

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re: § Chapter 11
AZURE MIDSTREAM §
PARTNERS, LP, *et al.*, § Case No. 17-[_____] (____)
§
§ Joint Administration Requested
§
Debtors.¹ § (Emergency Hearing Requested)

**EMERGENCY MOTION OF DEBTORS
FOR ENTRY OF INTERIM AND FINAL ORDERS (I)
AUTHORIZING DEBTORS TO (A) CONTINUE EXISTING CASH
MANAGEMENT SYSTEM, (B) MAINTAIN EXISTING BUSINESS FORMS
AND BANK ACCOUNTS, AND (C) CONTINUE CERTAIN
INTERCOMPANY ARRANGEMENTS; AND (II) GRANTING
RELATED RELIEF PURSUANT TO SECTIONS 105(a), 345(b), 363(b)(1), AND
363(c)(1) OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: Azure Midstream Partners, LP (7595), Azure ETG, LLC (3388), Azure Holdings GP, LLC (0537), Azure Midstream Partners GP, LLC (8089), Azure TGG, LLC (6233), Marlin G&P I, LLC (6073), Marlin Logistics, LLC (8460), Marlin Midstream Finance Corp. (0130), Marlin Midstream, LLC (2587), Murvaul Gas Gathering, LLC (0826), Talco Midstream Assets, Ltd. (7004), and Turkey Creek Pipeline, LLC (1161).



Azure Midstream Partners, LP, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”), respectfully represent as follows in support of this motion (this “**Motion**”):

Relief Requested

1. Pursuant to sections 105(a), 345(b), 363(b)(1), and 363(c)(1) of title 11 of the United States Code (the “**Bankruptcy Code**”) and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), the Debtors request (I) interim and final authority to (a) continue their existing cash management system; (b) continue using their existing business forms and bank accounts; and (c) continue to perform intercompany transactions (x) among the Debtors and (y) between the Debtors and non-Debtor affiliate AME (as defined below); and (II) related relief. The Debtors also request that the Court authorize Wells Fargo, N.A. (“**Wells Fargo**”) and JP Morgan Chase Bank (“**Chase**,” and together with Wells Fargo, the “**Banks**”) to continue to charge the Bank Fees (as defined below) and to charge back returned items to the bank accounts, whether such items are dated before, on, or after the commencement of these chapter 11 cases.

2. A proposed form of order granting the relief requested herein on an interim basis is annexed hereto as **Exhibit A** (the “**Proposed Interim Order**”) and, pending a final hearing on the relief requested herein, on a final basis as **Exhibit B** (the “**Proposed Final Order**”).

Jurisdiction

3. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

4. The Debtors are a publicly-traded master limited partnership organized for the purpose of acquiring, developing, and operating midstream energy assets relating to (i) the gathering, transport, and processing of liquid natural gas and (ii) crude oil logistics services. The Debtors consist of eight operating entities, including Azure Midstream Partners, LP (“**Azure**”) and Azure Midstream Partners GP, LLC (“**Azure General Partner**”), and four non-operating entities (collectively, with the operating entities, the “**Company**”). Azure General Partner owns the general partnership interest in Azure. Approximately 97.7% of all outstanding limited partner interests in Azure are publicly held. Non-Debtor privately-held affiliate Azure Midstream Energy, LLC (“**AME**”) owns all the general partnership interests of Azure General Partner. AME also owns midstream energy assets, independent of its interests in Azure General Partner, either directly or through its affiliates (AME and such non-Debtor affiliates, collectively, the “**Non-Debtor Affiliate Company**”).

5. Additional information regarding the circumstances leading to the commencement of these chapter 11 cases and information regarding the Debtors’ business and capital structure is set forth in the *Declaration of Ed Mosley in Support of the Debtors’ Chapter 11 Petitions and Related Requests for Relief* (the “**Mosley Declaration**”), which has been filed contemporaneously herewith.²

² Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Mosley Declaration.

The Debtors' Cash Management System

6. As described in greater detail in the Mosley Declaration, the Debtors derive their income from fees related to the gathering and processing of compressed natural gas and liquid natural gas, and the transloading of crude oil. The Debtors operate their business and generate the majority of their revenues through the Operating Entities.

7. The Debtors utilize a centralized cash management system (the "**Cash Management System**") to operate their businesses in the ordinary course. The Cash Management System has several main components: (i) cash collection, including the collection of payments made to the Debtors from revenue generated in the ordinary course of business; (ii) cash transfers among the Debtors and non-Debtor affiliate AME; and (iii) cash disbursements that fund the Debtors' business operations and debt obligations. Additionally, the Debtors use the Cash Management System to facilitate cash monitoring, forecasting, and reporting.

A. Bank Accounts

8. The Cash Management System is comprised of thirteen (13) active bank accounts (each, a "**Bank Account**" and, collectively, the "**Bank Accounts**"). A list of the Bank Accounts is annexed as **Exhibit 1** to the Proposed Interim Order and the Proposed Final Order. A general overview of the movement of cash through the Debtors' Cash Management System is illustrated by the flow of funds chart attached hereto as **Exhibit 2** to the Proposed Interim Order and the Proposed Final Order.

9. **The Concentration Account**: The Debtors maintain one concentration account (the "**Concentration Account**") with Wells Fargo. The Concentration Account serves as the Debtors' centralized main operating account into which receipts are ultimately deposited from the Depository Accounts (as defined below) and from which disbursements are made throughout the Cash Management System as necessary. The Debtors fund their business

operations and related expenditures (including debt-service payments and payments made pursuant to the Omnibus Agreement (as discussed below)) from the revenues that flow through the Concentration Account.

10. The Depository Accounts: Debtors Azure TGG, LLC, Azure ETG, LLC, Talco Midstream Asset, Ltd., Marlin Logistics, LLC, and Marlin Midstream, LLC, maintain accounts which collect fees related to their particular business operations (the “**Depository Accounts**”). All of the Depository Accounts are maintained at Wells Fargo. All receipts from the Debtors’ customers, whether in the form of checks, wire transfers, or credit card payments, are initially deposited in the Depository Accounts. The funds contained in the Depository Accounts are swept into the Concentration Account on a daily basis. Accordingly, the Depository Accounts are so-called “zero balance accounts” (“**ZBAs**”).

11. The Disbursement Accounts: Debtors Azure Midstream Partners, LP, Azure TGG, LLC, Azure ETG, LLC, Talco Midstream Asset, Ltd., Marlin Logistics, LLC, and Marlin Midstream, LLC maintain accounts used to fund operating expenses and capital expenditures related to their respective business operations (the “**Disbursement Accounts**”). The Disbursement Accounts are funded from the Concentration Account on a daily basis. The Disbursement Accounts are also ZBAs.

B. Transfer Among Debtors

12. In the ordinary course of business, the Debtors engage in various transactions among themselves that result in intercompany receivables and payables (“**Debtor Intercompany Claims**” or “**Debtor Intercompany Transactions**”).

13. Debtor Intercompany Transactions are not settled by actual transfers of cash among the Debtors. The Debtors track all Debtor Intercompany Transactions electronically in their accounting system, which concurrently are recorded on the applicable Debtor’s balance

sheets and regularly reconciled. The accounting system requires that all general ledger entries be balanced at the legal-entity level, and, therefore, when the accounting system enters an intercompany receivable on one entity's balance sheet, it also automatically creates a corresponding intercompany payable on the applicable affiliate's balance sheet. This results in a net balance of zero when accumulating all intercompany accounts.³

14. The Debtors maintain records of all transactions processed through their Cash Management System. During these chapter 11 cases, the Debtors will keep records of any postpetition Debtor Intercompany Transactions and implement accounting procedures to identify and distinguish between prepetition and postpetition Debtor Intercompany Transactions.

C. Transfers Between Debtors and Non-Debtor Affiliates

15. Azure General Partner and AME (a non-Debtor affiliate), are parties to that certain Omnibus Agreement dated as of February 27, 2015 (the "**Omnibus Agreement**"), which defines the intercompany relationship between the Debtors and the non-Debtor Affiliate Company and allocates certain shared costs between them. Under the Omnibus Agreement, AME (a) procures insurance coverage on behalf of the Debtors and pays all related costs related to such coverage (the "**Insurance Coverage**");⁴ (b) pays certain costs related to the Debtors' employees, including wages, payroll taxes, and other related administrative costs (the "**Payroll**");

³ For example, if Marlin Midstream, LLC makes a disbursement into the Concentration Account in order to pay a vendor on behalf of Azure TGG, LLC, the Debtors' accounting system automatically enters an intercompany receivable on Marlin Midstream, LLC's balance sheet and an intercompany payable on Azure TGG, LLC's balance sheet.

