

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-mxm-11
	§	
Debtors.	§	Jointly Administered

**DISCLOSURE STATEMENT IN SUPPORT OF
DEBTORS' JOINT CONSOLIDATED PLAN OF REORGANIZATION**

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DATED: April 28, 2025, Dallas, Texas.

ARTICLE I.
INTRODUCTION AND PLAN SUMMARY

You are receiving this Disclosure Statement because you are a potential creditor or party-in-interest in the jointly administered Chapter 11 bankruptcy case of Scanrock Oil & Gas, Inc.; EON Production, LLC; O’Ryan Family Limited Partnership; O’Ryan Production & Exploration Ltd.; O’Ryan Ponderosa, LLC; Ryan C. Hoerauf, Inc.; Smackover Oil Treaters, Ltd.; O’Ryan Ranches, Ltd.; O’Ryan Ranches, LLC; and O’Ryan Oregon Ranches, LLC.

This Disclosure Statement contains adequate information to enable you to better understand the Plan (the *Debtors’ Joint Consolidated Plan of Reorganization*) and to better enable you to vote on the Plan, if you are entitled to vote on the Plan. The Plan is attached to this Disclosure Statement.

The Plan, if confirmed by the Bankruptcy Court, will constitute a new contract between the Debtors and their creditors and will govern how the Debtors will repay their debts to their creditors. The Plan is a legal document that may affect and alter your legal rights. You should review the Plan closely, using this Disclosure Statement to help you. You have rights regarding the Plan, including to potentially vote on the Plan and to object to the confirmation of the Plan. However, if you do not exercise these rights, the Plan may be confirmed and may become binding on you, whether or not you vote on the Plan or participate in the Plan process. If you ignore the Plan, the Plan may still become binding on you, and you are therefore encouraged to pay attention to the Plan, to review the Plan, and to consult with counsel regarding the Plan.

The Plan is a plan of reorganization which, if confirmed, will provide the Debtors a discharge of their debts, including any such debts to you. In exchange, the Plan will govern how the Debtors, as Reorganized Debtors under the Plan, will pay you back on your debt. The Plan is funded through several sources, including the sale of the Oregon Ranch, the sale of the Llano Ranch (in two tranches), Exit Financing to be obtained by the Oil and Gas Debtors, and future operations and revenues. As provided for in the Plan and detailed below, the Plan provides for a full payment of all obligations of the Debtors to their creditors, although the timing of such repayment depends on which Class of the Plan your claim is classified in.

For the reasons expressed in this Disclosure Statement, the Debtors urge their creditors to vote to accept the Plan.

ARTICLE II.
INTRODUCTORY DISCLOSURES

THIS DISCLOSURE STATEMENT IN SUPPORT OF THE DEBTORS' JOINT CONSOLIDATED PLAN OF REORGANIZATION (THE "DISCLOSURE STATEMENT"), FILED BY THE DEBTORS (DEFINED BELOW), SUMMARIZES CERTAIN PROVISIONS OF THE DEBTORS' JOINT CONSOLIDATED PLAN OF REORGANIZATION (THE "PLAN"), INCLUDING PROVISIONS RELATING TO THE PLAN'S TREATMENT OF CLAIMS AGAINST THE DEBTORS. THE DISCLOSURE STATEMENT ALSO SUMMARIZES CERTAIN FINANCIAL INFORMATION CONCERNING THE DEBTORS AND THE CLAIMS ASSERTED AGAINST THE DEBTORS IN THE BANKRUPTCY CASE. WHILE THE DEBTORS BELIEVE THAT THE DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITH RESPECT TO THE INFORMATION SUMMARIZED, CREDITORS SHOULD REVIEW THE ENTIRE PLAN AND EACH OF THE DOCUMENTS REFERENCED HEREIN, AND SHOULD SEEK THE ADVICE OF THEIR OWN COUNSEL BEFORE CASTING THEIR BALLOTS.

EXCEPT FOR THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, NO REPRESENTATIONS CONCERNING THE DEBTORS, THE DEBTORS' ASSETS AND LIABILITIES, THE PAST OR FUTURE OPERATION OF THE DEBTORS, THE PLAN, OR ALTERNATIVES TO THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN, OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, ARE UNAUTHORIZED AND SHOULD BE REPORTED TO THE DEBTORS.

THE APPROVAL OF THE DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTY OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED AS CONFERRING UPON ANY PERSON ANY RIGHTS, BENEFITS OR REMEDIES OF ANY NATURE WHATSOEVER. THE DISCLOSURE STATEMENT IS INFORMATIONAL ONLY AND IT IS THE PLAN THAT WILL CONTROL IF CONFIRMED BY THE BANKRUPTCY COURT. ADDITIONALLY, CREDITORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH CREDITOR SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY MATTER CONCERNING THE PLAN, INCLUDING THE TREATMENT OF CLAIMS UNDER THE PLAN, THE RELEASES PROVIDED BY AND PROPOSED UNDER THE PLAN, THE TRANSACTIONS AND INJUNCTIONS PROVIDED UNDER THE PLAN, AND THE VOTING PROCEDURES AND ELECTIONS APPLICABLE TO THE PLAN.

THE PLAN MAY PERMANENTLY AFFECT AND LIMIT YOUR RIGHTS.

READ THIS DISCLOSURE STATEMENT AND THE PLAN CAREFULLY.

ARTICLE III. **DEFINITIONS**

“Administrative Claim” means a Claim for any cost or expense of administration of the Bankruptcy Case under section 503(b) of the Bankruptcy Code, including, without limitation, any fees or charges assessed against the Estate pursuant to 28 U.S.C. § 1930, and further including a Professional Claim. For the avoidance of doubt, Administrative Claims do not include Secured Tax Claims.

“Administrative Claims Bar Date” means the day that is thirty (30) days after the Effective Date.

“Administrative Tax Claim” means any *ad valorem* tax claim assessed against, or payable by, the Debtors or the Estates or their property for or on account of a period after the Petition Date, specifically excluding Secured Tax Claims.

“AgWest” means AgWest Farm Credit, FLCA.

“AgWest Loan Documents” means all promissory notes, deeds of trust, fixture filings, grants of security interests, and other agreements between the Oregon Debtors and AgWest, including that certain Deed of Trust Financing Statement and Fixture Filing dated February 8, 2023 and recorded as Instrument No. 2023-321165 in the records of Crook County, Oregon, and the promissory notes dated February 8, 2023 and March 22, 2019 from the Oregon Debtors.

“AgWest Secured Claim” means all Claims, rights, and interests of AgWest against the Oregon Ranch and the Oregon Debtors as of the Petition Date under the AgWest Loan Documents and all applicable law, including all principal, interest, default interest, and other fees and charges permitted under the applicable AgWest Loan Documents and applicable law.

“Allowed” as it relates to any type of Claim provided for under the Plan, but excluding a Professional Claim, means a Claim:

- (i) which has been scheduled as undisputed, noncontingent and liquidated in the Schedules in an amount other than zero or unknown, and as to which:
 - a. no proof of Claim has been timely filed; and
 - b. no objection has been timely filed (as determined by applicable deadlines contained in the Plan, including the Claims Objection Deadline);
- (ii) as to which a proof of Claim has been timely filed and either:
 - a. no objection thereto has been timely filed (as determined by applicable deadlines contained in the Plan, including the Claims Objection Deadline); or
 - b. such Claim has been allowed (but only to the extent allowed) by a Final Order of the Bankruptcy Court;
- (iii) which has been expressly allowed under the provisions of the Plan; or

(iv) which has been expressly allowed by Final Order of the Bankruptcy Court.

“Allowed Administrative Claim” means: (i) an Administrative Claim that has been Allowed (but only to the extent Allowed), if approval from the Bankruptcy Court is required in order to Allow the same; or (ii) an Administrative Claim which: (a) is incurred by the Debtors after the Petition Date in the ordinary course of business operations or pursuant to an order entered by the Bankruptcy Court granting automatic Administrative Claim status; (b) is not disputed by the Debtors; and (c) does not require approval from the Bankruptcy Court to become Allowed.

“Allowed Priority Claim” means a Priority Claim that has been Allowed (but only to the extent Allowed).

“Allowed Secured Claim” means a Secured Claim that has been Allowed (but only to the extent Allowed).

“Allowed Unsecured Claim” means an Unsecured Claim that has been Allowed (but only to the extent Allowed).

“Avoidance Actions” means any and all rights, claims or actions which the Debtors may assert on behalf of the Estates under Chapter 5 of the Bankruptcy Code, including actions under one or more provisions of sections 328, 542, 544, 545, 546, 547, 548, 549, 550, 551 and/or 553 of the Bankruptcy Code.

“Bankruptcy Case” means jointly administered Bankruptcy Case No. 25-90001-mxm-11 in the Bankruptcy Court.

“Bankruptcy Code” means 11 U.S.C. §§ 101, *et. seq.*, in effect as of the Petition Date and as may have been or may be amended or supplemented since, to the extent that any such amendment or supplement is automatically applicable to the Bankruptcy Case by operation of law and not by operation of any election or choice.

“Bankruptcy Court” means the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division or, if such court ceases to exercise jurisdiction, the court or adjunct thereof that exercises jurisdiction over the Bankruptcy Case.

“Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, together with the local bankruptcy rules for the Bankruptcy Court as now in effect or as the same may from time to time hereafter be amended.

