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PROPOSED COUNSEL TO THE
OIL AND GAS DEBTORS

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

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

**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**

Emergency relief has been requested. Relief is requested not later than 2:30 p.m. on February 13, 2025.

If you object to the relief requested or you believe that emergency consideration is not warranted, you must appear at the hearing if one is set, or file a written response prior to the date that relief is requested in the preceding paragraph. Otherwise, the Court may treat the pleading as unopposed and grant the relief requested.

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

A virtual hearing will be conducted on this matter on February 13, 2025 at 2:30 p.m. (CT) in Room 128, U.S. Courthouse, 501 W. Tenth Street, Fort Worth, Texas 76102. Participation at the hearing will only be permitted by an audio and video connection.

Audio communication will be by use of the Court's dial-in facility. You may access the facility at 1.650.479.3207. Video communication will be by the use of Cisco WebEx platform. Connect via the Cisco WebEx application or click the link on Judge Mullin's home page. The meeting code is 2310-650-8783. Click the settings icon in the upper right corner and enter your name under the personal information setting.

Hearing appearances must be made electronically in advance of electronic hearings. To make your appearance, click the "Electronic Appearance" link on Judge Mullin's home page. Select the case name, complete the required fields and click "Submit" to complete your appearance.

COME NOW Scanrock Oil & Gas, Inc.; O'Ryan Family Limited Partnership; O'Ryan Production & Exploration, Ltd.; Ryan C. Hoerauf, Inc.; Smackover Oil Treaters Ltd.; O'Ryan Ponderosa, LLC; EON Production, LLC (the "Oil and Gas Debtors"); and O'Ryan Ranches, Ltd. (collectively, the "Debtors"), the debtors-in-possession in the above styled and numbered bankruptcy cases (the "Bankruptcy Cases"), and file this their *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* (the "Motion"), in support of which they would respectfully show as follows:

I. BANKRUPTCY RULE 4001 CONCISE SUMMARY²

1. The Debtors submit the following concise statement of the material terms of the Proposed Interim Order, together with references to the applicable sections of the Proposed Interim Order, as required by Bankruptcy Rule 4001(b)(1)(B):

² Capitalized terms used but not defined herein shall have the meaning ascribed to such terms below or in the Proposed Interim Order. Any summary of any terms of the Proposed Interim Order in this Motion is qualified in its entirety by

Summary of Material Terms		Location
Parties with an Interest in Cash Collateral Bankruptcy Rule 4001(b)(1)(B)(i)	Prosperity Bank, successor-in-interest to Lone Star State Bank of West Texas and Amarillo National Bank d/b/a Lone Star Loan Production Office (“ <u>Lender</u> ” or “ <u>Prosperity</u> ”).	See Proposed Interim Order, Preamble
Purposes for Use of Cash Collateral Bankruptcy Rule 4001(b)(1)(B)(ii)	To avoid immediate and irreparable harm to their estates, the Debtors request access to Cash Collateral to fund the operation of their business in the ordinary course postpetition. The Debtors would not have sufficient available sources of working capital to operate their business in the ordinary course or to maintain their property without the use of Cash Collateral.	See Proposed Interim Order, ¶¶ G, J
Budget Bankruptcy Rule 4001(b)(1)(B)(ii)	The Debtors are authorized to use Cash Collateral from the entry of the Proposed Interim Order until the Maturity Date or Termination Date (each, as defined below), subject to the terms of the Proposed Interim Order and the adequate protection granted to Lender, and in accordance with the Budget.	See Proposed Interim Order ¶ J
Term / Maturity Date Bankruptcy Rule 4001(b)(1)(B)(iii)	The Debtors’ right to use Cash Collateral shall terminate (subject only to the Carve Out) on the earliest to occur of: • (a) February 28, 2025 (the “<u>Termination Date</u>”); • (b) the occurrence of a Termination Event under this Order; • (c) the sale of all or substantially all assets of the Debtors; and; • (d) confirmation of a Chapter 11 plan in these Bankruptcy Cases	See Proposed Interim Order ¶ AA
Termination Events Bankruptcy Rule 4001(b)(1)(B)(iii)	The Debtors shall immediately cease using Cash Collateral upon the occurrence of any of these events (each a “<u>Termination Event</u>”), unless waived in writing by Lender: (a) there is an Event of Default (as defined by the Prepetition Loan Documents) under the Prepetition Loan Documents; provided, however, that non-payment under the Prepetition Loan Documents, any default related to the insolvency or financial condition of the Debtors, or the commencement of a case under the Bankruptcy Code shall not constitute a Termination Event; (b) a Challenge is commenced; (c) the Debtors violate any term of this Order, including failure to satisfy any reporting or asset disposition requirements here; or (d) the entry of an order:	See Proposed Interim Order ¶ Z

reference to the provisions of the Proposed Interim Order. The Proposed Interim Order will control in the event of any inconsistency between this Motion and the Proposed Interim Order.

Summary of Material Terms		Location
	(i) converting the Debtors' Bankruptcy Cases to a case under Chapter 7 of the Bankruptcy Code; (ii) dismissing the Debtors' Bankruptcy Cases; (iii) reversing, vacating or otherwise amending, supplementing or modifying this Order; (iv) terminating or modifying the automatic stay for any creditor other than Lender asserting a lien in the Collateral having a value in excess of \$50,000 in the aggregate without the prior written consent of Lender; or (v) invalidating, subordinating, or otherwise sustaining any challenge to the Prepetition Loan Liens, the Replacement Liens, or the Superpriority Claims granted to Lender hereunder.	
No Waiver of Remedies Bankruptcy Rule 4001(b)(1)(B)(iii)	The failure of Lender to seek relief or otherwise exercise its rights and remedies under this Order, the Prepetition Loan Documents or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of Lender.	See Proposed Interim Order ¶ QQ
Adequate Protection Bankruptcy Rule 4001(b)(1)(B)(ii)	As partial adequate protection, Lender is hereby granted: (a) automatic perfected first-priority replacement liens (the "<u>Replacement Liens</u>") on all property now owned or hereafter acquired by the Debtors, including, but not limited to, Cash Collateral (the "<u>Collateral</u>"); and (b) superpriority administrative claims with priority over all other costs and expenses of administration of any kind, including, without limitation, those specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise and at all times be senior to the rights of the Debtors and/or any successor trustee or other estate representative in these Bankruptcy Cases (the "<u>Superpriority Claims</u>") pursuant to Sections 361(2), 363(c)(2), 503(b)(1), 507(a)(2), and 507(b) of the Bankruptcy Code. The Replacement Liens granted therein shall not attach to any Chapter 5 causes of action under the Bankruptcy Code. The Replacement Liens and the Superpriority Claims are granted solely to the extent that the Debtors' use of Cash Collateral results in a diminution in value of the Prepetition Loan Collateral and shall constitute legal, valid, binding, fully perfected, and non-avoidable obligations of the Debtors, enforceable against the Debtors' estates and their respective successors and assigns, including, without limitation, any successor trustee or other estate representative in the Bankruptcy Cases or any subsequent or superseding proceedings under Chapter 7 or Chapter 11 of the Bankruptcy Code (a "<u>Subsequent Proceeding</u>"), in accordance with the terms of this	See Proposed Interim Order ¶ K

Summary of Material Terms		Location
	Order, notwithstanding the occurrence of a Termination Event or the Maturity Date. No obligation, payment, transfer, or grant of a security interest under this Order shall be avoidable or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under Section 502(d) of the Bankruptcy Code) or subject to any avoidance, reduction, setoff, offset, recharacterization, subordination (whether equitable, contractual, or otherwise), counterclaims, cross-claims, defenses, or any other challenges under the Bankruptcy Code or any applicable law or regulation by any person or entity. Notwithstanding anything therein to the contrary, the Replacement Liens are subject and subordinate to the Carve Out.	
Carve Out	The Proposed Interim Order provides a “Carve Out” of certain statutory fees and Allowed Professional Fees and expenses all as detailed in the Proposed Interim Order.	See Proposed Interim Order ¶ L
Waiver/Modification of Automatic Stay Bankruptcy Rule 4001(b)(1)(B)(iii)	The stay under section 362 of the Bankruptcy Code is modified to permit the Debtors and Lender to accomplish the transactions contemplated by the Proposed Interim Order.	See Proposed Interim Order ¶ PP
Stipulations and Agreements of the Debtors	Subject to the Challenge Period, the Proposed Interim Order contains certain stipulations by the Debtors, among other things, to the validity of the Prepetition Loan and the validity and priority of the liens and security interests securing the Prepetition Loan Obligations, and releases of any claims with respect to the Prepetition Loan Obligations and Prepetition Loan Liens.	See Proposed Interim Order ¶ F
Challenge Period Bankruptcy Rule 4001(b)(1)(B)(iii)	All parties-in-interest to these Bankruptcy Cases, including (a) the Debtors, any trustee, examiner, or other estate representative appointed in these Chapter 11 Bankruptcy Cases, including any Committee, and (b) any trustee, examiner, or other estate representative appointed in a Subsequent Proceeding, including a Committee, shall have until April 4, 2025 to commence an adversary proceeding against Lender to: a. challenge the Debtors' Stipulations and all waivers or releases contained therein; b. challenge the validity, extent, priority, perfection, enforceability, and non-avoidability of the Prepetition Loan Obligations, the Prepetition Loan Documents, and/or Prepetition Loan Liens; c. seek to avoid or challenge (whether pursuant to Chapter 5 of the Bankruptcy Code or otherwise) any transfer made by or on behalf of the Debtors to or for the benefit of Lender prior to the Petition Dates; or d. seek damages or equitable relief against Lender arising from or related to its prepetition business and lending relationships with the Debtors (collectively, a “Challenge”).	See Proposed Interim Order ¶ N

II. JURISDICTION AND VENUE

2. The United States Bankruptcy Court for the Northern District of Texas (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b). The Debtors confirm their consent, pursuant to Rule 7008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), to the entry of a final order by the Court. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

III. CASE BACKGROUND

3. On February 3, 2025, Scanrock Oil & Gas, Inc. and O’Ryan Ranches, Ltd. filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in this Court.³ On February 9, 2025 (the “Petition Date”), the remaining Debtors filed for chapter 11 in this Court seeking authority for all of the Debtors to be jointly administered. The Debtors continue to operate their business and to manage their estates as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No committee, trustee, or examiner has been appointed.

4. A detailed background regarding the Debtors’ businesses and the circumstances leading to the Bankruptcy Cases is set forth in the *Declaration of Brad Walker in Support of the Debtors’ Chapter 11 Petitions and Requests for First-Day Relief* (the “Walker Declaration”), filed contemporaneously and incorporated by reference as if fully set forth herein.

IV. BACKGROUND RELEVANT TO THIS MOTION

5. Lender, as successor-in-interest to Lone Star State Bank of West Texas and Amarillo National Bank d/b/a Lone Star Loan Production Office, is party to that certain *Restated*

³ For the avoidance of doubt, the “Petition Date” is February 3, 2025 for Scanrock Oil & Gas, Inc. and O’Ryan Ranches, Ltd.

