

CAUSE NO. C-1-PB-14-001245

In Re: § **IN THE PROBATE COURT NO. 1**
§
TEL Offshore Trust § **OF**
§
§ **TRAVIS COUNTY, TEXAS**
§

**RNR PRODUCTION LAND AND CATTLE’S OBJECTIONS AND ANSWERS
TO INDIVIDUAL TRUSTEE GARY C. EVANS’
FIRST SET OF INTERROGATORIES**

TO: Individual Trustees Gary C. Evans, by and through his attorneys of record, Paul Trahan, Peter Stokes, Norton Rose Fulbright, US LLP, 98 San Jacinto Blvd., Suite 1100, Austin, Texas 78701 and Daniel M. McClure, at Norton Rose Fulbright, US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010

Pursuant to Rules 192, 193 and 197, Tex. R. Civ. P., RNR Production Land and Cattle (“RNR”) objects and answers the Individual Trustees’ Interrogatories as follows:

INTERROGATORIES

INTERROGATORY NO. 1: Please state the total number of Units You currently own.

ANSWER:

RNR currently owns 758,041 Units of the TEL Offshore Trust.

INTERROGATORY NO. 2: With respect to each purchase of Your Units, state the following:

- (a) The date of each such purchase;
- (b) The number of Units purchased;
- (c) The price per Unit paid;
- (d) The total consideration paid for each such purchase;
- (e) From whom You purchased the Units, and the identity of any broker.

ANSWER:

- (a) See chart attached as Exhibit 1.
- (b) See chart attached as Exhibit 1.
- (c) See chart attached as Exhibit 1.
- (d) See chart attached as Exhibit 1.
- (e) RNR purchased Units through open market transactions utilizing Rushmore Investment Advisors as its broker. RNR made no direct purchases from individual Unit holders.

INTERROGATORY NO. 3: With respect to each sale of Your Units, state the following:

- (a) The date of each such sale;
- (b) The number of Units sold;
- (c) The price per Unit received;
- (d) The total consideration for each such sale;
- (e) To whom You sold the Units.

ANSWER:

- (a) RNR has not sold any Units.
- (b) None.
- (c) Not applicable.
- (d) Not applicable.
- (e) Not applicable.

While RNR has not sold any units, it did make a gift of 10,000 units to an associate of the company on May 17, 2013.

INTERROGATORY NO. 4: What do You contend to be the current market value on a price per unit basis of the Units that you own?

ANSWER:

RNR objects that this interrogatory is vague and unclear. Specifically the term “current market value” is not defined as to time and is subject to multiple interpretations. Subject to and without waiving its objection, the Units are thinly traded via the “pink sheets” market and subject to speculative investment; hence, any determination of value based on current market transactions is suspect and likely not representative of the underlying value. The last reported transaction on November 11, 2016 was at a price of \$.13 per unit. Discovery to date suggests that the current value of the units is zero based on the value of the remaining assets of the Trust as has been testified to by the representative of the Corporate Trustee.

INTERROGATORY NO. 5: What is the name on every account that You control, directly or indirectly, that owns Units or has owned Units in the past?

ANSWER:

Fidelity Investments Account No. 646-777650
American Stock Transfer Account No. 0100004023

INTERROGATORY NO. 6: State the factual basis for Your contention in Your Disclosures that “the Trust had terminated by its own provisions no later than May, 2009.”

ANSWER:

Pursuant to Section 9.01 (a) of the TEL Offshore Trust Trust Agreement,

“The Trust shall terminate upon the first to occur of the following events or times:

- (a) at such time as the total future net revenues attributable to the Overriding Royalty Interest, as determined by independent petroleum engineers as of the end of any year, are less than \$2 million;”

The DeGoyler and MacNaughton (“D&M”) report dated May 15, 2009, issued to complete the earlier partial report, stated that as of March 31, 2009, the future net revenue attributable to the Trust Partnership Interest was \$0. The May 15, 2009 D&M report was the first report produced for all the properties owned by the Trust since the October 31, 2007 report and was mandated by the incomplete report that was generated as of October 31, 2008. The October 2008 report specifically noted:

“During September 2008, the platforms and wells associated with the Eugene Island 339 field were completely destroyed by Hurricane Ike. Chevron is assessing the work required to clear the remaining infrastructure and abandon existing wells. A cost estimate for this work was not available during the preparation of this report. A decision by Chevron regarding possible redevelopment is under consideration, but there are no assurances that production will be restored. Considering these uncertainties, and at the request of Chevron, the Eugene Island 339 field has been omitted from this report with the understanding that this report will be updated once Chevron’s assessment of Eugene

Island 339 is completed. Therefore, there are no reserves or values attributable to the Eugene Island 339 field presented herein.”