“Bar Date” means, with respect to each Debtor, the date established by an order of the Bankruptcy Court or by a provision of the Bankruptcy Code or Bankruptcy Rules by which any given creditor must file a proof of claim against that Debtor’s Estate.

“Business Day” means any day which is not a Saturday, a Sunday, or a “legal holiday” within the meaning of Bankruptcy Rule 9006(a).

“Claim” means a claim against one or more of the Debtors, the Estates, and/or property of the Debtors or the Estates, as such term is otherwise defined in section 101(5) of the Bankruptcy Code, and arising at any time prior to the Effective Date, including first arising after the Petition Date, regardless of whether the same would otherwise be a claim under said section 101(5) of the Bankruptcy Code.

“Claims Objection Deadline” means the date by which parties authorized by the Plan may file any objection to a Claim, which date shall be 120 days after the Effective Date, except with respect to Administrative Claims as otherwise provided for herein and with respect to Disputed Claims.

“Class” means one of the categories of Claims and Equity Interests established under Article II of the Plan.

“Committee” means the Official Committee of Unsecured Creditors appointed in the Bankruptcy Case by the United States Trustee.

“Confirmation Date” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on its docket.

“Confirmation Hearing” means the hearing(s) before the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of the Plan, as such hearing(s) may be continued, rescheduled or delayed.

“Confirmation Order” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, as such order may be amended, modified, or supplemented.

“Consolidated Estate” has the meaning assigned to it in section 5.1.1 of the Plan.

“Convenience Class Claim” has the meaning assigned to it in section 4.8.1 of the Plan.

“Creditor” means the holder of any Claim entitled to distributions under the Plan with respect to such Claim.

“Creditor Escrow” has the meaning assigned to it in section 5.26 of the Plan.

“Cure Claim” means a Claim required to be paid under section 365 of the Bankruptcy Code in order to assume any Executory Contract, including, as may be applicable, any nonmonetary portion thereof.

“Debtor” means any of the Debtors.

“Debtors” means, collectively, Scanrock Oil & Gas, Inc.; EON Production, LLC; O’Ryan Family Limited Partnership; O’Ryan Production & Exploration Ltd.; O’Ryan Ponderosa, LLC; Ryan C. Hoerauf, Inc.; and Smackover Oil Treaters, Ltd.; O’Ryan Ranches, Ltd.; O’Ryan Ranches, LLC; and O’Ryan Oregon Ranches, LLC.

“Disallowed Claim” means, as it relates to any type of Claim provided for under the Plan, except an Administrative Claim (or a Professional Claim), a Claim or portion thereof that:

- (i) has been disallowed by a Final Order of the Bankruptcy Court;
- (ii) is identified in the Schedules in an amount of zero dollars, unknown dollars, or as contingent, unliquidated, and/or disputed, and as to which a proof of Claim was not filed by the Bar Date; or
- (iii) is not identified in the Schedules and as to which no proof of Claim has been filed or deemed filed by the Bar Date, if the filing of such proof of Claim is otherwise required.

“Effective Date” means the first Business Day fourteen (14) days after the Confirmation Date if the Confirmation Order is not stayed or, if the Confirmation Order is stayed, the first Business Day following the lifting, dissolution, or removal of such stay which is at least fourteen (14) days after the Confirmation Date, and upon which the conditions to the effectiveness of the Plan set forth in Article IX hereof are satisfied.

“Equity Interests” means any ownership of any equity in the Debtors, including, as may be applicable, any membership unit, partnership interest, share, stock, or stock certificate.

“Estate” means the estate created for each Debtor pursuant to section 541 of the Bankruptcy Code and any other applicable provision thereof.

“Estates” means, collectively, each Estate.

“Executory Contract” means, collectively, “executory contracts” and “unexpired leases” of the Debtors as of the Petition Date as such terms are used within section 365 of the Bankruptcy Code, expressly excluding Oil and Gas Leases.

“Exit Financing” has the definition assigned to it in section 5.7 of the Plan.

“Final Decree” means the final decree entered by the Bankruptcy Court on or after the Effective Date pursuant to Bankruptcy Rule 3022.

“Final Order” means a judgment, order, ruling, or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling, or other decree has not been reversed, stayed, modified, or amended and as to which:

- (i) the time to appeal or petition for review, rehearing or certiorari has expired and as to which no appeal or petition for review, rehearing or certiorari is pending; or
- (ii) any appeal or petition for review, rehearing or certiorari has been finally decided and no further appeal or petition for review, rehearing or certiorari can be taken or granted.

“Governmental Unit” means a governmental unit as such term is defined in section 101(27) of the Bankruptcy Code.

“Hoerauf” means Ryan C. Hoerauf.

“Hoerauf Contribution” has the meaning assigned to it in section 5.8 of the Plan.

“Hoerauf House” means that certain real property and improvements located thereon located at 18 La Paz Cir., Odessa, Texas 79765.

“Hoerauf Releasees” means each of 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 further includes the spouse, child, stepchild, trustee, employee, member, manager, representative, agent, or attorney of any of the foregoing.

“Llano Ranch” means all real property, improvements, timber, minerals, and fixtures, but expressly excluding personal property (including vehicles, furnishings, and furniture), owned by O’Ryan Ranches, consisting of approximately 1,739.514 contiguous acres of real property located in the southwest portion of Llano County, Texas.

“Llano Ranch Parcel 1” means a portion of the Llano Ranch, identified as 817 +/- acres out of - W RABB ABST #624 3.012 AC, H W Karnes ABST #444 655.324 AC, M MOSS ABST #501, 381.927 AC, H W Karnes ABST #444 0.500 AC, J B Mattingly ABST #497 233.501 AC, M MOSS ABST #501 340.136 AC, J B Mattingly ABST #497 125.114 AC, as more specifically identified on Exhibit ___ to the Disclosure Statement.

“Llano Ranch Parcel 2” means all of the Llano Ranch other than the Llano Ranch Parcel 1.

“Mechanics Liens Secured Claims” means a claim against the Oil and Gas Debtors asserted to be secured by a mechanics or materialman’s lien where such claim and lien arise prior to the Petition Date.

“Oil and Gas Debtors” means Scanrock Oil & Gas, Inc., EON Production, LLC, O’Ryan Production & Exploration Ltd., O’Ryan Family Limited Partnership, O’Ryan Ponderosa, LLC, Ryan C. Hoerauf, Inc., and Smackover Oil Treaters, Ltd.

“Oil and Gas Leases” means any and all unexpired leases or instruments in which any of the Debtors or Reorganized Debtors, as the case may be, hold an existing leasehold, working interest, royalty interest, or similar interest in oil and gas and/or other liquid or gaseous hydrocarbons, including methane, and all other minerals including, but not limited to, brine, minerals, non-hydrocarbons, and all substances that may be later extracted from any such brine, including, but not limited to, bromine, lithium chloride, magnesium or zinc, as of the Effective Date.

“Oregon Ranch Carbon Credits” means any past, present, or future rights to payment, including as the same may be presently under negotiation, that either or both of the Oregon Debtors may claim or obtain from any source, related to carbon credits from their ownership and/or operation of the Oregon Ranch.

“Oregon Debtors” means, together, O’Ryan Ranches, LLC and O’Ryan Oregon Ranches, LLC.

“Oregon Ranch” means all real property, improvements, timber, minerals, and fixtures, but expressly excluding personal property (including vehicles, furnishings, and furniture), owned by either or both of the Oregon Debtors in the State of Oregon, and otherwise known as the “Ochoco Ranch,” consisting of approximately 44,328 acres of timber land located in Crook County, Oregon. For purposes of the Plan only, the Oregon Ranch Carbon Credits shall not be considered part of the Oregon Ranch but shall instead be a separable class of property.

“O’Ryan Ranches” means O’Ryan Ranches, Ltd., one of the Debtors.

“PB Materials Stock” means any stock, shares, or equity interests of any of the Debtors in PB Materials Holdings, Inc., owned prior to and as of the Petition Date.

“Person” means and includes natural persons, corporations, limited partnerships, general partnerships, joint ventures, trusts, land trusts, business trusts, unincorporated organizations, or other legal entities, irrespective of whether they are governments, agencies or political subdivisions thereof.

“Petition Date” means, with respect to each Debtor, the date on which it filed its Chapter 11 petition for relief as jointly administered in the Bankruptcy Case.

“Plan” means the *Debtors’ Joint Consolidated Plan of Reorganization*, either in its present form or as it may be altered, amended or modified from time to time.

“Plan Agent” is the person named in section 5.23.2 of the Plan.

“Plan Rate” means the federal postjudgment interest rate as of the Effective Date.

“Priority Claim” means any Claim entitled to priority in payment under section 507(a) of the Bankruptcy Code, excluding any Claim that is an Administrative Claim or that is a Secured Tax Claim.

“Professional” means any Person employed or to be compensated pursuant to sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code.

“Professional Claim” means a Claim by a Professional for compensation and/or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code in connection with an application made to the Bankruptcy Court.

“Professional Fees Escrow” means the “Fee Escrow” as defined in the *Third Interim Order Granting Debtors’ Emergency Motion for Entry of Interim and Final Orders (i) Authorizing the Debtors to Use Cash Collateral; (ii) Granting Adequate Protection; (iii) Modifying the Automatic Stay; (iv) Scheduling a Final Hearing; and (v) Granting Related Relief*, entered at Docket No. 201 in the Bankruptcy Case.

