,000 units held by Pope MGP, Inc. and Pope EGP, Inc. are excluded from units beneficially owned by Mr. Pope and Mr. Andrews. All of the outstanding stock of Pope MGP, Inc. and Pope EGP, Inc. is owned by Mr. Pope and Mr. Andrews' wife, Emily T. Andrews.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Partnership Agreement provides that it is a complete defense to any challenge to an agreement or transaction between the Partnership and a general partner, or related person, due to a conflict of interest if, after full disclosure of the material facts as to the agreement or transaction and the interest of the general partner or related person, (1) the transaction is authorized, approved or ratified by a majority of the disinterested directors of the managing general partner, Pope MGP, Inc., or (2) the transaction is authorized by partners of record holding more than fifty percent (50%) of the units held by all partners.

In 1996, the Partnership sold one of its residential homes at Port Ludlow, Washington to Gary F. Tucker, a Director, President, and CEO of Pope MGP, Inc. in connection with his relocation and employment by Pope MGP, Inc. The Partnership holds Mr. Tucker's promissory note for a portion of the purchase price which has a principal balance of $271,000 bears interest at 6.48% per annum, requires interest-only payments and matures in 2001

The Partnership contracts with a company, which is owned by a relative of Gary F. Tucker to direct the Partnership's outreach acquisition program, including location of potential property and negotiation of acquisition terms for property to be included in investor portfolios. During the last fiscal year, the Partnership paid fees totaling $102,000 for services provided by the company. Mr. Tucker has no ownership interest in the company.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) FINANCIAL STATEMENTS.

(b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the last quarter of the fiscal year ended December 31, 1997.

(c) EXHIBITS.

3.1 Partnership's Certificate of Limited Partnership. (1)

3.2 Partnership's Limited Partnership Agreement, dated as of November 7, 1985.(1)

3.3 Amendment to Partnership's Limited Partnership Agreement dated December 16, 1986.(2)

3.4 Amendment to Partnership's Limited Partnership Agreement dated March 14, 1997. (4)

4.1 Specimen Depositary Receipt of Registrant. (1)

4.2 Partnership's Limited Partnership Agreement dated as of November 7, 1985 and amended December 16, 1986 (see Exhibits 3.1 and 3.3).

9.1 Shareholders Agreement entered into by and among Pope MGP, Inc., Pope EGP, Inc., Peter T. Pope, Emily T. Andrews, P&T, present and future directors of Pope MGP, Inc. and the Partnership, dated as of November 7, 1985 included as Appendix C to the P&T Notice and Proxy Statement filed with the Securities and Exchange Commission on November 12, 1985, a copy of which was filed as Exhibit 28.1 to the Partnership's registration on Form 10 identified in footnote (1) below. (1)

10.1 Transfer and Indemnity Agreement between the Partnership and P&T dated as of December 5, 1985. (1)

10.2 Management Agreement between the Partnership and P&T dated as of December 5, 1985. (1)

10.3 Ground Leases between the Partnership as Lessor and P&T as Lessee dated December 3, 1985. (1)

22.1 Subsidiaries of the Partnership. (3) and (4)

28.1 Certificate of Incorporation of Pope MGP, Inc. (1)

28.2 Amendment to Certificate of Incorporation of Pope MGP, Inc. 3)

28.3 Bylaws of Pope MGP, Inc. (1)

28.4 Certificate of Incorporation of Pope EGP, Inc. (1)

28.5 Amendment to Certificate of Incorporation of Pope EGP, Inc. (3)

28.6 Bylaws of Pope EGP, Inc. (1)

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(1) Incorporated by reference from the Partnership's registration on Form 10 filed under File No. 1-9035 and declared effective on December 5, 1985.

(2) Incorporated by reference from the Partnership's annual report on Form 10-K for the fiscal year ended December 31, 1987.

(3) Incorporated by reference from the Partnership's annual report on Form 10-K for the fiscal year ended December 31, 1988.

(4) Incorporated by reference from the Partnership's Proxy Statement filed on February 14, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POPE RESOURCES, A Delaware
Limited Partnership

By POPE MGP, INC.
Managing General Partner

Date: March 27,1998

By

President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: March 27,1998

By

GARY F. TUCKER,
President, Chief Executive Officer
(principal executive officer),
Partnership and Pope MGP, Inc.;
Director, Pope MGP, Inc.

Date: March 27, 1998

By

THOMAS M. RINGO
Senior Vice President Finance and Client
Relations (principal financial officer),
Partnership and Pope MGP, Inc

Date: March 27,1998

By

MEREDITH R. GREEN
Vice President Finance and Treasurer
(principal accounting officer),
Partnership and Pope MGP, Inc.

Date: March 27,1998 By

ADOLPHUS ANDREWS, JR.
Director, Pope MGP, Inc.

Date: March 27,1998 By

PETER T. POPE
Director, Pope MGP, Inc.

Date: March 27,1998 By

MARCO F. VITULLI
Director, Pope MGP, Inc.

Date: March 27,1998 By

DOUGLAS E. NORBERG
Director, Pope MGP, Inc.