⁴ AME does not procure director and officer liability and indemnification insurance (the "**D&O Insurance**") for the Debtors. The Debtors purchase the D&O Insurance directly from Endurance American Insurance Company, AIG, XL Specialty Insurance Company, Arch Insurance Company, Zurich American Insurance Company, and Berkshire Hathaway Specialty Insurance. The coverage period under the D&O Insurance is January 15, 2017 through January 15, 2018, and all policies include a prepaid 6 year tail period effective from either the date of emergence from chapter 11 (if applicable) or January 15, 2018, whichever occurs first). The aggregate annual premium for the D&O Program, which totaled \$1,853,334, with the Debtors' portion totaling \$926,667 (50%), was paid in full on or around January 15, 2017.

Obligations”⁵; (c) pays certain of the Debtors’ general administrative costs, including real property and equipment lease obligations, supplies, utilities, and property taxes (the “**G&A Obligations**”); and (d) pays certain costs related to services provided by third parties for the benefit of the Debtors, including outside audit services, outside legal services, the Purchase Card Program (as defined below), and other services (the “**Third-Party Services**”, and, together with the Payroll Obligations and the G&A Obligations, the “**Covered Services**”). A detailed list of the Insurance Coverage procured by AME is attached hereto as **Exhibit 3** to the Proposed Interim Order and the Proposed Final Order (the “**Insurance Summary**”).

16. As discussed below, the Debtors reimburse AME on a monthly basis for their *pro rata* share of the Covered Services. However, the Debtors directly cover all costs for all Employees that relate to (a) paid time off including sick days and vacation days, short-term disability benefits (includes maternity leave), bereavement leave, jury duty leave, and military leave; (b) medical, dental, vision, and prescription drug benefits, life insurance, accidental death and dismemberment insurance, long-term disability, and health savings accounts; and (c) any matching contributions pursuant to the Debtors’ 401(k) plan (collectively, the “**Employee Benefits**”).⁶ Any Employee Benefits that are allocable to AME on account of the Shared Employees or the Employees who provide services exclusively to AME are credited against the Debtors’ reimbursement obligations under the Omnibus Agreement.

⁵ The Debtors employ approximately 96 Employees (the “**Employees**”). Approximately 38 Employees provide services exclusively for the Debtors (“**Dedicated Employees**”), 26 Employees provides services exclusively for AME, and 32 Employees provide services for the Debtors and AME (the “**Shared Employees**”).

⁶ For a more detailed discussion of the Employee Benefits, see the Debtors’ *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors To (A) Pay Prepetition Wages, Salaries, Employee Benefits, and Other Compensation, (B) Maintain Employee Benefit Programs and Pay Related Administrative Obligations, and (C) Pay Temporary Employee Obligations, and (II) Directing Financial Institutions to Receive, Process, Honor, and Pay All Checks Presented for Payment and to Honor All Fund Transfer Requests Related to Such Obligations Pursuant to Sections 105(a), 363(b), and 507 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004* (the “**Employee Motion**”).

17. AME funds the Payroll Obligations (including all related tax obligations) on a bi-monthly basis, prior to the end of each payroll period, by initiating a transfer from an account at Chase held in the name of AME (the “**Chase Concentration Account**”) to another Chase account held in the name of Azure General Partner (the “**Payroll Disbursement Account**”). Azure General Partner disburses funds on a bi-monthly basis from the Payroll Disbursement Account to ADP in connection with third-party payroll services and taxes.

18. Under the Omnibus Agreement, AME submits invoices to the Debtors on the 25th day of each month for reimbursement of all costs associated with provision of the Covered Obligations attributable to the Debtors. With respect to the Payroll Obligations, the Debtors’ reimbursement to AME is limited to costs related to the Dedicated Employees and a *pro rata* share of costs related to Shared Employees. The Debtors do not reimburse AME for any costs related to the Employees that provide services exclusively to AME. All reimbursements made pursuant to the Omnibus Agreement are made by ACH Transfer (the “**Omnibus Transfers**,” and, together with the Debtor Intercompany Transactions, the “**Intercompany Transactions**”) directly from the Concentration Account to the Chase Concentration Account. As discussed above, on a monthly accrual basis, the Debtors credit Employee Benefits that are allocable to AME on account of the Shared Employees or the Employees who provide services exclusively to AME against the Debtors’ reimbursement obligations under the Omnibus Agreement, thereby reducing the amount of the Omnibus Transfers. For the six-month period preceding the Petition Date, the average monthly Omnibus Transfer Amount was \$968,718. As of the Petition Date, nothing is outstanding under the Omnibus Agreement on account of the Covered Services as the Debtors made a payment for the January Covered Services on January 25, 2017. The Debtors anticipate that in the 21 days

following the Petition Date, an additional \$445,317 in obligations under the Omnibus Agreement will accrue, but the Debtors do not anticipate needing to make a payment under the Omnibus Agreement to AME in advance of a final hearing regarding the Debtors' Cash Management System.

D. Purchase Cards

19. Non-Debtor affiliate AME and Concur Technologies, Inc. ("**Concur**") entered into a Commercial Credit Card Agreement dated as of April 8, 2015 (the "**Purchase Card Program**"), pursuant to which Concur issued purchase and credit cards (the "**Purchase Cards**") to certain of the Debtors' employees to pay for approved, legitimate business expenses and supplies incurred on behalf of the Debtors in the ordinary course of business. AME directly pays the invoices related to the Purchase Card Program through the Chase Concentration Account. As discussed above, the Debtors reimburse AME for all costs and fees related to the Purchase Card Program pursuant to the Omnibus Agreement, but are not directly responsible for amounts owed to Concur.

20. Ninety-two of the Debtors' employees participate in the Purchase Card Program (the "**Purchase Card Participants**"). Purchase Card Participants are assigned a Purchase Card and associated spending limit according to job function and management estimates of monthly spending requirements. Eighty of the Purchase Card Participants hold Purchase Cards with credit limits ranging from \$500 through \$5,000, eleven (11) hold Purchase Cards with limits ranging from \$5,001 through \$15,000, and one Purchase Card Participant holds a Purchase Card with a \$50,000 spending limit. In the six months before the Petition Date, the Debtors' average monthly obligation in connection with the Purchase Card Program was approximately \$41,043. Purchase Card Program Participants are required to submit monthly

expense reports (the “**Expense Reports**”) to their managers detailing their usage of the Purchase Cards.

21. All expenses incurred under the Purchase Card Program are subject to a two-step review process. First, the respective managers of Purchase Card Participants review and authorize the expenses detailed in the Expense Reports. After manager approval of the Expense Reports, an administrator employed by Concur reviews the manager-authorized Expense Reports to ensure that they are within program guidelines. Approved amounts are then paid directly by AME to Concur.

22. The Purchase Card Program is critical to the Debtors’ business operations insofar as it is one of the mechanisms by which employees’ expenses incurred in the ordinary-course discharge of their employment duties are paid without requiring the employees themselves to advance funds on the Debtors’ behalf. Discontinuing use of the Purchase Card Program would significantly disrupt the Debtors’ administrative procedures related to employee business expenses, travel, and procurement processes. Accordingly, the Debtors also seek authority to continue utilizing the Purchase Card Program postpetition in the ordinary course of business.

23. As discussed above, as of the Petition Date, nothing is outstanding under the Omnibus Agreement on account of the Purchase Card Program as the Debtors made a payment for the January Covered Services on January 25, 2017. The Debtors anticipate that in the 21 days following the Petition Date, approximately \$28,000 in obligations related to the Purchase Card Program will accrue, but the Debtors do not anticipate needing to make a payment under the Omnibus Agreement to AME in advance of a final hearing on the Debtors’ Cash Management System.

E. Bank Fees

24. In the ordinary course of business, the Debtors incur and pay, honor, or allow to be deducted from the appropriate Bank Accounts certain service charges and other fees, costs, and expenses charged by the Banks (collectively, the “**Bank Fees**”). The Bank Fees currently average approximately \$10,295 per month to the Debtors’ Banks. The Debtors estimate that they owe approximately \$6,875 in Bank Fees as of the Petition Date. To maintain the integrity of their Cash Management System, the Debtors respectfully request authority to pay the full amount of the Bank Fees during the Interim Period, including fees for prepetition transactions that are charged postpetition, and to continue to pay the Bank Fees in the ordinary course of business postpetition. The Debtors also request that the Banks be authorized to charge-back returned items to the Bank Accounts, whether such items are dated before, on, or after the Petition Date, in the ordinary course of business and consistent with prior practice.