“Prosperity Bank” means Prosperity Bank, including as successor-in-interest to Lone Star State Bank of West Texas and Amarillo National Bank.

“Prosperity Bank Loan Documents” means the documents and instruments identified on Exhibit B to the *Third Interim Order Granting Debtors’ Emergency Motion for Entry of Interim and Final Orders (i) Authorizing the Debtors to Use Cash Collateral; (ii) Granting Adequate Protection; (iii) Modifying the Automatic Stay; (iv) Scheduling a Final Hearing; and (v) Granting Related Relief*, entered at Docket No. 201 in the Bankruptcy Case, but only insofar as any of the foregoing apply to a Debtor or an Estate, and its property. For the avoidance of doubt, the rights of Prosperity Bank as against any non-debtor and its property are not modified by the Plan, subject only to the temporary injunction against collection provided in section 4.4.10 of the Plan.

“Prosperity Bank Secured Claim” means all Claims, rights, and interests of Prosperity Bank against the Debtors and their property, including against the Oregon Ranch, the Llano Ranch, and the property of the Oil and Gas Debtors, and including under any cash collateral order entered in the Bankruptcy Case, and including all rights under the Prosperity Bank Loan Documents and all applicable law, including all principal, interest, default interest, and other fees and charges permitted under the applicable Prosperity Bank Loan Documents and applicable law.

“Rejection Damages Claim” means the Claim in favor of a counterparty to an Executory Contract that is rejected by the Debtors, but that is not an Administrative Claim.

“Rejection Damages Claim Bar Date” means the day that is thirty (30) days after the Effective Date, if the Executory Contract giving rise to the Rejection Damages Claim is rejected under the Plan.

“Reorganized Debtor” means a Debtor on and after the Effective Date.

“Reorganized Debtors” means the Debtors on and after the Effective Date.

“Royalty Claim” means any Claim for unpaid oil and gas royalties from any of the Debtors as of the Petition Date, but expressly excludes any suspense royalties and resulting suspense funds.

“Sale Metrics” means the Plan Supplement filed under seal which provides, with respect to the sale of the Oregon Ranch and the Llano Ranch Parcel 1, the dates, listing prices, and release prices on which the Plan Agent must accept and close any bid for such properties falling within said dates and prices.

“Schedules” means the Schedules of Assets and Liabilities and the Statements of Financial Affairs filed by the Debtors with the clerk of the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as they have been or may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009.

“Secured Claim” means a Claim that is alleged to be secured, in whole or in part, (i) by a lien against an asset of the Debtors or the Estates; or (ii) as a result of rights of setoff under section 553 of the Bankruptcy Code.

“Secured Tax Claim” means a Claim of a Governmental Unit for the payment of *ad valorem* real property and business personal property taxes that is secured by property of the Debtors or the Estates arising prior to the Petition Date even if first payable after the Petition Date.

“Subordinated Claims” means all Claims that are subordinated under section 510 of the Bankruptcy Code, or voluntarily in the Plan, or otherwise voluntarily through a document filed in the Bankruptcy Case.

“Substantial Consummation” means the date on which any of the following first happens: (i) the Bankruptcy Court enters an order on the fee application of the Debtors’ general counsel or (ii) the Bankruptcy Court otherwise finds that substantial consummation within the meaning and operation of the Bankruptcy Code has occurred.

“Tax Escrow” has the meaning assigned to it in section 5.3.3 of the Plan.

“Unsecured Claim” means any alleged Claim against the Debtors that is not secured by (or to the extent not secured by) a valid, enforceable, and unavoidable lien against any asset of the Debtors or the Estates, including any deficiency claim, which does not enjoy any administrative or priority status under the Bankruptcy Code.

“Voting Deadline” means the period established by the Bankruptcy Court within which Ballots may be cast on the Plan.

ARTICLE IV. **INTRODUCTION**

On February 3, 2025, Scanrock Oil and Gas, Inc. and O’Ryan Ranches, Ltd. filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On February 9, 2025, EON Production, LLC; O’Ryan Family Limited Partnership; O’Ryan Production & Exploration, Ltd.; O’Ryan Ponderosa, LLC; Ryan C. Hoerauf, Inc.; and Smackover Oil Treaters Ltd. filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On April 25, 2025, O’Ryan Ranches, LLC and O’Ryan Oregon Ranches, LLC, filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. All of the individual Debtors’ bankruptcy cases are being jointly administered, for procedural purposes, in the form of the Bankruptcy Case.

On April 28, 2025, the Debtors filed their Plan with the Bankruptcy Court. The Plan proposes the means to reorganize the Debtors’ debts, including the means to pay their creditors, and the Plan provides for a discharge of the Debtor, except for those debts to be paid under the Plan. Creditors approve or disapprove of the Plan by voting their Ballots on the Plan, if they are in a Class entitled to vote, and, if appropriate, by objecting to the confirmation of the Plan. However, the Plan can be confirmed by the Bankruptcy Court even if less than all Creditors of Classes accept the Plan and, in such instance, the Plan will still be binding on those Creditors or Classes that rejected the Plan. Approval and consummation of the Plan will enable the Bankruptcy Cases to be finally concluded.

The Debtors hereby submit this Disclosure Statement in connection with soliciting votes on, and providing information regarding, the Plan. After notice and a hearing, the Bankruptcy Court may approve this Disclosure Statement as containing information of a kind and in sufficient detail to enable Creditors whose votes on the Plan are being solicited to make an informed judgment on whether to accept or reject the Plan. The Bankruptcy Court’s approval of the Disclosure Statement does not constitute the Bankruptcy Court’s approval or disapproval of the Plan.

This Disclosure Statement, which includes the Plan as Exhibit “A,” is being mailed to each holder of a Claim (or potential Claim) against the Debtors that have not been disallowed, together with various other parties-in-interest who, even if not creditors, may be affected by the Plan and may have the right to object to the Plan. However, the Debtors are only seeking votes on the Plan from Classes of Creditors who are entitled to vote. Only those parties who have received a Ballot may vote to accept or reject the Plan. All Creditors and parties-in-interest may object to the confirmation of the Plan even if they do not necessarily vote on the Plan. Any person affected by the Plan must file a timely objection to the Plan. Otherwise, the Plan may be binding on such person even if such person has not filed a Claim or has no Claim against any Debtor.

The Debtors have promulgated the Plan consistent with the provisions of the Bankruptcy Code. The Debtors believe that the Plan provides the best means for maximizing recovery to each of the Classes of Creditors under the Plan, in light of the assets available for distribution to Creditors and the Debtors’ future income. The Debtors believe that the Plan enables all legitimate

debt to be paid in full, whereas in a liquidation of the Debtors, the Debtors do not believe that all claims would be paid in full as against certain of the Debtors.

The Plan represents a new contract between the Debtors and their Creditors. The Plan replaces prepetition agreements and rights with respect to the Debtors. The Bankruptcy Court may confirm the Plan even if fewer than all Creditors approve the Plan, in which case the Plan will be binding on all Creditors regardless of whether they accepted the Plan or not.

The Debtors and their Estates own various properties and businesses. Chief amongst these is the Oregon Ranch, which the Debtors believe to have a market value in excess of \$70 million. Next is the Llano Ranch, which the Debtors believe to have a market value in excess of \$25 million. The Oil and Gas Debtors believe that they could sell their assets for more than \$10 million. The foregoing values are sufficient to pay all Creditors in full.

Thus, the Plan generally provides for the following, to address the following issues:

- i. The Reorganized Debtors would sell the Oregon Ranch in an amount and at a time specified in the Sale Metrics, to be filed under seal. The Plan Agent would have sole and exclusive authority over this sale. From the proceeds of this sale, the Debtors believe that AgWest would be paid in full. They also believe that Prosperity Bank would be paid in full, although this is not certain. However, every dollar that Prosperity Bank is paid would be a dollar-for-dollar credit against its claims against the remaining Debtors.
- ii. The Reorganized Debtors would sell a little under half of the Llano Ranch, defined in the Plan as the Llano Ranch Parcel 1. As with the Oregon Ranch, the Plan Metrics would control the timing and sales price. The Plan Agent would have sole and exclusive authority over this sale. From the proceeds of this sale, the Debtors believe that Prosperity Bank would be paid in full, to the extent of any claim remaining after the sale of the Oregon Ranch. Every dollar that Prosperity Bank is paid would be a dollar-for-dollar credit against its claims against the remaining Debtors.
- iii. It is possible that the Reorganized Debtors sell the Llano Parcel 1 before the Oregon Sale, in which case all of those proceeds would be paid to Prosperity Bank. However, this would mean that the secured claim of Prosperity Bank against the Oregon Debtors would be reduced, thus freeing up additional equity from the sale of the Oregon Ranch.
- iv. The Llano Ranch Parcel 2 would remain, subject to Prosperity Bank's lien, to be sold as a back-up plan if the Oregon Ranch and the Llano Ranch Parcel 1 sales are not effectuated by the deadlines in the Sale Metrics and for the proceeds provided therein, such that Prosperity Bank is not paid in full. At that time, the Reorganized Debtors would be required to sell Llano Ranch Parcel 2 by a drop-dead date, after which Prosperity Bank would be permitted to foreclose against the whole of the Llano Ranch.