Loan Agreement, dated as of April 1, 2023 (the “Prepetition Loan Agreement”), with the Debtors and certain non-debtor affiliates (collectively, the “Borrowers”).⁴ Each of the Borrowers executed and delivered promissory notes dated April 1, 2023 (the “Prepetition Notes” and together with the Prepetition Loan Agreement, security agreements, pledge agreements, letters of credit, and all documents creating, governing, evidencing and/or securing the Prepetition Loan Obligations, the “Prepetition Loan Documents”) in the aggregate original principal amount of \$48,973,536.40. The Prepetition Loan Documents evidence their prepetition obligations (the “Prepetition Loan Obligations”) to Lender in connection with a loan or loans in such original principal amount (the “Prepetition Loan”). Non-debtor Ryan C. Hoerauf 2008 Delaware Trust is a guarantor of the Loan.

6. The Prepetition Loan Documents granted Lender certain first-priority senior liens and security interests in substantially all of the Borrower’s assets, except with respect to the Oregon Ranch and the Lake House, which are second-priority liens and security interests. More specifically, the Prepetition Loan is secured by, among other things, deeds of trust covering certain real property located in Llano County, Texas (the “Llano Ranch”), certain real property located in Crook County, Oregon (the “Oregon Ranch”) ⁵, certain real property located in Burnet County, Texas (the “Lake House”) ⁶, and certain oil and gas leasehold, royalty, and mineral interests, along with accompanying equipment located thereon and proceeds derived therefrom, located in the State of Texas.

⁴ The Loan Agreement is a restatement of a previously existing revolving line of credit.

⁵ AgWest Farm Credit, FLCA has a first lien on the Oregon Ranch and outstanding debt of approximately \$10.8 million.

⁶ The Oregon Ranch and Lake House are assets owned by non-debtor affiliates who are borrowers under the Prepetition Loan Agreement.

7. On October 8, 2024, after the Prepetition Loan matured on September 3, 2024, Lender sent a demand letter to the Borrowers 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 Borrowers proposed a plan to bring its loans 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 under the Prepetition Loan Documents.

8. On or about December 2, 2024, the Borrowers and Lender entered into that certain *Forbearance Agreement* dated as of December 2, 2025 (the “Forbearance Agreement”). Pursuant to the Forbearance Agreement, Lender 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 Borrowers agreed to deliver to Lender a fully-executed purchase and sale agreement for the Oregon Ranch in an amount not less than \$50 million by December 15, 2024. While the Debtors received a letter of intent, the potential purchaser fell ill and was unable to proceed with the Oregon Ranch sale at that time.

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

10. On January 8, 2025, Lender sent notice to the Borrowers regarding Lender’s intent to foreclose on the Llano Ranch at a duly-noticed state foreclosure sale on February 4, 2025. On January 29, 2025, Lender sent the Borrowers a notice of disposition of certain common shares of

stock in PB Materials Holdings, Inc. held by one of the Borrowers and scheduled the disposition for February 10, 2025.

11. As of the Petition Date, the aggregate amount owed to Lender 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, of outstanding Prepetition Loan Obligations.

12. Following extensive arm's length negotiations regarding the use of Cash Collateral, Lender has consented to the use of Cash Collateral on an interim basis as set forth in the Proposed Interim Order. The Debtors and Lender are in continued discussions regarding use of Cash Collateral on a final basis and a form of Proposed Final Order.

V. RELIEF REQUESTED

13. The Debtors seek entry of interim and final orders (the "Proposed Interim Order" and the "Proposed Final Order," respectively; and together, the "Proposed Orders"): (a) authorizing the Debtors to use the Cash Collateral of Lender, (b) granting adequate protection to Lender, (c) modifying the automatic stay, (d) setting a hearing on the Proposed Final Order (the "Final Hearing"), and (e) granting related relief. The agreed Proposed Interim Order is filed herewith.

14. The bases for the relief requested herein are sections 105, 361, 362, 363, 503, 506, and 507 of title 11 of the United States Code (the "Bankruptcy Code"), rules 2002 and 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Local Rules of the United States Bankruptcy Court for the Northern District of Texas, and the Complex Case Procedures.

VI. USE OF CASH COLLATERAL

15. As demonstrated by the Budget, the Debtors propose to use Cash Collateral to pay the expenses necessary to maintain their properties and support their efforts in these Bankruptcy

Cases. As further set forth in the Walker Declaration, to continue to operate their business, the Debtors require access to existing cash to pay suppliers, vendors, oilfield workers, and utility providers, and make any other payments, including those for capital expenditures, that are essential or appropriate for the continued management, operation, and preservation of the Debtors' business and assets. Access to Cash Collateral will allow the Debtors to continue operating their business in the ordinary course to the benefit of the Debtors' estates and their stakeholders. A number of payments for postpetition expenses are due within the proposed interim period.

VII. BASIS FOR RELIEF

A. The Debtors Should Be Authorized to Use the Cash Collateral.

16. The Debtors' use of property of their estates, including the Cash Collateral, is governed by section 363 of the Bankruptcy Code,⁷ which provides in relevant part that:

If the business of the debtor is authorized to be operated under section . . . 1108 . . . of this title and unless the court orders otherwise, the [debtor] may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. § 363(c)(1).

17. Section 363(c)(2)(A) permits a debtor-in-possession to use cash collateral with the consent of the secured party. Here, Lender consents to the Debtors' use of the Cash Collateral, subject to the terms and limitations set forth in the Proposed Interim Order. Therefore, the Debtors

⁷ Section 363(a) of the Bankruptcy Code defines "cash collateral" as follows:

Cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring rents, or profits of property and the fees, charges, accounts or other payments for the use or occupancy of rooms and other public facilities in hotels, motels, or other lodging properties subject to a security interest as provided in section 552(b) of this title, whether existing before or after the commencement of a case under this title.

11 U.S.C. § 363(a).

respectfully submit that they have satisfied the standards of section 363(c)(2) of the Bankruptcy Code for the Proposed Interim Order.

18. As described above and in the Walker Declaration, access to Cash Collateral is essential to the continued operation of the Debtors' business. The Debtors believe use of Cash Collateral is in the best interests of the Debtors' estates and all of their stakeholders, including Lender, and that the Proposed Interim Order should be approved.

B. The Debtors' Proposed Grant of Adequate Protection to Use Cash Collateral is Appropriate.

19. Section 363(e) provides for adequate protection of interests in property when a debtor uses cash collateral. Further, section 362(d)(1) of the Bankruptcy Code provides for adequate protection of interests in property due to the imposition of the automatic stay. *See In re Cont'l Airlines*, 91 F.3d 553, 556 (3d Cir. 1996) (en banc). Although section 361 of the Bankruptcy Code provides examples of forms of adequate protection, the Bankruptcy Code does not expressly define "adequate protection" or proscribe a particular form that it must take. *See In re Las Torres Dev., L.L.C.*, 413 B.R. 687, 696–97 (Bankr. S.D. Tex. 2009) (citing *In re First S. Sav. Ass'n*, 820 F.2d 700, 710 (5th Cir. 1987)) (noting that the Bankruptcy Code "contains no specific, definitive definition of adequate protection."); 11 U.S.C. § 361 (providing a non-exhaustive list of examples of adequate protection, including (i) a lump sum or periodic cash payments; (ii) replacement liens; and (iii) administrative priority claims). Generally, courts decide what constitutes sufficient adequate protection on a case-by-case basis. *See, e.g., In re Swedeland Dev. Grp., Inc.*, 16 F.3d 552, 564 (3d Cir. 1994); *In re Satcon Tech. Corp.*, No. 12-12869 (KG), 2012 WL 6091160, at *6 (Bankr. D. Del. Dec. 7, 2012); *In re Columbia Gas Sys., Inc.*, Nos. 91-803, 91-804, 1992 WL 79323, at *2 (Bankr. D. Del. Feb. 18, 1992); *see also In re Dynaco Corp.*, 162 B.R. 389, 394 (Bankr. D.N.H. 1993) (citing 2 Collier on Bankruptcy ¶ 361.01[1] at

361–66 (15th ed. 1993)) (explaining that adequate protection can take many forms and “must be determined based upon equitable considerations arising from the particular facts of each proceeding”)); *In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986) (citation omitted) (noting that the application of adequate protection “is left to the vagaries of each case, but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process”). Courts generally have found that using cash collateral to preserve the value of the secured creditors’ collateral is a form of adequate protection in itself. *See, e.g., In re Salem Plaza Assocs.*, 135 B.R. 753, 758 (Bankr. S.D.N.Y. 1992) (holding that debtor’s use of cash collateral to pay operating expenses, thereby “preserv[ing] the base that generates the income stream,” provided adequate protection to the secured creditor).

20. As described more fully above, and as set forth in the Proposed Interim Order, the Debtors propose to provide Lender with a variety of safeguards to protect against the postpetition diminution in value of the prepetition collateral resulting from the use, sale, or lease of Cash Collateral by the Debtors and the imposition of the automatic stay: including replacement liens, superpriority claims under section 507(b) of the Bankruptcy Code, payment of attorneys’ fees, and continued access to information, sale process updates, and financial reporting. The Debtors contend that Lender is more than adequately protected in these Bankruptcy Cases.

21. In light of the foregoing, the Debtors further submit—and Lender agrees on an interim basis—that the proposed adequate protection to be provided for the benefit of Lender is fair, reasonable, and appropriate. Thus, the Debtors’ provision of the adequate protection is not only necessary to protect against diminution in value, as required by sections 363(c)(2) and 363(e) of the Bankruptcy Code, but is also fair and appropriate under the circumstances of the Bankruptcy Cases to ensure the Debtors are able to continue using the Cash Collateral, subject to the terms and

limitations set forth in the Proposed Interim Order, for the benefit of their estates and all parties in interest.

C. The Scope of the Carve Out is Appropriate.

22. The proposed adequate protection is subject to the Carve Out contained in the Proposed Orders. Without the Carve Out, the Debtors and other parties in interest may be deprived of certain rights and powers because the services for which professionals may be paid in these Bankruptcy Cases would be restricted. *See In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990) (observing that courts insist on carve outs for professionals representing parties in interest because “[a]bsent such protection, the collective rights and expectations of all parties-in-interest are sorely prejudiced”). The Carve Out does not directly or indirectly deprive the Debtors’ estates or other parties in interest of possible rights and powers. Additionally, the Carve Out protects against administrative insolvency during the course of these Bankruptcy Cases by ensuring that assets remain for the payment of the U.S. Trustee fees and professional fees of the Debtors and a statutory committee, if any.

D. The Automatic Stay Should be Modified on a Limited Basis.

23. The relief requested herein contemplates that the automatic stay provisions of section 362 of the Bankruptcy Code will be modified and vacated to the extent necessary to implement the terms and conditions of the Proposed Orders and the transactions contemplated thereby. The Debtors have determined, in an exercise of their business judgment that such stay modification is appropriate under the circumstances, in the context of a negotiated, consensual cash collateral order. Further, stay modifications of this kind are ordinary and are reasonable and fair under the circumstances of these Bankruptcy Cases.

