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Shad Gill, as co-trustee of the ARG Trust; and Electrum Energy, LLC**

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

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

**GILL PARTIES' OBJECTION TO DEBTORS' AMENDED
JOINT CONSOLIDATED PLAN OF REORGANIZATION**

Amber Gill, individually and as co-trustee of the ARG Trust, Shad Gill, as co-trustee of the ARG Trust, and Electrum Energy, LLC ("Electrum"), parties-in-interest in the above-styled and captioned bankruptcy cases (collectively, the "Gill Parties"), file this objection (the "Objection") to *Debtors' Amended Joint Consolidated Plan of Reorganization* [ECF No. 431] (the "Plan").

The Debtors fail to demonstrate the feasibility of this Plan on several levels. They essentially ask creditors to believe (though even the Debtors are still in the process of investigating claims) that the case will deliver a 100% plan. The Debtors further rely on substantive

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.

consolidation for implementation without demonstrating they can meet the substantive consolidation standard. The Debtors' good faith in propounding this Plan is in question, and the Debtors have not demonstrated they can meet the best interests of creditors' test as it relates to the Gill Parties. The Plan, as proposed, should not be confirmed or, alternatively, should not be confirmed without addressing critical concerns raised herein.

RELEVANT BACKGROUND

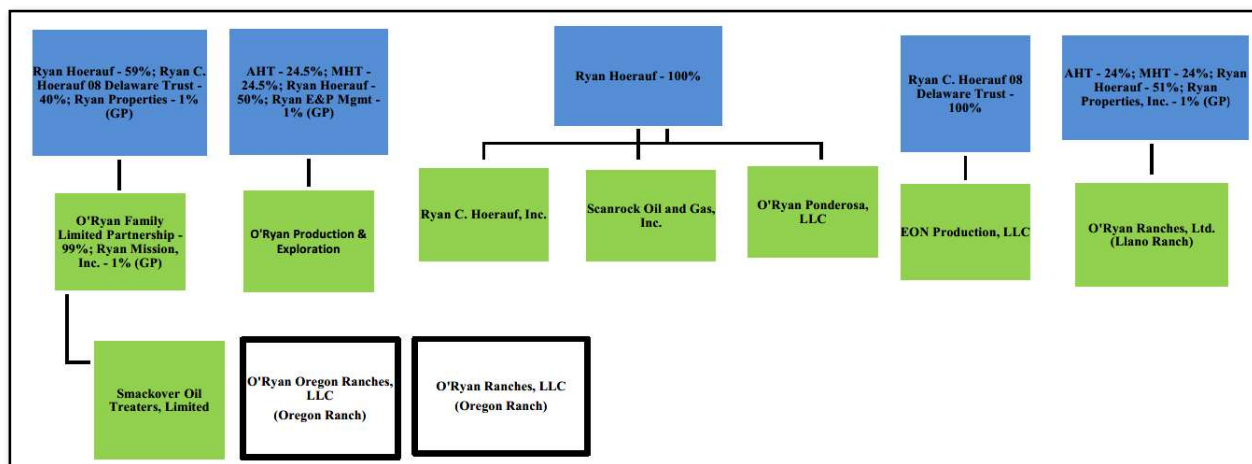
1. Scanrock Oil & Gas, Inc. ("Scanrock") filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, on February 3, 2025. The Court granted the joint administration of Scanrock's bankruptcy case with nine affiliated debtors. *See* Lead Case No. 25-90001-mxm11, ECF Nos. 46, 299 (orders directing joint administration).

2. On April 28, 2025, the Debtors filed the Debtors' Joint Consolidated Plan of Reorganization [ECF No. 280] and the Disclosure Statement in Support of Debtors' Joint Consolidated Plan of Reorganization [ECF No. 284].

3. On July 3, 2025, the Debtors filed the First Amended Disclosure Statement in Support of Debtors' Amended Joint Consolidated Plan of Reorganization [ECF No. 432] and the Debtors' Amended Joint Consolidated Plan of Reorganization [ECF No. 431]. The Gill Parties objected to the Amended Disclosure Statement and resolved that objection as announced at the hearing on the Amended Disclosure Statement. Following the disclosure statement hearing, the Debtors gave notice of the solicitation version of the Plan [ECF No. 464] and the Amended Disclosure Statement [ECF No. 452].

4. The Debtors in this case have different ownership make-up, but each has historically been controlled by Ryan C. Hoerauf ("Hoerauf"). The Debtors offered the following ownership and enterprise graphic in their First Day papers [ECF No. 28 at 7], though admitted by the filing

of the Schedules for O’Ryan Production and Exploration that the references to the “AHT” as being an owner therein are incorrect; Amber Gill holds a direct interest in that Debtor. ECF No. 17.



5. The Gill Parties are parties in interest in these jointly administered cases, having timely filed proofs of claim against each of the Debtors. Amber Gill is also a direct equity interest holder in O’Ryan Production & Exploration and a putative interest holder in O’Ryan Ranches, Ltd. (as the beneficiary of a trust, the Amber Hoerauf Trust “AHT”).²

6. The Gill Parties’ claims share certain commonalities in that each complains of a complex scheme that is still fully coming to light whereby, on information and belief, assets due to be transferred or monies due to be distributed to certain of the Gill Parties were intercepted or otherwise wrongfully retained or redirected as a result of the actions (or inactions) of (i) Hoerauf, principal of the jointly administered debtors, and (ii) any other party working in active concert with him or them, including, but not limited to, in his operation of the jointly administered debtors

² On information and belief, the AHT will dissolve by its terms in December 2025, when any remaining trust property will be distributed to Amber Gill in her individual capacity. Ms. Gill has no knowledge of the AHT’s assets or liabilities, aside from what has been disclosed through these cases. The Plan’s outcome is thus directly relevant and impactful on Amber Gill, as the AHT’s sole beneficiary.