- v. With respect to the Oil and Gas Debtors, these Debtors would be recapitalized and their future revenue used to make various payments under the Plan, including mainly to Royalty Claims and Unsecured Claims. This would be effectuated through the Exit Financing, which would be a new third-party loan against the assets of the Oil and Gas Debtors, with Prosperity Bank's current first-priority lien against those assets subordinated in favor of the Exit Financing.
- vi. Under the Plan, the Debtors and their Estates are substantially consolidated into the Consolidated Estate. This is done for several reasons. First, it is to provide benefits to Royalty Claims and Unsecured Claims by ensuring that net proceeds after the sale of the Oregon Ranch and the Llano Ranch Parcel 1 are available to pay these claims. Second, it is to avoid litigation between the Estates as to alleged fraudulent transfer and other claims, which litigation would only add expense, risk, and delay. Third, it is to ensure that all Creditors with Allowed Claims would be able to be repaid from the value of the assets that all Debtors own, as opposed to potentially one set of Creditors receiving very little if anything.
- vii. Royalty Claims are further protected by being granted a junior lien against the Llano Ranch to protect them against non-payment, which lien will have more than sufficient value to provide that protection. Royalty Claims are then repaid by receiving 150% of their future royalty payments from the Reorganized Debtors, with the added 50% being applied to their Allowed Claims. Although subject to various factors, including production of oil and gas and pricing, the Debtors estimate the Allowed Royalty Claims under the Plan will be repaid in full within approximately thirty (30) months after the Effective Date.
- viii. Unsecured Claims are paid through quarterly payments over the span of five (5) years. The repayment of these claims is supported by any net sales proceeds of the Oregon Ranch and the Llano Ranch Parcel 1, and through the Plan's substantive consolidation, which makes the Debtors owning those ranches *in personam* liable for all Unsecured Claims regardless of which Debtor they are asserted against. Additionally, Unsecured Claims can be paid, at the election of the Creditor, thirty percent (30%) of the Allowed amount of such Unsecured Claims in cash after the Effective Date, from cash on hand and the Exit Financing.
- ix. Mechanic Lien Claims are paid in full under the Plan depending on the extent, validity, and priority of the alleged liens. If the lien is valid and senior in priority to Prosperity Bank, then it is paid from the Exit Financing. If it is valid and junior in priority to Prosperity Bank, then it is paid as an Unsecured Claim.

The Plan also "cleans up" various other disputes or potential disputes:

- i. There is a potential dispute as to whether AgWest and Prosperity Bank hold liens against the whole of the Oregon Ranch, or whether those liens do not extend to approximately 2,000 acres of that ranch. Depending on how AgWest and

Prosperity Bank vote on the Plan, their liens against the whole of the Oregon Ranch are ratified and perfected.

- ii. The Oregon Debtors are working on obtaining the Oregon Ranch Carbon Credits, which may be an asset worth upwards of \$30 million to be paid in 2027. There is a potential dispute regarding whether the liens of Prosperity Bank extend to these credits.¹ Under the Plan, Prosperity Bank is granted first-priority perfected liens to all of the Oregon Ranch Carbon Credits.
- iii. It has been alleged that the Estates hold causes of action against Hoerauf and various persons, entities, and trusts affiliated with him. In exchange for transferring his house (believed to be worth approximately \$2 million) to the Plan Agent, Hoerauf and these entities and persons (defined as the Hoerauf Releasees) are released of Estate claims and causes of action. The Plan Agent will sell the house and provide the proceeds to the Oil and Gas Debtors, who will use the proceeds as working capital to ensure that they are able to continue their operations, drill new wells to preserve their leases, and otherwise generate sufficient revenue to pay all of their obligations under the Plan.

Thus, the Plan provides for a controlled sales process to preserve value for everyone, while settling and minimizing disputes through the substantive consolidation and the Hoerauf Contribution, while permitting all Creditors to be paid in full without disturbing otherwise existing lien and claim priority rights, and all relatively soon. The alternative is likely extensive inter-Estate litigation and litigation against third parties, with all of the risks, delays, and costs that this entails, while value of assets is lost.

This Disclosure Statement is not intended to replace a careful review and analysis of the Plan. Rather, it is submitted as an aid and supplement in your review of the Plan, and it attempts to explain the terms and implications of the Plan. Every effort has been made to fully explain the various aspects of the Plan. All persons receiving this Disclosure Statement are urged to review all of the provisions of the Plan, which is attached to this Disclosure Statement as Exhibit “A”, in addition to reviewing the text of this Disclosure Statement. If you have any questions, you may contact the Debtor’s counsel and every effort will be made to assist you. However, the Debtor’s counsel will not provide you with any legal advice, and you are encouraged to seek the advice of separate legal counsel regarding the Plan and your rights thereunder.

Creditors should read this Disclosure Statement in its entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. No other party has been authorized to utilize any information concerning the Debtors, their operations, and their assets and liabilities, other than the information contained in this Disclosure Statement, to solicit votes on the Plan. However, you are entitled to rely on your own information, analyses, and opinions even if that information is not contained in this Disclosure Statement.

¹ The same potential lien applies to AgWest, but since the whole of the debt of AgWest will be paid at the sale of the Oregon Ranch, whether AgWest has a lien to the Oregon Ranch Carbon Credits as academic, at least under the Plan.

After carefully reviewing this Disclosure Statement and the Plan, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot (if you have been provided with one) and returning the same to the address set forth on the Ballot, in the enclosed return envelope, so that it will be received by the Balloting Agent no later than 5:00 p.m., Central Time, on _____:

Davor Rukavina
Munsch Hardt Kopf & Harr, P.C.
500 N. Akard St., Ste. 3800
Dallas, TX 75201
E-mail: drukavina@munsch.com

If you do not vote to accept the Plan, or if you are the holder of an unimpaired Claim, you may be bound by the Plan if it is accepted by the requisite holders of Claims. See **Article IV** of this Disclosure Statement for a discussion of voting procedures and requirements.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M., CENTRAL TIME, ON _____. For detailed voting instructions and the name and address of the person you may contact if you have questions, see **Article VI** of this Disclosure Statement.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan on _____ at _____, Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, which may be continued from time to time. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before _____, at 5:00 p.m., in the manner described in **Article VI** of this Disclosure Statement.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

ARTICLE V.
SUMMARY OF TREATMENT UNDER THE PLAN

A. CLASSES AND DISTRIBUTIONS

The Plan separates Claims and equity Interests against the Debtors, the Estates, and their property into unclassified Claims and Classified Claims. Creditors vote on the Plan by their respective Class.

Unclassified Claims are generally postpetition Claims which must be paid in full and which do not vote on the Plan, and consist of Administrative Claims, including Professional Claims and Cure Claims, and Administrative Tax Claims.

Classified Claims and Equity Interests are classified in the Plan under the provisions of section 1122 of the Bankruptcy Code into the following separate Classes:

Class 1:	Priority Claims
Class 2:	Secured Tax Claims
Class 3:	AgWest Secured Claim
Class 4:	Prosperity Bank Secured Claims
Class 5:	Mechanics Liens Secured Claims
Class 6:	Royalty Claims
Class 7:	General Unsecured Claims
Class 8:	Convenience Claims
Class 9:	Equity Interests

B. OVERVIEW OF PLAN

The Plan is a proposed plan of reorganization under Chapter 11 of the United States Bankruptcy Code, whereby the Debtors seek to restructure their debt obligations to all of their Creditors and to reorganize. As such, if confirmed, the Plan would constitute a new contract between the Debtors and all Creditors and would replace prepetition contractual and other rights, except to the extent preserved in the Plan, with all such rights restructured by the Plan. This would be done on the “Effective Date,” which is the date specified in the Plan when the Plan becomes binding and effective, after the Plan is confirmed and all conditions precedent to its effectiveness as satisfied. Creditors generally have the right to vote on the Plan, and the Debtors urge all Creditors to vote to accept the Plan.

C. DISCHARGE

The Debtors receive a discharge under the Plan. However, the discharge does not discharge or relieve the Debtors from making payments under the Plan to the extent provided for in the Plan.

D. THE REORGANIZED DEBTOR

The Plan and certain portions of this Disclosure Statement discuss the “Reorganized Debtor” or “Reorganized Debtors.” The Reorganized Debtors are simply the same corporate entities and the same Debtors as at present, on and after the Effective Date. The term is used simply to note the difference between the Debtors prior to the Effective Date and after the Effective Date.

E. CLASS TREATMENT UNDER THE PLAN

Treatment of a Claim under the Plan depends on the Class under the Plan that the Claim is classified under, and whether the Claim is classified. What follows below is a summary of the treatments under the Plan of the various Classes created under the Plan. The following is a summary only, and the Plan controls in all events. Thus, close reference to the Plan is required to fully understand any Class’s treatment under the Plan.

1. Unclassified Claims

Unclassified Claims are generally postpetition Claims which must be paid in full and which do not vote on the Plan, and consist of Administrative Claims, including Professional Claims and Cure Claims, and Administrative Tax Claims. Subject to being timely and properly filed, including by the Administrative Claims Bar Date, if applicable, all these Claims will be paid in full and in cash, except for Administrative Tax Claims, such as 2025 property taxes, which will be paid when otherwise due and owing.