E. Interim and Emergency Relief Should be Granted.

24. Bankruptcy Rule 4001(b) provide that a final hearing on a motion to use cash collateral pursuant to section 363 of the Bankruptcy Code may not be commenced earlier than 14 days after the service of such motion. Upon request, however, the Court may conduct a preliminary, expedited hearing on the motion and authorize the use of cash collateral to the extent necessary to avoid immediate and irreparable harm to a debtor's estate. See Bankruptcy Rule 4001(b)(2). Section 363(c)(3) of the Bankruptcy Code authorizes the court to conduct a preliminary hearing "in accordance with the needs of the debtor" and to authorize the use of cash collateral "if there is a reasonable likelihood that the [debtor] will prevail at the final hearing under [section 363(e) of the Bankruptcy Code]." 11 U.S.C. § 363(c)(3).

25. The Debtors request that the Court hold and conduct a hearing to consider entry of the Proposed Interim Order authorizing the Debtors, from and after entry of the Proposed Interim Order until the Final Hearing, to access Cash Collateral as needed and on the terms provided in the Proposed Interim Order. The Debtors require such access prior to the Final Hearing and entry of the Proposed Final Order for the various reasons discussed above, including to ensure they have the necessary liquidity to continue operating and to pay their administrative expenses. This relief will enable the Debtors to preserve and maximize value and, therefore, avoid immediate and irreparable harm and prejudice to their estates and all parties in interest, pending the Final Hearing.

26. In light of the foregoing, the Debtors submit that they have satisfied the requirements of Bankruptcy Rule 4001(b) to support immediate access to Cash Collateral pending the entry of the Proposed Final Order and respectfully request that the Court grant the relief requested herein and authorize the immediate use of the Cash Collateral pursuant to the terms and conditions set forth in the Proposed Interim Order.

VIII. BANKRUPTCY RULE 6003 HAS BEEN SATISFIED

27. Bankruptcy Rule 6003 provides that, to the extent relief is necessary to avoid immediate and irreparable harm, a bankruptcy court may issue an order granting “a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition” before twenty-one days after filing of the petition. Here, the Debtors believe an immediate and orderly transition into chapter 11 is critical to the viability of their business operations. Any delay in granting the relief requested could hinder the Debtors’ business operations and cause irreparable harm to the Debtors’ estates, thus threatening the Debtors’ ability to reorganize successfully. Accordingly, the Debtors have satisfied the requirements of Bankruptcy Rule 6003.

IX. REQUESTS FOR BANKRUPTCY RULES 4001 AND 6004 WAIVERS

28. The Debtors request a waiver of the notice requirements under Bankruptcy Rule 6004(a) and any stay of the order granting the relief requested herein pursuant to Bankruptcy Rules 4001(a)(3) and 6004(h). As explained above, the relief requested herein is necessary to avoid immediate and irreparable harm to the Debtors. Accordingly, ample cause exists to justify the waiver of the notice requirements under Bankruptcy Rule 6004(a) and the 14-day stay imposed by Bankruptcy Rules 4001(a)(3) and 6004(h), to the extent such stay applies.

X. NOTICE

29. Debtors will provide notice to parties in interest, including: (a) the Office of the United States Trustee for the Northern District of Texas; (b) the holders of the 30 largest unsecured claims against the Debtors (on a consolidated basis); (c) Lender and their counsel; (d) the United States Attorney’s Office for the Northern District of Texas; (e) the Internal Revenue Service; (f) the state attorneys general for states in which the Debtors conduct business; (g) any party that

has requested notice pursuant to Bankruptcy Rule 2002; and (h) counsel for any of the foregoing, to the extent known. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

XI. PRAYER

WHEREFORE, the Debtors respectfully request that the Court (a) enter the Proposed Interim Order in substantially the form attached hereto, (b) set a Final Hearing on the Proposed Final Order, (c) grant adequate protection and modify the automatic stay, and (d) grant the Debtors such other and further relief to which they may show themselves justly entitled.

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RESPECTFULLY SUBMITTED this 12th day of February, 2025.

MUNSCH HARDT KOPF & HARR, P.C.

By: /s/ Thomas D. Berghman

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- and -

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O'RYAN RANCHES, LTD.**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on February 12, 2025, I caused a true and correct copy of this Motion to be served via the Court's CM/ECF system on all parties entitled to such notice.

/s/ Garrick C. Smith

Garrick C. Smith

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

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

**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**

Came on for consideration the *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*

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); and O'Ryan Ranches, Ltd. (7184). The location of the Debtors' service address is 8180 Lakeview Center, Ste. 300, Odessa, TX 79765.

Relief [Docket No. []] (the "Motion") filed by O'Ryan Ranches, Ltd. ("Llano Ranch") Scanrock Oil & Gas, Inc. ("Scanrock"), EON Production, LLC ("EON"), O'Ryan Family Limited Partnership ("FLP"), O'Ryan Production & Exploration, Ltd. ("P&E"), O'Ryan Ponderosa, LLC ("Ponderosa"), Ryan C. Hoerauf, Inc. ("Hoerauf"), Smackover Oil Treaters, Ltd. ("Smackover," collectively with Llano Ranch, EON, FLP, P&E, Ponderosa, Hoerauf, referred to as the "Borrowers" or "Debtors"). Through the Motion, Debtors seek the entry of this agreed interim order (this "Order") immediately authorizing their use of property that may constitute "Cash Collateral" (as that term is defined in 11 U.S.C. § 363(a)), effective as of February 3, 2025, with respect to Llano Ranch and Scanrock and February 9, 2025 with respect to EON, O'Ryan P&E, Ponderosa, Hoerauf, and Smackover (in each case, the "Petition Date"), and proposes certain adequate protection to entities that may have an interest in such property. Prosperity Bank, successor-in-interest to Lone Star State Bank of West Texas and Amarillo National Bank d/b/a Lone Star Loan Production Office ("Lender"),² does not consent to the use of any Cash Collateral, except on the terms and conditions, and for the purposes, each as specified herein. After considering the evidence presented or proffered at the hearing on the Motion, and the statements and representations of the parties made on the record at the hearing on the Motion, and after due deliberation and consideration, the Court finds that the Motion and this Order is needed to avoid immediate and irreparable harm, in the best interests of the Debtors, the Debtors' estates and the Debtors' creditors, and that good and sufficient cause exists for granting the relief set forth herein. Therefore, the Motion is **GRANTED** on an interim basis, as provided below. The Court further finds that:

² On April 1, 2024, Lonestar Bank of West Texas merged into and became a part of Prosperity.

A. **Petition Date.** On the Petition Date, the Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), commencing the above-styled bankruptcy cases (the "Bankruptcy Cases"). The Debtors continue to operate their businesses and manage their property as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. To date, no trustee or examiner has been appointed in the Bankruptcy Cases.

B. **Jurisdiction and Venue.** This Court has jurisdiction over these Bankruptcy Cases and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. Consideration of the Motion constitutes a core proceeding as described by 28 U.S.C. § 157(b)(2).

C. **Committee Formation.** No examiner or statutory committee ("Committee") has been appointed in the Bankruptcy Cases.

D. **Prepetition Loan Documents.** As of the Petition Date, Lender asserts that the Debtors were indebted to Lender under a prepetition credit facility between the Debtors, the Non-Debtors (as hereinafter defined), and guaranteed by other Non-Debtors, including the DE Trust (as hereinafter defined) (the "Prepetition Loan"). The Debtors' obligations under the Prepetition Loan (the "Prepetition Loan Obligations") are evidenced by the loan documents (as may or have been amended, supplemented or modified from time to time, and together with all documents creating, governing, evidencing and/or securing the Prepetition Loan Obligations, collectively the "Prepetition Loan Documents", including, but not limited to those described on **Exhibit "B"** attached hereto). Lender shall provide a copy of operative Prepetition Loan Documents requested by the Debtors, in writing, to the Debtors by February 28, 2025.

E. **Prepetition Loan Liens.** Subject to the Challenge Period detailed in Paragraph N below, the Prepetition Loan is secured by various instruments, assignments and certificates, including the Prepetition Loan Documents and the UCC-1 financing statements, including, but not limited to those described on **Exhibit "C"**, which were (a) filed of record in appropriate jurisdictions, and (b) granted Lender first-priority senior liens and security interests in substantially all of the Debtors' assets, except with respect to the Oregon Ranch and the Lake House Deed of Trust³, which are second-priority liens and security interests (the "**Prepetition Loan Liens**") upon and in, among other things, and, as further described by or defined by the Prepetition Loan Documents (collectively, as may or have been amended, supplemented, or modified from time to time, and together with all documents creating, governing, evidencing and/or securing the Prepetition Loan Obligations, collectively the "**Prepetition Loan Collateral**"), all Collateral (as defined by the Security Agreement), all Accounts (as defined by the Security Agreement), certain real property, improvements and other collateral as referenced in the Prepetition Loan Documents, as-extracted collateral (including oil, gas and other minerals), machinery, buildings, derricks, tanks, lines, equipment, inventory, fixtures, general intangibles, chattel paper, notes, drafts, acceptances, documents, contract rights, capital stock, shares of stock and security interest goods of every kind, accounts, accounts receivable, revenues derived from any and all contracts and/or operating agreements, fixtures, and all and singular the licenses, franchises and easements, all of the Debtors' books and records with respect to any of the foregoing, wherever located, in which Debtors now have or hereafter acquire a right or interest in, which constitute cash collateral pursuant to Section 363(a) of the Bankruptcy Code.

³ The Oregon Ranch and Lake House Deed of Trust refer to assets owned by non-debtor affiliates who are borrowers under the Prepetition Loan.

F. **Debtors' Stipulations.** Subject to the Challenge Period detailed in Paragraph N below, in all respects, after reviewing their books and records and consulting with their attorneys, the Debtors (on behalf of, and for themselves and their estates) admit, stipulate, acknowledge, and agree to the following (collectively, the "Debtors' Stipulations"):

- a. as of the Petition Date, (a) the Prepetition Loan Obligations are legal, valid, binding, fully perfected, and non-avoidable obligations the estimated aggregate liquidated amount (i) of not less than \$50,038,560.52 as of February 3, 2025, and (ii) of not less than \$50,142,060.73 as of February 9, 2025, (b) the Prepetition Loan Obligations and the Prepetition Loan Liens constitute legal, valid, binding, fully perfected, and non-avoidable senior first-priority obligations and second-priority obligations of the Debtors (solely with respect to the Oregon Ranch and the Lake House Deed of Trust), enforceable in accordance with the terms and conditions of the Prepetition Loan Documents, (c) no portion of the Prepetition Loan Obligations or the Prepetition Loan Liens are subject to any offset, challenge, defense, claim, or counterclaim of any kind or any nature, nor is any portion of the Prepetition Loan Obligations or Prepetition Loan Liens subject to avoidance, recharacterization, disallowance, or subordination pursuant to the Bankruptcy Code or other applicable law, and (d) the Prepetition Loan Obligations are due and owing; and
- b. the Debtors and their estates shall be deemed to have (a) waived, discharged, and released Lender, together with Lender's shareholders, affiliates, parents, subsidiaries, controlling persons, directors, agents, officers, successors, assigns, directors, managers, principals, officers, employees, agents, investors, funds, advisors, attorneys, professionals, representatives, accountants, investment bankers and consultants, each in its respective capacity as such (collectively, the "Released Parties"), of any and all claims (as defined in Section 101(5) of the Bankruptcy Code), offsets, defenses, objections, challenges, causes of action, and/or choses in action, or other claims arising under or pursuant to the Bankruptcy Code or under any other applicable law against any and all of the Released Parties, whether at law or in equity, arising under or relating to the Prepetition Loan Documents or the transactions contemplated thereunder, and (b) waived, discharged, and released any offsets, defenses, objections, challenges, causes of action, and/or choses in action with respect to the Prepetition Loan Obligations and Prepetition Loan Liens, including, without limitation, actions related to recharacterization, subordination, avoidance, any right or basis to challenge or object to the amount, validity, enforceability, and/or perfection of the Prepetition Loan Obligations and/or the Prepetition Loan Liens.