(including Scanrock), and any non-debtor affiliates (including, but not limited to, the Amber Hoerauf Trust).³

7. Third parties have alleged fraud and malfeasance by Hoerauf individually, including in and through these Debtors. *See, e.g.*, Adversary Proceeding No. 25-04073 (*Well Castle Limited v. Ryan Drilling, LLC*); Scanrock POC No. 188 (by Well Castle Limited); POC No. 186 (by Arnold Oil Company Fuels). Indeed, Hoerauf, the Debtors, and several non-Debtor affiliates have been sued many times over the years, including by a business partner alleging fraud. *See* ECF No. 436-1 at Exhibit A (Original Petition filed in *Hanwha Resources (USA) Corp. v. Hoerauf*, Cause No. 2013-44391, 133rd Judicial District, Harris County, Texas).

8. The Gill Parties are seriously concerned that Hoerauf's apparent schemes are continuing, including but not limited to through non-debtor affiliates, and that Hoerauf is purposefully utilizing, among other things, the smokescreen of alleged "business woes," such as alleged oil and gas market concerns, to cover up what the Gill Parties, on information and belief, assert are the true reason for the Debtors' financial troubles—fraud and self-dealing. By way of example and not limitation, and as more fully described in Electrum's proof of claim filed against Debtor Ryan C. Hoerauf, Inc. d/b/a O'Ryan Oil & Gas, on information and belief, O'Ryan Oil & Gas has a pattern and practice of withholding royalty and working interest payments by offsetting working-interest operational costs and purported services provided by entities owned or controlled by Hoerauf that are either inflated or not due. The Plan as presented essentially allows Hoerauf—without having contributed even \$1 of personal money for any purpose (including for upkeep of the Llano Ranch where he allegedly personally lives and works)—to continue on with this scheme,

³ The Gill Parties' proofs of claim include claims for common law and statutory fraud, breach of fiduciary duties, negligent misrepresentation, fraudulent inducement, breach of contract (including costs and attorney fees under Texas Civil Practice and Remedies Code § 38.001), unjust enrichment, common enterprise liability, alter ego, fraudulent and preferential transfers, conversion, conspiracy, and punitive damages.

ultimately absolving himself of millions in liability directly to Prosperity Bank (for which debt he is also a borrower) and indirectly with the proposed forgiveness of the inter-Debtor claims run up at and by Hoerauf's direction.

PLAN OBJECTIONS

9. To be confirmed, the Plan must meet all the requirements of 11 U.S.C. § 1129. (“[t]he court shall confirm a plan only if . . . the plan complies with the applicable provisions of this title.”). It is the Debtors’ burden to prove that each and every one of the requirements for confirmation has been met. *Heartland Fed. Sav. & Loan Ass’n v. Briscoe Enters., Ltd., II (In re Briscoe Enters. Ltd., II)*, 994 F.2d 1160, 1163-64 (5th Cir. 1993); *see also In re J T Thorpe Co.*, 308 B.R. 782, 785 (S.D. Tex. 2003).

Feasibility and Good Faith

10. The Plan is also not feasible as required for confirmation under Section 1129(a)(11). “To obtain confirmation of its reorganization plan, a debtor must show by a preponderance of the evidence that its plan is feasible, which means that it is not likely to be followed by ... liquidation, or the need for further financial reorganization.” *See Save Our Springs (S.O.S.) All., Inc., v. WSI (II)-COS, L.L.C. (In re Save Our Spring (S.O.S.) All., Inc.)*, 632 F.3d 168, 172 (5th Cir. 2011) (citing 11 U.S.C. §1129(a)(11)). To assess plan feasibility, courts typically consider “(1) the adequacy of the debtor’s capital structure; (2) the earning power of the debtor’s business; (3) economic conditions; (4) the ability of the debtor’s management; (5) the probability of the continuation of the same management; and (6) and any other related matter which determines the prospects of a sufficiently successful operation to enable performance of the provisions of the plan.” *See id.* at 173 n.6 (internal citation omitted). However, courts need not consider all six

factors, and can use these factors as appropriate to evaluate the “reasonable assurance” of a proposed plan’s success. *See id.* at 172-73.

11. As an initial matter, the Plan is contingent on substantive consolidation. For the reasons stated in the Gill Parties’ objections to substantive consolidation [ECF No. 379 and attached hereto as **Exhibit 1** for ease of reference], neither the Committee nor the Debtors can demonstrate that substantive consolidation is appropriate under the law of this circuit and must be held to their burdens in that regard. Substantive consolidation is “‘extreme . . . and imprecise;” it works “‘rough justice”” and is to be used sparingly. *In re New Century TRS Holdings, Inc.*, 407 B.R. 576, 591 (D. Del. 2009) (citing *In re Owens Corning*, 419 F.3d 195, 210 (3d Cir. 2005)). Indeed, at least one court has found reversible error where the bankruptcy court confirmed a plan of reorganization even though the record did not meet the standard for substantive consolidation. *Id.* (finding “the plan confirmation must be reversed” in that matter).