In connection with the filing of the 2008 10-K , the Trust failed to advise Unit holders that D&M was requiring an update once additional information was available to the Trust. Mr. Michael Ulrich, the representative of Bank of New York Mellon (“BNYM”), the corporate trustee of the TEL Offshore trust, testified that the March 31, 2009 supplemental report completed the October 31, 2008 report. The March 31, 2009 supplement included the abandonment costs associated with the Eugene Island 339 field that were unavailable at the time of the preparation of the October 31, 2008 D&M report. With those costs included in the supplemental report, the future net revenue attributable to the Trust Partnership Interest was \$0. Mr. Ulrich, additionally testified that the October 31, 2008 report, with the completion and inclusion of the March 31, 2009 supplement, became the final report from D&M. He further testified that the trustees had no discretion to continue the trust if the total future net revenues fell below \$2 million. While Mr. Ulrich testified that he was aware of the contents of the March 31, 2009 report as early as April 2009, discovery to date suggests that the final report was not issued until May 15, 2009.

INTERROGATORY NO. 7: State the factual basis for Your contention in Your Disclosures that “The Trustees...failed to act in accordance with the express provisions of the Trust Agreement to take steps to terminate the Trust in or shortly after May, 2009.”

ANSWER:

After receipt of the D&M March 31, 2009 supplemental report the trustees took no actions to wind up the trust. There was no public acknowledgement of the existence of the May 15, 2009 supplemental report or the information contained therein through SEC filings, press releases or other means. See also RNR’s answer to interrogatory number 6.

INTERROGATORY NO. 8: State the factual basis for Your contention in Your Disclosures that “[d]espite the acknowledged limited ability of the Trust to generate future revenues sufficient to provide for distributions to unit holders, subsequent to May, 2009, the Trustees....took no steps to terminate the Trust.”

ANSWER:

Prior to the trustees filing of this action in 2014, RNR is aware of no affirmative steps taken by the trustees to terminate the trust. This is despite the March 31, 2009 D&M report advising that future net revenues attributable to the Trust’s partnership interest were zero and the Trust had terminated by its own provisions. Additionally, the trustees’ acknowledged through numerous SEC filings beginning in 2009 that “there will not be sufficient net Proceeds from the Royalty Properties to make distributions for some period of time in the future.” These statements were made at the same time the trustees advised that the future costs and expenses of the Trust, including the Trustees’ fees, “were expected to approximate \$972,000 annually” and “may increase in future years.” Through two sales, the first in 2011 and an additional sale in 2013, the trustees began disposing of portions of the Royalty Properties for the sole purpose of paying the ongoing costs and expenses of administering the Trust. These sales had the effect of sacrificing

long term sources of revenue to the Trust in favor of the immediate liquidity needed to address the Trust's ongoing operating expenses. No portion of the proceeds from either the 2011 or the 2013 sales were distributed to the Unit holders. See also RNR's Original Petition as Realigned Plaintiff.

INTERROGATORY NO. 9: State the factual basis for Your contention in Your Disclosures that "The Trustees...continued to incur trustees' fees and administrative expenses and other costs well beyond such time as it was apparent that the Trust would not be able to make any distributions to unit holders and prudent for the Trust to continue to exist."

ANSWER:

The trustees acknowledged these facts. See RNR's response to Interrogatory No. 8.

INTERROGATORY NO. 10: State the factual basis for Your contention in Your Disclosures that the Trustees of the Trust acted intentionally, in bad faith, with gross negligence, fraud, or with reckless indifference to the interests of the beneficiaries of the Trust.

ANSWER:

See RNR's response to Interrogatory No. 8.

INTERROGATORY NO. 11: What do you contend to be Your "proportionate share" (in percentage points) at each relevant time (including May 2009) referred to in section (d) of Your Disclosures?