G. **Cause Shown.** Good cause has been shown for the entry of this Order. The Debtors require the use of Cash Collateral to operate their businesses and to avoid immediate and irreparable harm to their estates. Without the use of Cash Collateral, the Debtors will not be able to meet their cash requirement for working capital needs or to fund the administration of the Bankruptcy Cases. Lender does not consent to the use of any Cash Collateral, except on the terms and conditions, and for the purposes, each as specified herein. The adequate protection provided herein and other benefits and privileges contained herein are consistent with and authorized by the Bankruptcy Code and are expected to provide partial adequate protection for Lender's interests in the Prepetition Loan Collateral under this Order. The terms and conditions set forth in this Order are fair, just and reasonable under the circumstances and reflect the Debtors' exercise of their prudent business judgment consistent with their fiduciary duties.

H. **Notice.** The Court finds that the notice to the United States Trustee, Lender, and the Debtors' creditors was sufficient under the circumstances. Entry of this Order is justified and appropriate under the circumstances, is in the best interest of the estates, and necessary to avoid immediate and irreparable harm.

IT IS THEREFORE ORDERED AND ADJUDGED as follows:

I. **Motion Granted.** The Motion is hereby granted on an interim basis on the terms set forth in this Order. Any objections to the entry of this Order that have not been previously resolved or withdrawn, including any reservations of rights therein, are hereby overruled on their merits.

J. **Use of Cash Collateral.** Unless otherwise ordered by the Court and subject to the Carve Out (as defined below), the Debtors are hereby authorized to use Cash Collateral as set forth in the budget ("Budget") attached hereto as **Exhibit "A"**, to the extent set forth herein. The

Debtors' aggregate expenditures under the Budget will be tested weekly on a cumulative basis (i.e., the sum of all actual amounts expended for the current week in the Budget cannot exceed 110% of the sum of all budgeted disbursements for such cumulative period). On or prior to 11:59 p.m. prevailing Central time on each Tuesday before the Maturity Date, the Debtors shall prepare and deliver to Lender, and its counsel, a written reconciliation (by line item and on a cumulative basis) of the actual collections and disbursements for the immediately preceding week with the budgeted collections and disbursements set forth in the Budget. The Budget may be amended or extended from time to time by written agreement between Lender and the Debtors without further order of the Court, and such amended budget shall become the Budget under this Order. The Debtors shall file with this Court notice of any such agreed amended budget. The Debtors shall solely make expenditures only for the purposes and up to the amounts set forth in the Budget, unless Lender consents in writing or the Court approves such additional expense(s) after notice and a hearing. The Debtors shall not, without prior written approval from Lender, make any expenditures that exceed 110% of the weekly cumulative budget. Any legal and professional fees set forth in the attached Budget remain subject to interim and final allowance by this Court and remain subject to all applicable provisions of the Bankruptcy Code and the Bankruptcy Local Rules, including, but not limited to, Sections 327 and 330 of the Bankruptcy Code. The Debtors shall not make any payments to Insiders (as defined by Section 101(31) of the Bankruptcy Code) or Affiliates (as defined by Section 101(2) of the Bankruptcy Code), including intercompany transfers, unless expressly identified on the Budget as such.

K. **Partial Adequate Protection.** As partial adequate protection, Lender is hereby granted: (a) automatic perfected first-priority replacement liens (the "Replacement Liens") on all property now owned or hereafter acquired by the Debtors, including, but not limited to, Cash

Collateral (the "Collateral"); and (b) superpriority administrative claims with priority over all other costs and expenses of administration of any kind, including, without limitation, those specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise and at all times be senior to the rights of the Debtors and/or any successor trustee or other estate representative in these Bankruptcy Cases (the "Superpriority Claims") pursuant to Sections 361(2), 363(c)(2), 503(b)(1), 507(a)(2), and 507(b) of the Bankruptcy Code. The Replacement Liens granted herein shall not attach to any Chapter 5 causes of action under the Bankruptcy Code. The Replacement Liens and the Superpriority Claims are granted solely to the extent that the Debtors' use of Cash Collateral results in a diminution in value of the Prepetition Loan Collateral and shall constitute legal, valid, binding, fully perfected, and non-avoidable obligations of the Debtors, enforceable against the Debtors' estates and their respective successors and assigns, including, without limitation, any successor trustee or other estate representative in the Bankruptcy Cases or any subsequent or superseding proceedings under Chapter 7 or Chapter 11 of the Bankruptcy Code (a "Subsequent Proceeding"), in accordance with the terms of this Order, notwithstanding the occurrence of a Termination Event (as hereinafter defined) or the Maturity Date (as hereinafter defined). No obligation, payment, transfer, or grant of a security interest under this Order shall be avoidable or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under Section 502(d) of the Bankruptcy Code) or subject to any avoidance, reduction, setoff, offset, recharacterization, subordination (whether equitable, contractual, or otherwise), counterclaims, cross-claims, defenses, or any other challenges under the Bankruptcy Code or any applicable law or regulation by any person or entity. Notwithstanding anything herein

to the contrary, the Replacement Liens are subject and subordinate to the Carve Out (as defined below).

L. **Carve Out.** As used in this Order, the "Carve Out" means the sum of (i) all fees required to be paid to the Clerk of the Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code; (ii) to the extent specifically authorized by and stated in the Budget and allowed at any time, all unpaid fees and expenses actually incurred by persons or firms retained by the Debtors on or after the Petition Date pursuant to section 327, 328, or 363 (solely with respect to a chief restructuring officer) of the Bankruptcy Code (the "Debtor Professionals") but only to the extent incurred and unpaid and such fees and expenses have been previously or subsequently approved by this Court by final order and only to the extent such incurred and unpaid fees and expenses exceed any retainer held by any such Debtor Professional (the "Allowed Professional Fees"); at any time before or on the first business day following delivery by Lender of a Carve Out Trigger Notice (as defined below), whether allowed by the Court prior to or after delivery of a Carve Out Trigger Notice; and (iii) Allowed Professional Fees of Debtor Professionals in an aggregate amount not to exceed \$50,000 incurred after the first business day following delivery by Lender of the Carve Out Trigger Notice, to the extent allowed at any time (the amounts set forth in this clause (iii) being the "Post-Carve Out Trigger Notice Cap"). For purposes of the foregoing, "Carve Out Trigger Notice" shall mean a written notice delivered by e-mail (or other electronic means) by Lender to the Debtors, the Debtors' counsel who have entered an appearance in these Bankruptcy Cases, the U.S. Trustee, and counsel to any Committee appointed in these Bankruptcy Cases, which notice may be delivered following the occurrence and during the continuation of a Termination Event (as hereinafter defined), or the Maturity Date (as hereinafter defined) stating that the Post-Carve Out Trigger Notice Cap has been

invoked. The amounts allocated to each Debtor Professional's fees are wholly separate, with each such Debtor Professional's allocation reserved for that Debtor Professional if approved by the Court (i.e., the total budgeted amount for all Debtor Professionals shall not be split *pro rata* among the Debtor Professionals if any one Debtor Professional exceeds the amount budgeted for that Debtor Professional).⁴ Nothing herein allows the payment of any fees or expenses of Debtor Professionals absent approval of the same by the Court pursuant to a fee application on notice, or such other procedures that may be approved by the Court. Notwithstanding anything herein to the contrary, neither the Carve Out nor any proceeds of the Prepetition Loan Collateral or the Collateral may be used by any party, including the Debtor or any Committee, to (a) attempt to modify or otherwise alter any of the terms and conditions set forth in this Order; (b) object to, contest or raise any defense to the validity, perfection, priority, extent or enforceability of any amounts due, or the liens and claims granted by, this Order; (c) assert, allege, bring or support any claim or cause of action, or the initiation or prosecution of any claim or cause of action, against Lender, including any cause of action under chapter 5 of the Bankruptcy Code or state law of any type or nature whatsoever; or (d) prevent, hinder, or otherwise delay Lenders' assertion, enforcement or realization on the Prepetition Loan Collateral or the Collateral. Nothing herein shall be construed to impair the ability of any party-in-interest to object to any fees, expenses, reimbursement, or compensation sought by any of the Debtor Professionals, nor shall anything herein be construed to affect the rights of any party-in-interest to file an application for the allowance of fees and expenses.

⁴ The Debtor Professionals may carry forward or carry backward any unused professional fee and expense line item amount to other time periods for their line item in the Budget.

M. **Carve Out Reserves.** On the day on which Lender gives a Carve Out Trigger Notice to the Debtors (the "Termination Declaration Date"), the Debtors shall utilize all cash on hand as of such date and any available cash thereafter held by any Debtor to fund a segregated reserve in an amount equal to the then accrued but still unpaid amounts of the Allowed Professional Fees permitted under the Budget through the Termination Declaration Date less any retainer held by any Debtor Professional (the "Pre-Trigger Reserve") prior to paying any other claims. The funds in the Pre-Trigger Reserve shall be held in trust to pay such then unpaid Allowed Professional Fees prior to paying any other claims.

On the Termination Declaration Date, after funding the Pre-Trigger Reserve, the Debtors shall utilize all remaining cash on hand as of such date and any available cash thereafter held by any Debtor to fund a reserve in an amount equal to the Post-Carve Out Trigger Notice Cap (the "Post-Trigger Reserve" and, together with the Pre-Trigger Reserve, the "Carve Out Reserves").

All funds in the Pre-Trigger Reserve shall be used first to pay the obligations set forth in clauses (i) through (ii) of the definition of Carve Out set forth above (the "Pre-Trigger Carve Out Amounts"). If funds remain in the Pre-Trigger Reserve after the Pre-Trigger Carve Out Amounts have been fully satisfied, then those remaining Pre-Trigger Reserve funds may be used to fund the Post-Trigger Reserve, and any funds remaining in the Pre-Trigger Reserve after the Post-Trigger Reserve has been funded shall be paid to Lender, unless the Prepetition Loan has been indefeasibly paid in full, in cash, in which case any such excess shall be used pursuant to further order of the Court.

