

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 PAY PREPETITION CLAIMS IN THE ORDINARY COURSE OF BUSINESS AND (II) DIRECTING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS PURSUANT TO SECTIONS 105(a), 362(d), 363(b) AND 503(b) 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. The Debtors and their Lenders have determined that an expedited sale of the Debtors’ assets is the surest way to maximize value. In this regard, the Debtors and their prepetition Lenders (as defined below) have spent extensive time marketing the Debtors assets and anticipate filing, shortly after the Petition Date, a motion to sell substantially all the Debtors’ assets pursuant to section 363 of the Bankruptcy Code (as defined below). Following the consummation of the section 363 sale, the Debtors will seek to wind-down the estate in an efficient and orderly manner through a liquidating chapter 11 plan. Accordingly, pursuant to sections 105(a), 362(d), 363(b), and 503(b)(9) 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 respectfully request entry of interim and final orders authorizing, but not directing, the Debtors to pay, in the ordinary course of business, and in accordance with an agreed-upon budget with the Lenders, (i) undisputed prepetition claims (collectively, the “**Trade Claims**”) of general unsecured creditors that provide goods or services related to the Debtors’ operations (collectively, the “**Trade Creditors**”) and (ii) Trade Creditors that are not Debtors or “affiliates” of the Debtors (as such term is defined in section 101(2) of the Bankruptcy Code) whose Trade Claims may give rise to liens under certain state and federal laws. The Debtors also request that applicable banks and financial institutions (collectively, the “**Banks**”) be authorized and directed to receive, honor, process, and pay all checks issued or to be issued and electronic funds transfers requested or to be requested relating to the above.

2. The Debtors intend to condition the payment of Trade Claims upon the Trade Creditors' agreeing to maintain or reinstate contract terms during the pendency of these chapter 11 cases that are at least as favorable as the most favorable trade terms existing in the six (6) months before the Petition Date (as defined below) or such other trade terms acceptable to the Debtors in their sole discretion (the "**Customary Trade Terms**").

3. The Debtors estimate that, on account of the Trade Claims, approximately \$3,571,000 is outstanding as of the Petition Date and approximately \$910,000 will be outstanding prior to a final hearing on this Motion.

4. 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

5. 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

6. On the date hereof (the "**Petition Date**"), each of the Debtors commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory committee of creditors has been appointed in these chapter 11 cases.

7. 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**”).

8. 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

9. As described in the Mosley Declaration, AME funds certain of the Debtors’ general administrative costs, and the Debtors subsequently reimburse AME for such costs on a monthly basis pursuant to the Omnibus Agreement.³ The amounts set forth in the

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

³ The Debtors have filed the *Motion for 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 Intercompany Arrangements, (II) Waiving Requirements of Section 345(b) of the Bankruptcy Code; and (III) 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* (the “**Cash Management Motion**”). In the Cash Management Motion, the Debtors seek authority to reimburse AME, pursuant to the Omnibus Agreement, for prepetition amounts advanced by AME to cover certain of the Debtors’ operational expenses.

“Administrative” category below do not include any prepetition amounts owed to AME pursuant to the Omnibus Agreement.

The Trade Claims

10. As described more fully herein, the Debtors believe that, as of the Petition Date, the aggregate amount of prepetition Trade Claims is approximately \$3,571,000, of which approximately \$910,300 will come due prior to a final hearing on the Motion. Additionally, an aggregate amount of approximately \$1,600,300 of such Trade Claims is entitled to statutory priority pursuant to section 503(b)(9) of the Bankruptcy Code for goods delivered to the Debtors in the ordinary course of business within 20 days before the Petition Date. The various components of the Trade Claims are described in further detail below. A table summarizing the estimated amount of Trade Claims outstanding as of the Petition Date and coming due prior to a final hearing on this Motion is set forth below:

Category	Description of Obligation ⁴	Estimated Amount Outstanding as of the Petition Date	Estimated Amount Due Prior to the Final Hearing	Section 503(b)(9) Component
Oil and Gas Production Payments	Payments for raw natural gas and other hydrocarbons extracted from the ground by upstream producers and gas service contracts.	\$2,233,000	\$154,000	\$1,519,000
Logistics Payments	Payments to providers for information technology and safety personnel necessary to operate the Debtors' midstream facilities.	\$9,000	\$6,300	N/A
Operations / Real Property	Payments to suppliers, service providers and other vendors utilized in connection with Debtors' business operations including operating expenses, capital improvements, sale process diligence expenses, and facilities maintenance.	\$1,168,000	\$750,000	81,300