12. In addition, the Debtors have promised a 100% recovery to their creditors, but the Debtors have apparently done so based on an incomplete review of their books and records and on incomplete projections (*see* ECF No. 432-2). The Amended Disclosure Statement recites, “the Debtors estimate that they have incurred approximately \$5.6 million in general unsecured debt (which does not include potential insider claims which have yet to be determined). However, the Debtors, Lain Faulkner, and Riverbend continue to review the Company’s books and records in order to determine the precise amount and validity of certain unsecured and insider claims for the claims administration and determination process which would occur after confirmation of the

Plan.” ECF No. 461 at III.C. The projections are based on payment of \$5,607,000 in unsecured claims:

Plan Claims	
Class 1: Priority Claims	-
Class 2: Secured Tax Claims	1,067,000
Class 3: AgWest Secured Claim	-
Class 4: Prosperity Secured Claims	-
Class 5: Halliburton Secured Claim	500,000
Class 6a: Royalty Claims	2,868,000
Class 6b: Working Interest Claims	100,000
Class 7: Unsecured Claims	5,607,000
Class 8: Convenience Claims	-
Class 9a: AmeriCredit Claims	74,621
Class 9b: Ford Motor Secured Claims	38,479
Class 10: SBA Secured Claim	2,173,702
Accrued Plan Interest	40,920
Total Plan Claims	12,469,722

ECF No. 432-2.

13. However, the Debtors admit the \$5.6 million does not account for (a) insider claims (which enjoy pro rata treatment under the Plan and of which the ARG Trust’s \$1.7 million, liquidated claim is a part) or (b) liquidation of contingent claims, such as certain of the claims of the Gill Parties and those pending in Adversary Proceeding No. 25-04073, which Adversary Complaint alleges more than \$20 million in damages. *See also* Scanrock POC No. 188 by Well Castle Limited and Scanrock POC No. 186 by Arnold Oil Company Fuels. There also does not appear to be any line item estimating professional fees or the 506(b) claims of the secured creditors that the Debtors are treating as oversecured under the Plan. And while the Plan purports as part of its substantive consolidation proposal to release inter-*Debtor* claims [Plan at 5.1.4], inter-company claims (such as between Debtors and Non-Debtor insiders) are not released and, at least according to the schedules, have not been fully calculated or investigated.

14. With Lain Faulkner and Riverbend still working on evaluating claims (per the Amended Disclosure Statement), no claims register available on the Claims Agent website to aggregate the total amount of claims made versus claims scheduled versus claims allowed, and **no**

estimation or discussion of insider or contingent claims and their expected impact on total claims asserted, it is impossible for the Gill Parties to know how these amounts will affect implementation of the Plan and/or promised recoveries to unsecured creditors and therefore impossible to know whether the Plan is financially feasible. *See, e.g., In re Multiut Corp.*, 449 B.R. 323, 347–51 (Bankr. N.D. Ill. 2011).

15. Such failure of information in the Plan (and other failings set forth herein) implicates Bankruptcy Code section 1129(a)(3), which requires that “[t]he plan has been proposed in good faith and not by any means forbidden by law.” The Fifth Circuit has provided that “[t]he requirement of good faith must be viewed in light of the totality of the circumstances surrounding the establishment of a Chapter 11 plan,” *Fin. Sec. Assurance, Inc. v. T-H New Orleans Ltd. P’ship (In re T-H New Orleans Ltd. P’ship)*, 116 F.3d 790, 802 (5th Cir. 1997), and that “[w]here the plan is proposed with the legitimate and honest purpose to reorganize and has a reasonable hope of success, the good faith requirement . . . is satisfied.” *Id.* (quoting *Brite v. Sun Country Dev., Inc. (In re Sun Country Dev., Inc.)*, 764 F.2d 406, 408 (5th Cir. 1985)). However, where a plan fails to accurately state the value of unsecured claims or provides a substantially inaccurate calculation of the Plan’s minimum percentage distribution to unsecured creditors, courts have found the plan was not proposed in good faith. *See, e.g., In re Multiut Corp.*, 449 B.R. at 342-43.

16. There are other vagaries in the Plan implicating feasibility and good faith, including:

- Plan Agent is projected to have fees at \$60,000 per year [ECF No. 432-2], but the Plan Supplement discloses a potential for \$120,000 per year [ECF No. 478],⁴ and neither amount takes into consideration the cost for the Plan Agent’s professionals [5.23.7], the instance where there could be two Plan Agents [5.23.10], times of particular or likely increased activity by the Plan Agent (such as prior to the Claim Objection Deadline or on certain defaults under the Plan – including at the 60th month when unsecureds are more likely than not to still be owed substantial sums).

⁴ Indeed, the Plan Agent is granted an inchoate lien to secure repayment, which lien is not valued in the Plan. 5.23.11.