All funds in the Post-Trigger Reserve shall be used first to pay the obligations set forth in clause (ii) of the definition of Carve Out set forth above (the "Post-Trigger Carve Out Amounts"),

and then, to the extent the Post-Trigger Reserve has not been reduced to zero, to pay Lender, unless the Prepetition Loan has been indefeasibly paid in full, in cash, in which case any such excess shall be used pursuant to further order of the Court.

For the avoidance of doubt and notwithstanding anything to the contrary in the Prepetition Loan Documents or this Order, the Carve Out shall be senior to all of the Prepetition Loan Liens, the Prepetition Loan Collateral, the Replacement Liens, and any and all other forms of adequate protection, liens, or claims securing the Prepetition Loan.

N. **Challenge Periods.** All parties-in-interest to these Bankruptcy Cases, including (a) the Debtors, any trustee, examiner, or other estate representative appointed in these Chapter 11 Bankruptcy Cases, including any Committee, and (b) any trustee, examiner, or other estate representative appointed in a Subsequent Proceeding, including a Committee, shall have until April 4, 2025 to commence an adversary proceeding against Lender to:

- a. challenge the Debtors' Stipulations and all waivers or releases contained herein;
- b. challenge the validity, extent, priority, perfection, enforceability, and non-avoidability of the Prepetition Loan Obligations, the Prepetition Loan Documents, and/or Prepetition Loan Liens;
- c. seek to avoid or challenge (whether pursuant to Chapter 5 of the Bankruptcy Code or otherwise) any transfer made by or on behalf of the Debtors to or for the benefit of Lender prior to the Petition Dates; or
- d. seek damages or equitable relief against Lender arising from or related to its prepetition business and lending relationships with the Debtors (collectively, a "Challenge").

O. **No Challenge After Expiration of Challenge Period.** All parties-in-interest, including (a) the Debtors, (b) any trustee, examiner, or other estate representative appointed in these Bankruptcy Cases, including any Committee, and (c) any trustee, examiner, or other estate

representative appointed in a Subsequent Proceeding, that fail to act in accordance with the time periods set forth in the immediately preceding paragraph shall be, and hereby are, forever barred from commencing a Challenge or challenging in any manner the Prepetition Loan Obligations, the Prepetition Loan Documents and the Prepetition Loan Liens, and shall be bound by the waivers, Debtors' Stipulations, and all other terms set forth in this Order.

P. For the avoidance of doubt, no Collateral or Cash Collateral, or the proceeds thereof, shall be used by any party for the purpose of: (a) objecting to or contesting in any manner, or in raising any defenses to, the validity, extent, perfection, priority, or enforceability of any claim held or asserted by Lender against the Debtors, or any liens or security interests with respect thereto; (b) preventing, hindering, or delaying Lender's enforcement of remedies and collection rights against and upon any of Lender's Collateral or the Prepetition Loan Collateral; (c) modifying Lender's rights under the applicable Prepetition Loan Documents with the Debtors; or (d) a Challenge.

Q. **Adequate Protection Payments.** Lender reserves the right to demand adequate protection payments in connection with future use of Cash Collateral.

R. **Post-Petition Expenses.** Notwithstanding anything contained in the Budget, the Debtors shall pay Lender's reasonable out-of-pocket post-petition expenses, including, without limitation, reasonable attorneys' fees and expenses of Winstead PC and reasonable fees and expenses of any financial advisor or consultant hired by Lender or Winstead PC related to these Bankruptcy Cases or the Prepetition Loan Obligations. The Debtors shall pay all such amounts monthly after submission of invoices for review by the Debtors, the U.S. Trustee, and any statutory committee appointed in these Bankruptcy Cases. The invoices shall include the number of hours billed and a summary description of services provided and the expenses incurred by the applicable

professional; provided, however, that any such invoice (i) may be redacted to protect privileged, confidential or proprietary information, and (ii) shall not be required to contain individual time detail. None of the fees, costs, expenses or other amounts payable pursuant to this paragraph shall be subject to separate approval by this Court (but this Court shall resolve any dispute as to the reasonableness of any such fees, costs and expenses), and no recipient of any such payment shall be required to file any interim or final fee application with respect thereto; provided, however, that Lender or its counsel shall submit copies of Lender's professionals' invoices to the Debtors, U.S. Trustee and any Committee, and the Debtors, the U.S. Trustee and any Committee shall have ten (10) days following their receipt of such invoices to object to the reasonableness of the fees and expenses included in any such invoice. If any such objection is not resolved within ten (10) days after such objection is interposed, a hearing with respect thereto shall be conducted in the case, provided that the Debtors shall pay any undisputed portion of such fees, costs and expenses eleven (11) days following their receipt of such invoices.

S. **Audits and Inspections.** The Debtors shall allow Lender, its agent, or any party authorized under the Prepetition Loan Documents to conduct and finalize an audit of the Prepetition Loan Collateral and Collateral (the "Audit"), and conduct a physical inspection of each of the Debtors' facilities (the "Inspections"), and the Debtors shall cooperate with such Audit and Inspections.

T. **Insurance.** The Debtors shall maintain adequate insurance coverage on the Prepetition Loan Collateral and the Collateral, including, but not limited to, as may be required under the Prepetition Loan Documents, or any loan document, note, agreement, letter agreement, security agreement, guarantee, or other documents executed by the Debtors in favor of Lender. The Debtors shall maintain or name Lender as mortgagee, lender loss payee, and/or additional

insured under the insurance policies. The Debtors shall promptly deliver to Lender proof that the Prepetition Loan Collateral and the Collateral are adequately insured against risk of loss and that Lender is named as mortgagee, lender, loss payee, and/or additional insured.

U. **Taxes.** The Debtors shall remain current in all post-petition tax payment and reporting obligations.

V. **No Lien Upon Avoidance Actions.** The Replacement Liens do not extend to the Debtors' transfer or lien avoidance rights and claims under Sections 544, 545, 547 or 548 of the Bankruptcy Code or funds received from the same.

W. **Perfection of Liens.** The Replacement Liens are, and shall be, valid, perfected, enforceable and effective as of the Petition Date without the need for any further action by the Debtors, Lender, or the necessity of execution or filing of any instruments or agreements.

X. **Proofs of Claim.** Lender shall not be required to file proofs of claim or requests for approval of administrative expenses, including Superpriority Claims or approval of attorneys' fees and costs, in these Bankruptcy Cases or in any Subsequent Proceeding. The Debtors' Stipulations and the Debtors' acknowledgment of the Prepetition Loan Obligations and the liens, rights, claims, priorities and protections, including the Prepetition Loan Liens, granted to or in favor of Lender in respect of the Prepetition Loan Collateral and the Collateral, and against the Debtors, as set forth in this Order and the Prepetition Loan Documents and under applicable law, shall be deemed timely filed proof(s) of claim against the Debtors on behalf of Lender in the Bankruptcy Cases, which claims may be amended by Lender as necessary.

Y. **Termination of Use of Cash Collateral.** The Debtors' right to use Cash Collateral shall expire, and the Debtors shall immediately cease using the Cash Collateral upon the

occurrence of a Termination Event (as defined below) that is not otherwise waived in writing by Lender, or the occurrence of the Maturity Date.

Z. **Termination Events.** The Debtors shall immediately cease using Cash Collateral upon the occurrence of any of these events (each a "Termination Event"), unless waived in writing by Lender:

- a. there is an Event of Default (as defined by the Prepetition Loan Documents) under the Prepetition Loan Documents; provided, however, that non-payment under the Prepetition Loan Documents, any default related to the insolvency or financial condition of the Debtors, or the commencement of a case under the Bankruptcy Code shall not constitute a Termination Event;
- b. a Challenge is commenced;
- c. the Debtors violate any term of this Order, including failure to satisfy any reporting or asset disposition requirements here; or
- d. the entry of an order:
 - i) converting the Debtors' Bankruptcy Cases to a case under Chapter 7 of the Bankruptcy Code;
 - ii) dismissing the Debtors' Bankruptcy Cases;
 - iii) reversing, vacating or otherwise amending, supplementing or modifying this Order;
 - iv) terminating or modifying the automatic stay for any creditor other than Lender asserting a lien in the Collateral having a value in excess of \$50,000 in the aggregate without the prior written consent of Lender; or
 - v) invalidating, subordinating, or otherwise sustaining any challenge to the Prepetition Loan Liens, the Replacement Liens, or the Superpriority Claims granted to Lender hereunder.

After Lender becomes aware of an unwaived Termination Event, Lender shall file a notice of such Termination Event with the Court.

AA. **Term.** Unless extended by written agreement of the Debtors and Lender, the term of this Order and the authorization of the use of Cash Collateral shall cease on the earliest to occur of the following (the "Maturity Date"): (a) February 28, 2025 (the "Termination Date"); (b) the occurrence of a Termination Event under this Order; (c) the sale of all or substantially all assets of the Debtors; and (d) confirmation of a Chapter 11 plan in these Bankruptcy Cases.

BB. **Reservation of Rights.** Neither the Debtors nor Lender shall be limited or prohibited by this Order or otherwise in seeking additional adequate protection for the use of Cash Collateral as provided herein. Further, except as expressly stated herein, nothing in this Order is intended to or shall modify any terms or rights of the Prepetition Loan Documents. Furthermore, subject to entry of the final order granting the Motion (the "Final Order"), Lender shall have the right, but not the obligation, to credit bid in any sale of the Debtors' assets, up to the full amount of Lender's secured claim. Subject to entry of the Final Order, the Debtors and any other party-in-interest shall not object to Lender's right to credit bid. Additionally, nothing in this Order shall prevent Lender from filing a subsequent pleading in these Bankruptcy Cases requesting (a) to discontinue the Debtors' use of Cash Collateral for any reason not discussed or contemplated in this Order, and/or (b) relief from the automatic stay.

CC. **Notice.** Within two (2) business days after entry of this Order, Debtors' counsel shall serve a copy of this Order on the following parties: (a) the Debtors; (b) Lender; (c) the Office of the United States Trustee; (d) all creditors known to the Debtors who have or may assert liens against the Debtors' assets; and (e) all parties-in-interest who have filed a notice of appearance.

DD. **Lender's Cash Collateral.** Lender's Cash Collateral comprises all Accounts and all income, proceeds, products, rents, or profits of the Prepetition Loan Collateral and/or the Collateral that are now in the possession, custody, or control of the Debtors, or in which the

Debtors will obtain an interest during the pendency of the case. The Debtors have no interest, directly or indirectly, in any cash that is not Cash Collateral.

EE. **Limitation on Charging Expenses Against Collateral.** Subject to entry of the Final Order, all rights to surcharge the interests of Lender in any Prepetition Loan Collateral or any Collateral under Section 506(c) of the Bankruptcy Code or any other applicable principle or equity or law shall be and are hereby finally and irrevocably waived, and such waiver shall be binding upon the Debtors and all parties-in-interest in the Bankruptcy Cases.

