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Proposed Counsel to the Official Committee of Unsecured Creditors

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

In re:	§	Chapter 11
	§	
SCANROCK OIL & GAS, INC., <i>et al.</i> ,	§	Case No. 25-90001-mxm11
	§	
Debtors. ¹	§	Jointly Administered

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' EMERGENCY
MOTION FOR SUBSTANTIVE CONSOLIDATION OF DEBTORS' ESTATES**

Emergency relief has been requested. Relief is requested not later than May 28, 2025. If you object to the relief requested or you believe that emergency consideration is not warranted, you must appear at the hearing if one is set, or file a written response prior to the date that relief is requested in this paragraph. Otherwise, the Court may treat the pleading as unopposed and grant the relief requested.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, if any, are: Scanrock Oil & Gas, Inc. (0380); O'Ryan Family Limited Partnership (1913); O'Ryan Production & Exploration Ltd. (9950); Ryan C. Hoerauf, Inc. (0493); Smackover Oil Treaters, Ltd. (9529); O'Ryan Ponderosa, LLC (1476); EON Production, LLC (0136); O'Ryan Ranches, Ltd. (7184), O'Ryan Oregon Ranches, LLC, and O'Ryan Ranches, LLC (6467) (collectively, the "Debtors"). The location of the Debtors' service address is 8180 Lakeview Center, Ste. 300, Odessa, TX 79765.

TO THE HONORABLE MARK X. MULLIN, U.S. BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the “Committee”) hereby moves this Court for entry of an order substantively consolidating the estates of the above-captioned Debtors (the “Motion”). The Committee files this Motion on an emergency basis so that it may be heard on May 28, 2025, with the U.S. Trustee’s motion to appoint chapter 11 trustees, set to be heard that day. In support of this Motion, the Committee respectfully states as follows:

I. EMERGENCY BASIS FOR MOTION

1. The Committee files this Motion on an emergency basis pursuant to the *Procedures For Complex Cases In The Northern District of Texas*, ¶ J.36(xii) for several reasons. First, immediate substantive consolidation is necessary to prevent further dissipation of the Oil and Gas Debtors’ assets under Mr. Hoerauf’s control. Second, substantive consolidation would provide much-needed clarity regarding the administration of these cases, which have been characterized by financial disorder and a lack of transparency. Finally, judicial efficiency strongly favors hearing this Motion alongside the U.S. Trustee’s motion for appointment of chapter 11 trustees set for May 28, 2025, as both motions address similar factual issues regarding Mr. Hoerauf’s management of the Debtors’ affairs and the pervasive disregard for corporate formalities. Accordingly, the Committee requests that this Motion be set for hearing on May 28, 2025.

II. PRELIMINARY STATEMENT

2. Substantive consolidation represents the most equitable and cost-effective remedy to address the fact that the Debtors were treated as one company prepetition and therefore their assets, operations, and liabilities have been commingled under the direct control of the Debtors’ owner, Ryan C. Hoerauf (“Mr. Hoerauf”).

3. The current status of these cases—with Mr. Hoerauf maintaining control over the oil and gas operations despite the appointment of a Chief Restructuring Officer (“CRO”), different Debtor entities paying the claims of other Debtors, the payment of Mr. Hoerauf’s personal expenses, certain ranch-owning entities remaining outside bankruptcy protection until very recently, and financial records in disarray—renders separate administration impractical and contrary to creditor interests. Substantive consolidation, whether a chapter 11 trustee is later appointed or not, offers the most equitable and efficient path toward maximizing creditor recoveries and ensuring proper administration of these cases.

4. The Debtors apparently agree that the facts of these chapter 11 cases support substantive consolidation because the Debtors recently filed a Plan (as defined below) that contemplates substantive consolidation to effectuate the payments proposed in the Plan. The Disclosure Statement (as defined below) even touts that substantive consolidation will help “minimize[e] disputes” among Debtors and creditors.

5. The Committee agrees that substantive consolidation will minimize Debtor v. Debtor disputes, but unfortunately after discussions with the Debtors and a careful review of the Plan, the Committee cannot support the Plan as drafted. Most importantly, the Plan is premised on obtaining Exit Financing to help pay Administrative Claims, Priority Claims, certain Mechanics Lien Secured Claims, Unsecured Claims, and Convenience Claims, and to help fund the future oil and gas operations that will be the source of future payments to Mechanics Lien Secured Claims, Royalty Claims, and Unsecured Claims (each such term as defined in the Plan). Unfortunately, the Debtors do not even have a term sheet for Exit Financing, much less committed financing. And while the Plan contains numerous other terms that are not acceptable to the Committee, the lack of any financing or path to obtain financing on the terms outlined in the Plan makes any Plan

negotiation difficult at best. Instead of waiting for the Debtors to make real progress to address the lack of cash in these cases, the Committee believes it is time to recognize that the only path forward in these cases involves substantive consolidation, which should not wait for confirmation of the Plan that may never occur.

II. JURISDICTION

6. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). The Court has constitutional authority to enter final orders on the relief requested.

7. Additionally, substantive consolidation may be sought and granted through motion, which this District recognizes procedurally in its Local Rules. *See Procedures For Complex Cases In The Northern District of Texas*, ¶ J.36(xii) (Effective February 6, 2023) (allowing motions for substantive consolidation to be filed on shortened notice); *see also Local Bankruptcy Rules of the U.S. Bankruptcy Court For The Northern District of Texas*, L.B.R. 9007-1(h)(8) (establishing that motions for substantive consolidation cannot use the "negative notice" procedure and must be set for hearing). *See also In re No Rust Rebar, Inc.*, No. 21-12188-PDR, 2023 WL 4497328, at *11 (Bankr. S.D. Fla. July 12, 2023), *aff'd sub nom. Smith v. Slott*, 754 F. Supp. 3d 1271 (S.D. Fla. 2024) (expressly holding that “the Court may substantively consolidate a non-debtor with a bankruptcy debtor by motion”). This procedure is well-established in bankruptcy practice. *See Eastgroup Props. v. S. Motel Ass’n, Ltd.*, 935 F.2d 245 (11th Cir. 1991) (affirming order of bankruptcy court granting chapter 7 trustee’s motion to substantively consolidate); *In re E’Lite Eyewear Holding, Inc.*, No. 08-41374, 2009 WL 349832, at *1 (Bankr. E.D. Tex. Feb. 5, 2009) (granting chapter 7 trustee’s motion to substantively consolidate certain affiliated and related subsidiaries and partnerships with the debtor). Indeed, courts have expressly stated that

“Substantive consolidation is traditionally sought by motion.” *In re Archdiocese of Saint Paul & Minneapolis*, 553 B.R. 693, 699 (Bankr. D. Minn.), *aff’d*, 562 B.R. 755 (D. Minn. 2016), *aff’d*, 888 F.3d 944 (8th Cir. 2018). Thus, this Court has jurisdiction and procedural ability to substantively consolidate these cases through this Motion.

III. RELEVANT BACKGROUND

A. The Debtors and Their Operations

8. On February 3, 2025, Scanrock Oil & Gas, Inc. and O’Ryan Ranches, Ltd. filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On February 9, 2025, several other Debtors filed for chapter 11 relief. On April 25 (collectively with February 3, 2025 and February 9, the “Petition Date”), two additional Debtors, O’Ryan Oregon Ranches, LLC and O’Ryan Ranches LLC, filed for chapter 11 relief. The Debtors in these jointly administered cases are:

1. **Scanrock Oil & Gas, Inc.** - An oil and gas company operating in Texas
2. **O’Ryan Family Limited Partnership (“FLP”)** - A partnership entity that is the 100% owner of O’Ryan Ranches, LLC and O’Ryan Oregon Ranches, which own the Oregon Ranch (as defined below)
3. **O’Ryan Production & Exploration Ltd.** - An oil and gas operating entity
4. **Ryan C. Hoerauf, Inc. (“RCH”)** - An oil and gas production entity
5. **Smackover Oil Treaters, Ltd. (“Smackover”)** - An oil field services company
6. **O’Ryan Ponderosa, LLC** - A Debtor entity with no assets other than a few gas leases scheduled at \$0
7. **EON Production, LLC** - An oil and gas production entity
8. **O’Ryan Ranches, Ltd.** - An entity that owns 1,739.514 acres of real property located in Llano County, Texas (the “Llano Ranch”)
9. **O’Ryan Ranches, LLC** – An entity that partly owns a ranch consisting of approximately 44,328 acres of timber land located in Crook County, Oregon (the “Oregon Ranch”)

10. O’Ryan Oregon Ranches, LLC – An entity partly owning Mr. Hoerauf’s Oregon Ranch.

9. After months of delay and only following pressure from creditors and the Committee, O’Ryan Ranches LLC and O’Ryan Oregon Ranches LLC, which own the valuable Oregon Ranch, finally filed bankruptcy petitions on Friday, April 25, 2025 a few days before a hearing on the U.S. Trustee’s motion to appoint chapter 11 trustees. This belated filing—coming nearly three months after the original Petition Date—further demonstrates the Debtors’ reluctance to address these cases in a transparent and comprehensive manner.

10. The CRO hired by Mr. Hoerauf, Brad Walker (“Mr. Walker”), previously confirmed under oath that he lacked authority over these non-Debtor entities, testifying that he was not their CRO.² He was not appointed as CRO for the new debtor entities until Tuesday, April 29, 2025. Even with the recent filings, the delay in bringing these valuable assets into the bankruptcy estate and under the authority of Mr. Walker has hindered proper administration of these cases and potentially prejudiced creditor interests.

B. Pervasive Commingling of Assets and Disregard for Corporate Formalities

11. The Debtors’ operations and finances are fundamentally intertwined, with a systemic disregard for corporate separateness and formalities. Mr. Hoerauf effectively controls all Debtor entities and the recently-filed ranch entities, creating a single enterprise under his direction.³ Prior to the Petition Date, Mr. Hoerauf’s management of the Debtors’ operations was characterized by diversion of corporate funds from oil and gas entities to pay for personal ranch expenses and family salaries rather than satisfying legitimate obligations to vendors and royalty

² See *Declaration of Brad Walker in Support of Debtors’ Chapter 11 Petitions and First-Day Motions*, ¶ 2, n.2 (the “First Day Declaration”).

³ See Exhibit A, Transcript of Deposition of Ryan C. Hoerauf, April 25, 2025, at 11:3-22.

claimants. As a result, the Debtors accumulated approximately \$10.5 million in unsecured debt and \$6 million in unpaid royalties.⁴

12. Notwithstanding the millions in debt, financial records reveal a pattern of substantial transfers to insiders, including a \$45,100 salary to Mr. Hoerauf's spouse, Deanna Hoerauf; a \$54,500 salary to his sister-in-law, Terri Vaught; a \$123,500 salary to his brother-in-law, Thomas Jaeger; multiple unexplained withdrawals titled "RHC Draw American Express," "RHC Draw Citibank," and "RHC Draw Ranches," totaling at least \$54,861.74; personal "Lakehouse expenses" of \$44,396.06; "Distributions" of \$56,700 with no apparent justification; and a \$15,000 "auto allowance" for Ms. Vaught.⁵ Preliminary review of the Debtors' records show intercompany debts among the Debtors of roughly \$59.5 million.⁶

13. Mr. Hoerauf also used the Debtors' accounts for his own personal expenses. He confirmed that he made frequent payments to Odessa Country Club for "monthly dues and entertainment."⁷ He also used Debtor accounts to pay Horseshoe Bay Resort for dues and entertainment related to his personal lake house.⁸ Mr. Hoerauf's personal expenditures were so pervasive that he could not even identify whether certain transactions and credit cards were for business or personal purposes.⁹ For other credit cards, he plainly admitted that he used them for both business and personal expenses.¹⁰

⁴ See *Declaration of Brad Walker in Support of Debtors' Chapter 11 Petitions and First-Day Motions*, ¶ 19-20 [Docket No. 28].

⁵ *Statement of Financial Affairs of O'Ryan Family Limited Partnership*, [Case No. 25-90003, Docket No. 17]; *Statement of Financial Affairs of Ryan C. Hoerauf, Inc.*, [Case No. 25-90006, Docket No. 18].

⁶ See Debtors' respective Schedules E/F [Case No. 25-90001, Docket No. 231; Case No. 25-40434, Docket No. 23; Case No. 25-90002, Docket No. 21; Case No. 25-90003, Docket No. 20; Case No. 25-90004, Docket No. 21; Case No. 25-90005, Docket No. 20; Case No. 25-90006, Docket No. 22; Case No. 25-90007, Docket No. 21] (scheduling various Debtors and non-Debtors as having intercompany claims). O'Ryan Oregon Ranches, LLC, and O'Ryan Ranches LLC filed their chapter 11 petitions on April 25, 2025, and have not yet filed schedules of assets and liabilities.

⁷ See Ex. A, Dep. Transcript of R. Hoerauf at 107:6-19 at 94:23-95:4.

⁸ See *id.* at 82:3-23; 97:5-16.

⁹ See *id.* at 88:16-89:2; 90:18-23.

¹⁰ See *id.* at 89:3-11; 91:1-6.