- The projections disclose that “the balance of all Allowed Unsecured Claims shall be paid in full by the end of the sixtieth (60th) month after the Effective Date *via a financing supported by the oil and gas producing assets.*” ECF No. 432-2 (emphasis added). But neither the Amended Disclosure Statement nor the Plan references a potential for financing or what assets would be used to support such financing, in particular if claims remain outstanding at well over the value of the oil and gas assets as asserted in the projections. *See, e.g.*, Plan at 5.2.
- Administrative claims – particularly those of professionals – are not estimated or disclosed. This must be assessed, given the high level of professional activity in this case from inception, the relative complexity of determining the waterfall for repayment of such claims, that such amounts are expected to be material, and that the Plan at 3.3.2 (and elsewhere) requires that outstanding fees due to Estate Professionals be paid along with unsecureds.

17. And while the Plan alleges certain small payments will be made to unsecureds over the Plan period of sixty months, the larger the overall creditor pool, the less meaningful those payments become and the more important the performance of the oil and gas business and/or the success of the sale of the real property assets becomes, which puts more pressure on the alleged “security” offered to the unsecureds.

18. As to the Debtors’ continued operations: First, neither the Amended Disclosure Statement nor the Plan offers any explanation or support for why the Debtors’ businesses – apparently cash negative pre-bankruptcy and/or taking risks in the oil field when the companies didn’t have the money to support the downside of the risk – will be cash positive post-bankruptcy. This is particularly true, considering all of the burdens in addition to normal operations that the oil and gas Debtors are going to take on through the Plan (*e.g.*, supporting the real estate Debtors, paying for both the Plan Agent and his professionals [Plan at 5.23.7], paying 120% of amounts due to Class 6 holders). Indeed, it would seem that additional risk taking at the oil and gas operation is encouraged by the Plan, as the Debtors are permitted to take hiatuses from certain payments at the discretion of Hoerauf. Plan at 4.7.6.

19. Second, the Plan's provisions as to post-confirmation management of the Debtors raise concerns. The Bankruptcy Code requires that post-confirmation management be "consistent with the interests of creditors and equity security holders and with public policy." 11 U.S.C. § 1129(a)(5). Here, there is a fundamental concern that management is being installed that is accused of converting valuable collateral pre-bankruptcy⁵ and is being sued for fraud. *See* Adversary Proceeding No. 25-04073 (*Well Castle Limited v. Ryan Drilling, LLC*). Well Castle asserts in its Proof of Claim:

This dispute began because Defendant O'Ryan Drilling [a non-debtor] breached a contract with Well Castle for the purchase of several drilling rigs Because of fraud and other malfeasance by Ryan C. Hoerauf—who controls and orchestrates the conduct of *all Defendants* [which defendants include all of the Debtors]—Well Castle can and should be entitled to recover from *all Defendants* [including all of the Debtors] for these damages.

Scanrock POC No. 188.⁶

20. Such allegations implicate feasibility and must be addressed. *See, e.g., In re Patriot Place, Ltd.*, 486 B.R. 773, 807-09 (Bankr. W.D. Tex. 2013) (plan that failed to explain how debtor would continue in operation post-effective date if its major tenant did not itself successfully reorganize was not feasible under section 1129(a)(11)); *In re Frascella Enter., Inc.*, 360 B.R. 435, 453-56 (Bankr. E.D. Pa. 2007) (finding plan failed to satisfy section 1129(a)(11) when debtor's post-confirmation business plan was not realistic or supported by credible evidence that it would not become insolvent again within the next five years).

⁵ Prosperity Bank has alleged that certain of its collateral, including the PB Materials stock and cash, was converted and used to speculate on drilling a new well or wells and to complete certain workover activity. ECF No. 264 (Prosperity's Partial Joinder to United States Trustee Motion for an Order Directing the Appointment of Chapter 11 Trustees Under 11 U.S.C. § 1104(a)).

⁶ These issues raise further concern in that there is no subordination of claims of Mr. Hoerauf or his 2008 Delaware Trust contemplated by the Plan. *See, e.g., In re Cajun Elec. Power Co-op., Inc.*, 119 F.3d 349, 357 (5th Cir. 1997).

21. At a minimum, the Plan should provide controls on such management. Hoerauf will be paid a salary of \$250,000 a year, plus “customary and ordinary expenses.” Plan at 5.16. At a minimum, expenses should be reasonable (for the industry), an expense recording system should be used that requires receipts for all expenses over a certain amount, and credit card use⁷ should be prohibited or limited. And under no circumstances should auto expenses for spouses, expenditures on Hoerauf’s personal homes, or the like⁸ be considered “customary or reasonable.” Moreover, a system should be in place to require the use of third-party vendors or at least obtain bids for work by both insiders and non-insiders to prevent at least the appearance of dissipation of value from these Debtors to non-debtor, insiders (*e.g.*, Lease Supervisors).

22. Moreover, the Debtors wholly fail to state whether any other insiders will be working for and paid by the Debtors or at what rate(s), despite the Debtors’ schedules and statements and other evidence demonstrating that the Debtors have employed and do employ various insiders. Statement of Financial Affairs of Ryan C. Hoerauf Inc., Case No. 25-90006, ECF No. 18 at 35 (salaries for spouse and sister-in-law); Statement of Financial Affairs of O’Ryan Family Limited Partnership, Case No. 25-90003, ECF No. 17 at 26 (salary for brother-in-law).