ANSWER:

RNR's proportionate ownership share of the TEL Offshore Trust can be determined by dividing the cumulative total of units owned by RNR on a given date by the total number of units outstanding. Upon information and belief, since 2009 there have been and currently are 4,751,510 units in the TEL Offshore Trust outstanding. Based on that understanding, RNR's proportionate ownership share is included on Exhibit 1 to these interrogatory responses.

VERIFICATION

STATE OF TEXAS

§

COUNTY OF DALLAS

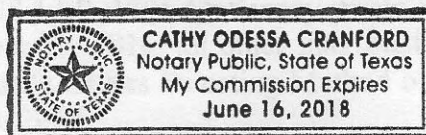
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BEFORE ME, the undersigned authority, on this day personally appeared Paul Willingham, Chief Financial Officer for RNR Production Land and Cattle and stated under oath that he has read the foregoing answers to *First Set of Interrogatories from Gary Evans to RNR Production Land and Cattle*, and that the facts stated therein are within his personal knowledge and are true and correct.

Paul Willingham

SUBSCRIBED AND SWORN to before me on November 11th 2016, to certify which witness my hand and seal of office.



Notary Public in and for State of Texas

Printed Name: Cathy Cranford

My Commission Expires: June 16, 2018

Respectfully Submitted,

/s/ Shannon H. Ratliff

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ATTORNEYS FOR PLAINTIFF
RNR PRODUCTION LAND AND CATTLE

CERTIFICATE OF SERVICE

I hereby certify that on November 17, 2016, a true and correct copy of the foregoing has been served by mail and email on the Individual Trustees Gary C. Evans, Jeffrey S. Swanson, and Thomas H. Owen, Jr., by and through their attorneys of record, Paul Trahan, Peter Stokes, Norton Rose Fulbright, US LLP, 98 San Jacinto Blvd., Suite 1100, Austin, Texas 78701 and Daniel M. McClure, at Norton Rose Fulbright, US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010. I hereby certify that, on November 17, 2016, all other interested parties in this matter will be served in accordance with the Court's Orders Directing Method of Service dated September 28, 2015, January 21, 2016 and June 9, 2016.

/s/ Shannon H. Ratliff

Shannon H. Ratliff

EXHIBIT 1

RNR's Response to Gary Evans' Interrogatory No. 2:

Trade Date	Settle Date	Quantity	Trade Amount	Price Per Unit	RNR's Ownership %
5/20/2010	5/25/2010	10,000	\$34,937.00	\$3.49370	0.210459%
5/21/2010	5/26/2010	2,300	\$8,078.29	\$3.51230	0.258865%
5/21/2010	5/26/2010	12,700	\$44,606.21	\$3.51230	0.526149%
6/25/2010	6/30/2010	5,544	\$11,081.35	\$1.99880	0.642827%
6/28/2010	7/1/2010	4,456	\$8,912.00	\$2.00000	0.736608%
7/20/2010	7/23/2010	14,400	\$49,151.52	\$3.41330	1.039669%
7/21/2010	7/26/2010	600	\$2,040.00	\$3.40000	1.052297%
7/23/2010	7/28/2010	7,500	\$23,874.75	\$3.18330	1.210142%
7/26/2010	7/29/2010	7,500	\$23,068.50	\$3.07580	1.367986%
7/30/2010	8/4/2010	400	\$1,220.00	\$3.05000	1.376405%
8/4/2010	8/9/2010	6,800	\$20,380.96	\$2.99720	1.519517%
8/4/2010	8/9/2010	1,600	\$4,795.52	\$2.99720	1.553190%
8/9/2010	8/12/2010	2,000	\$5,978.40	\$2.98920	1.595282%
8/11/2010	8/16/2010	15	\$41.25	\$2.75000	1.595598%
8/12/2010	8/17/2010	185	\$535.17	\$2.89281	1.599492%
8/23/2010	8/26/2010	1,856	\$5,220.00	\$2.81250	1.638553%
8/25/2010	8/30/2010	1,600	\$4,498.24	\$2.81140	1.672226%
8/25/2010	8/30/2010	3,000	\$8,434.20	\$2.81140	1.735364%
8/25/2010	8/30/2010	5,000	\$14,057.00	\$2.81140	1.840594%
8/26/2010	8/31/2010	1,202	\$3,209.22	\$2.66990	1.865891%
8/27/2010	9/1/2010	2,101	\$5,666.61	\$2.69710	1.910109%
8/30/2010	9/2/2010	518	\$1,453.61	\$2.80620	1.921010%
9/9/2010	9/14/2010	5,000	\$13,777.95	\$2.75559	2.026240%
9/10/2010	9/15/2010	3,723	\$10,635.84	\$2.85679	2.104594%
11/16/2010	11/19/2010	5,000	\$11,004.45	\$2.20089	2.209824%
11/17/2010	11/22/2010	4,203	\$9,179.36	\$2.18400	2.298280%
11/18/2010	11/23/2010	797	\$1,696.83	\$2.12902	2.315054%
11/18/2010	11/23/2010	2,000	\$4,239.96	\$2.11998	2.357145%
11/19/2010	11/24/2010	3,000	\$6,478.75	\$2.15958	2.420283%
11/19/2010	11/24/2010	3,000	\$6,475.80	\$2.15860	2.483421%
2/15/2011	2/18/2011	10,000	\$12,470.95	\$1.24710	2.693880%
2/15/2011	2/18/2011	6,000	\$7,537.80	\$1.25630	2.820156%
2/16/2011	2/22/2011	9,000	\$11,657.55	\$1.29528	3.009570%
2/18/2011	2/24/2011	425	\$539.20	\$1.26871	3.018514%
3/3/2011	3/8/2011	300	\$370.95	\$1.23650	3.024828%