14. Furthermore, Mr. Hoerauf's own deposition testimony evidences the fact that he treated the Debtors as a single enterprise under his control, hence the regular commingling of funds. For example, one of the Debtors pays his wife Deanna a salary but Mr. Hoerauf could not identify which entity she purportedly works for.¹¹ Mr. Hoerauf also regularly transferred funds between the various debtor entities based on his definition of "need."¹² Mr. Hoerauf's regular personal and intercompany transfers resulted in pre-petition accounting so deficient that the Debtors required the services of Lain Faulkner to reconstruct basic financial records.¹³ Yet still, despite months of professional effort, the intercompany transfers remain unreconciled.

C. Post-Petition Operations and Management Issues

15. Since the Petition Date, significant issues have persisted that further support the need for substantive consolidation. Namely, there is a notable lack of income in these cases, and the post-petition financial management of these Debtors renders further depletion of the available cash likely. For example, Mr. Walker unilaterally increased Mr. Hoerauf's salary to offset the cessation of personal expense payments, despite Mr. Hoerauf never requesting such adjustments.¹⁴ Additionally, Mr. Walker has shown reluctance to list the entire Llano ranch for sale—despite such course of action being in the best interest of the creditors—because *Mr. Hoerauf* does not want to sell the entire ranch due to feeling personally connected to the property.¹⁵

16. The Debtors have yet to provide a definitive timeline for completing workover projects (despite being "hopeful" for its imminent completion for multiple weeks now¹⁶) or make

¹¹ See *id.* at 77:17-25.

¹² See *id.* at 99:1-21.

¹³ See *id.* at 201:3-10.

¹⁴ See Transcript of Hearing Held March 31, 2025, 124:2-126:8.

¹⁵ See Ex. A, Dep. Transcript of R. Hoerauf at 107:6-19.

¹⁶ See *id.* at 71:16-23.

progress on DIP financing.¹⁷ And the oil and gas Debtors are not cash flow positive, several months into these cases. The most valuable assets in these cases—the Oregon Ranch and Llano Ranch—have been subsidized by the oil and gas Debtors, yet the creditors of the oil and gas Debtors currently have no direct access to those assets absent substantive consolidation. Despite numerous potentially valuable causes of action against Mr. Hoerauf and affiliates (including preference, fraudulent transfer, and breach of fiduciary duty claims), the Debtors have not investigated or pursued these claims that could benefit all creditors. Such failure is particularly troublesome in light of the lack of positive cash flow in these cases.

17. Specifically, in February 2025, five of the Debtor entities reported no income, and RCH and FLP reported losses of \$106,000 and \$48,000 respectively. Smackover reported \$523,000 in income, which it transferred to RCH (post-petition). That transfer exemplifies Mr. Hoerauf’s treatment of the Debtor entities as a single enterprise.

18. On April 28, 2025, the Debtors filed the *Debtors’ Joint Consolidated Plan of Reorganization* [Docket No. 280] (the “Plan”) and the corresponding *Disclosure Statement in Support of Debtors’ Joint Consolidated Plan of Reorganization* [Docket No. 284] (the “Disclosure Statement”). Both the Plan and the Disclosure Statement contemplate a degree of substantive consolidation as a means to boost creditor recoveries and limit expenses.¹⁸

19. The Committee agrees with the Debtors that substantive consolidation is proper for these Debtors. The substantive consolidation contemplated by the Plan, however, is watered down, potentially restricting unsecured creditors’ access to the Debtors’ most valuable assets—the

¹⁷ See *Declaration of Brad Walker in Support of Debtors’ Chapter 11 Petitions and First-Day Motions*, ¶ 35 [Docket No. 28].

¹⁸ See Plan, Art. V, § 5.1; see also Disclosure Statement, pp. 15–16.

ranches.¹⁹ In any event, the Plan's substantive consolidation may never occur, as the Plan is deficient in other material respects that will preclude confirmation (namely, that the Plan is not feasible because it lacks exit financing and does not provide unsecured creditors payment in full with interest).

IV. LEGAL BASIS FOR SUBSTANTIVE CONSOLIDATION

20. Although there is no “universally accepted legal standard for when substantive consolidation is appropriate[.]” courts have developed two standards: (1) a “more traditional” multi-factor test (with factors similar to those of piercing the corporate veil) and (2) a balancing of harm test. *In re ADPT DFW Holdings, LLC*, 574 B.R. 87, 93-94 (Bankr. N.D. Tex. 2017); *see also* 2 COLLIER ON BANKRUPTCY ¶ 105.09 (William Collier ed., 16th ed. 2025).

21. Courts consider the following factors under the multi-factor test: (1) the presence or absence of consolidated financial statements; (2) the unity of interests and ownership between the various corporate entities; (3) the existence of parent and intercorporate guaranties on loans; (4) the degree of difficulty in segregating and ascertaining individual assets and liabilities; (5) the transfer of assets without formal observance of corporate formalities; (6) the commingling of assets and business functions; (7) the profitability of consolidation at a single physical location; (8) the parent corporation owns all or a majority of the capital stock of the subsidiary; (9) the parent and subsidiary have common officers and directors; (10) the parent finances the subsidiary; (11) the parent is responsible for incorporation of the subsidiary; (12) the subsidiary has grossly inadequate capital; (13) the parent pays salaries, expenses, or losses of the subsidiary; (14) the subsidiary has substantially no business except with the parent; (15) the subsidiary has essentially no assets except

¹⁹ *See, e.g.*, Plan, § 5.3 (allowing for less than the whole of the Oregon Ranch to be sold, provided that the net sale proceeds are sufficient to pay certain secured lenders); *see, e.g.*, Plan § 5.4 (allowing for less than the whole of the Llano Ranch Parcel 1 (as defined in the Plan) to be sold, provided that the net sale proceeds are sufficient to pay the remaining allowed claim of Prosperity Bank).

for those conveyed by the parent; (16) the parent refers to the subsidiary as a department or division of the parent; (17) the directors or officers of the subsidiary do not act in interests of the subsidiary, but take directions from the parent; and (18) the formal legal requirements of the subsidiary as a separate and independent corporation are not observed. *See ADPT*, 574 B.R. at 94-95.

22. The multi-factor test can be boiled down to two critical factors: “(1) whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit; or (2) whether the affairs of the debtors are so entangled that consolidation would benefit all creditors.” *Id.* at 95-96; *see also In re Owens Corning*, 419 F.3d 195, 205 (3d Cir. 2005) (distilling the multi-factor test into two critical factors). Of the various factors, there is no specific formula that is determinative. *See ADPT*, 574 B.R. at 87. Rather, “courts pick and choose elements out of this laundry list of factors, focusing on which factors they believe to be most important.” *Id.*

23. Under the harm balancing test, a party must only show that (1) there is substantial identity between the entities to be consolidated; and (2) consolidation is necessary to avoid some harm or to realize some benefit.” *Id.* at 100-101 (analyzing case law and citing, *e.g.*, *In re First Nat’l Bank of El Dorado v. Giller (In re Giller)*, 962 F.2d 796 (8th Cir. 1992) and *Eastgroup Props. v. S. Motel Ass’n, Ltd.*, 935 F.2d 245 (11th Cir. 1991)). Upon this showing, “a presumption arises that creditors have not relied solely on the credit of one of the entities involved” and the burden then shifts to an objecting creditor to show that “(1) it had relied on the separate credit of one of the entities to be consolidated; and (2) it would be prejudiced by substantive consolidation.” *Id.* If an objecting creditor makes the required showing, the Court may still order substantive consolidation “if it determines that the demonstrated benefits of consolidation ‘heavily’ outweigh the harm.” *Id.* at 101.

24. In this case, substantive consolidation is appropriate whether analyzing under the multi-factor test or the harm balancing test.

V. ARGUMENT AND AUTHORITIES

1. Substantial Identity Between the Debtors Supports Consolidation

25. The Northern District of Texas recognizes both the more traditional multi-factor test and the balancing of harm test. *In re AHF Development, Ltd.*, 462 B.R. 186, 194–97 (Bankr. N.D. Tex. 2011); *In re ADPT DFW Holdings, LLC*, 574 B.R. 87, 93 (Bankr. N.D. Tex. 2017). Substantive consolidation is appropriate in this case under both tests. Most of the factors in the multi-factor test that has been employed in this district support substantive consolidation, particularly: (1) commingled assets and business functions (e.g., funds shifted across entities for improper purposes); (2) disregard for corporate formalities (e.g., Mr. Hoerauf’s self-dealing); (3) unity of interests and ownership (Mr. Hoerauf’s historical control over all entities); and (4) the near-impossibility of segregating liabilities (evidenced by the professionals’ inability to trace transfers). *See In re ADPT DFW Holdings, LLC*, at 93–94.

26. The Debtors’ operations and corporate identities are so fundamentally intertwined that they functioned as a single enterprise under the control of Mr. Hoerauf. First, Mr. Hoerauf exercised complete control over all Debtor entities pre-petition, directing funds between them without regard for corporate separateness. His deposition testimony demonstrates this pattern because he: (1) admitted he could not identify which entity employed his own wife, stating: “I don’t know” which entity his wife works for, despite her receiving approximately \$4,500 a month in salary, and (2) conceded that his reasoning for transferring money between Debtor entities was “if they have an expenditure and they’re overdrawn, that’s what I was defining as a need” to move

money from other Debtor's account into the overdrawn account.²⁰ This cavalier approach to entity boundaries demonstrates the arbitrary nature of the corporate structure.

27. The Debtors share not only common ownership but also facilities, personnel, and financial resources. Mr. Hoerauf confirmed that they operate from the same location in Odessa, Texas and share the same accounting system, with all businesses "set up in Petraware."²¹ Corporate formalities have been consistently disregarded, with Mr. Hoerauf treating corporate accounts as personal resources, as evidenced by his admissions regarding personal expenses paid from Debtor accounts. The deposition revealed multiple instances of this, including country club dues at Odessa Country Club of approximately \$1,700 per month, lake house expenses at Horseshoe Bay Resort, and undocumented "draws" that benefited him personally rather than the entities.²²

28. "When asked about certain credit cards, Mr. Hoerauf confirmed that he used corporate credit cards for both business and personal expenses."²³ The record further reflects substantial transfers to insiders, including a \$54,500 salary to Mr. Hoerauf's sister-in-law, Terri Vaught, a \$123,500 salary to his brother-in-law, Thomas Jaeger, and a \$15,000 auto allowance for Ms. Vaught. These payments further demonstrate the treatment of the Debtors as a unified enterprise that exists to benefit Mr. Hoerauf and his family.

29. The extensive intercompany funding and transfers between the Debtor entities further support substantive consolidation. Financial records reveal that Smackover transferred \$523,000 to RCH post-petition in February 2025—a clear example of how Mr. Hoerauf treats these entities as a single enterprise even after the bankruptcy filing. This pattern continues despite

²⁰ Ex. A, Dep. Transcript of R. Hoerauf, at 77:17-25; 99:1-21.

²¹ See *id.* at 87:2-4; 196:8-197:24.

²² See *id.* at 107:6-19; 82:3-23; 97:5-16; 94:23-95:4.

²³ See *id.* at 89:3-11; 91:1-6.

the CRO's appointment, demonstrating how deeply ingrained the commingling of assets has become.

2. Consolidation Will Benefit All Creditors

30. Substantive consolidation will benefit creditors by avoiding the substantial costs and delays associated with disentangling the Debtors' commingled funds and financial records. As the Court in *In re ADPT DFW Holdings, LLC* noted, when "affairs of the debtors are so entangled that consolidation would benefit all creditors," substantive consolidation is appropriate. 574 B.R. at 95-96.

31. The tangled web of intercompany claims and transfers between the Debtor entities would require extensive professional time and expense to properly unravel—if such unraveling is even possible given the poor state of the financial records. Mr. Hoerauf's own testimony confirms that basic financial records were so deficient that the Debtors required Lain Faulkner's services to reconstruct them, and despite months of professional effort, intercompany transfers remain largely unreconciled.²⁴ When asked about specific intercompany receivables shown on the schedules (such as the \$8,748,190.52 intercompany receivable between EON Production and Scanrock), Mr. Hoerauf repeatedly stated he could not explain the specific nature of these significant transactions.²⁵

32. The costs of this reconciliation process would significantly deplete assets otherwise available to pay creditors. Even Mr. Walker, the CRO, has been unable to untangle these complex financial relationships after months of effort,²⁶ suggesting that the assets, liabilities, and operations of these entities are so thoroughly commingled that treating them as separate entities would be

²⁴ See *id.* at 201:3-10.

²⁵ See *id.* at 54:9-17.

²⁶ See Transcript of Hearing Held March 10, 2025, 29:6-13 [Docket No. 188].

artificial and costly. Certain disentangling of assets or unwinding of transfers between the entities could also involve costly litigation, further depleting the assets.

33. Substantive consolidation will provide for a more equitable distribution to creditors by ensuring that all assets of what has functioned as a single enterprise are available to satisfy the claims of all creditors. This approach acknowledges the reality of how Mr. Hoerauf operated these businesses—as one unified entity where money flowed freely between entities based on his direction rather than proper corporate governance.

34. Pooling the assets of these entities is not only more efficient but fundamentally more just given the arbitrary manner in which assets were distributed among the various entities. The current fragmented structure unfairly prejudices creditors who happened to do business with asset-poor entities while other creditors benefit from dealing with asset-rich entities—despite all entities functioning as a single economic unit under Mr. Hoerauf’s control. By consolidating these estates, creditors who provided goods or services that benefited the entire enterprise will have access to all enterprise assets, not just those arbitrarily housed in a particular entity. This is especially critical where, as here, certain entities like Smackover Oil Treaters are burdened with significant royalty obligations while other related entities that benefited from Smackover’s operations hold valuable assets with minimal direct obligations.