2. Classified Claims

Class 1: Priority Claims. Class 1 consists of all Priority Claims. Nothing in the Plan allows any Priority Claim, and the Debtors and the Estates reserve all rights to object to any Priority Claim, which rights are vested in the Reorganized Debtors and the Consolidated Estate. In full and final satisfaction, release and discharge of, and in exchange for, each Priority Claim, the Reorganized Debtors shall pay each Priority Claim, to the extent Allowed, and without any interest, attorney's fees, or other charges or penalties arising after the Petition Date or Effective Date, in cash from the Exit Financing and the operations and cash on hand of the Oil and Gas Debtors, no later than ten (10) Business Days after becoming Allowed. Class 1 is not impaired under the Plan.

Class 2: Secured Tax Claims. Notwithstanding anything contained in the Plan to the contrary, each holder of a Secured Tax Claim shall retain all liens securing the same, which liens shall survive confirmation of the Plan with the same priority, extent, and validity that otherwise exists. Each Secured Tax Claim, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Allowed Secured Tax Claim and any lien securing the same, including all interest, default interest, fees, and costs as provided under otherwise applicable nonbankruptcy law, but without penalties, by the Reorganized Debtors and the Consolidated Estate: (i) from the sale of the Oregon Ranch at the closing thereof, with respect to Allowed Secured Tax Claims against the Oregon Ranch; (ii) from the sale of the Llano Ranch Parcel 1 at the closing thereof, with respect to Allowed Secured Tax Claims against the Llano Ranch; and (iii) with respect to Allowed Secured Tax Claims against the Oil and Gas Debtors, in cash through eight (8) equal quarterly calendar payments, with the first such payment due by the end of the calendar quarter in which the Effective Date occurs, and with each subsequent payment due by the end of the succeeding calendar quarter, and the final payment including such additional otherwise applicable interest as is necessary to pay such Allowed Secured Tax Claim in full. Class 2 is impaired under the Plan.

Class 3: AgWest Secured Claim. Class 3 consists of the AgWest Secured Claim and, additionally, includes all claims, rights, interests, and remedies of AgWest arising at any time between the Petition Date and the Effective Date against the Oregon Debtors and the Oregon Ranch. In full and final satisfaction, release, and discharge of the Allowed AgWest Secured Claim and all liens securing the same, the Reorganized Debtors, through the Plan Agent, shall pay the same in cash at the closing of the sale of the Oregon Ranch is provided for in section 5.3 of the Plan.

Class 4: Prosperity Bank Secured Claims. Class 4 consists of the Prosperity Bank Secured Claim and, additionally, includes all claims, rights, interests, and remedies of Prosperity Bank arising at

any time between the Petition Date and the Effective Date against the Debtors and their property. In full and final satisfaction, release, and discharge of the Allowed Prosperity Bank Secured Claim and all liens securing the same, the Reorganized Debtors, through the Plan Agent, shall pay the same in cash at the closing of the sale of the Oregon Ranch is provided for in section 5.3 of the Plan and at the closing of the Llano Ranch Parcel 1 as provided for in section 5.4 of the Plan, or through valuations of deeds-in-lieu provided to Prosperity Bank as otherwise provided for in said sections. If the foregoing are insufficient to pay the Allowed Prosperity Bank Secured Claim in full, then the Reorganized Debtors, through the Plan Agent, shall pay any such unpaid and remaining amount from the sale of the Llano Ranch Parcel 2 as provided for in section 5.5 of the Plan. If all of the foregoing are insufficient to pay the Allowed Prosperity Bank Secured Claim in full, then the Reorganized Debtors shall remain liable to Prosperity Bank, jointly and severally, for any such deficiency, and Prosperity Bank may exercise any and all of its rights against the Reorganized Debtors and their properties regarding such deficiency claim.

Class 5: Mechanics Liens Secured Claims. Class 5 consists of all Mechanics Liens Secured Claims. Each Mechanics Liens Secured Claim is a Disputed Claim under the Plan, unless Allowed by Final Order prior to or at the Confirmation Hearing. To the extent that a Mechanics Lien Secured Claim is Allowed as a Secured Claim in a priority that is lower than the priority of the liens of Prosperity Bank as they exist prior to the Effective Date, then such Allowed Mechanics Lien Secured Claim shall be deemed wholly unsecured and shall be paid under Class 7 of the Plan. To the extent that a Mechanics Lien Secured Claim is Allowed as a Secured Claim in a priority that is higher than the priority of the liens of Prosperity Bank as they exist prior to the Effective Date, then, if the same is determined prior to at the Confirmation Hearing, such Allowed Mechanics Lien Secured Claim shall be paid in full and final satisfaction, release, and discharge of such Allowed Mechanics Lien Secured Claim and all liens securing the same from the Exit Financing, together with such interest accruing prior to and after the Petition Date as the Bankruptcy Court may determine. If such determination is made by Final Order after the Confirmation Hearing, then the Oil and Gas Debtors, as Reorganized Debtors, shall, in full and final satisfaction, release, and discharge of such Allowed Mechanics Lien Secured Claim and all liens securing the same pay the same in full, together with such interest accruing prior to and after the Petition Date as the Bankruptcy Court may determine, through four (4) equal calendar quarterly payments. The first such calendar quarterly payment shall be paid no later than ten (10) business days following the end of the first full calendar quarter after the Effective Date.

Class 6: Royalty Claims. Class 6 consist of all Royalty Claims. No Royalty Claim shall accrue any interest or be entitled to any attorney's fees or other charges for the period between the Petition Date and the Effective Date. Allowed Royalty Claims are hereby granted a junior lien against the Llano Ranch, junior to all other liens existing against the same as of the Effective Date, which lien shall be held and exercised by the Plan Agent for their pro-rata benefit as provided for in section 5.10 of the Plan, and which lien shall be foreclosed upon any uncured default by the Reorganized Debtors to Class 6 under the Plan or at the maturity of the treatment of Class 6 as provided below. On and after the Effective Date, each Allowed Royalty Claim shall accrue interest at the Plan Rate until paid in full. In full and final satisfaction, release, and discharge of each Royalty Claim, the Oil and Gas Debtors, as Reorganized Debtors, shall pay each such Royalty Claim, to the extent

Allowed, in full and in cash through periodic payments, secured by the lien granted under section 4.6.4 of the Plan. Such payments shall be as follows: each month after the Effective Date that the Oil and Gas Debtors make a payment to a royalty interest holder who also holds an Allowed Royalty Claim, the Oil and Gas Debtors shall pay 150% of such monthly amount to such holder, with the excess 50% being applied to such holder's Allowed Royalty Claim until the same, with postconfirmation interest, is paid in full. Said payments shall continue for 59 months after the Effective Date until each such Allowed Royalty Claim with postconfirmation interest is paid in full, unless paid sooner. At the end of such 59 months, to the extent that any such Allowed Royalty Claim remains unpaid, the balance thereof shall be paid in full in the 60th month.

The Reorganized Debtors' obligations to pay Allowed Royalty Claims are secured by the junior lien granted against the Llano Ranch and also by the Creditor Reserve, consisting of excess sale proceeds of the Oregon Ranch and Llano Ranch 1 remaining after payment of the Secured Claims asserted against those properties.

Class 7: Unsecured Claims. Class 7 consist of all Unsecured Claims. For the avoidance of doubt, Class 7 does not include any deficiency claim of AgWest or Prosperity Bank, the same otherwise treated as fully Secured under the Plan. For the avoidance of doubt, nothing in the Plan Allows any Unsecured Claim, and such Allowance shall remain subject to all applicable laws and rules and any objection thereto, which objections are vested in the Consolidated Estate and the Reorganized Debtors under the Plan. No Unsecured Claim shall accrue any interest or be entitled to any attorney's fees or other charges for the period between the Petition Date and the Effective Date and for the period after the Effective Date. In full and final satisfaction, release, and discharge of each Unsecured Claim, the Oil and Gas Debtors, as Reorganized Debtors, shall pay the full Allowed amount thereof through twenty (20) equal quarterly payments, to be applied pro-rata to Allowed Unsecured Claims and subject to the Disputed Claims Reserve. Each such calendar quarter payment shall be made no later than ten (10) business days after the end of each calendar quarter, with the first such payment being made for the first calendar quarter to occur after the Effective Date.

The Ballot for each voting holder of an Unsecured Claim shall be marked with an election, which must be affirmatively marked by such holder to accept said election. Under said election, and in full and final satisfaction, release, and discharge of each Unsecured Claim, the Oil and Gas Debtors, as Reorganized Debtors, shall pay 30% of the Allowed amount of said Unsecured Claim in cash, no later than ten (10) business days after the Effective Date or after the Unsecured Claim becomes Allowed, whichever is later, and subject to the Disputed Claims Reserve. The source of such quarterly payments shall be operations and cash on hand, including the Exit Financing and the Hoerauf Contribution.

The Reorganized Debtors' obligations to pay Allowed Unsecured Claims are secured by the Creditor Reserve, consisting of excess sale proceeds of the Oregon Ranch and Llano Ranch 1 remaining after payment of the Secured Claims asserted against those properties.