7/15/2011	7/20/2011	1,000	\$1,240.35	\$1.24035	3.045874%
7/15/2011	7/20/2011	1,275	\$1,571.31	\$1.23240	3.072707%
7/18/2011	7/21/2011	100	\$127.05	\$1.27050	3.074812%
7/19/2011	7/22/2011	133	\$168.88	\$1.26977	3.077611%
7/20/2011	7/25/2011	2,000	\$2,427.95	\$1.21398	3.119703%
7/22/2011	7/27/2011	1,767	\$2,216.70	\$1.25450	3.156891%
8/11/2011	8/16/2011	17,000	\$23,617.85	\$1.38929	3.514672%
1/4/2012	1/9/2012	2,500	\$2,257.95	\$0.90318	3.567287%
1/5/2012	1/10/2012	1,900	\$1,717.95	\$0.90418	3.607274%
1/12/2012	1/18/2012	2,800	\$2,527.95	\$0.90284	3.666203%
1/13/2012	1/19/2012	1	\$0.95	\$0.95000	3.666224%
1/18/2012	1/23/2012	4,000	\$3,607.95	\$0.90199	3.750408%
1/19/2012	1/24/2012	4,574	\$4,116.60	\$0.90000	3.846672%
1/19/2012	1/24/2012	5,000	\$4,507.95	\$0.90159	3.951902%
1/31/2012	2/3/2012	1,052	\$954.75	\$0.90756	3.974042%
2/10/2012	2/15/2012	14	\$13.23	\$0.94500	3.974337%
1/3/2013	1/8/2013	10,000	\$7,507.95	\$0.75080	4.184796%
1/7/2013	1/10/2013	21	\$16.54	\$0.78762	4.185238%
1/10/2013	1/15/2013	11,112	\$10,875.54	\$0.97872	4.419100%
1/14/2013	1/17/2013	2,000	\$1,978.00	\$0.98900	4.461192%
1/16/2013	1/22/2013	14,049	\$15,054.48	\$1.07157	4.756867%
1/17/2013	1/23/2013	50,000	\$63,008.00	\$1.26016	5.809164%
1/18/2013	1/24/2013	7,500	\$9,808.25	\$1.30777	5.967008%
1/22/2013	1/25/2013	10,000	\$12,608.00	\$1.26080	6.177468%
1/23/2013	1/28/2013	1,598	\$1,621.98	\$1.01501	6.211099%
1/24/2013	1/29/2013	30,235	\$44,713.47	\$1.47886	6.847423%
1/30/2013	2/4/2013	10,000	\$15,608.00	\$1.56080	7.057883%
1/31/2013	2/5/2013	4,800	\$7,496.00	\$1.56167	7.158903%
2/19/2013	2/22/2013	39,569	\$60,093.53	\$1.51870	7.991670%
2/20/2013	2/25/2013	500	\$768.00	\$1.53600	8.002193%
2/22/2013	2/27/2013	20,200	\$34,784.32	\$1.72200	8.427321%
2/25/2013	2/28/2013	1,000	\$1,857.95	\$1.85795	8.448367%
2/25/2013	2/28/2013	16,225	\$30,254.65	\$1.86469	8.789837%
2/26/2013	3/1/2013	2,352	\$4,171.04	\$1.77340	8.839337%
2/27/2013	3/4/2013	3,934	\$7,954.68	\$2.02203	8.922132%
2/28/2013	3/5/2013	24,800	\$50,104.00	\$2.02032	9.444071%
3/1/2013	3/6/2013	27,940	\$56,446.80	\$2.02029	10.032095%
3/7/2013	3/12/2013	3,221	\$5,536.20	\$1.71878	10.099884%
4/3/2013	4/8/2013	10,000	\$20,600.00	\$2.06000	10.310343%
4/3/2013	4/8/2013	10,000	\$20,507.95	\$2.05080	10.520803%
4/4/2013	4/9/2013	13,000	\$26,138.05	\$2.01062	10.794400%
4/8/2013	4/11/2013	10,000	\$21,000.00	\$2.10000	11.004860%
4/8/2013	4/11/2013	4,200	\$8,106.00	\$1.93000	11.093252%