Category	Description of Obligation ⁴	Estimated Amount Outstanding as of the Petition Date	Estimated Amount Due Prior to the Final Hearing	Section 503(b)(9) Component
Administrative	Payments relating to support services for corporate and administrative functions, including professional/legal fees, rent, and corporate G&A. Additionally, includes corporate overhead costs associated with facilities and utilities.	\$161,000	N/A	N/A
Total:		\$3,571,000	\$910,300	\$1,600,300

11. Certain of the Trade Creditors in the “Oil and Gas Production” category above are also customers of the Debtors — *i.e.*, some of the upstream producers both sell to the Debtors raw natural gas (thus giving rise to a Trade Claim) and contract for midstream services. Pursuant to these agreements, the Debtors have arrangements with these Trade Creditors whereby the Debtors net any amounts earned for their provision of midstream services against amounts the Trade Creditors are owed by the Debtors for purchases of raw natural gas and other hydrocarbons. Therefore, while the gross amount of accrued Trade Claims as of the Petition Date is approximately \$3,984,000 (the “**Gross Trade Claims**”), the Debtors seek authority to pay only the net amount of the accrued Trade Claims, in an amount up to \$910,300 on upon entry of the Proposed Interim Order and all other amounts upon entry of the Proposed Final Order.

12. The Debtors are not seeking to pay the above-referenced amounts immediately or in one lump sum; rather, the Debtors intend to pay these amounts as they become due and payable in the ordinary course of the Debtors’ business.

Conditions on Authority to Pay Trade Claims

13. The Debtors request authority to pay the Trade Claims and may, at the Debtors' discretion, condition that, by accepting payment, the Trade Creditor agrees to maintain or reinstate Customary Trade Terms. The Debtors also propose that if a Trade Creditor, after receiving a payment on account of its Trade Claim, does not maintain or reinstate Customary Trade Terms during the pendency of these chapter 11 cases, then any payments made on account of the Trade Claim to such Trade Creditor after the Petition Date may, in the Debtors' sole discretion, either be deemed applied to postpetition amounts payable to such Trade Creditor or treated as an unauthorized postpetition transfer recoverable by the Debtors.

Payment of the Trade Claims Is Warranted

14. The Court may grant the relief requested herein pursuant to sections 363(b), 1107(a), and 105(a) of the Bankruptcy Code. Section 363(b) of the Bankruptcy Code provides, in relevant part, that “[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Courts in the Fifth Circuit have granted a debtor's request to use property of the estate outside of the ordinary course of business pursuant to section 363(b) of the Bankruptcy Code upon a finding that such use is supported by sound business reasons. *See, e.g., Institutional Creditors of Continental Air Lines, Inc. v. Continental Air Lines, Inc. (In re Continental Air Lines)*, 780 F.2d 1223, 1226 (5th Cir. 1986) (“[F]or a debtor-in-possession or trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business.”); *In re Terrace Gardens Park P'ship*, 96 B.R. 707, 714 (Bankr. W.D. Tex. 1989).

15. In addition, under 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.*, No. 08-45057-DML-11, 2008 WL 4857954, at *1 (Bankr. N.D. Tex. Nov. 7, 2008).

16. 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 and the Bankruptcy Rules authorize the postpetition payment of prepetition claims where, as here, such payments are critical to preserving the going-concern value of the debtors' estates.

17. Payment of the Trade Claims as they become due in the ordinary course of business is a sound exercise of the Debtors' business judgment because doing so will avoid value-destructive business interruption. The goods and services secured by satisfaction of the Trade Claims are necessary for the continued operation of the Debtors' business. Moreover, as described in the Mosely Declaration, the Debtors intend to file a motion seeking approval of auction procedures and a sale of substantially all of their assets in an expeditious manner under section 363 of the Bankruptcy Code. The proposed asset sale transaction will maximize value for the Debtors' estates, and provide the funds necessary to confirm a chapter 11 plan that will pay, among other things, general unsecured claims in full. Authority to pay the Trade Claims as

they come due will assist the smooth transition into and out of these chapter 11 cases and will ensure the Debtors' continued operation during the intervening period. The Debtors anticipate that failure to pay the Trade Claims as they become due may result in an inability to secure vital goods and services required to maintain the Debtors' corporate and field operations. Failure to satisfy the Trade Claims could thus jeopardize the Debtors' emergence from these cases and result in the destruction of going-concern value, to the detriment of the Debtors' estates, their stakeholders, and all parties in interest.