The Debtor’s Existing Business Forms

25. In the ordinary course of their business, the Debtors utilize numerous preprinted business forms. To minimize expenses to their estates and avoid confusion on the part of employees, customers, vendors, and suppliers during the pendency of these chapter 11 cases, the Debtors respectfully request that the Court authorize the Debtors to continue to use all preprinted checks, correspondence, and other business forms (collectively, the “**Business Forms**”) including, without limitation, business cards, letterhead, envelopes, expense reports, and invoices as such forms were in existence immediately before the Petition Date, without reference to the Debtors’ status as debtors in possession, rather than requiring the Debtors to incur the expense and delay of ordering entirely new Business Forms as required under the U.S. Trustee’s Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees (the “**UST Operating Guidelines**”). Additionally, the short time period the Debtors

expect to be in chapter 11 further evinces the non-essential nature of incurring the expense and delay that would be associated with following the UST Operating Guidelines in their entirety.

**Continuation of the Cash Management System
Is in the Best Interests of the Debtors and All Other Parties in Interest**

26. The Cash Management System constitutes an ordinary course, essential business practice providing significant benefits to the Debtors, including the ability to: (i) control corporate funds; (ii) ensure the availability of funds when necessary; and (iii) reduce costs and administrative expenses by facilitating the movement of funds and the development of more timely and accurate account balance information. Any disruption of the Cash Management System could have a severe and adverse impact upon the Debtors' reorganization efforts and, as noted above, on the day-to-day business operations of the Debtors and Non-Debtor Affiliates.

27. The UST Operating Guidelines generally require chapter 11 debtors to, *inter alia*:
- A. close all existing bank accounts;
 - B. open new bank accounts in a depository approved by the Office of the United States (the "**U.S. Trustee**") that are designated as debtor-in-possession accounts;
 - C. obtain and utilize new checks for all debtor-in-possession accounts that bear the designation "Debtor in Possession" and the Debtor's bankruptcy case number. Ensure that the signature cards for all debtor-in-possession accounts clearly indicate that the debtor is a debtor in possession;
 - D. deposit all receipts and make all disbursements only through the approved debtor-in-possession accounts, with any funds in excess of those required for current operations being maintained in an interest-bearing account;
 - E. deposit to the debtor in possession's tax account sufficient funds to pay any tax liability (when incurred) associated with the debtor's payroll; and

- F. deposit all estate funds into an account with a financial institution that agrees to comply with the requirements of the U.S. Trustee and is an authorized depository approved by the U.S. Trustee.

See UST Operating Guidelines, § IV (A-F).

28. Pursuant to sections 105 and 363 of the Bankruptcy Code, the Debtors request a partial waiver of the UST Operating Guidelines. The Debtors instead request authority to continue the use of their existing Cash Management System. Pursuant to section 105(a) of the Bankruptcy Code, “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” Section 363(c)(1) of the Bankruptcy Code authorizes a debtor in possession to “use property of the estate in the ordinary course of business without notice or a hearing.” A cash management system allows a debtor “to administer more efficiently and effectively its financial operations and assets.” *In re Southmark Corp.*, 49 F.3d 1111, 1114 (5th Cir. 1995). Included within the purview of section 363(c) of the Bankruptcy Code is a debtor’s ability to continue “routine transactions” necessitated by a debtor’s cash management system. See *In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 796 (Bankr. D. Del. 2007) (noting that “courts have shown a reluctance to interfere, in the making of routine, day-to-day business decisions”) (internal quotation omitted).

29. Continuation of the Cash Management System is appropriate under sections 363(c) and 105(a) of the Bankruptcy Code. The Cash Management System constitutes an ordinary-course, essential business practice providing significant benefits to the Debtors, including, among other things, the ability to control corporate funds, ensure maximum availability of funds when and where necessary, and reduce borrowing costs and administrative expenses by facilitating the movement of funds and the development of more timely and accurate account balance information. The use of the Cash Management System has historically reduced the Debtors’ expenses by enabling the Debtors to use funds in an optimal and efficient manner.

30. In these chapter 11 cases, strict enforcement of the UST Operating Guidelines with respect to the Cash Management System will severely disrupt the Debtors' ordinary financial operations by reducing efficiencies, increasing administrative burdens, and creating unnecessary expenses. For example, if the Debtors are required to open new debtor-in-possession accounts and modify the Cash Management System accordingly, the Debtors will be forced to reconstruct the Cash Management System in its entirety. This simply will not be feasible in an enterprise like the Debtors' business, which requires multiple operating Bank Accounts. The Debtors' finance department, including accounting and bookkeeping employees, would need to focus its efforts on immediately opening new bank accounts and working to establish proper controls for cash to flow properly, thereby diverting it from its daily responsibilities during this critical juncture of the Debtors' chapter 11 cases. Many accounts could not be replaced in time to effectively continue the Debtors' businesses; even if they could, the opening of new bank accounts would increase operating costs, and the delays that would result from opening new accounts, revising cash management procedures, and instructing customers to redirect payments would negatively impact the Debtors' ability to operate their businesses while establishing these new arrangements.

31. The Debtors further seek a waiver of the requirement to modify the signature cards for all Bank Accounts to indicate the Debtors are debtors in possession. *See* UST Operating Guidelines, § IV(C). Requiring the Debtors to modify the signature cards for each of their Bank Accounts would be time consuming and burdensome, and is unnecessary given the short period of time the Debtors expect to be in chapter 11. The Debtors maintain, and will continue to maintain, all records of receipts, disbursements, and transfers within the Cash Management System, including postpetition intercompany transactions and any intercompany

balances that existed as of the Petition Date. All transfers and transactions will be properly documented, and accurate intercompany balances will be maintained.

32. In furtherance of the foregoing, the Debtors request that all Banks at which the Bank Accounts are maintained be authorized and directed to continue to administer such accounts as they were maintained prepetition, without interruption, and in the ordinary course of business.⁷ The Debtors also request authority to pay the prepetition service charges that remain unpaid as of the Petition Date. Payment of the prepetition Bank Fees is in the best interests of the Debtors, their estates, and all parties in interest as it will prevent any disruption to the Cash Management System. Because the Banks may have setoff rights with respect to the prepetition Bank Fees, payment of any prepetition Bank Fees will not affect unsecured creditors, and paying any prepetition service charges would merely be a matter of timing. The Banks at which Bank Accounts exist should also be authorized and directed to pay any and all drafts, wires, and ACH transfers issued on the Bank Accounts for payment of any claims arising on or after the Petition Date, or prior to the Petition Date to the extent such claims were approved by order of the Bankruptcy Court, in each case so long as sufficient funds are in these accounts.

33. Courts in this district have approved postpetition continuation of debtors' prepetition cash management systems as a routine matter in similar cases. *See, e.g., In re Ultra Petroleum Corp.*, No. 16-32202 (MI) (Bankr. S.D. Tex. May 3, 2016); *In re Midstates Petroleum Co.*, No. 16-32237 (DRJ) (Bankr. S.D. Tex. May 2, 2016); *In re Southcross Holdings LP*, No. 16-20111 (MI) (Bankr. S.D. Tex. Mar. 29, 2016); *In re Sherwin Alumina Co.*, No. 16-20012 (DRJ) (Bankr. S.D. Tex. Jan. 13, 2016); *In re RAAM Global Energy Co.*, No. 15-35615 (MI)

⁷ As discussed in paragraph 44 hereof, each of the Debtors' Bank Accounts are maintained at banks designated as "Authorized Depositories" under the applicable UST Operating Guidelines.

(Bankr. S.D. Tex. Nov. 18, 2015). The same relief is also appropriate here. Accordingly, the Debtors request authority to continue the Cash Management System.

Continued Performance of Intercompany Transactions Is Warranted, and Postpetition Intercompany Claims Should Be Granted Administrative Expense Status

34. In general, under section 363(c)(1) of the Bankruptcy Code, a debtor in possession “may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business . . . and may use property of the estate in the ordinary course of business without notice or a hearing.” Under section 503(b)(1)(A) of the Bankruptcy Code, “[a]fter notice and a hearing, there shall be allowed, administrative expenses . . . including the actual, necessary costs and expenses of preserving the estate”

35. The Debtors believe they do not require the Court’s approval to continue entering into and performing the Intercompany Transactions (including the Omnibus Agreement). The Debtors enter into and perform the Intercompany Transactions “in the ordinary course of business” within the meaning of section 363(c)(1). The Intercompany Transactions are not just a matter of routine in the Debtors’ businesses; they are the sorts of transactions common among many business enterprises that operate through multiple affiliates. Yet, because of their routine and pervasive nature, the Intercompany Transactions, including the ability to continue making Omnibus Transfers pursuant to the Omnibus Agreement, are integral to the Debtors’ ability to operate their businesses while in chapter 11. Accordingly, out of an abundance of caution, the Debtors request express authority to engage in such transactions postpetition.