35. The streamlined administration that would result from consolidation also provides significant benefits to the estate. A single consolidated entity would simplify the plan confirmation process, reduce administrative costs, and eliminate the need for multiple trustees as proposed by the U.S. Trustee. This approach is particularly crucial in these cases where liquidity is extremely limited.

3. No Meaningful Prejudice to Creditors from Consolidation

36. No creditor would suffer meaningful prejudice from substantive consolidation of these estates.

a. Multi-Factor Test

37. While the traditional analysis considers whether creditors relied on the separate identity of a specific Debtor, the evidence suggests that the practical operation of these entities would have made such reliance unreasonable. Mr. Hoerauf's own testimony confirms that he made no meaningful distinction between the entities when managing them, transferring funds between them freely, and treating revenues as a common pool from which to pay expenses—regardless of which entity generated the revenue or incurred the obligation. His testimony evidences the first critical factor of the test by essentially confirming that the creditors dealt with the entities as a single economic unit based on Mr. Hoerauf's treatment of the entities—treatment resulting in the entanglement of affairs required by the second critical factor to find that consolidation would benefit all creditors.

b. Balancing of Harm Test

38. The foregoing evidence of a substantial identity between the entities likewise satisfies the first factor of the Balancing of Harm Test. The second factor, requiring that consolidation is necessary to avoid harm or realize benefits is also met by these facts. Specifically, secured creditors would not be harmed because their liens against specific collateral would remain intact even after substantive consolidation.

39. Moreover, the Committee believes that consolidation would provide the benefit of improved recovery prospects for most unsecured creditors by eliminating the inequitable situation where Mr. Hoerauf retains equity in an asset-rich entity, such as those owning the Oregon ranch,

while the oil and gas creditors are left with the meager oil and gas assets for potential recoveries—despite Mr. Hoerauf’s treatment of all entities as one operation. This is precisely the type of situation substantive consolidation was designed to address.

4. Partial Consolidation in the Debtors’ Proposed Plan is Insufficient

40. As explained, the Plan itself proposes a form of substantive consolidation to support the proposed Plan payments. Accordingly, the Debtors necessarily believe that there is factual support for substantive consolidation. However, the proposed substantive consolidation in the Plan fails to actually consolidate the estates and all assets for the benefit of creditors because it leaves open the possibility that Mr. Hoerauf could retain a large portion of the Llano ranch or some portion of the Oregon Ranch without paying unsecured creditors in full.²⁷ As a result, the Plan’s proposal would not realize the benefits of true substantive consolidation, whereby the creditors should be able to recover from all assets of any Debtor.

41. Even if the Plan sought true substantive consolidation, it is subject to significant uncertainty. It is premised on obtaining exit financing that has not yet been secured, and the Committee has significant concerns about its feasibility. As noted, the Debtors have only recently produced a 13-week cash flow budget and have not secured DIP financing. The oil and gas Debtors remain cash flow negative several months into these cases.

42. Substantive consolidation through this motion, rather than through a plan that may face obstacles to confirmation, ensures that the benefits of consolidation can be realized immediately, allowing for more efficient administration and potentially expediting the path to a confirmed plan.

²⁷ See, e.g., Plan, § 5.3 (allowing for less than the whole of the Oregon Ranch to be sold, provided that the net sale proceeds are sufficient to pay certain secured lenders); see, e.g., Plan § 5.4 (allowing for less than the whole of the Llano Ranch Parcel 1 (as defined in the Plan) to be sold, provided that the net sale proceeds are sufficient to pay the remaining allowed claim of Prosperity Bank).

VII. CONCLUSION

WHEREFORE, PREMISES CONSIDERED, the Committee respectfully requests that the Court grant substantive consolidation to preserve estate value, rectify Hoerauf's malfeasance, and ensure fair creditor recoveries, as well as all other relief to which it is justly entitled.

Respectfully submitted this 9th day of May, 2025.

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Proposed Counsel to the Official Committee of Unsecured Creditors

CERTIFICATE OF CONFERENCE

I hereby certify that on May 8, 2025, counsel for the Committee conferred with counsel for the Debtors regarding the relief requested in this Motion. Counsel for the Debtors stated that the Debtors oppose the relief requested. I further certify that on May 8, 2025, counsel for the Committee conferred with the Office of the United States Trustee regarding the relief requested in this Motion. The United States Trustee takes no position on the relief requested. I further certify that on May 8, 2025, counsel for the Committee conferred with the Ad Hoc Royalty Interest Owners Group. Counsel for Ad Hoc Royalty Interest Owners Group supports the Motion and relief requested. I hereby certify that on May 8, 2025, counsel for the Committee conferred with counsel for Prosperity Bank regarding the relief requested in this Motion. Counsel for Prosperity Bank stated that Prosperity Bank opposes the relief requested.

/s/ Eric M. English
Eric M. English

CERTIFICATE OF SERVICE

I hereby certify that on May 9, 2025, a true and correct copy of the foregoing document was served via email through the Electronic Case Filing System for the United States Bankruptcy Court for the Northern District of Texas.

/s/ Eric M. English
Eric M. English

EXHIBIT A

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1 PROCEEDINGS 2 RYAN C. HOERAUF, 10:02:15 3 having been first duly sworn, testified as follows: 10:02:16 4 EXAMINATION 10:02:18 5 BY MR. ENGLISH: 10:02:18 6 Q. Good morning, Mr. Hoerauf. My name is Eric 10:02:24 7 English with a firm called Porter & Hedges in Houston. 10:02:28 8 And I represent the unsecured creditors committee in 10:02:31 9 this case. Do you have an understanding of what the 10:02:33 10 creditors committee is or what its function is? 10:02:38 11 A. I believe so. 10:02:39 12 Q. Okay. And what is that understanding? 10:02:42 13 A. It's my understanding that you're looking 10:02:44 14 after the fiduciary duty of the unsecured creditors. 10:02:53 15 Q. Have you given sworn testimony before, either 10:02:55 16 in court or in a deposition? 10:02:57 17 A. Yes, I have. 10:02:57 18 Q. Okay. Which one? 10:02:59 19 A. In a deposition. 10:03:01 20 Q. Okay. How long ago was that? 10:03:08 21 A. I believe it was approximately 10 years ago. 10:03:12 22 Q. And you have not testified in court, then? 10:03:16 23 A. I don't believe so. 10:03:17 24 Q. Okay. You don't believe so, or -- or do you 10:03:19 25 know definitively that you haven't?	10:03:26 1 A. I don't believe so. 10:03:32 2 Q. Let's talk about your preparation for this 10:03:37 3 deposition. What did you -- what did you do to prepare? 10:03:46 4 A. I met with my lawyers for a couple of hours 10:03:49 5 yesterday, and we just -- 10:03:52 6 MR. RUKAVINA: Well, don't talk about what 10:03:53 7 we talked about. 10:03:54 8 A. -- discussed this case. 10:03:56 9 MR. RUKAVINA: End your sentence with "I 10:03:58 10 met with my lawyers." 10:04:01 11 Q. (BY MR. ENGLISH) Is that your answer? 10:04:02 12 A. It is. 10:04:02 13 Q. Did you meet with anybody other than your 10:04:05 14 attorneys? 10:04:10 15 A. I believe Brad Walker's the CRO and is not an 10:04:15 16 attorney. 10:04:15 17 Q. What did you talk about with Mr. Walker? 10:04:18 18 MR. RUKAVINA: He was present. 10:04:20 19 Do not answer that question. 10:04:23 20 MR. ENGLISH: You're saying he was in a 10:04:24 21 meeting with counsel? 10:04:26 22 MR. RUKAVINA: Mr. Walker and I were both 10:04:28 23 there. One meeting. 10:04:29 24 Q. (BY MR. ENGLISH) Did you have any meetings 10:04:31 25 with Mr. Walker to prepare for this deposition without
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10:04:35 1 counsel present? 10:04:38 2 A. No. 10:04:38 3 Q. What is your role with these Scanrock entities 10:04:41 4 that are in the bankruptcy case? I'm happy to list them 10:04:44 5 out just for purposes of the record and to refresh 10:04:47 6 everybody's collection. 10:04:51 7 Scanrock Oil & Gas, Inc., O'Ryan Limited 10:04:53 8 Family Partnership, O'Ryan Production & Exploration 10:04:57 9 Limited, Ryan C. Hoerauf, Inc., Smackover Oil Treaters 10:05:02 10 Limited, O'Ryan Ponderosa, LLC, EON Production LLC, and 10:05:09 11 O'Ryan Ranches Limited. 10:05:12 12 A. What is the question? 10:05:13 13 Q. The question is: What is your role as it 10:05:17 14 relates to those entities? 10:05:19 15 A. I believe I'm either the manager or the 10:05:23 16 president of those entities. 10:05:24 17 Q. Okay. And what -- is it fair to say that 10:05:28 18 you're the -- whether it's in your capacity as a manager 10:05:31 19 or president or some other title, that you're the 10:05:37 20 decision-maker -- the final decision-maker for those 10:05:40 21 entities? 10:05:41 22 A. Yes. 10:05:46 23 Q. And are you involved in any businesses outside 10:05:52 24 of the entities that are debtors in these cases that I 10:05:56 25 just listed?	10:06:05 1 A. Yes. 10:06:07 2 Q. Okay. And is that a large number of other 10:06:12 3 businesses or... 10:06:15 4 A. No. 10:06:15 5 Q. Okay. Which businesses? 10:06:23 6 A. We are winding down a nursery that sells palms 10:06:30 7 and oak trees. And I have a company that's working on a 10:06:37 8 lithium project. 10:06:40 9 Q. And what's the name of the nursery business? 10:06:42 10 A. Dub's Trees. 10:06:46 11 Q. And you say you're winding it down. What -- 10:06:49 12 what does that mean? 10:06:50 13 A. Mr. Brown passed away, so we're selling off 10:06:55 14 the inventory. 10:06:56 15 Q. Did you say Mr. Brown? 10:06:59 16 A. Yes, sir. 10:06:59 17 Q. And what is his role -- or what was his role 10:07:02 18 as it related to that? 10:07:03 19 A. He's the one who did all the work. 10:07:05 20 Q. Understand. 10:07:06 21 A. And was my partner. 10:07:07 22 Q. Okay. Is that entity related to -- doesn't 10:07:13 23 sound like it, but is that entity related to the oil and 10:07:16 24 gas business or the ranches that are in this bankruptcy 10:07:24 25 case?