FF. **Section 552(b) of the Bankruptcy Code.** Subject to entry of the Final Order, Lender shall be entitled to all of the rights and benefits of Section 552(b) of the Bankruptcy Code, and, subject to entry of the Final Order, the "equities of the case" exception under Section 552(b) of the Bankruptcy Code shall not apply to Lender with respect to proceeds, products, offspring or profits of any of the Prepetition Loan Collateral or the Collateral.

GG. **No Marshaling.** Subject to entry of the Final Order, Lender shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Prepetition Loan Collateral or the Collateral, as the case may be.

HH. **No Payments on Prepetition Debts.** The Debtors are prohibited from paying any indebtedness or transferring property to vendors, contractors, customers, or other persons whose debt may have been incurred prior to the Petition Date, except upon separate order of the Court.

II. **PB Materials Information.** On or before February 17, 2025, the Debtors shall produce the following materials (collectively, the "PB Information") to Lender related to the 64,000 Shares in PB Materials Holdings, Inc. (the "PB Materials Shares"), as certificated by Stock Certificate No. 4 or as otherwise evidenced, that was currently or previously owned by O'Ryan Production & Exploration, Ltd. ("Pledgor") or any other Debtor:

1. All correspondence, transaction documents or valuation materials related to the sale or other transfer of all or any portion of the PB Materials Shares;
2. Bylaws and any other corporate governance documents for PB Materials Holdings, Inc. in effect at the time of sale or other transfer of all or any portion of the PB Materials Shares; and
3. Any board minutes, board notes or similar authorization materials related to the sale or other transfer of all or any portion of the PB Materials Shares.
4. Any shareholder agreements that relate to the PB Materials Shares.

Such materials shall include the following (each as defined in that certain Exhibit A Stockholder Election Form completed by Pledgor on December 22, 2024):

1. Notice of Reinvestment Opportunity dated December 21, 2025;
2. Stockholder Agreement; and
3. Transaction Agreement.

To the extent the Debtors do not have in their possession any of the PB Information, the Debtors shall certify such in writing to Lender on or before February 17, 2025. Lender reserves all rights to seek formal discovery related to the PB Materials Shares, including pursuant to Bankruptcy Rule 2004.

JJ. **Additional Reporting Requirements.** Further, unless otherwise specified below, monthly (unless otherwise provided below) commencing on February 14, 2025, on or before the close of business, and on the tenth (10th) day of each month thereafter on or before the close of business, or if such information is to be provided weekly commencing on February 14, 2025 on or before the close of business and on every Friday thereafter on or before the close of business, the Debtors shall provide Lender, by email, with the following items:

- a. a printout of the bank activity from each of the Debtors' bank account(s) (the "DIP Account(s)"), including copies of all checks, wires, and deposit documents commencing on the Petition Date;

- b. a copy of the bank statements (including copies of all bank statements since the Petition Date) from each of the Debtors' bank account(s) from the Petition Date through February 28, 2025 and all monthly bank statements thereafter;
- c. sufficient information to identify the payee of each disbursement made by the Debtors from each of the DIP Account(s) since the Petition Date and updated weekly in the form of a vendor list of all payees, as well as the purpose for each disbursement (the "Vendor Transactions Report"), which shall highlight and delineate any items related to liabilities related to workover or other capital expenditures;
- d. sufficient information to identify the amount and payee of each payroll disbursement from the DIP Account(s) since the Petition Date and updated weekly;
- e. weekly accounts receivable and accounts payable lists and aging reports (including the names of account debtors and aging of accounts and general intangibles), which shall highlight and delineate any items related to workover or other capital expenditures, including the reimbursement for the same;
- f. the prior week's production data for all hydrocarbon wells listed by well and property by property;
- g. Aries reserve run for each property together with the offset wells used to model the estimated ultimate recovery and other economic analysis that the Debtors used to support the economic viability and rate of return (including the work to be performed, the location, proposed depth, objective formations, the estimated cost of the operation) associated with the work-over, drilling, competition, or other capital expenditure information related to Henderson Smackover Units #5 and #6 and other information related to the Debtors' economic analysis of the work-over, drilling, competition related to Henderson Smackover Units #5 and #6;
- h. a copy of any notices from AgWest, AgWest Farm Credit, FLCA, or Northwest Farm Services, FLCA related to the Oregon Ranch and any amounts paid to AgWest, AgWest Farm Credit, FLCA or Northwest Farm Services, FLCA related to the Oregon Ranch since the Petition Date;
- i. a copy of the Debtors' post-petition monthly income statement commencing with the month of February and all months thereafter;
- j. to the extent not already provided to Lender, a budget for the following four-week period detailing all of the Debtors' expected revenue, expenses, and disbursements; and

- k. monthly and weekly reconciliation of the Budget to actual revenue, expenses, and disbursements.

KK. Asset Disposition Program for Oregon Ranch. The Debtors shall effectuate an asset disposition program for Oregon Ranch in accordance with the terms and conditions set forth below (the "Oregon Asset Disposition Program"):

1. Broker. No later than February 19, 2025, the Debtors or their non-debtor affiliates shall have engaged a real estate broker (or similar professional that will assist in selling Oregon Ranch) that is approved in writing by Lender (the "Oregon Broker"). The Debtors' current broker, including, but not limited to, Mason & Morse Ranch Company, is not approved by Lender but may be acceptable to Lender (in its sole discretion) based on information provided. Lender is currently determining if Jake Polvi of POLVI Real Estate is an acceptable broker and shall notify the Debtors of such determination on or before February 14, 2025.
2. Listing. The Oregon Ranch shall remain listed for sale and otherwise promoted as advised by the Oregon Broker.
3. Regular Calls with Oregon Broker. At a mutually agreed time each week, the Oregon Broker and Lender will hold a teleconference to discuss the status of, and options for, the sale of Oregon Ranch. Although the Debtors are entitled to participate in this call, they are not entitled to direct the Oregon Broker in the conduct or direction of the call.
4. Offers. Within 24 hours after receipt, the Debtors and/or the Oregon Broker shall provide to Lender all expressions of interest, offers, letters of intent or proposals, whether oral or written, that are received related to Oregon Ranch.
5. Modification of Asset Disposition Program Deadlines. The dates and deadlines in this Oregon Asset Disposition Program may be extended from time to time by written agreement between Lender and the Debtors, without further order of the Court; in which case, such amendments shall become binding as part of the Oregon Asset Disposition Program under this Order.

LL. Cash Management. The Debtors shall maintain their current accounts with Lender (collectively, the "DIP Accounts"), and the Debtors shall seek entry of an order regarding their cash management system in a form acceptable to Lender. The Debtors shall immediately

segregate, remit and deposit all Cash Collateral in the Debtors' possession, custody or control, or which the Debtors may receive in the future, into the DIP Accounts. All Cash Collateral collected by the Debtors shall be immediately transferred by the Debtors to the DIP Accounts. The Debtors shall be prohibited from withdrawing or using funds from the DIP Accounts except as provided for in the Budget, this Order, or pursuant to further order of the Court.

MM. **Indemnification.** Subject to entry of the Final Order, the Debtors, on behalf of themselves and the Debtors' estates, hereby indemnify and hold harmless Lender, its officers, directors, employees, affiliates, agents, attorneys, financial advisors and controlling persons, and hold them harmless from and against all costs, expenses (including fees, disbursements and other charges of counsel) and liabilities of any such indemnified person arising out of or relating to any claim or litigation or other proceedings (regardless of whether any such indemnified person is a party thereto) that relate to the Prepetition Loan Obligations; provided, however, that no indemnified party will be indemnified for its gross negligence or willful misconduct.

NN. **Parties to Reporting.** All information that the Debtors are obligated to send to Lender under this Order shall be sent by email to Lender's counsel, Phil Lamberson at plamberson@winstead.com and Annmarie Chiarello at achiarello@winstead.com.

OO. **Access to Information and Collateral.** The Debtors shall reasonably cooperate in providing Lender, and any professionals retained by Lender, with access to: (a) the Prepetition Loan Collateral and/or the Collateral; (b) any and all books, records, documents, and information relevant to (i) the Debtors' financial condition, (ii) the Debtors' business operations, including employees and advisors, (iii) the Prepetition Loan Collateral, and (iv) the Collateral; and (c) any other information or reports regarding the Debtors that Lender may from time to time request.

PP. **Modification of Stay.** The automatic stay is hereby modified to the extent necessary to permit Lender:

- a. to take all actions necessary to implement this Order;
- b. to retrieve, collect, and apply any payments and any proceeds with respect to the Prepetition Loan Collateral and Collateral in accordance with this Order; and
- c. to apply, in accordance with the Prepetition Loan Documents, any funds or proceeds remitted by the Debtors.

QQ. **No Waiver.** The failure of Lender to seek relief or otherwise exercise its rights and remedies under this Order, the Prepetition Loan Documents or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of Lender.

RR. **No Lender Control.** Subject to entry of the Final Order, no act committed or action taken by Lender under this Order or otherwise shall be used, construed, or deemed to hold Lender to be in control of the Debtors, or the governance, management or operation of the Debtors for any purpose, without limitation, or to be acting as a "responsible person" or "owner and operator" or a person in "control" with respect to the governance, management or operation of the Debtors or their businesses (as such terms, or any similar terms, are used in the Internal Revenue Code, Comprehensive Environmental Response, Compensation and Liability Act, Bankruptcy Code, each as may be amended from time to time, or any other federal or state statute, at law, in equity, or otherwise) by virtue of the interests, rights, and remedies granted to or conferred upon Lender under this Order, including, without limitation, such rights and remedies as may be exercisable by Lender in connection with this Order.

SS. **Findings and Conclusions.** To the extent any findings of fact may constitute conclusions of law, and *vice versa*, they are hereby deemed as such.

TT. **Immediate Effect.** This Order shall take effect immediately on execution hereof, notwithstanding the possible application of Bankruptcy Rules 4001(a)(3), 6004(h), 7062, or 9014.

UU. **Dismissal.** If these Bankruptcy Cases are dismissed, converted, otherwise superseded or substantively consolidated, Lender's rights and remedies under this Order shall remain in full force and effect as if the Bankruptcy Cases had not been dismissed, converted, superseded or consolidated. Furthermore, notwithstanding any such dismissal, conversion, supersession or substantive consolidation, all of the terms and conditions of this Order, including, without limitation, the liens and the priorities granted hereunder, shall remain in full force and effect.

VV. **No Alteration of Order by Plan.** Subject to entry of the Final Order, the terms of this Order shall not be altered, modified, extended, impaired, or affected by any plan of reorganization of the Debtors.

WW. **This Order Controls.** To the extent any provision of this Order conflicts or is inconsistent with any provision of the Motion, the provisions of this Order shall control.

XX. **Retention of Jurisdiction.** The Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

YY. **Final Hearing.** The Final Hearing on the Motion is scheduled before this Court on [__], 2025 at __: __ .m. Central time. Any party-in-interest objecting to the entry of a final order granting the Motion on a final basis must submit any such objection in writing and file same with the Court and serve such objection on the Debtors, Debtors' counsel, and Lender's counsel so as to be actually received by such parties no later than [__], 2025 at __: __ .m. Central time.