18. Accordingly, paying the relatively modest amount of Trade Claims — less than one-and-a-half percent (1.5%) of the total debt in these chapter 11 cases — in the ordinary course is prudent when compared to the amount the Debtors' stakeholders stand to lose if the Debtors' business were to be interrupted and, therefore, it is a sound exercise of the Debtors' business judgment.

Additional Bases for Payment of Certain Trade Claims

(a) *Certain Trade Claims Are Administrative Expenses*

19. An aggregate amount of approximately \$1,600,300, roughly 55% of the Trade Claims, may be entitled to the statutory priority for goods delivered to the Debtors in the ordinary course of business within 20 days before the Petition Date. Section 503(b)(9) of the Bankruptcy Code provides that such claims are administrative expense claims against the applicable Debtor's estate. *See* 11 U.S.C. § 503(b)(9). The Debtors, therefore, are required to pay such claims in full to confirm a plan of reorganization. *See* § 1129(a)(9)(A) (requiring payment in full of claims entitled to administrative expense priority). Instead of paying such Trade Claims on the effective date of a chapter 11 plan, the Debtors seek authority to pay the Trade Claims during the pendency of these chapter 11 cases as they become due. Thus, payment of Trade Claims entitled to priority under section 503(b)(9) under the Proposed Interim and Final

Orders will effect only a change in the timing of such payments, not the amounts or priority thereof. Finally, authorizing the Debtors to pay Trade Claims pursuant to the terms set forth herein should eliminate the burden on this Court and the Debtors arising from numerous individual motions requesting payment on account of 503(b)(9) claims.

(b) *Certain Trade Claims May Be Secured by Liens*

20. Certain Trade Claims in an aggregate amount of approximately \$2,653,000 are held by Trade Creditors that (i) repair and maintain the Debtors' equipment and facilities; (ii) lease facilities or equipment to the Debtors; or (iii) sell the Debtors raw natural gas. Such Trade Creditors may be entitled to assert (a) mechanics' lien claims⁵ or (b) first-purchaser lien claims⁶ against certain of the Debtors' assets under various state and federal laws. Under section 363(e) of the Bankruptcy Code, Trade Creditors with liens may be entitled to adequate protection of their liens, which may impose additional costs on the Debtors' estates.

⁵ For example, the Constitution of Texas provides for a self-executing lien for “[m]echanics, asrtisans and material men of every class . . . upon the buildings and articles made or repaired by them for the value of their labor done thereon, or material furnished therefor; and the Legislature shall provide by law for the speedy and efficient enforcement of said liens.” Tex. Const. Art. XVI § 37; *see also* Tex. Prop. Code Ann. § 53.021; Tex. Bus. & Com. Code Ann. § 7.209 (warehouseman lien); *City of Ingleside v. Johnson*, 537 S.W.2d 145, 152 (Tex. Civ. App. 1976) (recognizing Texas common law right to a lien by established usage of a particular trade). “[A] materialman is entitled to a constitutional lien if it can prove that: (1) the debtor is the owner of a building or article; (2) the materialman had privity of contract with the debtor; (3) the materialman made or repaired the building or article by (a) supplying goods and constructing all or part of the building or article, [or] (b) supplying goods and repairing the building or article . . . ; (4) the materialman actually supplied those goods to the debtor; and (5) the goods were incorporated into the building or article.” *In re A & M Operating Co., Inc.*, 182 B.R. 997, 1004 (E.D. Tex. 1995), *aff’d sub nom., In re of A&M Operating Co., Inc.*, 84 F.3d 433 (5th Cir. 1996).

⁶ Section 9.343 of the Texas Business and Commerce Code grants an automatically perfected “security interest in favor of interest owners, as secured parties, to secure the obligations of the first purchaser of oil and gas production, as debtor, to pay the purchase price.” *See* Tex. Bus. & Com. Code Ann. § 9.343(a), (b). “The security interest exists in oil and gas production, and also in the identifiable proceeds of that production owned by, received by, or due to the first purchaser.” *Id.* § 9.343(c). “‘Oil and gas production’ means any oil, natural gas, condensate of either, natural gas liquids, other gaseous, liquid, or dissolved hydrocarbons” *Id.* § 9.343(r)(1). “‘First purchaser’ means the first person that purchases oil or gas production from an operator or interest owner after the production is severed” *Id.* § 9.343(r)(3).