Class 8: Convenience Claims. Class 8 consists of all Unsecured Claims asserted in an amount of \$1,000.00 or less. Unless a Convenience Class Claim is filed after the Bar Date, each Convenience

Class Claim shall be automatically Allowed in the asserted amount. Each Convenience Class Claim, to the extent Allowed, shall be paid in full satisfaction, release and discharge of, and in exchange for, such Convenience Class Claim, by the Reorganized Debtors, the amount of such Allowed Convenience Class Claim, in cash, and without interest, attorneys' fees, or costs, no later than ten (10) Business Days after becoming Allowed. The source of such quarterly payments shall be operations and cash on hand, including the Exit Financing and the Hoerauf Contribution.

Class 9: Equity Interests. All Equity Interests in any of the Debtors shall be retained by the respective holder(s) thereof.

F. PLAN AGENT

The Plan names Brad Walker, the current Chief Restructuring Officer of the Debtors, as the Plan Agent. The role of the Plan Agent is to solely and exclusively control the process of the sale of the Oregon Ranch and the Llano Ranch Parcel 1, and to pay the claims required at those sales. Additionally, his role is to take the Hoerauf House and to sell it, turning the proceeds over to the Oil and Gas Debtors. Additionally, his role is to take any excess and net sales proceeds of the Oregon Ranch and the Llano Ranch Parcel 1 and place them into the Creditor Reserve, to ensure that they be used to make payments to Royalty Claims and Unsecured Claims if the Reorganized Debtors default under the Plan. Finally, the Reorganized Debtors will be required to provide periodic reporting to the Plan Agent of their finances, operations, and Plan performance, to ensure that they are complying with the Plan. The Plan Agent will have the authority to take corrective action before the Bankruptcy Court if they fail to do so.

ARTICLE VI.
VOTING PROCEDURES AND REQUIREMENTS

A. VOTING DEADLINE

Each Creditor holding a Claim which entitles the Creditor to vote on the Plan has been provided a Ballot along with this Disclosure Statement. If a Creditor holds Claims in more than one Class entitled to vote under the Plan, such Creditor has been provided a separate Ballot for each such Class. The Ballot is to be used by the Creditor to accept or reject the Plan.

Additionally, certain Creditors are offered elections under the Plan as to certain treatment of their Claims. The Ballots of these Creditors will be marked with these elections and options and, in addition to voting on the Plan, these Creditors are encouraged to state their elections on their Ballots by properly marking the Ballots.

To ensure that a Ballot is deemed timely and considered by the Balloting Agent, which shall be the Debtor's attorneys, Munsch Hardt Kopf & Harr, P.C., c/o Davor Rukavina, a Creditor must: (a) carefully review the Ballot and the instructions set forth thereon; (b) provide all of the information requested on the Ballot; (c) sign the Ballot; and (d) return the completed and signed Ballot to the Balloting Agent by the Voting Deadline. By order of the Bankruptcy Court, the "Voting Deadline" is 5:00 p.m. (Central Time), on _____. Therefore, in

order for a Ballot to be counted for voting purposes and any applicable election, the completed and signed Ballot must be received at the address specified below by no later than the Voting Deadline:

DEADLINE: Must Be **Received** By 5:00 p.m., Central Time,
on _____

Addressed To:

Munsch Hardt Kopf & Harr, P.C.
Attn: Davor Rukavina
500 N. Akard Street, Suite 4000
Dallas, Texas 75201
E-mail: drukavina@munsch.com

B. CREDITORS SOLICITED TO VOTE

Each Creditor holding a Claim in a Class that is impaired under the Plan is being solicited to vote on the Plan. As to any Claim for which a proof of claim was filed and as to which an objection has been lodged, however, if such objection is still pending as of the Voting Deadline, the Creditor's vote associated with such Claim will not be counted to the extent of the objection to the Claim, unless and to the extent that the Bankruptcy Court temporarily allows the Claim upon motion by such Creditor in an amount that the Bankruptcy Court deems proper for the purpose of voting on the Plan. Such motion must be heard and determined by the Bankruptcy Court before the date and time established by the Bankruptcy Court for determining confirmation of the Plan. In addition, a Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. DEFINITION OF IMPAIRMENT

Pursuant to Section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is impaired under a plan unless, with respect to each Claim of such Class, the Plan does one of the following:

1. leaves unaltered the legal, equitable, and contractual rights to which such Claim entitles the holder of such Claim; or
2. notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default:
 - (a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code;
 - (b) reinstates the maturity of such Claim as it existed before the default;

- (c) compensates the holder of such Claim for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and
- (d) does not otherwise alter the legal, equitable, or contractual rights to which such claim entitles the holder of such Claim.

D. CLASSES IMPAIRED UNDER THE PLAN

Classes: 2, 3, 4, 5, 6, and 7 are impaired and entitled to vote on the Plan. Classes: 1, 8, and 9 are not impaired and are deemed to accept the Plan, subject to any objection to confirmation of the Plan. Any Creditor or party-in-interest with standing may object to the confirmation of the Plan even if they are not permitted to vote on the Plan, and regardless of how they vote on the Plan, voting and objecting being two separate things.

E. VOTE REQUIRED FOR CLASS ACCEPTANCE

Pursuant to the Bankruptcy Code, a Class of Claims under the Plan that is impaired shall be deemed to have accepted the Plan if the Plan is accepted by Creditors holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Claims within such Class who are entitled to vote and who actually vote using a properly completed and signed Ballot which is returned to the Balloting Agent by no later than the Voting Deadline.

**ARTICLE VII.
CONFIRMATION OF THE PLAN**

A. OVERVIEW OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed and, in Chapter 11, includes all wages and earnings after the Petition Date. Thus, the Estates exist as the Bankruptcy Code estates of the Debtors and their property (and liabilities). Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession” unless the bankruptcy court orders the appointment of a trustee. In the present Bankruptcy Case, the Debtors have remained in possession of their property and have managed the Estates as debtors-in-possession. The Estates have not been consolidated and remain separate. However, under the Plan the Estates would be substantively consolidated into the Consolidated Estate.

The filing of a Chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia*, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the Effective Date of a confirmed plan.

B. CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) provides that any party in interest may object to confirmation of the Plan. The Confirmation Hearing has been scheduled for _____, 2025 at _____. Any objection to confirmation of the Plan must be made in writing, and such written objection must be filed with the Bankruptcy Court by no later than _____, 2025.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE DEEMED WAIVED.

C. MODIFICATION OF THE PLAN

Section 1127 of the Bankruptcy Code generally permits the Debtors to modify the Plan before or after the Confirmation Hearing, assuming that certain requirements are satisfied. The Debtors reserve the right to submit modifications of the Plan, as may be deemed advisable by the Debtors, and under the provisions of section 1127 of the Bankruptcy Code.

D. REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements of section 1129 of the Bankruptcy Code have been satisfied, and in the event that they have been and all other conditions to confirmation set forth in the Plan itself have been met, the Bankruptcy Court will enter an order confirming the Plan. The requirements of section 1129 generally are as follows:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The Debtors complied with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by the Debtors or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Bankruptcy Case, or in connection with the Plan and incident to the Bankruptcy Case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.
5. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual, is consistent with the interests of Creditors and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation of such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtors has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval. The Debtors do not believe this requirement is applicable to the Bankruptcy Case.
7. With respect to each impaired Class: (a) each holder in such Class has accepted the Plan or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on such date; or (b) if section 1111(b)(2) of the Bankruptcy Code applies to the Claims of such Class, each holder in such Class will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the value of such holder's interest in the Estate's interests in the property that secures such Claims. This means that, if a Creditor rejects the Plan, the Plan must provide the Creditor with at least what it would receive in a hypothetical Chapter 7 liquidation.
8. With respect to each Class: (a) such Class has accepted the Plan; or (b) such Class is not impaired under the Plan. If an impaired Class has rejected the Plan, then the Plan may still be confirmed on Cramdown with respect to that Class, as discussed below.
9. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides: (a) that with respect to a Claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the Effective Date of the Plan, the holder of such Claim will receive on account of such Claim cash equal to the Allowed amount of such Claim; (b) that with respect to a Class of Claims of a kind specified in section 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a Claim of such Class will receive (i) if such Class has accepted the Plan, deferred cash payment of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim, or (ii) if such Class has not accepted the Plan, cash on the Effective Date of the Plan equal to the Allowed amount of such Claim; and (c) with respect to a Claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of such Claim will receive on account of such Claim deferred cash payments, over a period not exceeding six years after the date of assessment of such Claim, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim.
10. If a Class of Claims is impaired under the Plan, at least one Class of Claims that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider.
11. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan, as it is here.
12. All fees payable under Section 1930 of Title 28 (United States Code), as determined by the Bankruptcy Court, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

13. The Plan provides for the continuation after its Effective Date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the Plan, for the duration of the period the Debtor has obligated itself to provide such benefits. The Debtors do not believe this requirement is applicable to the Bankruptcy Case.
14. There are various other provisions governing the confirmation of the Plan, including as applicable to individual debtors, some of which do not apply (such as domestic support obligations). The foregoing is a summary only of the main confirmation requirements and is not intended to replace such confirmation requirements as are otherwise applicable or such confirmation requirements as may apply to any given Creditor.

E. CRAMDOWN

The Bankruptcy Court may confirm the Plan at the request of the Debtors if: (a) all of the requirements of section 1129(a) of the Bankruptcy Code are met, with the exception of section 1129(a)(8); (b) at least one Class of Claims that is impaired under the Plan has accepted the Plan (excluding the votes of Insiders), if a Class of Claims is impaired; and (c) as to each impaired Class that has not accepted the Plan, the Plan does not “discriminate unfairly” and is “fair and equitable.” This is referred to as Cramdown.