36. The Debtors also request that the Court grant administrative expense status to all (i) Intercompany Claims against a Debtor by another Debtor that arise postpetition as a result of an Intercompany Transaction and (ii) all claims that arise postpetition under the Omnibus Agreement. If Intercompany Claims are afforded such status, each entity using funds

that flow through the Cash Management System will continue to bear the ultimate responsibility for its ordinary-course transactions with affiliates. Courts in this district and in other districts have granted administrative expense status to postpetition intercompany claims in similar cases. *See, e.g., In re Ultra Petroleum Corp.*, No. 16-32202 (MI) (Bankr. S.D. Tex. May 3, 2016); *In re Energy XXI, LTD*, No. 16-31928 (DRJ) (Bankr. S.D. Tex. Apr. 15, 2016); *In re Southcross Holdings LP*, No. 16-20111 (MI) (Bankr. S.D. Tex. Mar. 29, 2016); *In re Sherwin Alumina Co.*, No. 16-20012 (DRJ) (Bankr. S.D. Tex. Jan. 13, 2016); *In re RAAM Global Energy Co.*, No. 15-35615 (MI) (Bankr. S.D. Tex. Nov. 18, 2015). For the reasons set forth above, similar relief is warranted here.

The Court has Authority to Authorize Payment of Prepetition Obligations under the Omnibus Agreement Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code

37. Under section 363(b)(1) of the Bankruptcy Code, “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” Pursuant to section 1107(a) of the Bankruptcy Code, a debtor in possession has, among other things, the “implied duty of the debtor-in-possession to ‘protect and preserve the estate, including an operating business’ going-concern value.” *In re CEI Roofing, Inc.*, 315 B.R. 50, 59 (Bankr. N.D. Tex. 2004) (quoting *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002)). Under section 105(a) of the Bankruptcy Code, “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” *See CoServ*, 273 B.R. at 497 (holding that sections 105 and 1107 of the Bankruptcy Code provide the authority for a debtor-in-possession to pay prepetition claims); *CEI Roofing*, 315 B.R. at 56; *In re Mirant Corp.*, 296 B.R. 427 (Bankr. N.D. Tex. 2003); *In re Tusa-Expo Holdings, Inc.*, Ch. 11 Case No.08-45057-DML-11, 2008 WL 4857954, at *1 (Bankr. N.D. Tex. Nov. 7, 2008). Moreover, Bankruptcy Rule 6003 itself implies that the payment of prepetition

obligations may be permissible within the first 21 days of a case where doing so is “necessary to avoid immediate and irreparable harm.” Accordingly, the Bankruptcy Code authorizes the postpetition payment of prepetition claims where, as here, such payments are critical to preserving the going-concern value of the debtors’ estates.

38. The Debtors believe that substantially all outstanding obligations under the Omnibus Agreement were satisfied. However, to the extent the Debtors have any outstanding prepetition obligations under the Omnibus Agreement, the Debtors’ failure to meet such prepetition obligations could have a material adverse impact on their ability to operate, as the Debtors rely on AME to fund (subject to reimbursement) essentially all the Debtors’ operating expenses, including payroll obligations, taxes, and general administrative expenses. Payment of the prepetition obligations due under the Omnibus Agreement is an exercise of sound business judgment and is necessary to preserve the Debtors’ going-concern value and to avoid obstacles to a smooth transition through these chapter 11 cases. Significant disruptions of the Debtors’ operations of the types described above threaten to irreparably impair the Debtors’ ability to maximize the value of the Debtors’ estates for the benefit of creditors. The Debtors are not seeking authorization from this Court to satisfy any outstanding prepetition obligations under the Omnibus Agreement during the interim period.

**The Court Should Authorize the Debtors to Maintain the
Purchase Card Program and to Pay All Obligations Related Thereto**

39. As stated above, under section 363(c)(1) of the Bankruptcy Code, a debtor in possession “may enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business . . . and may use property of the estate in the ordinary course of business without notice or a hearing.” Purchases made using the Purchase Cards fall within the ordinary course of business under section 363(c)(1). The use of corporate credit cards and

similar payment methods is widespread at companies across the United States as a means of facilitating day-to-day business activities. As a result, the Debtors believe that they do not require the Court's approval to continue the Purchase Card Program.

40. In the event the Court finds that such transactions do not fall within the ordinary course of business, the Debtors request authority pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code to continue using the Purchase Cards. The Debtors also request authority to pay all obligations (including prepetition obligations) related thereto.

41. Continued use of the Purchase Cards is integral to the success and stability of the Debtors' business. The Debtors' business operations are spread out across Texas, New Mexico, Louisiana, Utah, and Wyoming. As a result, Debtors rely on the ability of their employees to pay for travel expenses and to make other reasonable work-related purchases necessary to fulfill their day-to-day professional obligations. Permitting the Debtors to continue using the Purchase Cards will ensure that the Debtors' employees are able to fulfill their daily professional obligations and, in turn, prevent significant disruption to the Debtors' business operations.

42. Courts in this district have permitted debtors to continue using their existing corporate credit cards and similar purchasing programs. *See, e.g., In re CJ Holding Co.*, Ch. 11 Case No. 16-33590 (DRJ) (Bankr. S.D. Tex. July 7, 2016), ECF No. 66; *In re Ultra Petroleum Corp.*, Ch. 11 Case No. 16-32202 (MI) (Bankr. S.D. Tex. May 3, 2016), ECF No. 292. The same relief is appropriate here. Accordingly, the Debtors respectfully request that the Court authorize the Debtors to continue using the Purchase Cards and to continue to reimburse AME pursuant to the Omnibus Agreement in the ordinary course.

The Debtors are in Compliance with Section 345(b) of the Bankruptcy Code

43. Section 345 of the Bankruptcy Code governs a debtor's deposit and investment of cash during a chapter 11 case and authorizes deposits or investments of money as "will yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." 11 U.S.C. § 345(a). For deposits or investments that are not "insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States," section 345(b) requires the estate to obtain, from the entity with which money is deposited or invested, a bond in favor of the United States and secured by the undertaking of an adequate corporate surety, unless the Court, for cause, orders otherwise. *Id.* § 345(b). In the alternative, the estate may require the entity to deposit governmental securities pursuant to 31 U.S.C. § 9303, which provides that when a person is required by law to give a surety bond, that person, in lieu of a surety bond, may instead provide an eligible obligation, designated by the Secretary of the Treasury as an acceptable substitute for a surety bond. *See* 31 U.S.C. §§ 9301, 9303. Additionally, the UST Operating Guidelines generally require chapter 11 debtors to, among other things, deposit all estate funds into an account with an authorized depository that agrees to comply with the requirements of the U.S. Trustee.

44. Here, the Debtors maintain twelve Bank Accounts at Wells Fargo and one Bank Account at Chase, both of whom are Authorized Depositories in this District. Accordingly, funds deposited into these Bank Accounts comply with section 345 of the Bankruptcy Code.

Bankruptcy Rule 6003 Has Been Satisfied

45. Pursuant to Bankruptcy Local Rule 9013-1, the Debtors respectfully request emergency consideration of this Motion pursuant to Bankruptcy Rule 6003, which 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” within the first 21 days following the Petition Date. Indeed, the failure to receive the requested relief during the first 21 days of the chapter 11 cases would severely disrupt the Debtors’ operations and significantly impact the Debtors’ ability to reorganize swiftly and efficiently. Accordingly, the Debtors submit that they have satisfied the requirements of Bankruptcy Rule 6003.

Request for Bankruptcy Rule 6004 Waivers

46. 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 Rule 6004(h). As explained above and in the Mosley Declaration, 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 Rule 6004(h), to the extent such stay applies.

Notice

47. No trustee, examiner, or statutory committee of creditors has been appointed in these chapter 11 cases. Notice of this Motion will be provided to (i) the Office of the United States Trustee for the Southern District of Texas; (ii) the Debtors’ thirty (30) largest unsecured creditors on a consolidated basis; (iii) Baker & McKenzie LLP, 452 Fifth Avenue,

New York, NY 10018 (Attn: James Donnell, Esq. and Peter S. Goodman, Esq.), counsel to Wells Fargo Bank, N.A., as administrative agent under the Credit Agreement; (iv) the Securities and Exchange Commission; (v) the Internal Revenue Service; and (vi) the United States Attorney's Office for the Southern District of Texas. The Debtors submit that no other or further notice need be provided.

No Previous Request

48. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request entry of the Proposed Interim Order and Proposed Final Order granting the relief requested herein and such other and further relief as the Court may deem just and appropriate.