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12:11:49 1 down into smaller packages. 12:11:51 2 MR. RUKAVINA: There won't be a next time. 12:11:54 3 A. What page did you say? 12:11:56 4 Q. (BY MR. ENGLISH) It's page 43 of 130. 12:12:19 5 A. Yes, sir. 12:12:19 6 Q. Okay. Item Number 3.124 is -- is a -- it 12:12:27 7 lists a creditor, Deanna Hoerauf, \$150,000 claim. And 12:12:36 8 it says, "Intercompany payable." 12:12:38 9 Can you tell us what this is about? 12:12:41 10 A. Yes. We were very short on payroll, and she 12:12:49 11 had inherited some money and she borrowed the company 12:12:59 12 \$150,000. 12:13:00 13 Q. She loaned? 12:13:02 14 MR. RUKAVINA: Lent the company. 12:13:03 15 A. I meant lent the company. I apologize. 12:13:07 16 Deanna lent the company \$150,000. 12:13:12 17 Q. (BY MR. ENGLISH) And who is Deanna to you? 12:13:14 18 Is that your wife? 12:13:17 19 A. She is. 12:13:22 20 Q. And does she work for any of the entities? 12:13:29 21 A. She does. 12:13:30 22 Q. Do you know which one? 12:13:37 23 A. Not specifically. 12:13:38 24 Q. Do you know how much she gets paid? 12:13:45 25 A. Yes. I -- it's approximately \$4,500 a month.	12:13:51 1 Q. Are there any other family members of yours 12:13:53 2 that are employed by any of the entities that are 12:13:57 3 debtors in this case upon? 12:13:59 4 A. Deanna's sister also works for the company. 12:14:02 5 Q. What's her name? 12:14:03 6 A. Terri Vaught. 12:14:09 7 Q. You mentioned Mr. Jaeger before. He's the 12:14:12 8 controller. 12:14:13 9 A. I'm sorry, yes. Mr. Jaeger also. 12:14:16 10 Q. Okay. And what's his -- 12:14:17 11 A. I apologize. 12:14:18 12 Q. What's his relationship to you? 12:14:21 13 A. He's the controller, and he's married to my 12:14:24 14 sister. 12:14:29 15 Q. Let's go to page 70 of 130. 12:15:09 16 A. Yes, sir. 12:15:09 17 Q. Okay. Items Number 3.312 -- actually, I'm 12:15:21 18 sorry, 3.313 through 3.316 are all intercompany 12:15:35 19 payables. Let's start with the first one, 3.313. 12:15:45 20 MR. RUKAVINA: It's so tiny, just use the 12:15:48 21 name. 12:15:48 22 Q. (BY MR. ENGLISH) O'Ryan Heavy Haul, LLC. Do 12:15:51 23 you see that? 12:15:52 24 A. Yeah, I do. 12:15:53 25 Q. Okay. What -- what is this related to?
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12:15:56 1 A. I -- I think we -- we put a lot of money into 12:16:05 2 O'Ryan Heavy Haul. I have no idea why Oil & Gas owes 12:16:11 3 Heavy Haul. I can't answer that, I'm sorry. 12:16:13 4 Q. That's okay. O'Ryan Mission Limited is the 12:16:16 5 next one, another intercompany payable. This one's a 12:16:20 6 little more than 400,000. Do you know what this one is 12:16:24 7 related to? 12:16:27 8 A. No, not specifically. 12:16:29 9 Q. Next one, O'Ryan Production & Exploration 12:16:33 10 Limited, another intercompany payable. This one, about 12:16:36 11 7.8 million. Do you know what that's related to? 12:16:39 12 A. It's all part of the financials that we turn 12:16:44 13 into Prosperity Bank on a quarterly basis. Do I know 12:16:47 14 what that number represents specifically? No, I do not. 12:16:51 15 Q. Same for O'Ryan Ranches Limited, intercompany 12:16:55 16 payable. Do you know what that one is in reference to? 12:17:03 17 A. That one, I do believe I do know what that is. 12:17:06 18 Q. Okay. What is that? 12:17:07 19 A. Oil & Gas used to take people hunting on the 12:17:15 20 Llano property, and so Oil & Gas leased -- had a -- had 12:17:22 21 a hunting lease to O'Ryan Ranches Limited for -- I'm not 12:17:29 22 even sure what the amount was every year. And so that's 12:17:33 23 what that number represents. 12:17:39 24 Q. Let's turn to page 82 of 130. On page 80 -- 12:18:02 25 let me know when you get there.	12:18:04 1 A. I'm there. 12:18:06 2 Q. There is an intercompany payable, and it's 12:18:10 3 listed here to Ryan C. Hoerauf in the amount of about 12:18:15 4 1.2 million. What's that related to? 12:18:19 5 A. I do not know specifically. 12:18:25 6 Q. Page 92 of 130, the very last entry on page 92 12:18:45 7 of 130 says, "Unknown severance tax refunds." 12:18:50 8 Do you know what that's referencing? 12:18:51 9 A. I do not. 12:18:55 10 Q. I think that's it for that document. 12:19:01 11 MR. RUKAVINA: Another five minutes, or do 12:19:03 12 you want to break now? 12:19:04 13 MR. ENGLISH: I think we can get through 12:19:06 14 another one. We're almost done with this portion. 12:19:09 15 MR. RUKAVINA: Praise Jesus. 12:19:12 16 MR. ENGLISH: Yeah. 12:19:27 17 (Exhibit Number 9 was marked.) 12:19:29 18 Q. (BY MR. ENGLISH) Okay. I'm going to hand you 12:19:30 19 Exhibit Number 9, and then we can take a break after 12:19:34 20 this. 12:19:35 21 Okay. This is the statement of financial 12:19:45 22 affairs for Ryan C. Hoerauf, Inc., Docket Number 18. I 12:19:57 23 direct your attention to page 20 of 26. 12:20:44 24 A. 22, did you say? 12:20:46 25 Q. 20 of 26.

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12:20:47 1 A. Okay. 12:20:49 2 Q. The last item here -- this is -- this is part 12:20:53 3 of a schedule to the statement of financial affairs 12:20:56 4 payments to creditors, it says at the top. And this is 12:21:01 5 a list of certain payments or transfers to creditors 12:21:05 6 within 90 days before filing this case. 12:21:08 7 I want to direct your attention to the 12:21:09 8 last item, which says, "Chase credit card," and it lists 12:21:13 9 a number of payment dates. 12:21:19 10 Do you know what this credit card is 12:21:22 11 that's referenced here? 12:21:24 12 A. Yes. I believe it's the company credit card 12:21:28 13 that's used out in the field to purchase supplies. 12:21:32 14 Q. Who has access to using that? Is it just you 12:21:39 15 or others? 12:21:40 16 A. Oh, no, no. It's -- I'm not sure I even have 12:21:44 17 that card. It's used in the field by -- so many of our 12:21:54 18 purchases are just made with a credit card. 12:21:59 19 Q. Business expenses that are incurred in the 12:22:01 20 field? 12:22:01 21 A. Yes, right. Parts and repairs, yes, sir. 12:22:06 22 Q. Understood. 12:22:06 23 Okay. Let's go to page 26 of 26, the last 12:22:18 24 page. 12:22:33 25 A. 26 of 26?	12:22:34 1 Q. Yeah, the last page, that's right. 12:22:36 2 A. Okay. 12:22:36 3 Q. This is Item 4, list of payments or transfers, 12:22:41 4 including expense reimbursements made within one year 12:22:45 5 before filing this case. And the first item is Ryan 12:22:49 6 Hoerauf. One item is for salary, and the other one is 12:22:52 7 for lake house expenses. What are the lake house 12:22:58 8 expenses that are referenced here? 12:23:03 9 A. I believe these are taxes, ad valorem taxes. 12:23:08 10 Might be some insurance in there. I -- I'm not sure 12:23:10 11 exactly what it all -- 12:23:12 12 Q. For what -- 12:23:13 13 A. -- consists of. 12:23:14 14 Q. Okay. For what property is this referencing 12:23:17 15 here? 12:23:21 16 A. 5330 RM 2147, Horseshoe Bay, Texas. 12:23:29 17 Q. Which I take it is a lake house. Is that 12:23:34 18 correct? 12:23:34 19 A. As denoted "lake house expenses." 12:23:38 20 Q. So who owns that lake house? 12:23:42 21 A. I do personally. 12:23:44 22 Q. And do you own 100 percent of it? 12:23:47 23 A. It has a lien on, but, yes, I own it. 12:23:53 24 Q. The next item is Terri Vaught, V-A-U-G-H-T. 12:24:01 25 A. Yes.
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12:24:01 1 Q. Reason for payment is auto allowance. 12:24:04 2 A. Yes. 12:24:04 3 Q. What is -- what is that about? 12:24:09 4 A. It's an auto allowance. 12:24:11 5 Q. What does that mean? 12:24:13 6 A. Rather than her having a company car, we just 12:24:19 7 pay her an auto allowance. 12:24:21 8 Q. Okay. And that amount is 15,000, is that an 12:24:24 9 annual amount? 12:24:29 10 A. Yes. I -- I -- I believe it's paid monthly, 12:24:35 11 and -- and the total over 12 months was 15,000, to the 12:24:40 12 best of my knowledge. 12:24:41 13 Q. Okay. And she's your sister-in-law? 12:24:46 14 A. Yes. 12:24:50 15 Q. And Thomas Jaeger is listed, as well, and 12:24:56 16 that -- it shows his salary. And I think you've already 12:25:00 17 described that he's the controller, right? 12:25:01 18 A. Grossly underpaid. 12:25:06 19 MR. ENGLISH: Okay. Why don't we take a 12:25:07 20 break for lunch? 12:25:08 21 MR. RUKAVINA: Let's go off the record. 12:25:09 22 MR. ENGLISH: Off the record. 12:25:11 23 (Break taken from 12:25 p.m. to 1:36 p.m.) 01:36:47 24 (Exhibit Number 10 was marked.) 01:36:47 25 Q. (BY MR. ENGLISH) All right. Mr. Hoerauf, I'm	01:36:51 1 going to hand you Exhibit Number 10. We're almost 01:36:56 2 finished with going through these schedules. 01:37:02 3 This is Docket Number 17 in Case Number 01:37:06 4 25-90003. And it should be the statement of financial 01:37:15 5 affairs for the O'Ryan Family Limited Partnership. And 01:37:21 6 if you go to page 11 of 35, I have a couple of 01:37:25 7 questions. 01:37:44 8 A. Yes, sir. 01:37:45 9 Q. Okay. Item Number 2 is nonbusiness revenue, 01:37:52 10 and the last item on this page is something that's 01:37:58 11 described as a gain on sale of assets in the amount of 01:38:01 12 just over \$2.9 million. Do you see that? 01:38:07 13 A. Yes. 01:38:07 14 Q. And do you know what sale of assets that's 01:38:12 15 referring to? 01:38:22 16 A. Not specifically. 01:38:24 17 Q. And do you know where the funds from that sale 01:38:27 18 of assets went into what account? 01:38:30 19 A. Not specifically. 01:38:32 20 Q. Okay. Do you have a general idea of what this 01:38:34 21 transaction might be? 01:38:39 22 A. So this is January 1st, '24, to December of 01:38:52 23 '24. 01:38:52 24 Q. Yeah; it's the whole year of '24 for the 01:38:56 25 O'Ryan Family Limited Partnership.

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01:38:58 1 A. I believe that was land sale, to the best of 01:39:03 2 my knowledge. 01:39:04 3 Q. And which -- which property would that be 01:39:07 4 related to? 01:39:08 5 A. It's a property we called "The Nursery." 01:39:14 6 Q. Is that related to the nursery business that 01:39:17 7 we talked about earlier? 01:39:18 8 A. It is. 01:39:19 9 Q. What was the name of that again? 01:39:21 10 A. Dub's. 01:39:26 11 Q. And do you know where the sale proceeds went? 01:39:32 12 Did they go to the O'Ryan Family Limited Partnership 01:39:36 13 entity or somewhere else? 01:39:37 14 A. I believe it was used for general corporate 01:39:40 15 purposes. 01:39:47 16 UNIDENTIFIED MALE SPEAKER: Can someone 01:39:48 17 unmute the Zoom? 01:39:58 18 Q. (BY MR. ENGLISH) Okay. And when you say 01:40:02 19 "general corporate purposes," what did -- what do you 01:40:06 20 mean by that? 01:40:07 21 A. I don't know the specifics. These are all in 01:40:11 22 the financials that we provide to the bank every 01:40:13 23 quarter. 01:40:16 24 Q. When you say "general corporate purposes," do 01:40:20 25 you mean for all of these debtor entities, or are you	01:40:23 1 mean -- meaning specific to O'Ryan Family Limited 01:40:26 2 Partnership? 01:40:29 3 A. I believe the -- I believe a big portion of 01:40:40 4 this went to interest on the notes, but I don't know the 01:40:46 5 specifics of this accounting. So if you're trying to 01:40:50 6 ask me a specific question, I'm going to have to answer 01:40:53 7 "I don't know." 01:40:53 8 Q. When you say "interest on the notes," you mean 01:40:55 9 the Prosperity notes? 01:40:57 10 A. Yes. 01:40:58 11 Q. Do the -- do the debtor entities keep separate 01:41:06 12 books and records? 01:41:06 13 MR. RUKAVINA: Objection; vague. 01:41:10 14 A. You're going to have to go one by one through 01:41:12 15 them. 01:41:13 16 Q. (BY MR. ENGLISH) Okay. So I'm going to go 01:41:19 17 through a list of -- of the entities that are debtors in 01:41:23 18 the Chapter 11 case. Scanrock Oil & Gas Inc., does that 01:41:28 19 entity keep its own books and records? 01:41:32 20 MR. RUKAVINA: Objection; vague. 01:41:42 21 A. I don't know the specific answer to that. 01:41:47 22 It's separate accounting. But does it have its own 01:41:50 23 books? That's a very general term, so I -- I don't 01:41:50 24 know. 01:41:54 25 Q. (BY MR. ENGLISH) What do you mean when you
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01:41:55 1 say "it has its own accounting"? 01:42:07 2 A. There is an accounting system that we use, 01:42:19 3 Petraware. And all of the businesses, to the best of my 01:42:22 4 knowledge, is set up in Petraware. 01:42:26 5 So is that what you're referring to as 01:42:29 6 "books"? 01:42:32 7 Q. Yeah. I'm just trying to get a sense for 01:42:34 8 whether there's -- whether there's some separate 01:42:40 9 recording of -- 01:42:45 10 A. Yes. I believe there is in this Petraware 01:42:49 11 program. 01:42:49 12 Q. Okay. And do you have an outside accounting 01:42:53 13 firm that helps with the accounting function? 01:42:55 14 A. Yes. 01:42:56 15 Q. And who is that? 01:42:57 16 A. It used to be Johnson Miller. 01:43:00 17 Q. And who is it now? 01:43:03 18 A. Whitley Penn. 01:43:05 19 Q. Do they ever do an audit? 01:43:11 20 A. We used to do an audit every other year and a 01:43:16 21 review the off years. 01:43:23 22 Q. And what about -- what about the current -- 01:43:28 23 currently? Do you -- is that the same? 01:43:30 24 A. Just reviews. 01:43:31 25 Q. Just reviews? When was the last time there	01:43:34 1 was an audit? 01:43:34 2 A. I don't know. 01:43:43 3 Q. And you've hired -- or the companies have 01:43:46 4 hired Lain, Faulkner. Does that name sound familiar? 01:43:51 5 A. Yes. 01:43:51 6 Q. And do you know what they're hired to do? 01:43:54 7 A. To provide the accounting for the bankruptcy 01:44:00 8 reporting. 01:44:26 9 Q. Let's turn to page 29 of 35 in Docket 01:44:30 10 Number 17. 01:45:14 11 A. What page did you want? 01:45:15 12 Q. 29 of 35. 01:45:20 13 A. Yes, sir. 01:45:20 14 Q. This is a section that says, "Payments to 01:45:26 15 creditors within 90 days of the case." 01:45:29 16 There is an entry for American Family as a 01:45:33 17 payee, and there are several items listed there -- 01:45:37 18 several -- several payment dates, I should say, and 01:45:41 19 payment amounts. Do you know what that American Family 01:45:46 20 entry is referencing? 01:45:47 21 A. Yes. I believe it's property insurance. 01:45:49 22 Q. Property insurance for which properties? 01:45:51 23 A. I don't know. 01:45:53 24 Q. Is this -- do you think this is a personal 01:45:57 25 expense for your personal properties, or is this a