END OF ORDER

Exhibit "A"

Budget

Scanrock Oil & Gas, et al.: Consolidated Budget

As of 2/6/2025

<i>Payroll Cycle (Bi-Weekly, Semi-Monthly, Monthly)</i>	<i>Bi-Weekly</i>	<i>Semi-Monthly</i>	<i>Bi-Weekly</i>	<i>Semi + Monthly</i>	
WEEK ENDING	2/7/2025	2/14/2025	2/21/2025	2/28/2025	TOTAL
CASH RECEIPTS					
Oil & Gas Production	\$ -	\$ -	\$ 568,000	\$ -	\$ 568,000
Treating & Processing	-	-	-	-	-
Asset Sales	-	-	-	-	-
Other	-	-	-	140,000	140,000
Total Cash Inflows	\$ -	\$ -	\$ 568,000	\$ 140,000	\$ 708,000
Royalty & Working Interest (External)	\$ -	\$ -	\$ (120,000)	\$ -	\$ (120,000)
NET CASH AVAILABLE	\$ -	\$ -	\$ 448,000	\$ 140,000	\$ 588,000
CASH DISBURSEMENTS					
<u>Operating Expenses:</u>					
Repairs & Maintenance	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 38,000
Propane	2,500	-	-	-	2,500
Auto/Truck Repair/Maintenance	3,250	3,250	3,250	3,250	13,000
Travel & Meals	1,250	1,250	1,250	1,250	5,000
<u>Fuel:</u>					
Carson	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 7,000
Maxim/Pilot	1,000	1,000	1,000	1,000	4,000
GMP Empire	1,625	1,625	1,625	1,625	6,500
Voyager	1,500	1,500	1,500	1,500	6,000
<u>Utilities (Wells):</u>					
Big Country	\$ -	\$ -	\$ 11,250	\$ -	\$ 11,250
NRG Business	-	-	43,750	-	43,750
Southwest Electric	-	-	71,250	-	71,250
Pedernales Electric	-	-	500	-	500
Greenbelt Electric	-	-	4,625	-	4,625
Trinity Electric	-	-	1,750	-	1,750
Taylor Electric	-	-	5,750	-	5,750
Waste Disposal (Republic Services)	-	-	3,750	-	3,750
Llano Utilities	-	-	500	-	500
Water	-	-	2,000	-	2,000
<u>Processing:</u>					
Chemicals (Pureflow)	\$ 11,667	\$ 11,667	\$ 11,667	\$ 11,667	\$ 46,667
Repairs & Maintenance	2,500	2,500	2,500	2,500	10,000
<u>Capital Expenditures:</u>					
HSU #5 & #6	\$ -	\$ 150,000	\$ 50,000	\$ -	\$ 200,000
Plugging & Abandonment	-	-	-	-	-
Other	2,000	2,000	2,000	2,000	8,000
Operating Expense Total	\$ 38,542	\$ 186,042	\$ 231,167	\$ 36,042	\$ 491,792
OPERATING CASH FLOW	\$ (38,542)	\$ (186,042)	\$ 216,833	\$ 103,958	\$ 96,208
<u>General & Administrative:</u>					
Salaries - Semi-Monthly	\$ -	\$ 34,450	\$ -	\$ 34,450	\$ 68,900
Salaries - Bi-Weekly	12,000	-	12,000	-	24,000
Contract Labor - Lease Supervisors, Inc.	-	-	-	80,000	80,000
Contract Labor (Office/Maintenance)	-	1,750	-	1,750	3,500

Scanrock Oil & Gas, et al.: Consolidated Budget

As of 2/6/2025

<i>Payroll Cycle (Bi-Weekly, Semi-Monthly, Monthly)</i>	<i>Bi-Weekly</i>	<i>Semi-Monthly</i>	<i>Bi-Weekly</i>	<i>Semi + Monthly</i>	
WEEK ENDING	2/7/2025	2/14/2025	2/21/2025	2/28/2025	TOTAL
Employer Payroll Taxes	960	3,720	960	3,720	9,360
Auto Allowance	1,250	-	1,250	-	2,500
Health Insurance	13,000	-	-	-	13,000
General Insurance	19,000	-	-	-	19,000
Office Rent	-	-	10,000	-	10,000
Office Expense	750	750	750	750	3,000
Telephone/Internet	1,050	1,050	1,050	1,050	4,200
Computer Services	375	375	375	375	1,500
Tax Return Preparation	-	-	-	-	-
Legal	-	-	-	-	-
Vehicle Loans (Working Trucks)	1,850	750	750	750	4,100
Property Taxes	-	-	-	-	-
Other	2,000	2,000	2,000	2,000	8,000
G&A Total	\$ 52,235	\$ 44,845	\$ 29,135	\$ 124,845	\$ 251,060
CASH FLOW AFTER OVERHEAD	\$ (90,777)	\$ (230,887)	\$ 187,698	\$ (20,887)	\$ (154,852)
<u>Critical Vendors:</u>					
Pureflow	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
Other	-	-	-	-	-
Critical Vendors Total	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
<u>Chapter 11 Items:</u>					
Oil & Gas Counsel	\$ 50,000	\$ 50,000	\$ 35,000	\$ 30,000	\$ 165,000
Chief Restructuring Officer	45,000	45,000	30,000	30,000	150,000
Ranches Counsel	7,500	7,500	7,500	7,500	30,000
Special Accountants	20,000	20,000	20,000	20,000	80,000
Claims Administration	-	20,000	-	-	20,000
Creditor Committee	-	-	-	-	-
Bank Counsel	-	-	-	-	-
U.S. Trustee	-	-	-	-	-
Ch. 11 Total	\$ 122,500	\$ 142,500	\$ 92,500	\$ 87,500	\$ 445,000
TOTAL CASH DISBURSEMENTS	\$ 213,277	\$ 373,387	\$ 352,802	\$ 268,387	\$ 1,207,852
NET CASH FLOW	\$ (213,277)	\$ (373,387)	\$ 95,198	\$ (128,387)	\$ (619,852)
Plus: Beginning Cash	\$1,873,301	\$1,660,024	\$1,286,638	\$1,381,836	
Ending Cash	\$1,660,024	\$1,286,638	\$1,381,836	\$1,253,449	

Exhibit "B"

Loan Documents

A. Security Agreement. The term "Security Agreement" shall mean that certain Security Agreement dated March 25, 2014, executed by the Debtors, Ryan C. Hoerauf ("Ryan"), Amber Hoerauf Trust ("Amber Trust"), Mathew Hoerauf Trust ("Mathew Trust"), O'Ryan Oregon Ranches, LLC ("Oregon Ranch I"), O'Ryan Ranches, LLC ("Oregon Ranch II," with Oregon Ranch I, the "Oregon Ranch"), Ryan Properties, Inc. ("Properties" with Ryan, Amber Trust, Mathew Trust, and Oregon Ranch, the "Non-Debtors"), as acknowledged by the Debtor's Acknowledgment of Security Agreement, dated May 24, 2023, for the benefit of Lender, the benefit of Lender, as such Security Agreement have been amended, modified, supplemented, renewed and/or extended, covering any and all contract rights including, but not limited to, any hedging agreements.

B. Guaranties. The term "Guaranties" shall mean that certain and all guaranties related to the Prepetition Loan Documents, including those executed by The Ryan Hoerauf 2008 Delaware Trust ("DE Trust"), the Debtors, or the Non-Debtors.

C. LOC. The term "LOC" shall mean that certain the Letters of Credit having a total combined face amount of \$575,000.00.

D. Loan Agreement. The term "Loan Agreement" shall mean that certain Restated Loan Agreement dated as of April 1, 2023 executed by the Debtors, the Non-Debtors, DE Trust, and Lender.

E. Note. The term "Note" shall mean that certain Promissory Note (Revolving Line of Credit Note), dated as of April 1, 2023, executed by the Debtors and the Non-Debtors payable to the order of Lender in the original principal amount of \$48,973,536.40.

F. Life Insurance. The term "Assignment" shall mean Assignment of Life Insurance Policy as Collateral, dated on or about August 20, 2008, executed by FLP, and/or Ryan to or for the benefit of Lender, that certain Assignment of Life Insurance Policy as Collateral, dated on or about January 20, 2010, executed by FLP, and/or to or for the benefit of Lender, assigning the proceeds of a \$1,000,000.00 life insurance policy insuring the life of Ryan.

G. Lake House. The term "Lake House Deed of Trust" shall mean those certain Second Lien Deed of Trust, Absolute Assignment of Rents, Security Agreement and Financing Statement dated February 4, 2018, as amended by a First Amendment to Second Lien Deed of Trust dated February 28, 2019, a Second Amendment to Second Lien Deed of Trust dated January 2, 2021, a Third Amendment to Second Lien Deed of Trust dated February 5, 2022 and a Fourth Amendment to Second Lien Deed of Trust dated April 1, 2023, from Ryan to or for the benefit of Lender, covering real estate located in Burnet County, Texas.

H. Oil and Gas Mortgages. The term "Oil and Gas Mortgages" shall mean those certain: Multiple Indebtedness Mortgage, Security Agreement, Assignment of Production and

Financing Statement dated March 25, 2014, as amended by a First Amendment to Mortgage dated December 14, 2015, Second Amendment to Mortgage dated December 1, 2016, Third Amendment to Mortgage dated February 4, 2018, Fourth Amendment to Mortgage dated February 28, 2019, Fifth Amendment to Mortgage dated January 2, 2021, Sixth Amendment to Mortgage dated February 5, 2022 and Seventh Amendment to Mortgage dated April 1, 2023, from FLP, P&E, Amber Trust and Mathew Trust (collectively, the "Mortgagors") to or for the benefit of Lender, covering Mortgagors' interest in oil and gas properties and proceeds derived therefrom located in the State of Louisiana, as such Mortgage may hereafter be amended, modified, supplemented, renewed and/or extended, and all other mortgages and deeds of trust covering oil and gas properties hereafter executed by Mortgagors and/or any other party to or for the benefit of Lender.