Dated: January 30, 2017
Houston, Texas

/s/ Christopher M. López

Christopher M. López (24041356)
WEIL, GOTSHAL & MANGES LLP
200 Crescent Court, Suite 300
Dallas, Texas 75201
Telephone: (713) 546-5166
Facsimile: (713) 224-9511
Email: chris.lopez@weil.com

-and-

Gary T. Holtzer (*pro hac vice* pending)
Robert J. Lemons (*pro hac vice* pending)
Charles M. Persons (*pro hac vice* pending)
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Email: gary.holtzer@weil.com
Email: charles.persons@weil.com

*Proposed Attorneys for the Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on January 30, 2017, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas and will be served as set forth in the Affidavit of Service to be filed by the Debtors' proposed claims, noticing, and solicitation agent.

/s/ Christopher M. López
Christopher M. López

Exhibit A

Proposed Interim Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
	§	
AZURE MIDSTREAM PARTNERS, LP, et al.,	§	Case No. 17-[_____] (___)
	§	
	§	Joint Administration Requested
	§	
Debtors.¹	§	
	§	

INTERIM ORDER (I) AUTHORIZING DEBTORS TO (A) CONTINUE EXISTING CASH MANAGEMENT SYSTEM, (B) MAINTAIN EXISTING BUSINESS FORMS AND BANK ACCOUNTS, AND (C) CONTINUE INTERCOMPANY ARRANGEMENTS; AND (II) GRANTING RELATED RELIEF PURSUANT TO SECTIONS 105(a), 345(b), 363(b)(1), AND 363(c)(1) OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004

Upon the motion, dated January 30, 2017 (the “**Motion**”),² of Azure Midstream Partners, LP, and its subsidiaries and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”), for (i) interim and final authority to (a) continue their existing cash management system; (b) continue using their existing Business Forms and Bank Accounts; and (c) continue their intercompany arrangements; (ii) waiver of the requirements of section 345(b) of the Bankruptcy Code; and (iii) related relief, each as more fully set forth in the Motion; and upon consideration of the Mosley Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue is allowed before this

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: Azure Midstream Partners, LP (7595), Azure ETG, LLC (3388), Azure Holdings GP, LLC (0537), Azure Midstream Partners GP, LLC (8089), Azure TGG, LLC (6233), Marlin G&P I, LLC (6073), Marlin Logistics, LLC (8460), Marlin Midstream Finance Corp. (0130), Marlin Midstream, LLC (2587), Murvaul Gas Gathering, LLC (0826), Talco Midstream Assets, Ltd. (7004), and Turkey Creek Pipeline, LLC (1161).

² All capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Motion.

Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted on an interim basis as set forth herein.
2. The Debtors are authorized, pursuant to sections 363(c) and 105(a) of the Bankruptcy Code, to continue to manage their cash pursuant to the Cash Management System maintained before the Petition Date; to collect and disburse cash in accordance with the Cash Management System, including Intercompany Transactions, offsets against the Omnibus Transfers on account of the Employee Benefits allocated to AME, and to make ordinary course changes to their Cash Management System without further order of the Court.
3. Pursuant to section 105(a) of the Bankruptcy Code, each of the Banks is authorized and directed to continue to honor transfers, as directed by the Debtors, of funds among the Bank Accounts.
4. The Debtors shall maintain accurate records of all transfers within the Cash Management System so that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, their books and records, to the same extent maintained by the Debtors before the Petition Date.

5. The Debtors are further authorized to (i) designate, maintain, and continue to use any or all of their existing Bank Accounts, including those listed on **Exhibit 1** annexed hereto, in the names and with the account numbers existing immediately before the Petition Date, (ii) deposit funds in, and withdraw funds from, such accounts by all usual means, including, without limitation, checks, wire transfers, ACH transfers, and other debits, (iii) pay any Bank Fees or other charges associated with the Bank Accounts, whether arising before or after the Petition Date, and (iv) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

6. The Debtors are authorized to open new bank accounts; *provided*, that all accounts opened by any of the Debtors on or after the Petition Date at any bank shall, for purposes of this Interim Order, be deemed a Bank Account as if it had been listed on **Exhibit 2** annexed hereto; *provided, further*, that such opening shall be timely indicated on the Debtors' monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee.

7. All Banks with which the Debtors maintained Bank Accounts as of the Petition Date are authorized to debit the Debtors' accounts in the ordinary course of business without the need for further order of this Court for: (i) all checks drawn on the Debtors' accounts which are cashed at such Bank's counters or exchanged for cashier's checks by the payees thereof prior to the Petition Date; (ii) all checks or other items deposited in one of Debtors' accounts with such bank prior to the Petition Date which have been dishonored or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Debtors were responsible for such items prior to the Petition Date; and (iii) all

undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Bank as Bank Fees for the maintenance of the Cash Management System.

8. The Banks are authorized to charge, and the Debtors are authorized and directed to pay, honor, or allow, both prepetition and postpetition fees, costs, charges, and expenses, including the Bank Fees, and charge back returned items to the Bank Accounts in the ordinary course.

9. The Banks shall not be liable to any party on account of: (a) following the Debtors' representations, instructions, or presentations as to any order of the Court (without any duty of further inquiry); (b) the honoring of any prepetition checks, drafts, wires, or ACH transfers in a good faith belief or upon a representation by the Debtors that the Court has authorized such prepetition check, draft, wires, or ACH transfers; or (c) an innocent mistake made despite implementation of reasonable handling procedures.

10. Nothing contained herein shall prevent the Debtors from closing any Bank Account(s) as they may deem necessary and appropriate, any relevant Bank is authorized to honor the Debtors' requests to close such Bank Accounts, and the Debtors shall give notice of the closure of any account to the U.S. Trustee.

11. All intercompany claims against one Debtor by another Debtor or a non-Debtor Affiliate arising after the Petition Date as a result of intercompany transactions and transfers in the ordinary course of business shall be accorded administrative expense priority status in accordance with sections 503(b) of the Bankruptcy Code.

12. The Debtors are in compliance with section 345(b) of the Bankruptcy Code with respect to each of the Bank Accounts maintained by the Debtors as of the Petition Date.

13. The Debtors are authorized to use their existing Business Forms and not print “debtor in possession” on any of their Business Forms, and any otherwise applicable requirement that the Debtors print “debtor in possession” on any new checks ordered during the chapter 11 cases, or that the Debtors change their system for electronic generation of checks and Business Forms to reflect their status as debtors in possession, is hereby waived.

14. As soon as practicable after entry of this Interim Order, the Debtors shall serve a copy of this Interim Order on the Banks.

15. Nothing contained in this Interim Order or in the Motion is intended to be, or shall be, construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors’ or any appropriate party in interest’s rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy, or lease under section 365 of the Bankruptcy Code. Likewise any payment made pursuant to this Interim Order is not intended to be, and shall not be, construed as an admission to the validity of any claim or a waiver of the Debtors’ rights to dispute such claim subsequently.

16. Notwithstanding anything in this Interim Order to the contrary, the Debtors’ authority to use or transfer cash hereunder shall be subject to the limitations and restrictions as are provided for with respect to the use or transfer of cash in any order approving the Debtors’ cash collateral motion.

17. The requirements of Bankruptcy Rule 6003(b) have been satisfied.

18. The requirements of Bankruptcy Rule 6004(a) are waived.

19. Notwithstanding the provisions of Bankruptcy Rule 6004(h), this Interim Order shall be immediately effective and enforceable upon its entry.

20. The Debtors are authorized to take all steps necessary or appropriate to carry out this Interim Order.

21. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Interim Order.

22. A final hearing to consider the relief requested in the Motion shall be held on [_____] , 2017 at [__:__ .m.] (prevailing Central Time) and any objections or responses to the Motion shall be filed and served so as to be actually received on or prior to [_____] , 2017 at [__:__ .m.] (prevailing Central Time).