A Chapter 11 plan does not “discriminate unfairly” within the meaning of the Bankruptcy Code if the classification of claims under a plan complies with the Bankruptcy Code and no particular class will receive more than it is legally entitled to receive for its claims. The Debtors believe that the classifications established under the Plan are proper and that no Class under the Plan is receiving more than it is legally entitled to receive. “Fair and equitable,” on the other hand, has different meanings for Secured and Unsecured Claims.

With respect to a Class of Secured Claims that rejects the Plan, to be “fair and equitable” the Plan must, among other things, either: (a) provide that the holders of such Secured Claims retain their liens securing such Claims, whether the property subject to such liens is retained by the Debtors or transferred to another entity, to the extent of the Allowed amount of such Claims, and that each holder of a Secured Claim in such Class receive on account of such Claim deferred cash payments totaling at least the Allowed amount of such Claim, of a value, as of the Effective Date of the Plan, of at least the value of such holder’s interest in the Estates’ interest in such property; or (b) provide for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such Secured Claims, free and clear of such liens, with such liens attaching to the proceeds of such sale, and the treatment of such liens on such proceeds in accordance with the Bankruptcy Code; or (c) provide for the realization by the holders of such Secured Claims of the indubitable equivalent of such Claims. The Debtors believe that the Plan is fair and equitable to each Class of Secured Claims under the Plan.

With respect to a Class of Unsecured Claims that rejects the Plan, to be “fair and equitable” the Plan must, among other things, either: (a) provide that each holder of an Unsecured Claim in

such Class receive or retain on account of such Claim property of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; or (b) not allow the holder of any Claim that is junior to the Unsecured Claims of such Class to receive or retain any property under the Plan on account of such junior Claim; *i.e.* not permit any holder of any equity interest in the Debtors to retain anything under the Plan on account of such interest. This is called the Absolute Priority Rule and protects Unsecured Creditors by ensuring that equity owners do not retain their equity interests without payment in full to Unsecured Creditors.

In the event that at least one Class of Claims is impaired under the Plan, and if at least one impaired Class of Claims under the Plan accepts the Plan and one or more Classes of impaired Claims rejects the Plan, the Debtors will seek confirmation of the Plan under the cramdown provisions of section 1129(b) of the Bankruptcy Code. In such event, the Bankruptcy Court will determine, at the Confirmation Hearing, whether the Plan is fair and equitable and whether it does or does not discriminate unfairly against any rejecting impaired Class of Claims.

F. EFFECTIVE DATE OF THE PLAN

The Plan will become effective upon the occurrence of the Effective Date, which is defined in the Plan as the first Business Day fourteen (14) days after the Confirmation Date if the Confirmation Order is not stayed or, if the Confirmation Order is stayed, the first Business Day following the lifting, dissolution, or removal of such stay which is at least fourteen (14) days after the Confirmation Date, and upon which the conditions to the effectiveness of the Plan set forth in the Plan are satisfied, such as the Exit Financing being funded. Pursuant to the provisions of the Plan, the Debtors will transmit notice of the effectiveness of the Plan if the Bankruptcy Court confirms the Plan and all conditions precedent to the Plan's effectiveness are satisfied. Said notice will additionally specify various other Plan deadlines that are triggered by the Effective Date of the Plan.

**ARTICLE VIII.
BACKGROUND INFORMATION**

A. THE DEBTORS

Ryan C. Hoerauf, principal of the Debtors, grew up in North Dakota in a family of entrepreneurs. After graduating from the University of North Dakota with a bachelor's degree in Chemical Engineering in 1981, Mr. Hoerauf moved to West Texas for a job with Getty Oil and to attend the University of Texas of the Permian Basin where he received a Master of Business Administration degree. During his time at Getty Oil (which was acquired by Texaco in 1984), Mr. Hoerauf studied and learned the full spectrum of the oil and gas business, from mineral acquisition and drilling to casing and completion to transport and processing. By 1990, Mr. Hoerauf left Texaco in order to start his own oil and gas company in Midland County.

For the next 35 years, Mr. Hoerauf acquired many properties, leases, wells, and working interests across the States of Texas, Louisiana, and New Mexico and expanded his own oil and gas operations. In time, Mr. Hoerauf developed a specialization in exploration and production of otherwise traditionally uneconomical fields by using vertically integrated treatment facilities in

order to convert certain hydrocarbon production into a higher grade of oil which can be more easily refined into gasoline, diesel, and jet fuel. For example, Mr. Hoerauf found great success converting oil production with properties similar to “West Texas Sour Crude” into “Louisiana Sweet Crude” (i.e., a type of light crude oil with lower sulfur content in high demand). Further, Mr. Hoerauf found success venturing into the sand, gravel, and crushed limestone business for well fracking as well as the mineral processing industry for oil, gas, and other hydrocarbons.

As an entrepreneur, Mr. Hoerauf worked extremely hard and achieved tremendous success building his businesses and drilling his wells with a hands-on approach in the field. Since first arriving in Texas in 1977, Mr. Hoerauf never lost that entrepreneurial spirit or the commitment toward building his businesses in Texas. To this day, Mr. Hoerauf continues to manage operations across his companies for all exploration, drilling, and production.

At this time, the Debtors’ primary oil and gas operations and interests are located in (i) the Smackover Formation in Kaufman, Navarro, and Henderson Counties, Texas and (ii) the Todd Deep Field in Crockett County, Texas. According to the reserve report prepared by Russell K. Hall and Associates, Inc. dated November 3, 2022, the Debtors’ proved developed producing (PDP) reserves had a discounted net income of approximately \$24.6 million as of October 1, 2022. The Debtors also maintain interest in gathering systems, rights of way, and oil and gas processing facilities located in Navarro and Henderson Counties, Texas.

As of the Petition Date, the Debtors were in the process of completing at least two well workovers (the “Workover Wells”) and related drilling operations in the Smackover Formation located about 70 miles southeast of Fort Worth. These horizontal wells span underneath Cedar Creek Lake with a deep oil reservoir for production. The Debtors anticipate significant stimulation and production from each of the Workover Wells upon completion of the drilling and workover process with the potential for significantly more expansion in the same reservoir and formation. The completion of the drilling and workover process on the Workover Wells is critical for increasing cash flow in these Chapter 11 Cases.

The Debtors’ employ 18 full-time employees and 12 independent contractors. These employees and contractors are necessary to properly preserve, maintain, and expand the operations, assets, and investments of the Debtors for the benefit of their estates.

The Oregon Debtors own 44,328.88 contiguous acres of real property located approximately 11 miles east of Prineville in Crook County, Oregon, identified in the Plan as the Oregon Ranch. The Oregon Ranch is also known as the “Ochoco Ranch” and is a timbered high country property with exceptional location and wildlife as well as timber and lumber operations. The Oregon Ranch has numerous improvements and structures, including the main house, hunting lodge, cabins, barns, storage structures, water, and electricity, solar, wind, and propane energy. Notably, the Oregon Ranch also provides significant carbon tax credits from its timberland forests which have substantial value on the market. In March of 2023, the Oregon Ranch was appraised at a value of \$60,950,000. The Oregon Ranch is currently listed for sale for \$75 million.

Debtor O’Ryan Ranches, Ltd. owns 1,739.514 contiguous acres of real property located in the southwest portion of Llano County, Texas, identified in the Plan as the Llano Ranch. The

Llano Ranch is a working property marked by rolling hills overlooking the Llano River Valley. The Llano Ranch has numerous structures, improvements, wells, electricity, interior roads, and fencing. As of the Petition Date, the Llano Ranch would likely be valued at up to \$25 million on the market in an extremely popular region of the Texas Hill Country. The Plan divides the Llano Ranch into two parcels, the Llano Ranch Parcel 1 and the Llano Ranch Parcel 2, only because these two tracts are treated separately under the Plan.

B. PREPETITION SECURED INDEBTEDNESS

Prosperity Bank, as successor by merger to Lone Star State Bank of West Texas as administrative agent and lender, is party to that certain *Restated Loan Agreement*, dated as of April 1, 2023.² Each of the Borrowers executed and delivered promissory notes dated April 1, 2023 in the aggregate original principal amount of \$48,973,536.40. The Ryan C. Hoerauf 2008 Delaware Trust is the guarantor of the Prepetition Loan.

The Prepetition Loan was secured by, among other things, certain capital stock, securities, membership interests, and partnership interests; deeds of trust pledging the Oregon Ranch³, the Llano Ranch, and certain real property located in Burnet County, Texas; and all oil and gas leasehold, royalty, and mineral interests, along with accompanying equipment located thereon and proceeds derived therefrom in the State of Texas.

As of the Petition Date, the aggregate amount of outstanding prepetition loan obligations owed to Prosperity pursuant to the Prepetition Loan Documents is not less than \$50,038,560.52 as of February 3, 2025, and not less than \$50,142,060.73 as of February 9, 2025.

C. PREPETITION UNSECURED INDEBTEDNESS

Through its oil and gas operations, the Debtors incur certain necessary expenses to vendors, contractors, suppliers, and oilfield service providers in the ordinary course of business. As of the Petition Date, the Debtors estimate that they have incurred approximately \$10.5 million in general unsecured debt. However, the Debtors and Lain Faulkner continue to review the Company's books and records in order to determine the precise amount of unsecured claims.