I. Oil and Gas DOTs. The term "Oil and Gas DOTs" shall mean those certain: (i) Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated May 7, 2007, as amended by those certain First Amendment to Deed of Trust dated August 20, 2008, Second Amendment to Deed of Trust dated January 20, 2010, Third Amendment to Deed of Trust dated January 20, 2011, Fourth Amendment to Deed of Trust dated April 20, 2012, Fifth Amendment to Deed of Trust dated March 25, 2014, Sixth Amendment to Deed of Trust dated December 14, 2015, Seventh Amendment to Deed of Trust dated October 15, 2016, Eighth Amendment to Deed of Trust dated December 1, 2016, Ninth Amendment to Deed of Trust dated February 4, 2018, Tenth Amendment to Deed of Trust dated February 28, 2019, Eleventh Amendment to Deed of Trust dated January 2, 2021, Twelfth Amendment to Deed of Trust dated February 5, 2022 and Thirteenth Amendment to Deed of Trust dated April 1, 2023, executed by FLP, P&E, Smackover, Scanrock, EON, Hoerauf, Ponderosa, and the DE Trust (collectively, the "O'Ryan Grantors"), and (ii) two Deeds of Trust, Mortgages, Security Agreements, Assignments of Production and Financing Statements dated May 7, 2007, as amended by those certain First Amendment to Deed of Trust dated August 20, 2008, Second Amendment to Deed of Trust dated January 20, 2010, Third Amendment to Deed of Trust dated January 20, 2011, Fourth Amendment to Deed of Trust dated April 20, 2012, Fifth Amendment to Deed of Trust dated March 25, 2014, Sixth Amendment to Deed of Trust dated December 14, 2015, Seventh Amendment to Deed of Trust dated December 1, 2016, Eighth Amendment to Deed of Trust dated February 4, 2018, Ninth Amendment to Deed of Trust dated February 28, 2019, Tenth Amendment to Deed of Trust dated January 2, 2021, Eleventh Amendment to Deed of Trust dated February 5, 2022 and Twelfth Amendment to Deed of Trust dated April 1, 2023 from Amber Trust and Mathew Trust (hereinafter referred to sometimes as "Trust Grantors" and when taken with the O'Ryan Grantors, hereinafter referred to as "Grantors"), to or for the benefit of Lender, covering Grantors' interest, whether now owned or hereafter acquired, in and to various leasehold, royalty, mineral and overriding royalty interests along with accompanying equipment located thereon and proceeds derived therefrom located in the State of Texas, as such Oil and Gas Deeds of Trust may hereafter be amended, modified, supplemented, renewed and/or extended, and all other mortgages and deeds of trust covering oil and gas properties hereafter executed by Grantors and/or any other party to or for the benefit of Lender.

J. Plant DOT. The term "Plant DOT" shall mean those certain: Gas Plant Deed of Trust, Mortgage, Security Agreement and Financing Statement dated March 25, 2014, as amended by those certain First Amendment to Deed of Trust dated December 14, 2015, Second Amendment

to Deed of Trust dated December 1, 2016, Third Amendment to Deed of Trust dated February 4, 2018, Fourth Amendment to Deed of Trust dated February 28, 2019, Fifth Amendment to Deed of Trust dated January 2, 2021, Sixth Amendment to Deed of Trust dated February 5, 2022 and Seventh Amendment to Deed of Trust dated April 1, 2023, executed by the Llano Ranch, Hoerauf, and Smackover described below to or for the benefit of Lender, covering Lands, Gathering Systems, Rights-of-Way and Plants located in Henderson and Navarro Counties, Texas, as said Plant Deed of Trust may hereafter be amended, modified, supplemented, renewed and/or extended, and all other mortgages and deeds of trust covering oil and gas properties hereafter executed Llano Ranch, Hoerauf, and Smackover and/or any other party to or for the benefit of Lender.

K. Pledge Agreement. The term "Pledge Agreement" shall mean that certain Amended and Restated Pledge Agreement dated February 4, 2018 from P&E for the benefit of Lender ("Pledge Agreement"), as such Pledge Agreement may hereafter be amended, modified, supplemented, renewed and/or extended, covering P&E's shares in PB Materials Holdings, Inc.

L. New Mexico DOT. The term "New Mexico DOT" shall mean those certain: Deed of Trust, Mortgage, Security Agreement, Assignment of Production and Financing Statement dated February 7, 2020, as amended by a First Amendment to Deed of Trust dated January 2, 2021, a Second Amendment to Deed of Trust dated February 5, 2022 and a Third Amendment to Deed of Trust dated April 1, 2023, from Hoerauf for the benefit of Lender, covering oil and gas properties and proceeds derived therefrom located in Lea County, New Mexico, as said New Mexico Deed of Trust may hereafter be amended, modified, supplemented, renewed and/or extended, and all other mortgages and deeds of trust covering oil and gas properties hereafter executed by Hoerauf and/or any other party to or for the benefit of Lender.

M. Llano DOT. The term "Llano DOT" shall mean those certain: Deed of Trust, Absolute Assignment of Rents, Security Agreement, and Financing Statement, made by Llano Ranch for the benefit of Lender, dated October 15, 2016, filed and recorded in the records of the County of Llano, Texas, on November 28, 2016, in Volume 1516, Pages 3122-3141, as amended by those certain First Amendment to Deed of Trust dated December 1, 2016, Second Amendment to Deed of Trust dated February 4, 2018, Third Amendment to Deed of Trust dated February 28, 2019, Fourth Amendment to Deed of Trust dated January 2, 2021, Fifth Amendment to Deed of Trust dated February 5, 2022 and Sixth Amendment to Deed of Trust dated April 1, 2023, from Llano Ranch. for the benefit of Lender, covering real estate located in Llano County, Texas, and the "Real Property" and the "Mortgaged Property" as defined and described by the Llano DOT (the "Llano Ranch").

N. Oregon DOT. The term "Oregon DOT" shall mean that certain Line of Credit Deed of Trust, made by Oregon Ranch II for the benefit of Lender, dated April 20, 2020, filed and recorded in the records of the County of Crook, Oregon, on September 14, 2020 at 2020-302823, that certain Second Line Renewal Deed of Trust, Absolute Assignment of Rents, Security Agreement, and Financing Statement, made by the Oregon Ranches for the benefit of Lender dated January 2, 2021, filed and recorded in the records of the County of Crook, Oregon, on February 4, 2021 at 2021-306290, as amended by a First Modification of Second Lien Renewal Deed of Trust dated February 5, 2022 and a Second Modification of Second Lien Renewal Deed of Trust dated

April 1, 2023, from the Oregon Ranches for the benefit of Lender, covering real estate located in Crook County, Oregon, as such Oregon DOT may hereafter be amended, modified, supplemented, renewed and/or extended, and all other mortgages and deeds of trust hereafter executed by Oregon Ranches and/or any other party to or for the benefit of Lender. and the "Real Property" and "Mortgaged Property" as defined and described by the Oregon DOT (the "Oregon Ranch").

Exhibit "C"
UCCs

Debtor	State Filed	Secured Party	Filing Number	Filing Date
O'Ryan Family Limited Partnership	Texas	Prosperity Bank	07-0019152984 11-00061306 12-00179936 17-00139999 17-00140003 22-00001939 24-00607622	06/07/2007 03/01/2011 06/06/2012 04/25/2017 04/25/2017 01/03/2022 11/15/2024
O'Ryan Family Limited Partnership	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office— assigned to Lone Star State Bank of West Texas— assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139914 14-00139913 14-00139914 16-00386503 17-00140002 17-00140004 18-00275109 19-00134934 21-00045876 22-00001940 24-00607622	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021 01/03/2022 11/15/2024
O'Ryan Family Limited Partnership	Texas	Lone Star State Bank of West Texas	19-0022311019 23-00558139	06/14/2019 12/20/2023
O'Ryan Production & Exploration, Ltd.	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office— assigned to Lone Star State Bank of West Texas— assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139913 14-00139914 16-00386503 17-00140004 17-00140002 18-00275109 19-00134934 21-00045876 22-00001940 24-00607622	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021 01/03/2022 11/15/2024
O'Ryan Production & Exploration, Ltd.	Texas	Lone Star State Bank of West Texas	19-0013493636 23-00454156	04/12/2019 10/20/2023
O'Ryan Production & Exploration, Ltd.	Texas	Lone Star State Bank of West Texas	19-0022311019 23-00558139	06/14/2019 12/20/2023

Smackover Oil Treaters, Ltd.	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office—assigned to Lone Star State Bank of West Texas—assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139913 14-00139914 16-00386503 17-00140004 17-00140002 18-00275109 19-00134934 21-00045876 22-00001940 24-00607622	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021 01/03/2022 11/15/2024
Smackover Oil Treaters, Ltd.	Texas	Prosperity Bank (Lone Star State Bank of West Texas—assigned to Prosperity Bank)	19-0021822691 23-00567157 24-00607622	06/10/2019 12/21/2023 11/15/2024
Smackover Oil Treaters, Ltd.	Texas	Lone Star State Bank of West Texas	19-0022311019 23-00558139	06/14/2019 12/20/2023
Scanrock Oil & Gas, Inc.	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office—assigned to Lone Star State Bank of West Texas—assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139914 14-00139913 14-00139914 16-00386503 17-00140002 17-00140004 18-00275109 19-00134934 21-00045876 22-00001940 24-00607622	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021 01/03/2022 11/15/2024
Ryan C. Hoerauf, Inc.	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office—assigned to Lone Star State Bank of West Texas—assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139914 14-00139913 16-00386503 17-00140004 17-00140002 18-00275109 19-00134934 21-00045876	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021

			22-00001940 24-00607622	01/03/2022 11/15/2024
Ryan C. Hoerauf, Inc.	Texas	Prosperity Bank (Lone Star State Bank of West Texas—assigned to Prosperity Bank)	19-0021822691 23-00567157 24-00607622	06/10/2019 12/21/2023 11/15/2024
Ryan C. Hoerauf, Inc.	Texas	Lone Star State Bank of West Texas	19-0022311019 23-00558139	06/14/2019 12/20/2023
Ryan C. Hoerauf, Inc.	Texas	Lone Star State Bank of West Texas	19-0022311251 23-00558137	06/14/2019 12/20/2023
Ryan C. Hoerauf, Inc.	Texas	Lone Star State Bank of West Texas	20-0010503879 21-00023722	03/17/2020 01/15/2021
O'Ryan Ranches, Ltd.	Texas	Prosperity Bank (Lone Star State Bank of West Texas—assigned to Prosperity Bank)	19-0021822691 23-00567157 24-00607622	06/10/2019 12/21/2023 11/15/2024
O'Ryan Ranches, Ltd.	Texas	Lone Star State Bank of West Texas	19-0022311251 23-00558137	06/14/2019 12/20/2023
EON Production, LLC	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office— assigned to Lone Star State Bank of West Texas— assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139914 14-00139913 16-00386503 17-00140002 17-00140004 18-00275109 19-00134934 21-00045876 22-00001940 24-00607622	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021 01/03/2022 11/15/2024
O'Ryan Ponderosa, LLC	Texas	Prosperity Bank (Amarillo National Bank d/b/a Lone Star Loan Production Office— assigned to Lone Star State Bank of West Texas— assigned to Prosperity Bank)	07-0019153016 11-00061327 12-00179939 12-00206593 14-00089426 14-00139914 14-00139913 14-00139914 14-00139914 16-00386503 17-00140002 17-00140004 18-00275109 19-00134934 21-00045876	06/07/2007 03/01/2011 06/06/2012 06/28/2012 03/21/2014 05/02/2014 05/02/2014 05/02/2014 11/28/2016 04/25/2017 04/25/2017 08/03/2018 04/12/2019 02/02/2021

			22-00001940 24-00607622	01/03/2022 11/15/2024
O'Ryan Oregon Ranches, LLC	Texas	Lone Star State Bank of West Texas	21-0006805234	02/08/2021
O'Ryan Ranches, LLC	Oregon	Lone Star State Bank of West Texas	92706011	02/08/2021