Dated: _____, 2017
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

List of Bank Accounts

Account Holder	Bank Name	Account Number	Type of Account
Azure Midstream Partners LP	Wells Fargo	XXXXX6079	Concentration Account
Azure TGG LLC	Wells Fargo	XXXXX5543	Depository Account (ZBA)
Azure ETG LLC	Wells Fargo	XXXXX5576	Depository Account (ZBA)
Talco Midstream Assets LTD	Wells Fargo	XXXXX5592	Depository Account (ZBA)
Marlin Midstream LLC	Wells Fargo	XXXXX5832	Depository Account (ZBA)
Marlin Logistics LLC	Wells Fargo	XXXXX5857	Depository Account (ZBA)
Azure TGG LLC	Wells Fargo	XXXXX5550	Disbursement Account (ZBA)
Azure ETG LLC	Wells Fargo	XXXXX5584	Disbursement Account (ZBA)
Talco Midstream Assets LTD	Wells Fargo	XXXXX5339	Disbursement Account (ZBA)
Marlin Midstream LLC	Wells Fargo	XXXXX5840	Disbursement Account (ZBA)
Marlin Logistics LLC	Wells Fargo	XXXXX5865	Disbursement Account (ZBA)
Azure Midstream Partners LP	Wells Fargo	XXXXX6087	Disbursement Account (ZBA)
Azure Midstream Partners GP, LLC	Chase	XXXXX9517	Payroll Disbursement Account

Exhibit 2

Flow of Funds Schematic

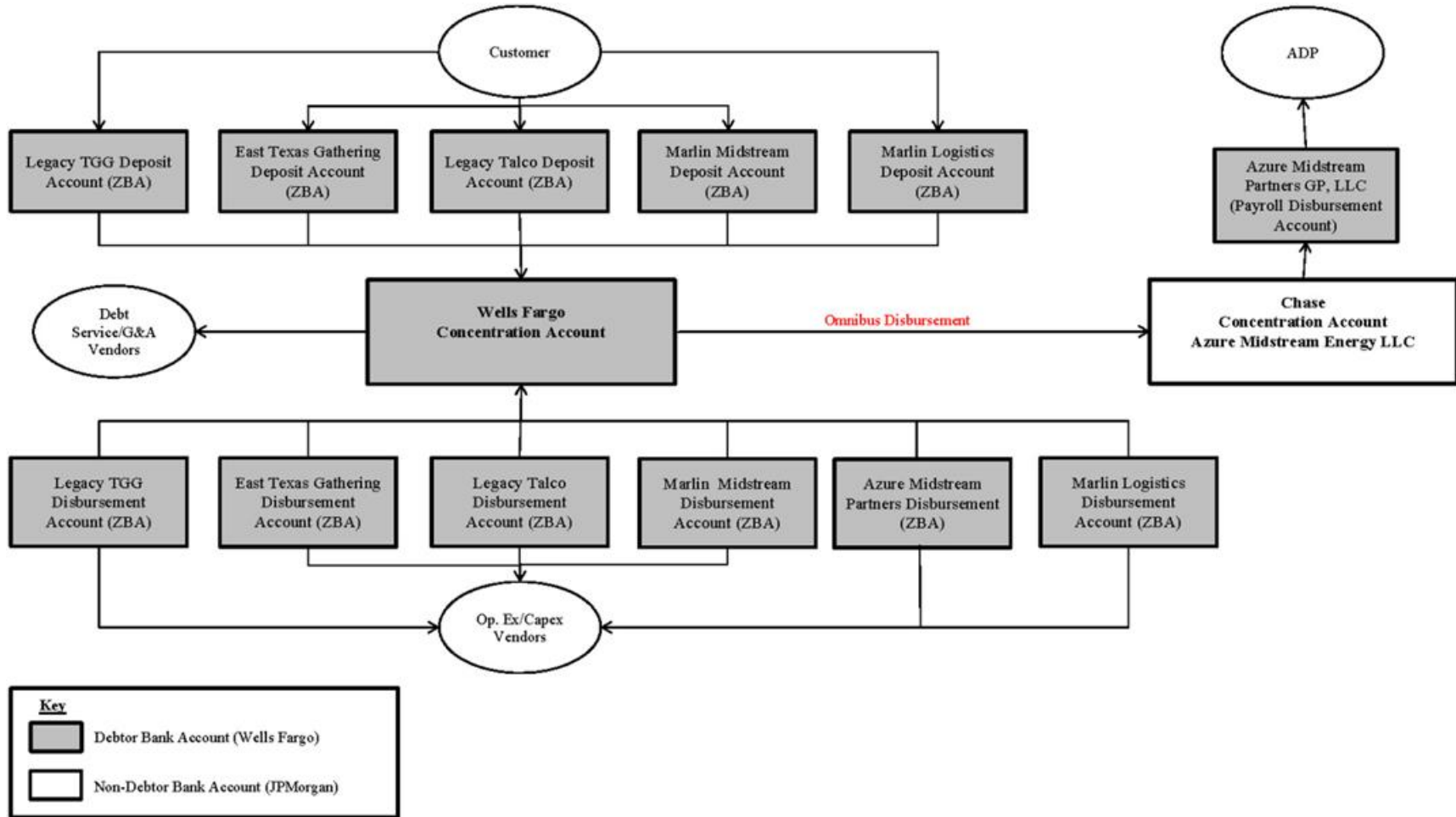


Exhibit 3

Insurance Summary

Type of Coverage	Insurer(s)	Policy Number(s)	Policy Term	Annual Premium	Debtors' Allocation	Premium Finance	Deductible / Retention
Business Owner - Commercial Liability	Great Northern Insurance Company	35848968	10/14/16-10/14/17	\$105,441	54%	First Insurance	- \$25,000 bodily injury and property damage / occurrence - \$1,000 employee benefit / occurrence
Business Owner - Automobile	Great Northern Insurance Company	73582532	10/14/16-10/14/17	\$101,349	54%	First Insurance	\$1,000 / occurrence
Workers' Compensation/Employers Liability	Federal Insurance Company	71753816	10/14/16-10/14/17	\$49,656	54%	First Insurance	No deductible
Business Owner - Umbrella	Ace Property and Casualty Ins. Co.	XOOG27913040002	10/14/16-10/14/17	\$189,798	54%	First Insurance	- \$2,000,000 GL and Auto / occurrence - \$1,000,000 Employer Liability / occurrence - \$10,000,000 Pollution / occurrence
Business Owner - Excess Liability over \$25 million	Federal Insurance Company	79851394	10/14/16-10/14/17	\$47,499	54%	First Insurance	Excess of underlying
Business Owner - Excess Liability over \$40 million	XL Bermuda Ltd.	BM00030294LI16A	10/14/16-10/14/17	\$85,500	54%	N/A	Excess of underlying
Business Owner - Pollution Legal	Ironshore Speciality Ins. Co.	2543900	10/14/16-10/14/17	\$139,521	54%	First Insurance	\$100,000 / occurrence
Business Owner - Pollution Legal Excess over \$1 million	Ironshore Speciality Ins. Co.	1491602	10/14/16-10/14/17	\$152,844	54%	First Insurance	Excess of underlying
Property (1 of 4)	Ace Property and Casualty Ins. Co.	EPRN09177796	3/29/16-3/29/17	\$152,420	54%	Prime Rate	- \$100,000 / occurrence Property Damage; except: - \$250,000 / occurrence Gas Processing Facilities Plant; and - \$10,000 / occurrence Non-Industrial Property and Property in Transit - \$250,000 / occurrence Flood
Property (2 of 4)	AIG	4902400	3/29/16-3/29/17	\$78,836	54%	Prime Rate	Same as underlying

Type of Coverage	Insurer(s)	Policy Number(s)	Policy Term	Annual Premium	Debtors' Allocation	Premium Finance	Deductible / Retention
Property (3 of 4)	Zurich American Insurance Company	OGR011359201	3/29/16-3/29/17	\$78,765	54%	Prime Rate	Same as underlying
Property (4 of 4)	Various London Companies and Syndicates	EMDFA000116D	3/29/16-3/29/17	\$186,694	54%	Prime Rate	
Terrorism	Various London Companies and Syndicates	MAZUR000316	3/29/16-3/29/17	\$31,500	54%	Prime Rate	\$25,000 / occurrence
Directors and Officers (Primary, includes six (6) year run-off)	AIG	06-279-01-58	1/15/16-1/15/18	\$509,838	50%	N/A	
Directors and Officers (Excess over \$10 million, includes six (6) year run-off)	XL Bermuda Ltd.	ELU142679-16	1/15/16-1/15/18	\$323,125	50%	N/A	
Directors and Officers (Excess over \$20 million, includes six (6) year run-off)	Arch	DOX 9300482-01	1/15/16-1/15/18	\$200,750	50%	N/A	
Directors and Officers (Excess over \$30 million, includes six (6) year run-off)	Zurich American Insurance Company	DOC 008689-01	1/15/16-1/15/18	\$127,875	50%	N/A	
Directors and Officers (Excess BFA over \$40 million, includes six (6) year run-off)	AIG	06-419-80-74	1/15/16-1/15/18	\$90,496	50%	N/A	
Directors and Officers (Excess BFA over \$50 million, includes six (6) year run-off)	Endurance	ADX10006318101	1/15/16-1/15/18	\$66,000	50%	N/A	