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01:46:00 1 business expense? 01:46:03 2 A. I don't know. 01:46:06 3 Q. Below that is a line entry for Amex payment. 01:46:13 4 There are a handful of payments there and amounts. Do 01:46:19 5 you know what "Amex payment" is referring to? 01:46:24 6 A. I believe that's short for American Express. 01:46:28 7 Q. Okay. Is that a credit card? 01:46:31 8 A. It is. 01:46:31 9 Q. And is that a personal card or a business 01:46:34 10 card? 01:46:34 11 A. It's both. 01:46:35 12 Q. Okay. So there's -- does that mean there's 01:46:38 13 some component of personal expenses used on that card 01:46:41 14 and some component of business expenses? 01:46:44 15 A. I believe so. 01:46:46 16 Q. Is that your personal card? 01:46:51 17 A. There's actually two of them. 01:46:54 18 Q. Okay. 01:46:57 19 A. My wife has one. 01:46:58 20 Q. And do you have the other one? 01:46:59 21 A. That is correct. 01:47:01 22 Q. The Bank of America entry right below that. 01:47:12 23 Again, there are half a dozen or more payment dates and 01:47:16 24 payment amounts. Do you know what that is referencing? 01:47:19 25 A. I'm not sure exactly, but, to the best of my	01:47:28 1 knowledge, that card is used for repairs up in Oregon. 01:47:35 2 Q. The last item, Carson -- on this page -- 01:47:40 3 Carson Oil. Do you know what that references? 01:47:44 4 A. Yes. It's fuel and lubricants for the Oregon 01:47:49 5 ranch. 01:47:49 6 Q. On the next page, looking at page 30 of 35, 01:47:57 7 Chase credit card is the first item. Is that the Chase 01:48:02 8 credit card that I think you testified is a business 01:48:04 9 expense card? 01:48:05 10 A. Yes, I believe so. 01:48:13 11 Q. Okay. Chris Myers is listed here. Is he 01:48:17 12 related to work on the Oregon ranch? 01:48:19 13 A. Yes. 01:48:20 14 Q. And what does -- what does he do? 01:48:26 15 A. He's head of operations. 01:48:29 16 Q. At the ranch? 01:48:31 17 A. Yes. 01:48:32 18 Q. Below that is a Citi payment. Is that related 01:48:41 19 to a different credit card? 01:48:42 20 A. Yes, I believe so. 01:48:43 21 Q. And what's the nature of that card; is that a 01:48:46 22 business expense card or personal? 01:48:47 23 A. I don't know. 01:48:48 24 Q. Are you familiar with that card? 01:48:50 25 A. I believe there's more than one CitiCard.
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01:48:57 1 Q. Do you have one of these CitiCards in your 01:49:00 2 name? 01:49:00 3 A. Yes. 01:49:00 4 Q. And do you use it for personal or business or 01:49:04 5 both? 01:49:05 6 A. Both. 01:49:06 7 Q. On the next page, page 31 of 35, the last item 01:49:28 8 is IRS. And there's a couple -- well, there are several 01:49:35 9 entries there, and it goes on to the next page, as well. 01:49:39 10 Do you know if this is personal tax payments versus 01:49:47 11 company tax payments? 01:49:49 12 A. I believe they're all company. 01:49:57 13 Q. On page 32 of 35, there's a couple of entries 01:50:04 14 for Maverick Well Services, LLC, totaling 600,000. 01:50:12 15 What -- what does Maverick do for these entities? 01:50:17 16 A. It's a well service company. 01:50:22 17 Q. And are these payments getting them caught up, 01:50:25 18 or is it for work that they are doing at the time, or do 01:50:30 19 you know? 01:50:30 20 A. There wasn't any catch-up. These were for 01:50:35 21 work that was going on. 01:50:36 22 Q. Were they involved in drilling the -- the well 01:50:40 23 that was started, I believe, shortly before the case was 01:50:44 24 filed? 01:50:45 25 A. They --	01:50:47 1 MR. RUKAVINA: You mean HSU5 or HSU6? 01:50:51 2 MR. ENGLISH: Yes -- not the workover, but 01:50:53 3 the -- the -- 01:50:54 4 MR. RUKAVINA: 6. 01:50:55 5 MR. ENGLISH: -- the new drill, 6. 01:50:57 6 MR. RUKAVINA: That's the one he's talking 01:50:58 7 about, right, HSU6? 01:51:02 8 THE WITNESS: I don't know what he's 01:51:03 9 talking about. 01:51:04 10 A. I will say that we only used one well service 01:51:07 11 company as in a pulling unit, and that was Maverick. 01:51:11 12 And they did the work on the HSU5 and the HSU6. 01:51:17 13 Q. (BY MR. ENGLISH) Okay. HSU5 is the -- is the 01:51:20 14 workover project, right? 01:51:22 15 A. HSU5 is the workover, yes. 01:51:25 16 Q. And HSU6 was a -- was a new well that was -- 01:51:28 17 that was drilled, right? 01:51:29 18 A. It was -- we set a whipstock in an existing 01:51:35 19 well and drilled out from 12,400 feet. 01:51:42 20 Q. And when was that done? 01:51:46 21 A. Late December and January. 01:51:55 22 Q. A few items down from there, there's a Red Dog 01:52:01 23 Oil Tools, a couple of payments. Were they involved in 01:52:05 24 HSU5 and HSU6, as well? 01:52:08 25 A. Yes.

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01:52:09 1 Q. I think you can set that one aside. 01:52:59 2 (Exhibit Number 11 was marked.) 01:53:03 3 Q. I'm going to hand you Exhibit Number 11. This 01:53:12 4 is a bank statement from a Prosperity Bank account 01:53:18 5 ending in 2140. Has a statement date at the top of 01:53:23 6 January 31st of '25. It appears to be a -- a statement 01:53:35 7 for an account by Ryan C. Hoerauf, Inc. Do you see -- 01:53:40 8 A. Hoerauf. 01:53:41 9 Q. Hoerauf, I'm sorry, I apologize. 01:53:44 10 A. Not a problem. 01:53:45 11 Q. I've heard it pronounced a few different ways. 01:53:45 12 I'll try to get it right. 01:53:47 13 A. I understand. 01:53:49 14 Q. Okay. Do you see where -- do you see where 01:53:53 15 I'm looking? The -- the entity that's listed here is 01:54:01 16 Ryan C. Hoerauf, Inc.? 01:54:02 17 A. Yes. 01:54:04 18 Q. If you go to the second page, it's page 2 of 01:54:10 19 10. There are some entries on January 3, 2025, IRS 01:54:20 20 payments. Do you believe that these are 01:54:27 21 business-related tax payments? 01:54:34 22 A. Yes, I believe they are. 01:54:41 23 Q. If you go to page 5 of 10, there are some 01:54:48 24 checks -- 01:54:49 25 MR. RUKAVINA: Oh, boy.	01:54:52 1 Q. (BY MR. ENGLISH) And I -- yeah, I apologize 01:54:53 2 in advance for -- I'm not going to ask you very many 01:54:58 3 questions about these, but it is a little hard to read. 01:55:01 4 There are a couple of checks here to -- to 01:55:03 5 you in the amount of \$3,314.83. Is -- and just for 01:55:12 6 reference, one of them is about halfway down on the page 01:55:16 7 on the right. There's another one that's in the row 01:55:19 8 below on the left. And then on the right again below 01:55:24 9 that. 01:55:24 10 Is this -- does this reflect payment of -- 01:55:26 11 of salary to you? 01:55:31 12 A. It does. 01:55:37 13 Q. And that's something that you receive twice a 01:55:42 14 month, roughly? 01:55:43 15 A. That is correct. Not roughly; exactly. 01:55:46 16 Q. Exactly? Okay. 01:56:01 17 Go to page 8 of 10, right-hand column four 01:56:12 18 items down, there's a check, looks like it's to Marble 01:56:23 19 Falls Spa and Pool for a little more than \$2,000. Do 01:56:27 20 you know what that is for? 01:56:28 21 A. Yes. I believe it was maintenance repair on 01:56:31 22 the lake house pool. 01:56:41 23 Q. On the last page, 10 of 10, left-hand column, 01:56:51 24 five items down, there's a copy of a check to Odessa 01:57:00 25 Country Club. Looks like it's in the amount of about
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01:57:02 1 \$1,700. Do you see that? 01:57:04 2 A. Yes. 01:57:04 3 Q. And what is that for? 01:57:05 4 A. It would be monthly dues and entertainment. 01:57:11 5 Q. Okay. So that's for -- are you a member of 01:57:14 6 that club? 01:57:14 7 A. I am. 01:57:15 8 Q. Okay. And this is for your membership? 01:57:18 9 A. Yes. 01:57:21 10 Q. Okay. We're done with that one. 01:57:34 11 (Exhibit Number 12 was marked.) 01:57:35 12 Q. Exhibit Number 12. This is a statement -- 01:57:51 13 bank statement from that same account ending in 2140. 01:57:55 14 This one is dated December 31st of '24. 01:58:07 15 A. Did you say 21st? 01:58:11 16 Q. December -- I may have, but let me correct it, 01:58:16 17 December 31st, 2024. 01:58:17 18 A. Yes, sir. 01:58:17 19 Q. Okay. On this first page, it shows some 01:58:40 20 deposits and it shows some transfers out. You know 01:58:55 21 what, strike that question. We'll get to that in a 01:58:58 22 different document. 01:59:00 23 Actually, I don't think I have any 01:59:02 24 questions about this. Sorry. 01:59:24 25 (Exhibit Number 13 was marked.)	01:59:28 1 Q. I'm handing you Exhibit Number 13. It's a 01:59:34 2 bank statement from a Lone Star State Bank account 01:59:40 3 ending in 2140. Do you know if this is the same account 01:59:50 4 as -- as what became the Prosperity account with the 01:59:54 5 same ending number? 01:59:58 6 A. I believe so. 02:00:00 7 Q. It's my understanding that Prosperity acquired 02:00:04 8 Lone Star State Bank. Does that sound correct to you? 02:00:08 9 A. Yes. 02:00:10 10 Q. Go to page 8 of 10. 02:00:23 11 MR. RUKAVINA: It's even smaller. 02:00:28 12 Q. (BY MR. ENGLISH) There's only one on this -- 02:00:31 13 MR. LAMBERSON: I think Lone Star 02:00:32 14 handwrote their statements. 02:00:35 15 (Laughter.) 02:00:36 16 MR. LAMBERSON: Don't put that in the 02:00:37 17 record. 02:00:38 18 Q. (BY MR. ENGLISH) So page 8 of 10, right-hand 02:00:41 19 column, first item is another check to Odessa Country 02:00:46 20 Club. Is it fair to say that the payment of the dues 02:00:52 21 for that country club came out of this account on a 02:00:54 22 monthly basis? 02:00:57 23 A. Yes. Dues and entertainment, that is correct. 02:01:40 24 (Exhibit Number 14 was marked.) 02:01:44 25 Q. Exhibit 14, another Lone Star State Bank