4/8/2013	4/11/2013	1,200	\$2,520.00	\$2.10000	11.118508%
4/8/2013	4/11/2013	500	\$1,035.00	\$2.07000	11.129031%
4/12/2013	4/17/2013	28,309	\$59,260.60	\$2.09335	11.724820%
4/15/2013	4/18/2013	24,649	\$52,255.88	\$2.12000	12.243582%
4/19/2013	4/24/2013	2,100	\$4,410.00	\$2.10000	12.287778%
4/23/2013	4/26/2013	500	\$1,120.00	\$2.24000	12.298301%
4/25/2013	4/30/2013	1,500	\$3,150.00	\$2.10000	12.329870%
4/29/2013	5/2/2013	51,083	\$113,373.60	\$2.21940	13.404960%
4/30/2013	5/3/2013	10	\$22.50	\$2.25000	13.405170%
5/1/2013	5/6/2013	204	\$450.88	\$2.21020	13.409464%
5/2/2013	5/7/2013	1,000	\$2,300.00	\$2.30000	13.430509%
5/3/2013	5/8/2013	16,248	\$43,902.10	\$2.70200	13.772464%
5/6/2013	5/9/2013	5,500	\$15,448.95	\$2.80890	13.888217%
5/7/2013	5/10/2013	8,021	\$24,063.00	\$3.00000	14.057026%
5/14/2013	5/17/2013	6,600	\$21,120.00	\$3.20000	14.195929%
5/15/2013	5/20/2013	5,350	\$19,820.15	\$3.70470	14.308525%
5/16/2013	5/21/2013	17,550	\$69,252.30	\$3.94600	14.677881%
5/17/2013	5/17/2013	(10,000)	(\$34,937.00)	\$3.49370	14.467422%
5/21/2013	5/24/2013	2,875	\$11,311.11	\$3.93430	14.527929%
5/22/2013	5/28/2013	9,682	\$37,759.80	\$3.90000	14.731696%
5/23/2013	5/29/2013	20,001	\$78,819.94	\$3.94080	15.152636%
5/24/2013	5/30/2013	286	\$1,129.70	\$3.95000	15.158655%
5/28/2013	5/31/2013	1,088	\$4,297.60	\$3.95000	15.181553%
5/29/2013	6/3/2013	200	\$790.00	\$3.95000	15.185762%
6/4/2013	6/7/2013	4,700	\$18,779.79	\$3.99570	15.284678%
6/5/2013	6/10/2013	832	\$3,328.00	\$4.00000	15.302188%
6/6/2013	6/11/2013	14,000	\$56,700.00	\$4.05000	15.596831%
6/10/2013	6/13/2013	3,275	\$13,497.26	\$4.12130	15.665757%
6/12/2013	6/17/2013	3,700	\$15,355.00	\$4.15000	15.743627%
6/19/2013	6/24/2013	2,902	\$11,262.66	\$3.88100	15.804702%
6/25/2013	6/28/2013	6,979	\$23,595.30	\$3.38090	15.951582%
6/26/2013	7/1/2013	100	\$330.00	\$3.30000	15.953686%