23. As to the alleged “security” offered to Classes 6 and 7 as part of class treatment and plan implementation, there are several concerns, including:

- **Extex** [Plan at 4.7.6]. All rights transfer to Plan Agent – but that’s only up to \$200,000 and unclear how Plan “Agent” will perfect this lien – how does he have capacity to do so (Plan Agent is not an entity and is not serving as the agent of the creditors – such agency would have to be expressly granted by each creditor and Debtors haven’t provided for that). If it’s cash, who will hold? Will it be segregated? Does Extex have payment instructions? What happens if a dispute

⁷ Substantial credit card payments were made pre-bankruptcy. Statement of Financial Affairs of Ryan C. Hoerauf Inc., Case No. 25-90006, ECF No. 18 at 20; Statement of Financial Affairs of O’Ryan Family Limited Partnership, Case No. 25-90003, ECF No. 17 at 29-30.

⁸ Statement of Financial Affairs of Ryan C. Hoerauf Inc., Case No. 25-90006, ECF No. 18 at 26 (lake house expenses, auto allowance for sister-in-law); Statement of Financial Affairs of O’Ryan Family Limited Partnership, Case No. 25-90003, ECF No. 17 at 35 (distributions for lake house).

arises? How will these material funds (in scheme of this Plan) be protected from being spent by Hoerauf?

- **Provision on default** – lien on Parcel 2 [Plan at 4.7.3]. Lien shall be held and exercised by the Plan Agent for the pro-rata benefit of unsecureds and others. But 5.23.5 says “The Plan Agent shall have no role, **authority**, or obligation to market and sell the Llano Ranch Parcel 2 ...” (emphasis added). How will Plan Agent foreclose on Parcel 2 if has no authority to market and sell it?
- **Claims Bar.** A bar to creditors presenting claims that might in any way implicate the Debtors. [Plan at 5.8.1]. Inasmuch as the Gill Parties assert claims of breach of fiduciary duty, alter ego, fraud, and the like against Hoerauf in several capacities, such claims should not be precluded or enjoined as to non-Debtors. The breadth of the Plan provisions as to release and exculpation of non-Debtor parties, as well as claims injunctions, threatens material rights of the Gill Parties that this Plan should not and cannot implicate (such as the nature or extent of claims for personal liability the Gill Parties may bring against Hoerauf, other other Non-Debtors, and/or in certain derivative claim instances against the Debtors wherein Texas law provides that direct or disproportional injury can be awarded through derivative action). *See, e.g., NexPoint Advisors, L.P. et al v. Highland Capital Management, L.P. (In re Highland Capital Management)*, 48 F.4th 419 (5th Cir. 2022); *In Bank of N.Y. Trust Co. v. Off'l Unsecured Creditors' Comm. (In re Pacific Lumber Co.)*, 584 F.3d 229 (5th Cir. 2009). The Plan must be modified to preserve the rights of the Gill Parties to address their serious claims (and in keeping with Fifth Circuit precedent).

24. Relatedly, the Debtors are purporting to retain certain causes of action, some of which will be deferred in prosecution. *See, e.g.,* Plan at 5.21 and 5.8.1. Bankruptcy Code section 1123(b)(3) permits a debtor, after confirmation of a plan, to “enforce a claim once held by the estate”, but only for those claims that have “been retained in the bankruptcy plan.” *See Spicer v. Laguna Madre Oil & Gas II, L.L.C. (In re Tex. Wyo. Drilling, Inc.)*, 647 F.3d 547, 550 (5th Cir. 2011) (citing *Dynasty Oil & Gas, L.L.C. v. Citizens Bank (In re United Operating, L.L.C.)*, 540 F.3d 351, 355 (5th Cir. 2008) and 11 U.S.C. § 1123(b)(3)). However, for a debtor to preserve a claim under Section 1123(b)(3), “the plan must expressly retain the right to pursue such actions [and] [t]he reservation must be specific and unequivocal.” *See id.* (internal citation omitted).

Absent such “specific and unequivocal” language retaining specific claims, the debtor “has no standing to pursue a claim that the estate owned before it was dissolved.” *See id.*

25. The Gill Parties have multiple concerns as it relates to allegedly retained causes of action.

- Conflicting language. Sections 5.21 and 5.8.1 both purport to vest causes of action at once in the Reorganized Debtor and the Plan Agent. To the extent that only certain causes of action vest in the Reorganized Debtor, it should be clear what those causes of action are. If all vest in the Reorganized Debtor but only some are to be managed by the Plan Agent, the Plan should clarify. **However, it is wholly unclear how the Plan Agent, a non-entity, could have any rights “vest” in it.**
- Lack of agency/standing. To the extent any causes of action “vest” in the Plan Agent, there are significant failures in the Plan. The Plan Agent is not an entity (other than an individual). It will apparently not have an EIN and thus cannot even open a bank account. It will have no ability to manage for any purpose the actions of the Debtors (except apparently as it relates to certain real property in certain circumstances). **It is unclear how or whether the Plan Agent will have legal standing to actually bring or—from the perspective of the Gill Parties—settle and release any claims allegedly preserved.**
- Unfair and inexplicable power retained by a single creditor—Halliburton—to direct the Plan Agent. Plan at 5.23.1 and 5.8.3. There is **no** basis for Halliburton (a committee member) having any disproportional control over the Plan Agent. And the Plan Supplement further indicates that Halliburton’s counsel is also the notice address for the Plan Agent. ECF No. 478. **Halliburton having power to control/direct the Plan Agent should be struck from the Plan.**
- Lack of analysis. There’s no analysis of whether and to what extent any allegedly retained (but “tolled”) claim has value. There’s also no analysis of whether and to what extent (a) releasing and waiving portions of claims as between the Debtor entities, (b) substantively consolidating the estates of the Debtors, or (c) partially releasing Hoerauf [for post-bankruptcy conduct] might impact theories of recovery on things such as avoidance or preference actions, alter ego claims, or otherwise. This lack of analysis impacts the appropriateness of substantive consolidation, as well as good faith and feasibility.