Type of Coverage	Insurer(s)	Policy Number(s)	Policy Term	Annual Premium	Debtors' Allocation	Premium Finance	Deductible / Retention
Directors and Officers (Excess BFA over \$60 million, includes six (6) year run-off)	Berkshire Hathaway	47-EPC-303168-01	1/15/16-1/15/18	\$275,000	50%	N/A	
Directors and Officers (Excess BFA over \$70 million, includes six (6) year run-off)	AIG	03-477-03-43	1/15/16-1/15/18	\$261,250	50%	N/A	

Exhibit B

Proposed Final Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

<p>In re:</p> <p>AZURE MIDSTREAM PARTNERS, LP, et al.,</p> <p style="text-align: center;">Debtors.¹</p>	§ § § § § § § § § § §	<p>Chapter 11</p> <p>Case No. 17-[_____] (___)</p> <p>Joint Administration Requested</p>
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FINAL ORDER (I) AUTHORIZING DEBTORS TO (A) CONTINUE EXISTING CASH MANAGEMENT SYSTEM, (B) MAINTAIN EXISTING BUSINESS FORMS AND BANK ACCOUNTS, AND (C) CONTINUE INTERCOMPANY ARRANGEMENTS; AND (II) GRANTING RELATED RELIEF PURSUANT TO SECTIONS 105(a), 345(b), 363(b)(1), AND 363(c)(1) OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004

Upon the motion, dated January 30, 2017 (the “**Motion**”),² of Azure Midstream Partners, LP and its subsidiaries and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”), for (i) interim and final authority to (a) continue their existing cash management system; (b) continue using their existing Business Forms and Bank Accounts; and (c) continue their intercompany arrangements; (ii) waiver of the requirements of section 345(b) of the Bankruptcy Code; and (iii) related relief, as more fully set forth in the Motion; and upon consideration of the Mosely Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue is allowed before this Court

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: Azure Midstream Partners, LP (7595), Azure ETG, LLC (3388), Azure Holdings GP, LLC (0537), Azure Midstream Partners GP, LLC (8089), Azure TGG, LLC (6233), Marlin G&P I, LLC (6073), Marlin Logistics, LLC (8460), Marlin Midstream Finance Corp. (0130), Marlin Midstream, LLC (2587), Murvaul Gas Gathering, LLC (0826), Talco Midstream Assets, Ltd. (7004), and Turkey Creek Pipeline, LLC (1161).

² All capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Motion.

pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion; and the Court having granted interim relief on the Motion on [_____] , 2017 (Docket No. [__]); and the Court having held a final hearing on the Motion on [_____] , 2017; and all objections to the Motion having been withdrawn, resolved or overruled; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. The Debtors are authorized, pursuant to sections 363(c) and 105(a) of the Bankruptcy Code, to continue to manage their cash pursuant to the Cash Management System maintained before the Petition Date; to collect and disburse cash in accordance with the Cash Management System, including Intercompany Transactions, offsets against the Omnibus Transfers on account of the Employee Benefits allocated to AME, and to make ordinary course changes to their Cash Management System without further order of the Court.
3. The Debtors are authorized, pursuant to sections 363(c) and 105(a) of the Bankruptcy Code, to make any and all Omnibus Transfers.
4. Pursuant to section 105(a) of the Bankruptcy Code, each of the Banks is authorized and directed to continue to honor transfers, as directed by the Debtors, of funds among the Bank Accounts.

5. The Debtors shall maintain accurate records of all transfers within the Cash Management System so that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, their books and records, to the same extent maintained by the Debtors before the Petition Date.

6. The Debtors are further authorized to (i) designate, maintain, and continue to use any or all of their existing Bank Accounts, including those listed on **Exhibit 1** annexed hereto, in the names and with the account numbers existing immediately before the Petition Date, (ii) deposit funds in, and withdraw funds from, such accounts by all usual means, including, without limitation, checks, wire transfers, ACH transfers, and other debits, (iii) pay any Bank Fees or other charges associated with the Bank Accounts, whether arising before or after the Petition Date, and (iv) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

7. The Debtors are authorized to open new bank accounts; *provided*, that all accounts opened by any of the Debtors on or after the Petition Date at any bank shall, for purposes of this Final Order, be deemed a Bank Account as if it had been listed on **Exhibit 1** annexed hereto; *provided, further*, that such opening shall be timely indicated on the Debtors' monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee.

8. All Banks with which the Debtors maintained Bank Accounts as of the Petition Date are authorized to debit the Debtors' accounts in the ordinary course of business without the need for further order of this Court for: (i) all checks drawn on the Debtors' accounts which are cashed at such Bank's counters or exchanged for cashier's checks by the payees thereof prior to the Petition Date; (ii) all checks or other items deposited in one of

Debtors' accounts with such bank prior to the Petition Date which have been dishonored or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Debtors were responsible for such items prior to the Petition Date; and (iii) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Bank as Bank Fees for the maintenance of the Cash Management System.

9. The Banks are authorized to charge, and the Debtors are authorized and directed to pay, honor, or allow, both prepetition and postpetition fees, costs, charges, and expenses, including the Bank Fees, and charge back returned items to the Bank Accounts in the ordinary course.

10. The Banks shall not be liable to any party on account of: (a) following the Debtors' representations, instructions, or presentations as to any order of the Court (without any duty of further inquiry); (b) the honoring of any prepetition checks, drafts, wires, or ACH transfers in a good faith belief or upon a representation by the Debtors that the Court has authorized such prepetition check, draft, wires, or ACH transfers; or (c) an innocent mistake made despite implementation of reasonable handling procedures.

11. Nothing contained herein shall prevent the Debtors from closing any Bank Account(s) as they may deem necessary and appropriate, any relevant Bank is authorized to honor the Debtors' requests to close such Bank Accounts, and the Debtors shall give notice of the closure of any account to the U.S. Trustee.

12. All intercompany claims against one Debtor by another Debtor or a non-Debtor Affiliate arising after the Petition Date as a result of intercompany transactions and transfers in the ordinary course of business shall be accorded administrative expense priority status in accordance with sections 503(b) of the Bankruptcy Code.

13. The Debtors are in compliance with section 345(b) of the Bankruptcy Code with respect to each of the Bank Accounts maintained by the Debtors as of the Petition Date.

14. The Debtors are authorized to use their existing Business Forms and not print “debtor in possession” on any of their Business Forms, and any otherwise applicable requirement that the Debtors print “debtor in possession” on any new checks ordered during the chapter 11 cases, or that the Debtors change their system for electronic generation of checks and Business Forms to reflect their status as debtors in possession, is hereby waived.

15. As soon as practicable after entry of this Final Order, the Debtors shall serve a copy of this Final Order on the Banks.

16. Nothing contained in this Final Order or in the Motion is intended to be, or shall be, construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors’ or any appropriate party in interest’s rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy, or lease under section 365 of the Bankruptcy Code. Likewise any payment made pursuant to this Final Order is not intended to be, and shall not be, construed as an admission to the validity of any claim or a waiver of the Debtors’ rights to dispute such claim subsequently.

17. Notwithstanding anything in this Final Order to the contrary, the Debtors’ authority to use or transfer cash hereunder shall be subject to the limitations and restrictions as are provided for with respect to the use or transfer of cash in any order approving the Debtors’ cash collateral motion.

18. The requirements of Bankruptcy Rule 6003(b) have been satisfied.

19. The requirements of Bankruptcy Rule 6004(a) are waived.

20. Notwithstanding the provisions of Bankruptcy Rule 6004(h), this Final Order shall be immediately effective and enforceable upon its entry.

21. The Debtors are authorized to take all steps necessary or appropriate to carry out this Final Order.

22. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Final Order.