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02:01:49 1 account statement ending in 2140. This one is for the 02:02:00 2 period ending May 31st, 2024. I only have one question 02:02:08 3 about this one. It's on page 19 of 20, second to the 02:02:12 4 last page. 02:02:51 5 Page 19 of 20, right-hand column, second 02:02:54 6 item, there's a check to Horseshoe Bay Resort in the 02:03:00 7 amount of 4,000 and something. It's hard to make out, 02:03:06 8 but I think it's -- 02:03:07 9 MR. RUKAVINA: It's bigger underneath it. 02:03:10 10 Q. (BY MR. ENGLISH) Oh, there it is, yeah, 02:03:10 11 \$4,421.37. 02:03:15 12 MR. ENGLISH: Thank you. 02:03:15 13 Q. (BY MR. ENGLISH) What is this for? 02:03:16 14 A. Horseshoe Bay dues and company entertainment. 02:03:21 15 Q. Is that -- that's related to the lake house? 02:03:26 16 A. Yes. 02:04:26 17 (Exhibit Number 15 was marked.) 02:04:29 18 Q. All right. I'm handing you Exhibit Number 15, 02:04:36 19 which is a document titled "Transaction Report" from a 02:04:42 20 Prosperity Bank account ending in 0128, which I 02:04:48 21 understand to be related to the Smackover Oil Treaters 02:04:55 22 entity. There's an item from March 20th, 2025, Plains 02:05:04 23 Marketing deposit. 02:05:05 24 MR. RUKAVINA: Where are you? 02:05:07 25 MR. ENGLISH: First page, third item.	02:05:09 1 MR. RUKAVINA: Thank you. 02:05:10 2 MR. ENGLISH: Yep. 02:05:11 3 Q. (BY MR. ENGLISH) It's a credit into this 02:05:13 4 account in the amount of just over 413,000. Are you 02:05:17 5 with me? 02:05:18 6 A. Yes. 02:05:18 7 Q. Is that revenue from production that was 02:05:25 8 received by Plains? 02:05:27 9 A. Received by Plains? 02:05:29 10 Q. Received from Plains, thank you. 02:05:34 11 A. Yes. 02:05:37 12 MR. RUKAVINA: Is it a DIP account, Eric? 02:05:40 13 MR. ENGLISH: This is the Smackover Oil 02:05:42 14 Treaters account. I don't know if that's... 02:05:43 15 MR. RUKAVINA: I think it is, okay. 02:05:45 16 MR. ENGLISH: I think it is. 02:05:48 17 Q. (BY MR. ENGLISH) So do you -- do these 02:05:50 18 debtors sell all of their production to Plains, or are 02:05:55 19 there other purchasers, as well? 02:05:58 20 A. There are other purchasers, I believe. 02:06:11 21 Q. Are you familiar with the transfers -- 02:06:19 22 generally the transfers between different accounts at 02:06:23 23 these debtor entities? 02:06:24 24 MR. RUKAVINA: Objection; vague. 02:06:26 25 A. Yeah, I didn't get -- get the question.
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02:06:29 1 Q. (BY MR. ENGLISH) Do you know which of these 02:06:34 2 debtor entities has bank accounts? 02:06:39 3 MR. RUKAVINA: Today? 02:06:42 4 MR. ENGLISH: Current -- current question. 02:06:49 5 A. Not specifically. 02:06:53 6 Q. (BY MR. ENGLISH) Okay. Are you aware that 02:06:54 7 the ones that do have accounts have -- appear to have 02:06:57 8 transfers between them? 02:06:58 9 MR. RUKAVINA: You mean today? 02:07:00 10 MR. ENGLISH: Today. As of today. 02:07:02 11 A. Yes. 02:07:02 12 Q. (BY MR. ENGLISH) Okay. And are you -- who 02:07:06 13 is -- who's the person that authorizes those transfers? 02:07:15 14 A. I do. 02:07:15 15 Q. Okay. And how do you decide whether -- 02:07:22 16 whether and when and how to transfer money between the 02:07:25 17 accounts? 02:07:30 18 A. It's based on need. 02:07:36 19 Q. What do you mean? 02:07:38 20 A. Well, if they have an expenditure and they're 02:07:45 21 overdrawn, that's what I was defining as a need. 02:07:54 22 Q. So, for example, in this -- in this exhibit 02:07:57 23 here -- 02:07:59 24 MR. RUKAVINA: 15? 02:08:00 25 MR. ENGLISH: Exhibit 15.	02:08:01 1 Q. (BY MR. ENGLISH) If you go to the second page 02:08:07 2 just to take, for example, this third item from -- the 02:08:10 3 date is February 21st, 2025. It's an internet TRF W/D 02:08:19 4 transfer to DDA 2140. 02:08:21 5 We just looked at statements from an 02:08:23 6 account ending in 2140, so I'm assuming that that's what 02:08:27 7 this reference is, is a transfer from the account that 02:08:30 8 we were looking at ending in 0128 to account ending in 02:08:36 9 2140. Does that sound right? 02:08:49 10 A. That's what it says. 02:08:50 11 Q. And you would have been the one to authorize 02:08:53 12 that transfer? 02:08:59 13 A. I -- I believe this is when they closed the 02:09:10 14 2140 account and created this 0128 account. It 02:09:17 15 doesn't -- yeah, I'm sorry, it -- I don't know. It 02:09:19 16 doesn't have what entity it is. It just -- this is just 02:09:23 17 a broad transaction report. Is this for just 0128? 02:09:30 18 Q. I believe it is. 02:09:31 19 A. And which account is 0128? 02:09:34 20 Q. I believe it's the Smackover Oil Treaters 02:09:37 21 account. 02:09:37 22 A. It doesn't say Smackover Oil Treaters, so I 02:09:42 23 cannot testify on that. If you have something 02:09:45 24 specific -- 02:09:46 25 Q. That's not my question, though.

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02:18:06 1 dozers to ring fires. We have trailers and equipment 02:18:11 2 for quick reaction. I've spent the last 17 years 02:18:16 3 developing a road system so we can get to any part on 02:18:20 4 the ranch quickly. 02:18:24 5 We get a lightning strike map. Our 02:18:30 6 greatest danger is twofold: One is arson and the other 02:18:34 7 one is dry lightning. Dry lightning is when you get 02:18:40 8 lightning without any rain to it. And so we get a map 02:18:45 9 from the ODF, Odessa Department of Forestry, every 02:18:52 10 morning of any lightning strikes and it gives 02:18:55 11 coordinates. And we go to every spot and check it out. 02:18:59 12 And sometimes you get there and you're 02:19:01 13 just kind of looking around and it's just like 02:19:04 14 [descriptive sound], I don't see it. But if you look 02:19:06 15 close enough, you'll find it. You'll find where a 02:19:09 16 tree's been hit. 02:19:10 17 And it doesn't show up immediately, but 02:19:13 18 that tree is burning underground, the roots are burning. 02:19:17 19 And most of these fires come from underneath and up. 02:19:21 20 And so if you don't take care of it right away, it's 02:19:25 21 going to be an extremely dangerous situation. What this 02:19:29 22 forest has become was -- prior to Europa, there was 02:19:35 23 typically 40 stems per acre on this. These were the 02:19:39 24 giant pines. But they have come through and logged it, 02:19:42 25 and then we have stopped forest fires.	02:19:44 1 And so instead of having just big 02:19:48 2 Ponderosa pines, we now have juniper, which is a cedar, 02:19:53 3 and we have fir. We have red fir, white fir. And those 02:19:59 4 firs aren't self-living like the big pines. The big 02:20:05 5 pines, as they grow, their lower limbs fall off and they 02:20:08 6 have this very thick bark. So the fire -- forest fires 02:20:13 7 could just roll right through and it wouldn't affect the 02:20:16 8 canopy. 02:20:17 9 Now we have anywhere between 2- to 600 02:20:22 10 stems per acre. And we changed the species from just 02:20:28 11 Ponderosas to fir, juniper. And they have limbs that 02:20:33 12 grow to the ground. So if you allow a fire to start, 02:20:37 13 it's going to shoot straight up that tree and into the 02:20:40 14 canopy. And if there's any wind, you're going to have a 02:20:44 15 mess. 02:20:44 16 Did you see the fires in California? 02:20:47 17 Q. Yeah. 02:20:48 18 A. That's what would happen. That's exactly what 02:20:50 19 will happen if you don't have proper management. And I 02:20:55 20 don't believe a trustee is going to be able to manage 02:20:59 21 that. I have developed a team over time. They're hard 02:21:06 22 working, conscientious, and loyal. And we work 24 hours 02:21:10 23 a day, seven days a week, to keep that ranch safe. 02:21:20 24 Q. So you've talked about the oil and gas 02:21:21 25 properties, the Oregon ranch. What about the Llano
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02:21:26 1 ranch as it relates to this trustee motion? 02:21:36 2 A. I believe that there's significant equity in 02:21:41 3 Oregon to pay off the creditors. And I really don't 02:21:49 4 believe a trustee is needed for Llano. I believe Llano 02:21:54 5 is just a backstop for any additional expenses. 02:22:00 6 Q. But you have listed a portion of the Llano 02:22:04 7 ranch, right? 02:22:04 8 A. Yes, we have. 02:22:08 9 Q. All right. 02:22:09 10 A. And they're showing it today again. 02:22:13 11 Q. And why didn't you list the entire ranch? 02:22:16 12 A. Because I believe we have significant equity 02:22:21 13 to pay for all these creditors. And my son has put a 02:22:29 14 lot of work into that ranch, and so it's -- it's 02:22:40 15 personal reasons. 02:22:47 16 Q. Personal reasons like that, like you have a 02:22:51 17 personal connection to it and you don't want to list it, 02:22:53 18 or something else? 02:22:54 19 A. That's correct. 02:22:58 20 Q. And when you say there's enough equity to pay 02:23:02 21 creditors, you're talking about not just Prosperity but 02:23:06 22 also the unsecured creditors -- 02:23:08 23 A. Yes, I am. 02:23:09 24 Q. -- that are part of our group? 02:23:12 25 A. Yes.	02:23:19 1 Q. How long have you owned the Oregon ranch? 02:23:22 2 A. Since 2008, October. 02:23:26 3 MR. RUKAVINA: Did you say '08? 02:23:29 4 A. '08, 2008. In that time, we have built -- 02:23:34 5 when I got there, there was approximately 30 miles of 02:23:37 6 improved road. And I believe we're at over 110 miles of 02:23:40 7 improved road. That allows us to get to every portion 02:23:44 8 of that ranch on a very quick basis. And that's what 02:23:48 9 destroys a lot of forest land. 02:23:50 10 They have let these roads grow up. They 02:23:52 11 have trees falling across them. A fire starts and they 02:23:57 12 can't get there in time. The fire spreads, goes up 02:24:00 13 these trees and it's in the canopy, the wind takes it, 02:24:03 14 and it's California. 02:24:07 15 And you have to understand what the 02:24:09 16 climate is in Oregon. That wind comes across the 02:24:14 17 Pacific for a thousand miles. And when it hits the 02:24:19 18 cascades, it goes up. And when it goes up -- that's why 02:24:23 19 Portland and Seattle, that's all rainy. When it comes 02:24:27 20 across the cascades, it's basically a desert, Bend, 02:24:31 21 Redmond. It's got the same rainfall basically as West 02:24:36 22 Texas. 02:24:36 23 And then it hits the Ochoco [phonetic], 02:24:38 24 where the ranch is, and it has to go up again. And so 02:24:41 25 we do get more rain. But in July and August, we get

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02:41:04 1 on Llano and sell it on the courthouse steps 02:41:11 2 February 4th. 02:41:18 3 Q. And is that what prompted the filing of these 02:41:21 4 cases? 02:41:22 5 A. Yes. 02:41:24 6 Q. Have you -- 02:41:25 7 A. Llano's the plum. Nothing's owed against it. 02:41:30 8 It's one of one in The Hill Country. The Hill Country 02:41:34 9 is pretty nice. This ranch is beyond nice. There's 02:41:37 10 Enchanted Rock. That's the park that millions of people 02:41:41 11 go to. We have the mini Enchanted Rock, and ours is 02:41:45 12 prettier. 02:41:46 13 And 815 acres of that is what I have put 02:41:49 14 up for sale. Just not the house and what we call north 02:41:54 15 ranch that my son has high-fenced and has animals in 02:41:59 16 there, including zebras and... 02:42:04 17 So there's a lot of love and care into 02:42:06 18 that other parcel of ranch. 02:42:09 19 MR. RUKAVINA: In the next 15 minutes, I 02:42:13 20 can use a restroom break. 02:42:15 21 MR. ENGLISH: Sure. 02:42:16 22 (Exhibit Number 17 was marked.) 02:42:16 23 Q. (BY MR. ENGLISH) While we're on this topic, 02:42:17 24 it's Exhibit 17, appraisal of the Llano ranch. And I'm 02:42:22 25 not going to really talk about the value so much as it	02:42:27 1 had some maps in here -- or pictures -- that I wanted to 02:42:31 2 talk to you about. In fact, I think it's four pages 02:42:36 3 back from the front, so maybe, like, page 4. They're 02:42:43 4 not numbered, but... 02:42:49 5 MR. RUKAVINA: Thank God I'm red/green 02:42:53 6 color blind. 02:42:54 7 MR. ENGLISH: Well, that's not going to 02:42:55 8 help you on this. 02:42:57 9 MR. RUKAVINA: No. I'll look over your 02:42:58 10 shoulder. 02:42:59 11 Q. (BY MR. ENGLISH) Okay. Do you see -- 02:43:00 12 MR. ENGLISH: Actually, I think I gave you 02:43:01 13 my copy. Can I trade you? 02:43:03 14 MR. RUKAVINA: It's got the sticker on 02:43:05 15 there. 02:43:12 16 MR. ENGLISH: I'll get a fresh one. 17... 02:43:21 17 Q. (BY MR. ENGLISH) Okay. 02:43:26 18 All right. This is Exhibit 17 which, 02:43:29 19 again, is an appraisal of the Llano ranch. This page 02:43:34 20 that we've turned to is an aerial photograph of the 02:43:38 21 subject. I guess it's outlined in red. Is that the 02:43:43 22 ranch boundaries? 02:43:47 23 A. Yes. 02:43:49 24 Q. Okay. Are you able to tell from this picture 02:43:52 25 which part you're talking about that you've listed and
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02:43:55 1 which part you haven't? 02:43:57 2 A. You'd have to draw it in there. 02:43:58 3 Q. Okay. 02:44:01 4 MR. RUKAVINA: Do you want him to do that? 02:44:04 5 Q. (BY MR. ENGLISH) Are you able to do that just 02:44:06 6 for rough guide to -- 02:44:08 7 A. Pretty close. 02:44:09 8 Q. Okay. Would you mind? 02:44:11 9 A. Not at all. 02:44:20 10 (Sotto voce conversation.) 02:44:39 11 A. [Witness complies.] 02:44:50 12 It's all this [indicating]. 02:44:51 13 MR. RUKAVINA: Draw all around the border 02:44:53 14 so the record's clear. 02:45:18 15 A. [Witness complies.] 02:45:19 16 This part for sale is absolutely the most 02:45:22 17 gorgeous part of the ranch. 02:45:30 18 Q. (BY MR. ENGLISH) So, for the record, the area 02:45:33 19 that you are outlining, Mr. Hoerauf, that's the part 02:45:37 20 that is up for sale now? 02:45:40 21 A. That is correct. 02:45:40 22 Q. Okay. 02:45:46 23 MR. RUKAVINA: Just help me out -- I'm not 02:45:48 24 trying to take over your deposition. I'm very 02:45:51 25 colorblind. Is the lake in or out?	02:45:54 1 THE WITNESS: Out. That's where the house 02:45:56 2 is. 02:45:57 3 MR. RUKAVINA: Oh, okay. 02:45:58 4 Q. (BY MR. ENGLISH) So is there a house on the 02:46:00 5 part that's being marketed for sale at this point? 02:46:04 6 A. No. 02:46:05 7 Q. There would be room -- plenty of room to build 02:46:08 8 a house, I assume? 02:46:10 9 A. Multiple houses. 02:46:13 10 Q. I don't have anything else on this. I just 02:46:15 11 wanted -- while we were talking about that, I wanted to 02:46:18 12 get that clarification, so thank you. 02:46:25 13 Have you spoken with -- 02:46:26 14 MR. RUKAVINA: Are you done? 02:46:27 15 MR. ENGLISH: I'm done with that, yeah. 02:46:28 16 Q. (BY MR. ENGLISH) Have you spoken with anyone 02:46:29 17 about providing a possible debtor in possession loan, or 02:46:34 18 DIP loan, in this case? 02:46:37 19 MR. RUKAVINA: The question is: Have you 02:46:39 20 spoken to anyone? Not have I. 02:46:56 21 A. I don't know if it was term'd a DIP loan. 02:47:01 22 Q. (BY MR. ENGLISH) Okay. 02:47:03 23 MR. RUKAVINA: He might not know what that 02:47:05 24 means. 02:47:06 25 We're not talking about exit financing