26. Relatedly, the Debtors purport to at once preserve the vaguely stated causes of action and then unilaterally enforce a tolling “agreement” on multiple non-Debtor parties, including the Gill Parties. Plan at 5.8.2. The Debtors toll causes of action against the Hoerauf “Releasees,” which

are defined as: Hoerauf, Mathew, Hoerauf, Amber Hoerauf Gill, Condor Ranches, LLC, Amber Hoerauf Trust, Amber Hoerauf Children's Trust, ARG Trust, Mathew Hoerauf Trust, MRH Trust, Ryan C. Hoerauf 2008 Delaware Trust, Ryan C. Hoerauf Grantor Retained Annuity Trust," and purports to include the "spouse, child, stepchild, trustee, employee, member, manager, representative, agent, or attorney of any of the foregoing (but excluding any Debtor)." Plan at 431 at 11. Not only is this definition overly broad, the tolling concept is wholly untenable.

27. The Debtors have no basis in law or fact for unilaterally tolling causes of action. Moreover, the Gill Parties who have NO alleged involvement with the operations of the Debtor, are not shown to have received any transfers from the Debtors within a year of these bankruptcies, and, in fact, allege claims against the Debtors. The Debtors are misleading creditors in including provisions that are not workable under the law (*e.g.*, unilateral tolling of claims) and have no credible basis in fact. **To be clear, the Gill Parties, on behalf of themselves and those listed in the laundry list related to them (including their minor children) of "Hoerauf Releasees," do not consent to tolling of any alleged claims against them. The Debtors have no valid claims against them.** And, if the Plan really is feasible as the Debtors allege, the claims have no meaning or value, in any event, other than perhaps those against Hoerauf and certain of his affiliates (like his 2008 Delaware Trust) in order to incentivize Hoerauf's future performance under the Plan.

28. A plan whose provisions do not comply with applicable law, including the terms of the Bankruptcy Code, is not confirmable. *See, e.g., Mabey v. Southwestern Elec. Power Co. (In re Cajun Elec. Power Coop, Inc.)*, 150 F.3d 503, 512 n.3 (5th Cir. 1998) ("In order to confirm a plan the court must find that the plan and its proponent have complied with the applicable provisions of Title 11.") (quoting *Mickey's Enters., Inc. v. Saturday Sales, Inc. (Mickey's Enters., Inc.)*, 165 B.R. 188, 193 (Bankr. W.D. Tex. 1994)). The rights of non-Debtor parties to accept or reject the

purported tolling do not, as a matter of law, constitute property of the Debtors' estates under Section 541 and render the Plan in violation of Section 541, as well. Accordingly, the Plan cannot be approved or confirmed unless its language is amended to clarify that the only claims that can be tolled are those where the Debtors' principal has express authority to bind the non-debtor counterparty. Hoerauf has no authority to bind the Gill Parties or their minor children.

29. These material matters leave the Gill Parties to guess how the Plan will impact their rights and potential liabilities. *See In re Tex. Wyo. Drilling, Inc.*, 540 F.3d at 550; 11 U.S.C. § 1129(a)(1).

Best Interest of Creditors Test

30. The Plan also fails the best interest of creditors test in its current form, which "requires that each holder of a claim in a class either accept the plan or receive at least as much as it would receive in a chapter 7 liquidation." *In re Brisco Enters., Ltd., II*, 994 F.2d 1160, 1167 (5th Cir. 1993) (citing 11 U.S.C. § 1129(a)(7)). Here, the Debtors appear to assume that their estates would be substantively consolidated in a liquidation. This assumption is inappropriate and material. For instance, O'Ryan Ranches, Ltd. (the Llano debtor) has almost no liquidated debts disclosed in its Schedules, aside from debt to Prosperity Bank, and Prosperity is well oversecured by multiple sources of collateral. If Prosperity's debt is satisfied from sources aside from the Llano Ranch (such as a fire sale of the oil and gas assets and/or the Oregon Ranch), it is plausible that even in a liquidation scenario, not only unsecured creditors but equity holders (like the AHT, of which Ms. Gill is the sole beneficiary), would see recovery. Similarly, O'Ryan Production and Exploration shows significant assets in its Schedules but comparatively little debt, other than the Prosperity Bank debt, which (again) could plausibly be satisfied in liquidation from sources other than the assets of O'Ryan Production and Exploration (of which Ms. Gill is alleged to be an equity holder).

And, even assuming that a liquidation analysis on a consolidated basis were appropriate, the Debtors must support their assertion that general unsecureds (here, each of the Gill Parties) are likely to take nothing, when the real estate Debtors' assets and the oil and gas assets are alleged to have sufficient value to pay off all creditors. Accordingly, the Debtors must demonstrate at confirmation that the Plan meets section 1129(a)(7) as to the Gill Parties, having voted against the Plan as to all of their claims.