Dated: _____, 2017
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

List of Bank Accounts

Account Holder	Bank Name	Account Number	Type of Account
Azure Midstream Partners LP	Wells Fargo	XXXXX6079	Concentration Account
Azure TGG LLC	Wells Fargo	XXXXX5543	Depository Account (ZBA)
Azure ETG LLC	Wells Fargo	XXXXX5576	Depository Account (ZBA)
Talco Midstream Assets LTD	Wells Fargo	XXXXX5592	Depository Account (ZBA)
Marlin Midstream LLC	Wells Fargo	XXXXX5832	Depository Account (ZBA)
Marlin Logistics LLC	Wells Fargo	XXXXX5857	Depository Account (ZBA)
Azure TGG LLC	Wells Fargo	XXXXX5550	Disbursement Account (ZBA)
Azure ETG LLC	Wells Fargo	XXXXX5584	Disbursement Account (ZBA)
Talco Midstream Assets LTD	Wells Fargo	XXXXX5339	Disbursement Account (ZBA)
Marlin Midstream LLC	Wells Fargo	XXXXX5840	Disbursement Account (ZBA)
Marlin Logistics LLC	Wells Fargo	XXXXX5865	Disbursement Account (ZBA)
Azure Midstream Partners LP	Wells Fargo	XXXXX6087	Disbursement Account (ZBA)
Azure Midstream Partners GP, LLC	Chase	XXXXX9517	Payroll Disbursement Account

Exhibit 2

Flow of Funds Schematic

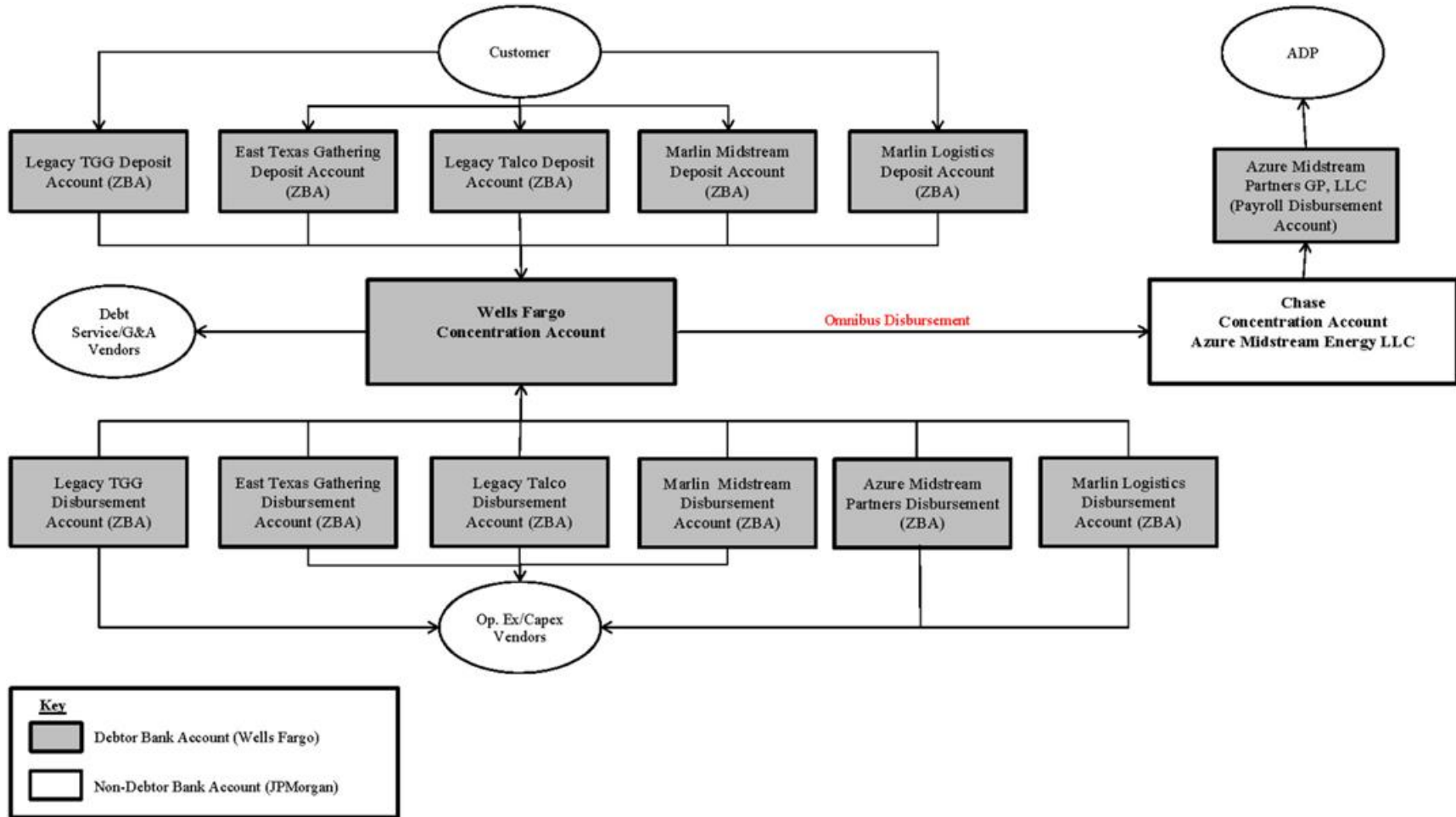


Exhibit 3

Insurance Summary

Type of Coverage	Insurer(s)	Policy Number(s)	Policy Term	Annual Premium	Debtors' Allocation	Premium Finance	Deductible / Retention
Business Owner - Commercial Liability	Great Northern Insurance Company	35848968	10/14/16-10/14/17	\$105,441	54%	First Insurance	- \$25,000 bodily injury and property damage / occurrence - \$1,000 employee benefit / occurrence
Business Owner - Automobile	Great Northern Insurance Company	73582532	10/14/16-10/14/17	\$101,349	54%	First Insurance	\$1,000 / occurrence
Workers' Compensation/Employers Liability	Federal Insurance Company	71753816	10/14/16-10/14/17	\$49,656	54%	First Insurance	No deductible
Business Owner - Umbrella	Ace Property and Casualty Ins. Co.	XOOG27913040002	10/14/16-10/14/17	\$189,798	54%	First Insurance	- \$2,000,000 GL and Auto / occurrence - \$1,000,000 Employer Liability / occurrence - \$10,000,000 Pollution / occurrence
Business Owner - Excess Liability over \$25 million	Federal Insurance Company	79851394	10/14/16-10/14/17	\$47,499	54%	First Insurance	Excess of underlying
Business Owner - Excess Liability over \$40 million	XL Bermuda Ltd.	BM00030294LI16A	10/14/16-10/14/17	\$85,500	54%	N/A	Excess of underlying
Business Owner - Pollution Legal	Ironshore Speciality Ins. Co.	2543900	10/14/16-10/14/17	\$139,521	54%	First Insurance	\$100,000 / occurrence
Business Owner - Pollution Legal Excess over \$1 million	Ironshore Speciality Ins. Co.	1491602	10/14/16-10/14/17	\$152,844	54%	First Insurance	Excess of underlying
Property (1 of 4)	Ace Property and Casualty Ins. Co.	EPRN09177796	3/29/16-3/29/17	\$152,420	54%	Prime Rate	- \$100,000 / occurrence Property Damage; except: - \$250,000 / occurrence Gas Processing Facilities Plant; and - \$10,000 / occurrence Non-Industrial Property and Property in Transit - \$250,000 / occurrence Flood
Property (2 of 4)	AIG	4902400	3/29/16-3/29/17	\$78,836	54%	Prime Rate	Same as underlying

Type of Coverage	Insurer(s)	Policy Number(s)	Policy Term	Annual Premium	Debtors' Allocation	Premium Finance	Deductible / Retention
Property (3 of 4)	Zurich American Insurance Company	OGR011359201	3/29/16-3/29/17	\$78,765	54%	Prime Rate	Same as underlying
Property (4 of 4)	Various London Companies and Syndicates	EMDFA000116D	3/29/16-3/29/17	\$186,694	54%	Prime Rate	
Terrorism	Various London Companies and Syndicates	MAZUR000316	3/29/16-3/29/17	\$31,500	54%	Prime Rate	\$25,000 / occurrence
Directors and Officers (Primary, includes six (6) year run-off)	AIG	06-279-01-58	1/15/16-1/15/18	\$509,838	50%	N/A	
Directors and Officers (Excess over \$10 million, includes six (6) year run-off)	XL Bermuda Ltd.	ELU142679-16	1/15/16-1/15/18	\$323,125	50%	N/A	
Directors and Officers (Excess over \$20 million, includes six (6) year run-off)	Arch	DOX 9300482-01	1/15/16-1/15/18	\$200,750	50%	N/A	
Directors and Officers (Excess over \$30 million, includes six (6) year run-off)	Zurich American Insurance Company	DOC 008689-01	1/15/16-1/15/18	\$127,875	50%	N/A	
Directors and Officers (Excess BFA over \$40 million, includes six (6) year run-off)	AIG	06-419-80-74	1/15/16-1/15/18	\$90,496	50%	N/A	
Directors and Officers (Excess BFA over \$50 million, includes six (6) year run-off)	Endurance	ADX10006318101	1/15/16-1/15/18	\$66,000	50%	N/A	

Type of Coverage	Insurer(s)	Policy Number(s)	Policy Term	Annual Premium	Debtors' Allocation	Premium Finance	Deductible / Retention
Directors and Officers (Excess BFA over \$60 million, includes six (6) year run-off)	Berkshire Hathaway	47-EPC-303168-01	1/15/16-1/15/18	\$275,000	50%	N/A	
Directors and Officers (Excess BFA over \$70 million, includes six (6) year run-off)	AIG	03-477-03-43	1/15/16-1/15/18	\$261,250	50%	N/A	