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02:47:07 1 now. 02:47:08 2 Q. (BY MR. ENGLISH) I'm talking about a loan -- 02:47:09 3 if you've had discussions with someone or anyone about 02:47:12 4 providing a loan during this case. 02:47:14 5 A. Yes. 02:47:15 6 Q. And what was the general nature of that 02:47:17 7 discussion? 02:47:20 8 MR. RUKAVINA: He asked you have you 02:47:21 9 talked to anyone. Obviously, he doesn't mean me. Don't 02:47:24 10 disclose what we've discussed. 02:47:27 11 A. What -- I'm sorry, what's your question? 02:47:29 12 Q. (BY MR. ENGLISH) The question is if you've 02:47:30 13 spoken with anyone about providing a loan during this 02:47:35 14 case? 02:47:35 15 A. Yes. 02:47:35 16 Q. Okay. And what was the nature of that 02:47:37 17 discussion? 02:47:39 18 A. The nature of that discussion was to provide 02:47:44 19 working capital to drill another well. 02:47:51 20 Q. How much are we talking about? 02:47:54 21 A. 4 to 6 million. 02:47:57 22 Q. And that would be working capital and -- and 02:48:00 23 drilling another well -- 02:48:01 24 A. Yes. 02:48:05 25 Q. -- or that's really to drill the well?	02:48:07 1 A. No. It would be working capital to drill the 02:48:10 2 well. 02:48:10 3 Q. Okay. And are those discussions ongoing or 02:48:12 4 not? 02:48:12 5 A. Yes, I believe they're ongoing. 02:48:14 6 Q. Okay. But nothing's final, obviously. 02:48:25 7 There's been no proposal made to the court or -- that 02:48:31 8 we're aware of about a loan that's being -- that you're 02:48:35 9 seeking approval for at this point, right? 02:48:37 10 MR. RUKAVINA: What's the question? 02:48:39 11 Compound objection. 02:48:44 12 A. I'm sorry, I -- was that a statement or a 02:48:47 13 question? 02:48:47 14 Q. (BY MR. ENGLISH) It's a question. 02:48:48 15 A. I didn't get the question. 02:48:49 16 Q. Okay. You said you've had -- you've had some 02:48:52 17 discussions? 02:48:53 18 A. Yes. 02:48:53 19 Q. Those have not resulted in a final loan 02:48:56 20 commitment, have they? 02:48:57 21 A. No. 02:48:58 22 Q. Do you believe that they will? 02:49:01 23 MR. RUKAVINA: Objection; speculation. 02:49:03 24 A. I don't know. 02:49:13 25 MR. ENGLISH: You said you wanted to take
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02:49:14 1 a break? 02:49:15 2 MR. RUKAVINA: In the next few minutes 02:49:18 3 yeah, before 3 o'clock. 02:49:20 4 MR. ENGLISH: We can do it now. I was 02:49:21 5 going to change -- let's go off the record. 02:49:22 6 (Break taken from 2:49 p.m. to 3:03 p.m.) 03:03:24 7 MR. ENGLISH: Mr. Hoerauf, thank you for 03:03:24 8 your time. I'm going to pass the witness now. I 03:03:28 9 appreciate your answers. 03:03:30 10 THE WITNESS: Yes, sir. 03:03:33 11 MR. RUKAVINA: Off the record. 03:03:38 12 (Break taken from 3:03 p.m. to 3:06 p.m.) 03:06:31 13 EXAMINATION 03:06:32 14 BY MR. LAMBERSON: 03:06:32 15 Q. Mr. Hoerauf, I'm Phillip Lamberson, counsel 03:06:36 16 for Prosperity Bank in this matter. I have a few 03:06:40 17 questions for you. 03:06:41 18 So do you have -- do you have a college 03:06:45 19 degree? 03:06:45 20 A. Yes. 03:06:46 21 Q. And in what? 03:06:50 22 A. I have a bachelor of science in chemical 03:06:54 23 engineering. 03:06:54 24 Q. Okay. 03:06:55 25 A. And an MBA.	03:06:56 1 Q. From what universities, colleges and 03:06:59 2 universities? 03:07:00 3 A. My BS in chemical engineering is from the 03:07:04 4 University of North Dakota. And the MBA is from 03:07:12 5 University of Texas Permian Basin. 03:07:12 6 Q. Okay. 03:07:14 7 A. And I'm a registered professional engineer, 03:07:16 8 but inactive. 03:07:17 9 Q. Okay. So a -- a licensed professional 03:07:20 10 engineer? 03:07:21 11 A. Yes. 03:07:22 12 Q. Okay. But inactive? All right. 03:07:24 13 A. Yes, sir. 03:07:24 14 Q. I understand. 03:07:25 15 Okay. So I want to talk about the Oregon 03:07:34 16 ranch, and... 03:07:40 17 MR. RUKAVINA: Let's go off the record for 03:07:41 18 a second. 03:07:43 19 (Off the record for less than one minute.) 03:07:59 20 (Exhibit Number 18 was marked.) 03:07:59 21 Q. (BY MR. LAMBERSON) I'm going to hand you what 03:08:22 22 is marked as Exhibit 18. 03:08:24 23 MR. RUKAVINA: Do you want him to have the 03:08:27 24 binder in front of him? 03:08:28 25 MR. LAMBERSON: You're actually right.

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05:16:10 1 A. Yes. 05:16:10 2 Q. Okay. And most of those entities, would you 05:16:12 3 agree, are debtors in bankruptcy, along with Scanrock, 05:16:16 4 correct? 05:16:19 5 A. Yes. 05:16:20 6 Q. What about the Amber Hoerauf Trust? Is that 05:16:24 7 one of the borrowers? 05:16:26 8 A. It's Hoerauf. 05:16:28 9 Q. Hoerauf? 05:16:28 10 A. Yes. 05:16:29 11 Q. What about the Amber Hoerauf Trust, is that 05:16:29 12 one of the borrowers? 05:16:31 13 A. Yes. 05:16:31 14 Q. And do you know who the trustee of the Amber 05:16:34 15 Hoerauf Trust is? 05:16:35 16 A. Ryan C. Hoerauf is. 05:16:37 17 Q. That's you, correct? 05:16:39 18 A. That is correct. 05:16:40 19 Q. Okay. Have you produced any documents with 05:16:44 20 respect to the Amber Hoerauf Trust to the committee in 05:16:51 21 this case, to your knowledge? 05:16:53 22 MR. RUKAVINA: No? Garrick, no? 05:17:00 23 Q. (BY MS. CLARK) No? Do you disagree with your 05:17:03 24 counsel's representation? 05:17:04 25 A. I don't disagree at all.	05:17:05 1 Q. Thank you. 05:17:06 2 Do you know -- who represents -- or who 05:17:06 3 maintains the books and records for the Amber Hoerauf 05:17:11 4 Trust? 05:17:11 5 MR. RUKAVINA: That's not relevant to 05:17:12 6 these depositions. 05:17:13 7 MS. CLARK: Well -- 05:17:14 8 MR. RUKAVINA: We're not going to go 05:17:15 9 there. We're not going to go into trust business. 05:17:18 10 MS. CLARK: Are -- okay. What is your 05:17:21 11 objection? 05:17:23 12 MR. RUKAVINA: You're here on two matters. 05:17:27 13 MS. CLARK: Yes. 05:17:28 14 MR. RUKAVINA: That you haven't even filed 05:17:30 15 a pleading with respect to. I'm being very 05:17:33 16 accommodating on a late Friday, so ask questions that 05:17:36 17 are relevant to the matters before the judge, please. 05:17:36 18 MS. CLARK: Okay. 05:17:38 19 MR. RUKAVINA: Who maintains the books and 05:17:40 20 records is not relevant. 05:17:43 21 MS. CLARK: I'll tell you why, because 05:17:44 22 when Mr. Walker was at the 341 meetings for these 05:17:46 23 debtors, he has stated he's not aware of the assets of 05:17:50 24 these nondebtor entities and doesn't know who keeps the 05:17:53 25 books and records.
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05:17:54 1 And so if this is a borrower under the 05:17:55 2 note that is at issue with respect to the cash 05:17:58 3 collateral, then I'm trying to figure out how we're 05:18:00 4 going to be able to tell what the nondebtor entities 05:18:03 5 might have to satisfy that debt, and could -- whether 05:18:06 6 these debtors are the only ones that can satisfy the 05:18:09 7 debt. I think I've been clear about that at the 341 05:18:12 8 meetings. 05:18:13 9 MR. RUKAVINA: And this is not a 341 and 05:18:16 10 this is not a 2004. This is a deposition related to the 05:18:18 11 cash collateral -- 05:18:18 12 MS. CLARK: Right. 05:18:19 13 MR. RUKAVINA: -- and the motion by the 05:18:20 14 trustee. 05:18:22 15 MS. CLARK: Right. 05:18:24 16 MR. RUKAVINA: With respect to matter, 05:18:24 17 neither of which you filed a pleading. So please ask 05:18:25 18 questions that are related to questions asked before or 05:18:29 19 questions related to those two things -- or motions. 05:18:32 20 MS. CLARK: I think that whether and to 05:18:32 21 what extent they are nondebtor entities that have assets 05:18:34 22 that can satisfy the debt of Prosperity Bank is highly 05:18:37 23 relevant to the Chapter 11 trustee motion. 05:18:40 24 MR. RUKAVINA: You want your clients' 05:18:43 25 personal trust finances to be discussed publicly right	05:18:46 1 now? 05:18:47 2 MS. CLARK: No, I'm not going there. I'm 05:18:49 3 asking a very simple question about books and records. 05:18:52 4 That's it. Where do they -- 05:18:52 5 MR. RUKAVINA: Answer [sic] this question 05:18:52 6 and we'll see where it leads. 05:18:54 7 MS. CLARK: Thank you. 05:18:55 8 Q. (BY MS. CLARK) Do you know, if you know, who 05:18:57 9 holds the books and records for the Amber Hoerauf Trust? 05:19:00 10 A. What do you mean by "books"? 05:19:02 11 Q. Mr. Hoerauf, you own multiple businesses, 05:19:06 12 correct? We've talked about several of them today, 05:19:08 13 right? 05:19:08 14 A. Yes. 05:19:08 15 Q. And do you have a general understanding if I 05:19:11 16 were to say, where are the books and records of those 05:19:14 17 multiple entities kept, you have -- would you understand 05:19:16 18 that question? 05:19:18 19 A. Well, I just wanted to be -- understand what 05:19:23 20 you meant by "books." Are you referring to the 05:19:25 21 accounting records? 05:19:26 22 Q. I can give you a list, if that would be 05:19:29 23 helpful? 05:19:30 24 A. Sure. 05:19:30 25 Q. I'm -- I'm talking about things like bank