Additional Concerns

31. In addition to all of the foregoing, the Gill Parties assert the following concerns regarding the Plan:

- **Equity Interests. Equity is deemed to accept the Plan, but it is unclear what Equity Interest holders receive through the Plan on account of their interests post-confirmation.** If, for instance, proceeds from the various asset sales and operations result in payment of creditors in full (as alleged), how will excess proceeds be split among the Reorganized Debtors? What will the various Reorganized Debtors be entitled to on a go-forward basis?
 - **If Oregon sells first and every dollar of the \$68 million listing price is obtained.**
 - Would have approximately \$6 million to split amongst costs of sale, lender 506(b) claims, after resolving Prosperity Bank [\$51.1 million] and AgWest [\$10.8 million] secured claims.
 - Assume approximately \$4 million as the estimated costs of sale (6%)
 - Remaining \$2 million.
 - Debtors must clarify what happens with those proceeds/how the “waterfall” of various escrows are to work in this scenario.
 - Would have roughly \$13 million the from the sale of Llano Parcel 1.
 - Debtors must clarify what happens with those proceeds.
 - Are they enough to satisfy claims?
 - ****Does the Llano Ranch debtor keep excess or is it apportioned among the Llano Ranch debtor and O’Ryan Family Limited Partnership as the owner of the Oregon Ranch Debtors?**
 - **If Llano Parcel 1 sells first and every dollar of the \$14,297,500 listing price is obtained.**
 - Would reduce Prosperity Loan [\$51.1 million] by roughly \$13 million?
 - Or are there carveouts to consider here?
 - Assume approximately \$860,000 as estimated costs of sale (6%).

- Leaving roughly \$38 million remaining due to Prosperity Bank and \$10.8 million to AgWest.
- If every dollar of the listing price for Oregon is obtained, then:
 - Would have approx \$51 million after AgWest.
 - Would have approx. \$13,000,000 after Prosperity.
 - What carveouts?
 - Is this enough to resolve the remaining debts (Classes 6 and 7)?
 - What happens to Class 6 if real estate sells quickly?
 - If there is excess, O’Ryan Family Limited Partnership should not keep excess. It should be contributed to the Llano Ranch debtor or, at a minimum, apportioned among the Llano Ranch debtor and O’Ryan Family Limited Partnership.
- **Claim Objections.** Who is handling claims objections, the Plan Agent or the Reorganized Debtors? And if it is the Plan Agent, are the monthly allocations sufficient? If the Reorganized Debtor, good faith concerns are implicated and if the Plan Agent, feasibility concerns are implicated. Have the Debtors budgeted for the post-confirmation costs to be associated with finalizing the review of claims and any necessary objections? Resolving the removed lawsuit with Well Castle? With a Plan alleging payout of 100%, vetting of claims would seem critical. Compare Plan at 7.1 (“The Reorganized Debtors may compromise and settle any Disputed Claim without the necessity of any further notice or approval of the Bankruptcy Court”) to 5.23.3 (Plan Agent to “object to and resolve Unsecured Claims”).
- **Final Claims Register.** If the Plan is confirmed, when and how will a final claims register be disclosed, given the uncertainty of the size and amount of claims included in each class? This should be disclosed as another way for parties in interest to monitor their rights under the Plan.
- **Post-confirmation Reporting.** Post-confirmation reporting is solely to the Plan Agent. But the Plan Agent has no duty to report to creditors or equity interest holders. This is not appropriate. General unsecureds are enduring essentially no material payments for 5 years. If the Plan is confirmed, it should require periodic reporting to parties in interest.
- **Disgorgement.** What does the “not subject to disgorgement” after the Admin Bar date mean as compared to the fee objection preservation language for Professional Claims Holders? Are they being given a release through the Plan without regard to the fee application process?
- **Default and Conversion.** What happens on default and conversion? Issues of order of priority relating to Plan waterfall (*e.g.*, in different scenarios and with regard to the various carveouts and liens) should be clarified, including as to resulting holdings of the various Reorganized Debtors.

CONCLUSION

For these reasons and any additional arguments that may be presented at any hearing held on the Plan, the Gill Parties object to the confirmation of the Plan, and ask this Court to grant such other and further relief, at law or equity, as may be just and proper.

Dated: August 13, 2025

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing instrument has been served electronically via the Court's ECF noticing system on those parties who receive notice from that system and to the following parties via email on the 13th day of August, 2025.

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EXHIBIT “1”

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ATTORNEYS FOR AMBER GILL, individually and as co-trustee of the ARG Trust;
SHAD GILL, as co-trustee of the ARG Trust; AND ELECTRUM ENERGY LLC

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

In re: SCANROCK OIL & GAS, INC., <i>et al.</i>, Debtors.¹	§ § § § §	Chapter 11 Case No. 25-90001-mxm-11 Jointly Administered
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**GILL PARTIES' JOINDER AND OBJECTION TO THE COMMITTEE'S
EMERGENCY MOTION FOR SUBSTANTIVE CONSOLIDATION**

Amber Gill, individually and as co-trustee of the ARG Trust, Shad Gill, as co-trustee of the ARG Trust, and Electrum Energy, LLC, parties-in-interest in the above-styled and captioned bankruptcy cases (collectively, the “Gill Parties”), hereby join *Prosperity Bank’s Objection to Official Committee of Unsecured Creditors’ Emergency Motion for Substantive Consolidation of Debtors’ Estates* [ECF No. 377] (“Prosperity’s Objection”) and file this objection (the “Joinder and Objection”) regarding the *Official Committee of Unsecured Creditors’ Emergency Motion for Substantive Consolidation of Debtors’ Estates* [ECF No. 312] (the “Motion”), and respectfully state as follows:

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.