As of the Petition Date, the Debtors pay approximately \$120,000 per month to royalty and working interest owners based on the revenue received from oil and gas operations, which is typically paid to interest owners on the 25th day of the succeeding month. The Debtors will seek to allow or segregate the payment of January royalty payments in the ordinary course of business in order to avoid disruptions in revenue payments received by the Debtors from their midstream operator, Plains Marketing LP. The Debtors and Lain Faulkner continue to review the Company's books and records in order to reconcile certain unpaid royalties in prior months. As of the Petition Date, the Debtors estimate that they may owe in excess of \$6 million in unpaid prepetition royalty interests, which includes in excess of \$3 million attributable to accounts identified as in suspense.

² The Loan Agreement is a restatement of a previously existing revolving line of credit.

³ AgWest has a senior first lien on the Oregon Ranch and outstanding debt of approximately \$10.8 million. Prosperity Bank has a second lien on the Oregon Ranch and is subordinated to AgWest with regard to the Oregon Ranch.

D. EVENTS LEADING TO BANKRUPTCY AND THE FILING OF THESE CHAPTER 11 CASES

Over the many years of operation, the Debtors have bought and sold numerous oil and gas assets through volatile commodity markets and challenging periods in the oil and gas industry. Beginning in late 2014, a severe decline in crude oil prices and continued decline in natural gas prices led to a significant overall contraction in crude oil and natural gas drilling activities and capital spending by exploration and production companies. After some recovery in 2016 of a portion of the losses in crude oil prices since 2014, crude oil prices began another declining trend in late 2018. During which time, the Debtors faced challenges in producing the same type of historical revenues as well as in selling certain oil and gas assets in east and west Texas at prices close to their previous market value.

As interest rates sharply rose from approximately 4% to 8.75% in 2021, the Debtors began to face increased liquidity strain and struggled to satisfy more than the minimum interest payments to Lone Star State Bank of West Texas (predecessor to Prosperity). In 2023, the Debtors commenced negotiations with Lone Star State Bank of West Texas to refinance the Prepetition Loan; however, those efforts stalled. In August of 2024, after Prosperity acquired Lone Star State Bank of West Texas, the Debtors met with Prosperity in order to consider certain workout strategies, including the sale of certain assets, in an effort to fund payments of principal on the Prepetition Loan.

On October 8, 2024, after the Prepetition Loan matured on September 3, 2024, Prosperity sent a demand letter to the Debtors for payment in full of all unpaid obligations under the Prepetition Loan Documents, including, without limitation, the unpaid principal amount of the Prepetition Loan, all accrued and unpaid interest thereon, and all accrued and unpaid fees. On October 11, 2024, the Debtors proposed a plan to bring its Prepetition Loan into compliance, which included the sale of the Oregon Ranch pursuant to a letter of intent dated September 17, 2024 in an amount sufficient to satisfy the outstanding obligations owed to Prosperity under the Prepetition Loan Documents.

On or about December 2, 2024, the Debtors and Prosperity entered into that certain *Forbearance Agreement* dated as of December 2, 2025 (the “Forbearance Agreement”). Pursuant to the Forbearance Agreement, Prosperity agreed to forbear from the exercise of any of its rights and remedies under the Prepetition Loan Documents in connection with certain defaults until March 31, 2025 (the “Forbearance Period”). The Debtors agreed to deliver to Prosperity a fully-executed purchase and sale agreement for the Oregon Ranch in an amount not less than \$50 million by December 15, 2024.

During which time, the Debtors and their broker continued to aggressively market the Oregon Ranch for sale to the highest bidder. Through such efforts, the Debtors sought to close the sale of the Oregon Ranch with a potential purchaser who was willing to execute a purchase and sale agreement for an amount necessary to pay Prosperity in full. However, the potential purchaser fell ill and was unable to execute a purchase and sale agreement by December 15, 2024.

On December 17, 2024, Prosperity sent the Debtors a notice of default under the Forbearance Agreement as a result of the Debtors' failure to deliver to Prosperity a fully-executed purchase and sale agreement for the Oregon Ranch pursuant to the terms of the Forbearance Agreement. Prosperity terminated the Forbearance Period and demanded immediate payment in full of all outstanding obligations under the Loan Documents.

On January 8, 2025, Prosperity sent notice to the Debtors regarding Prosperity's intent to foreclose on the Llano Ranch at a duly-noticed state foreclosure sale on February 4, 2025. On January 29, 2025, Prosperity sent the Debtors a notice of disposition of certain common shares of stock in PB Materials Holdings, Inc. held by the Debtors and scheduled the disposition for February 10, 2025. On January 31, 2025, a state-court appointed receiver sent letter to Prosperity seeking to freeze the bank accounts of Debtor Ryan C. Hoerauf, Inc. based on a turnover order issued by the 152nd District Court of Harris County, Texas. As a result of these precipitating events, on or around January 30, 2025, the Debtors hired Jobe Law, Munsch Hardt, Riverbend, and LainFaulkner to prepare and file these Chapter 11 Cases on an emergency basis.

Following extensive arm's length negotiations regarding the use of cash collateral, Prosperity has consented to the use of cash collateral on an interim basis pursuant to the terms of the interim cash collateral order (subject to the Court's approval). With the continued use of cash collateral, the proposed sale of the Oregon Ranch, and the increased cash flow from the Workover Wells, the Debtors can successfully reorganize their operations and potentially pay all of their creditors in full through a plan of reorganization.

ARTICLE IX.

PROJECTIONS, LIQUIDATION ANALYSIS, AND PLAN ALTERNATIVES

A. FUTURE PROJECTIONS

[to be supplied]

B. LIQUIDATION ANALYSIS

[to be supplied]

C. ALTERNATIVES TO CONFIRMATION OF THE PLAN

See Article X, subsection B, below.

ARTICLE X.

RISK FACTORS

A. GENERAL

The main risk factor is whether the Exit Financing will be secured and funded as required by the Plan. If this does not happen, however, then the Plan does not become effective and no Creditor is prejudiced by the provisions of the Plan.

The additional main risk factor is the sale of the Oregon Ranch and the Llano Ranch Parcel 1. These sales will be under the exclusive control of the Plan Agent, who will determine timing and pricing, subject to the Sale Metrics. Thus, the risk of asking too high of a price is mitigated. At the same time, whether persons will bid and buy this land is outside anyone's control. With respect to AgWest and Prosperity Bank, they would face this risk anyway after a foreclosure, but at least under the Plan the sales are not "distressed assets" and the Oil and Gas Debtors pay for the continuing, large and critical fire mitigation and suppression efforts at the Oregon Ranch. These secured creditors do face the risk of nonpayment if these properties cannot be sold by the deadlines in the Sale Metrics, but they will then look to their liens for repayment. If that happens, and there are no excess sale proceeds, then Royalty Claims and Unsecured Claims will face additional risk of nonpayment because those proceeds will not be available to backstop their payments.

Royalty Claims and Unsecured Creditors face the most risk under the Plan, because the principal source of their repayment is the future revenue of the Oil and Gas Debtors, except for those Unsecured Creditors who affirmatively elect the reduced cash payment under the Plan. As with any future events, business, and oil and gas production, it is possible that the Debtors' future projections will not materialize and that the Oil and Gas Debtors will not have sufficient future revenues to make these Plan payments. The Royalty Claims are given added protection in the form of a junior lien against the Llano Ranch, and both the Royalty Claims and Unsecured Claims are given protection with the Creditor Reserve, to the extent that there are excess sale proceeds from the sales of the Oregon Ranch and the Llano Ranch Parcel 1 after payment of AgWest and Prosperity Bank (and senior Secured Tax Claims).

B. ALTERNATIVES TO THE PLAN

There are two main alternatives to the Plan.

First, the Bankruptcy Case could be converted to a Chapter 7 liquidation. This potential is addressed above and, as demonstrated above, would not lead to higher returns to all Creditors. The Debtors also believe that a conversion would lead to significant litigation between Creditors and between Estates, which would only lead to additional delays, Professional Claims, and risks of recovery.

Second, a Creditor could propose its own plan. Here, the Debtors believe that any such plan would be very much like the present Plan, in that the Oregon Ranch and the Llano Ranch will be monetized to pay Creditors, while the Oil and Gas Debtors would continue their operations. However, there is no guarantee that the Debtors would support any consolidation through a creditor plan, and there is no guarantee that any exit financing would be secured without the active participation of the Oil and Gas Debtors, which would be needed to properly recapitalize the Oil and Gas Debtors and pay Administrative Claims.

ARTICLE XI.
CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN

THE PLAN AND ITS RELATED TAX CONSEQUENCES ARE COMPLEX. THERE ALSO MAY BE STATE, LOCAL OR OTHER TAX CONSIDERATIONS APPLICABLE TO EACH CREDITOR. CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND OTHER TAX LAWS. NOTHING IN THIS DISCLOSURE STATEMENT OR IN THE PLAN IS MEANT TO PROVIDE ANY TAX ADVICE TO ANY CREDITOR.

ARTICLE XII.
CONCLUSION

The Debtor urges holders of Claims in impaired Classes to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before 5:00 p.m., Central Time, on _____, 2025.

RESPECTFULLY SUBMITTED this 28th day of April, 2025.

MUNSCH HARDT KOPF & HARR, P.C.

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