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05:19:32 1 statements. I'm talking about things like -- 05:19:34 2 MR. RUKAVINA: One by one. 05:19:36 3 A. That's -- that's what I was asking -- 05:19:36 4 Q. (BY MS. CLARK) Okay. 05:19:37 5 A. -- what you mean by "books." 05:19:39 6 Q. That's what I mean. 05:19:40 7 A. You asked a very general question, and so I 05:19:42 8 didn't know how to answer. If you could be more 05:19:45 9 specific. 05:19:45 10 Q. Whatever -- 05:19:46 11 A. With his permission -- 05:19:48 12 Q. What is your understanding of "books and 05:19:50 13 records," Mr. Hoerauf? 05:19:51 14 A. I asked how you were defining it. 05:19:53 15 MR. RUKAVINA: Why don't we start again? 05:19:55 16 Why don't you ask him detail by detail? 05:19:58 17 Q. (BY MS. CLARK) Mr. Hoerauf, who holds the 05:20:01 18 bank records for the Amber Hoerauf Trust? 05:20:04 19 A. Our office does. 05:20:05 20 Q. What does "our office" mean? 05:20:12 21 A. It means the O'Ryan entities, including the 05:20:18 22 trust. We have an office at 8180 Lakeview Center, 05:20:25 23 Suite 300, Odessa, Texas, and the records for the Amber 05:20:32 24 Hoerauf Trust, including accounting, is kept there. 05:20:36 25 Q. Okay. Thank you.	05:20:37 1 And would those records detail what assets 05:20:43 2 the Amber Hoerauf Trust holds? 05:20:48 3 A. Yes. 05:20:51 4 Q. Okay. Would those records detail what -- what 05:20:54 5 assets of the Amber Hoerauf Trust have been pledged to 05:21:00 6 Prosperity Bank? 05:21:01 7 A. I believe so. 05:21:05 8 Q. Are you aware that that trust is going to be 05:21:09 9 terminated this year? 05:21:12 10 A. Yes. 05:21:18 11 Q. Another -- are you aware that the -- I'll get 05:21:23 12 to that question. Save that. Strike that. 05:21:26 13 Okay. With respect to O'Ryan Ranches 05:21:30 14 Limited, Mr. Hoerauf, there is a listing of ownership by 05:21:34 15 the Amber Hoerauf Trust of 24 percent. Are you familiar 05:21:37 16 with that? 05:21:38 17 A. Yes. 05:21:39 18 Q. Okay. And the reason I ask that is because 05:21:41 19 there is another entity that, in the enterprise chart 05:21:48 20 that's been filed in this bankrupt -- these bankruptcy 05:21:52 21 cases -- let me get to which one that is. I believe 05:21:55 22 it's O'Ryan -- name of the debtor -- O'Ryan Production & 05:22:03 23 Exploration Limited. Does Ms. -- does the Amber Hoerauf 05:22:06 24 Trust old an interest in O'Ryan Production & Exploration 05:22:10 25 Limited?
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05:22:10 1 A. I would have to look at the chart of accounts. 05:22:15 2 Q. Okay. If the debtors schedule, if the O'Ryan 05:22:20 3 Production and Exploration schedules in that case list 05:22:23 4 Amber Hoerauf personally as a limited partner at 05:22:28 5 24.5 percent, would you disagree with that? 05:22:30 6 A. In what? 05:22:31 7 Q. In O'Ryan Production and Exploration Limited. 05:22:34 8 A. I'd have to look at the schedule. 05:22:36 9 Q. Okay. So you're not sure as you sit here 05:22:38 10 today? 05:22:38 11 A. That's correct. 05:22:39 12 Q. Okay. Thank you. 05:22:40 13 In -- let's see... For O'Ryan Ranches 05:22:56 14 Limited, there is a listing in the schedules that the 05:22:59 15 Amber -- the Amber Hoerauf Trust has a debt -- or excuse 05:23:04 16 me, that the debtor, O'Ryan Ranches Limited, has a debt 05:23:10 17 to the Amber Hoerauf Trust in an unknown amount. Are 05:23:13 18 you familiar with what I'm speaking about? 05:23:15 19 A. No. 05:23:16 20 Q. I can get you that. I'm going to hand you 05:23:22 21 what is -- I don't know? 05:23:26 22 MR. RUKAVINA: Are we on 24? 05:23:28 23 THE REPORTER: Uh-huh. 05:23:32 24 (Exhibit Number 24 was marked.) 05:23:32 25 Q. (BY MS. CLARK) I'm going to hand you what I'm	05:23:33 1 marking as Exhibit 24. 05:23:35 2 MR. RUKAVINA: Let's mark it -- oh, it's 05:23:38 3 already marked. 05:23:40 4 MS. CLARK: Yes. 05:23:40 5 Q. (BY MS. CLARK) And I'll represent to you that 05:23:41 6 those are the schedules filed at Docket 22 in the O'Ryan 05:23:46 7 Ranches Limited matter. And I am going to point you to 05:23:50 8 page 10 of 22. The pages are at the very top of that 05:23:54 9 document. 05:24:18 10 Have you found page 10 of 22? 05:24:20 11 A. Yes. 05:24:20 12 Q. Do you see line 3.1 where it lists Amber 05:24:27 13 Hoerauf Trust? 05:24:27 14 A. Yes. 05:24:29 15 Q. And then in that same area of the document, 05:24:33 16 there's a line that says, "Basis for the claim. 05:24:35 17 Intercompany balances currently being reconciled" [as 05:24:38 18 read]. 05:24:38 19 Do you see that? 05:24:39 20 A. Yes. 05:24:39 21 Q. Okay. Are -- and so then at the amount of the 05:24:43 22 claim, it says, "Unknown." 05:24:44 23 Do you see that as well? 05:24:47 24 A. Yes. 05:24:48 25 Q. Are you aware that the debtors have hired a

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05:24:52 1 company called Lain, Faulkner in these cases? 05:24:56 2 A. Yes. 05:24:57 3 Q. And are you aware that one of the -- or 05:25:01 4 Mr. Walker has testified that one of the tasks that 05:25:03 5 Lain, Faulkner is completing is reviewing intercompany 05:25:07 6 transfers with respect to the debtors? 05:25:09 7 A. Yes. 05:25:11 8 Q. Do you know whether Lain, Faulkner has 05:25:14 9 completed its review of the intercompany transfers? 05:25:18 10 A. I do not know. 05:25:19 11 Q. Okay. You don't know one way or the other. 05:25:23 12 Is that what you're saying, correct? 05:25:25 13 A. That is correct. 05:25:25 14 Q. Okay. If it's taken them several months to 05:25:29 15 determine -- or to review intercompany receivables and 05:25:32 16 payables, do you know why that would be? 05:25:35 17 MR. RUKAVINA: Objection; assumes facts 05:25:40 18 not in evidence. 05:25:40 19 Q. (BY MS. CLARK) You may answer. 05:25:42 20 A. Can you restate the question again? 05:25:44 21 Q. All right. Assuming that it has taken Lain, 05:25:48 22 Faulkner several months to review the intercompany 05:25:51 23 accounts, do you know why it would have taken several 05:25:54 24 months? 05:25:59 25 A. I'd be -- I believe it's because approximately	05:26:03 1 30 years of activity. 05:26:06 2 Q. Okay. Do you know that this -- whether the 05:26:11 3 debt that I was referencing at line 3.1 of this 05:26:15 4 Docket 22 for O'Ryan Ranches Limited, do you know 05:26:21 5 whether there's a paper record that would detail this 05:26:24 6 debt? Like is there a note, for example? 05:26:26 7 A. I don't know. 05:26:27 8 Q. You don't know, okay. 05:26:29 9 All right, I'm done with that exhibit for 05:26:31 10 now. 05:26:35 11 All right. Moving on to O'Ryan Family 05:26:39 12 Limited Partnership, Mr. Hoerauf, which I think you were 05:26:41 13 talking through some of this earlier, and there was an 05:26:45 14 entity referenced called Brenco Drilling, LLC. Do you 05:26:50 15 remember that? 05:26:51 16 A. Yes. 05:26:51 17 Q. And I believe that you testified that's an oil 05:26:53 18 and gas servicer. And I'm just -- you may have said 05:26:57 19 this and it was a little hard to hear you over the Zoom 05:27:00 20 earlier, so I apologize. I'm not intending to repeat. 05:27:03 21 But do you have a relationship personally with Brenco 05:27:06 22 Drilling, LLC? 05:27:09 23 A. Do I have a personal relationship? 05:27:11 24 Q. Right. How are you related to that company, 05:27:13 25 if at all?
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05:27:14 1 A. I'm an owner and an advisor. 05:27:20 2 Q. Are you the 100 percent owner or partial 05:27:22 3 owner? 05:27:22 4 A. I don't know. I know I don't own 100 percent. 05:27:27 5 Q. Okay. Fair. 05:27:28 6 Do you receive any kind of salary from 05:27:35 7 Brenco Drilling? 05:27:35 8 A. I do not. 05:27:38 9 Q. And I believe that the schedule for O'Ryan 05:27:43 10 Family Limited Partnership lists its ownership at 05:27:50 11 50 percent. Does that sound correct to you? 05:27:51 12 A. I'd have to look at the schedule. 05:27:53 13 Q. Okay. And assuming that the schedule at 50 05:27:55 14 percent is correct, does the amount of \$629,070.87 sound 05:28:02 15 correct for the -- 05:28:03 16 A. I don't remember. 05:28:03 17 Q. Excuse me, what? 05:28:04 18 A. I'm not sure. You're going to have to show me 05:28:06 19 some kind of document. I -- I don't -- 05:28:08 20 Q. Will looking at the number instead of me 05:28:15 21 staying it to you be helpful? 05:28:17 22 A. Sure. I'm not sure where you got this number. 05:28:20 23 I don't... 05:28:20 24 Q. Okay. 05:28:24 25 All right. This is part of the current	05:28:25 1 exhibits. All right. I'm going to mark this one as 05:28:35 2 Exhibit 25 -- 05:28:39 3 (Exhibit Number 25 was marked.) 05:28:39 4 Q. -- which is Docket 15 in the O'Ryan Family 05:28:42 5 Limited Partnership matter. I'm going to hand that to 05:28:45 6 you. Let me get the page first. 05:28:59 7 All right, I'm going to hand that to you, 05:29:02 8 and I believe that that -- I just saw that on page 16 -- 05:29:08 9 I may be wrong. Let me get to it on my side. 05:29:13 10 Okay. Are you at page -- sorry, 16 of 21 05:29:39 11 of Docket 15? 05:29:40 12 A. Yes. 05:29:41 13 Q. All right. If you look two-thirds of the way 05:29:43 14 down, closer to the bottom of that document, there's a 05:29:46 15 list of -- there's a list that is at Number 77, 05:29:50 16 beginning with "Schwab." 05:29:53 17 Do you see that? 05:29:54 18 A. Yes. 05:29:54 19 Q. All right. And then so the third line down 05:29:56 20 says, "Brenco Drilling, LLC." 05:29:58 21 Do you see that? 05:29:59 22 A. Yes. 05:29:59 23 Q. And then it says, "50 percent limited 05:30:03 24 partner." 05:30:03 25 Did I read that correctly?

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

In re:	§	Chapter 11
	§	
SCANROCK OIL & GAS, INC., <i>et al.</i> ,	§	Case No. 25-90001-mxm11
	§	
Debtors. ¹	§	Jointly Administered

**ORDER GRANTING THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS' EMERGENCY MOTION FOR
SUBSTANTIVE CONSOLIDATION OF DEBTORS' ESTATES**

CAME ON FOR HEARING the *Motion for Substantive Consolidation of the Debtors' Estates* (the "Motion")² filed by the Official Committee of Unsecured Creditors (the "Committee"). Having considered the Motion and the statements and testimony in support of the relief requested in the Motion at a hearing before the Court (the "Hearing"), and the record and docket in these chapter 11 cases, the Court finds that: (i) it has jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. § 1334; (ii) venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; (iii) the Motion constitutes a core proceeding pursuant to 28 U.S.C. § 157(b) as to which this Court has the constitutional authority to enter this final order; (iv) proper and adequate notice of the Motion and hearing thereon has been given and no other or further notice is necessary; (v) the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and (vi) the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein. Accordingly, it is HEREBY ORDERED THAT:

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, if any, are: Scanrock Oil & Gas, Inc. (0380); O'Ryan Family Limited Partnership (1913); O'Ryan Production & Exploration Ltd. (9950); Ryan C. Hoerauf, Inc. (0493); Smackover Oil Treaters, Ltd. (9529); O'Ryan Ponderosa, LLC (1476); EON Production, LLC (0136); O'Ryan Ranches, Ltd. (7184), O'Ryan Oregon Ranches, LLC, and O'Ryan Ranches, LLC (6467) (collectively, the "Debtors"). The location of the Debtors' service address is 8180 Lakeview Center, Ste. 300, Odessa, TX 79765.

² Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Motion.

1. The Motion is **GRANTED** as set forth herein
2. All objections, if any, to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, including all reservations of rights, are overruled.
3. The Debtors' estates are hereby substantively consolidated for all purposes, including, without limitation, for purposes of claims, distributions, and plan confirmation.
4. All assets and liabilities of the Debtors are merged into a single consolidated estate.
5. All claims filed against any of the Debtors shall be deemed filed against the consolidated estate, and any proof of claim filed against one or more of the Debtors shall be deemed filed against the consolidated estate.
6. All intercompany claims between and among the Debtors are hereby eliminated.
7. All claims based upon guarantees of collection, payment, or performance made by one or more Debtors as to the obligations of another Debtor shall be deemed eliminated and canceled.
8. The substantive consolidation of the Debtors' estates shall not affect (i) the legal and corporate structures of the Debtors, (ii) any guarantees made by third party non-Debtors, (iii) existing liens on specific Debtor property (which shall continue with the same validity and priority as existed prepetition), or (iv) the rights of any party to assert any defenses, including rights of setoff or recoupment.
9. Notice of the Motion shall be deemed good and sufficient notice of such Motion and the requirements of the Bankruptcy Rules, the Local Rules, and the Complex Case Procedures are satisfied by such notice.

10. Notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or the Complex Case Procedures, this Order is immediately effective and enforceable upon its entry.

11. The Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

END OF ORDER

Submitted by:

PORTER HEDGES LLP

/s/ Eric M. English

Eric M. English

Texas Bar No. 24062714

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