JOINDER AND OBJECTION

1. The Gill Parties join in the arguments raised in Prosperity's Objection.
2. Substantive consolidation is an extreme remedy that should only be considered as a last resort. The Committee has the burden of meeting the *Augie/Restivo* multi-factor test or the *In re Auto-Train Corp* harm-balancing factors.² "[S]ubstantive consolidation should be used defensively to remedy identifiable harms, not offensively to achieve advantage over one group in the plan negotiation process"³ Substantive consolidation is "extreme" and "may affect profoundly creditors' rights and recoveries."⁴ Thus, the Gill Parties urge the Court to hold the Committee to its burden.
3. For instance, Ms. Gill is the sole beneficiary to the Amber Hoerauf Trust ("AHT"), which has ownership rights in Debtor O'Ryan Ranches, Ltd. (a borrower under the Prosperity Bank loan). To the extent the Prosperity Bank debt is satisfied in a way that Prosperity ultimately releases all or part of the Llano, Texas ranch property collateral that O'Ryan Ranches, Ltd. owns, that Debtor's options for the plan phase are dramatically different, preserving value for that Debtor's creditors and owners.
4. While Ms. Gill has substantial concerns about the manner in which Mr. Hoerauf has operated all of the Debtors (and even more grave concerns about potential abuse of the AHT), those concerns give Ms. Gill significant pause about pushing toward consolidation without careful thought and consideration of the legal and factual factors required to allow consolidation.
5. As outlined in Prosperity's Objection, the Motion comes at a time that is still relatively early in these chapter 11 cases. Specifically, the proof of claim deadline has not yet run and/or will

² *In re Owens Corning*, 419 F.3d 195, 212 (3d Cir. 2005); *see also In re Augie/Restivo Baking Co., Ltd.*, 860 F.2d 515, 519 (2d Cir. 1988); *In re ADPT DFW Holdings, LLC*, 574 B.R. 87, 94-95 (Bankr. N.D. Tex. 2017)

³ *In re Owens Corning*, 419 F.3d at 212.

⁴ *Id.*

only have just run in certain of the jointly administered cases. Also, Debtors O’Ryan Oregon Ranches, LLC and O’Ryan Ranches, LLC are the holders of one of the most valuable assets of the Debtors and have been in bankruptcy for approximately a month. And, the Court has not yet heard a key motion before it, the *United States Trustee’s Motion for an Order Directing the Appointment of Chapter 11 Trustees under 11 U.S.C. § 1104(a)* [ECF No. 183] (“Trustee’s Motion”), which will determine who controls the Debtors.

6. The Committee does not meaningfully address in its Motion how consideration of the Motion will prevent “[d]issipation of the Oil and Gas Debtors’ assets under Mr. Hoerauf’s control,” as substantive consolidation will not change who is in control of the Debtor and how the Debtors are permitted to operate. Motion ¶ 1. Likewise, the Motion does not explain how substantive consolidation “[w]ould provide much-needed clarity regarding the administration of these cases . . .” considering only distributions and plan voting would be effected by merging the assets and liabilities of the Debtors. *Id.*

7. Finally, the pending Motion to appoint chapter 11 trustees further underscores why the Committee’s request for relief is not warranted. Any appointed trustee should have an opportunity to evaluate and weigh in on a remedy as significant and far-reaching as substantive consolidation.

8. Accordingly, the Gill Parties object to the Motion.

RESERVATION OF RIGHTS

9. This Joinder and Objection is submitted without prejudice to, and with a full reservation of, the Gill Parties’ claims, defenses, and remedies, including the right to supplement this Joinder and Objection and to introduce evidence at any hearing related to such Joinder and Objection to the extent necessary. Nothing in this Joinder and Objection shall in any way limit any other rights of the Gill Parties.

CONCLUSION

For the reasons set forth above and in Prosperity's Objection, the Gill Parties respectfully request that the Court deny the Committee's Motion and grant such other and further relief, at law or equity, as may be just and proper, including setting the Motion for hearing on at least twenty-four days' notice.⁵

Dated: June 6, 2025

Respectfully submitted,

THOMPSON COBURN LLP

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individually and as co-trustee of the ARG
Trust; SHAD GILL, as co-trustee of the
ARG Trust; AND ELECTRUM ENERGY
LLC**

⁵ The hearing on the Motion is now set for Friday, June 13, 2025, at 9:30 AM. However, the Notice of Hearing [ECF No. 333] does not specify the deadline to file objections, so the Gill Parties are filing this Joinder and Objection out of an abundance of caution.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing instrument has been served electronically via the Court's ECF noticing system on those parties who receive notice from that system on the 6th day of June, 2025.

/s/ Katharine Battaia Clark
Katharine Battaia Clark