(c) *The Debtors' Secured Lenders Support the Payment of Trade Claims*

21. The Debtors are parties to that certain Credit Agreement, dated as of February 27, 2015 (as amended from time to time, the "**Credit Agreement**" and the \$250 million senior secured revolving credit facility thereunder, the "**Credit Facility**") by and among Azure, all of its Debtor subsidiaries, as guarantors, Wells Fargo Bank, N.A., as administrative agent (the "**Administrative Agent**"), and certain lenders thereto (collectively, the "**Lenders**"). The Debtors' obligations under the Credit Agreement are secured by substantially all the Debtors' assets, including all available cash on hand. Accordingly, before the Petition Date, the Debtors engaged the Lenders regarding the use of cash to pay the Trade Claims. While the Lenders have informed the Debtors that they may dispute the extent and priority of the any statutory or common law liens that may be asserted by the holders of Trade Claims,⁷ the Debtors and the Lenders have determined that the payment of ordinary course Trade Claims⁸ is a necessary step in effectuating a sale of the Debtors assets, which is the surest path toward preserving the going-concern value of the Debtors' estates and, ultimately, maximizing recoveries for creditors. The Lenders further believe that maintaining trade creditor relationship will likely maximize the value of the assets to be sold.

⁷ Courts have held that secured lenders' duly perfected security interests arising under Article 9 of the Uniform Commercial Code are superior to any lien claims and trust rights held by upstream producers under the state laws of Texas, Kansas, and Oklahoma. *See In re Semcrude, L.P.*, Case No. 08-11525 (BLS), 2011 WL 2471002, at *6 (Bankr. D. Del. June 20, 2011).

⁸ Ordinary course Trade Claims do not include (a) contract rejection damage claims, (b) litigation claims, or (c) any other claims that are otherwise unliquidated or subject to dispute.

**Applicable Financial Institutions Should be Authorized
and Directed to Receive, Process, Honor, and Pay Checks Issued and
Transfers Requested to Pay the Trade Claims**

22. The Debtors further request that the Court authorize and direct financial institutions to receive, process, honor, and pay, to the extent of funds on deposit, any and all checks issued, or to be issued, and electronic funds transfers requested, or to be requested, by the Debtors relating to the Trade Claims. The Debtors also seek authority to issue new postpetition checks or effect new postpetition electronic funds transfers in replacement of any checks or transfer requests on account of Trade Claims dishonored or rejected as a result of the commencement of the Debtors' chapter 11 cases.

Bankruptcy Rule 6003 Has Been Satisfied

23. Bankruptcy Rule 6003 provides that, to the extent relief is necessary to avoid immediate and irreparable harm, a bankruptcy court may issue an order granting "a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition" before 21 days after filing of the petition. As set forth in this Motion and in the Mosley Declaration, the Debtors believe an immediate and orderly transition into chapter 11 is critical to both the viability of their operations and preserving the value of the Debtors' estates and, therefore, any delay in granting the relief requested could cause irreparable harm. Furthermore, the failure to receive the requested relief during the first 21 days of these chapter 11 cases could result in the disruption of the Debtors' operations at this critical juncture and imperil the Debtors' restructuring.

Accordingly, the Debtors have satisfied the requirements of Bankruptcy Rule 6003.

Request for Bankruptcy Rule 6004 Waivers

24. 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.

Reservation of Rights

25. Nothing contained herein is intended 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 other party in interest's right to dispute any prepetition claim on any grounds, (iii) a waiver of any claims or causes of action which may exist against any creditor or interest holder, (iv) a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law, or (v) an assumption, adoption, or rejection of any agreement, contract, or lease between the Debtors and any third party under section 365 of the Bankruptcy Code.

Notice

26. 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

27. 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

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*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	§	Re: Docket No. __

INTERIM ORDER (I) AUTHORIZING DEBTORS TO PAY PREPETITION CLAIMS IN THE ORDINARY COURSE OF BUSINESS AND (II) DIRECTING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS PURSUANT TO SECTIONS 105(a), 362(d), 363(b) AND 503(b) 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, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”), for interim and final (i) authority to pay all undisputed, liquidated amounts owing with respect to the Trade Claims and (ii) direction of financial institutions to receive, honor, process, and pay all checks and wire transfers drawn on the Debtors’ accounts related thereto, 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 Court pursuant to 28

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.

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, but not directed, pursuant to sections 105(a), 363(b), and 503(b) of the Bankruptcy Code, to pay and satisfy the Trade Claims, whether relating to the period before or after the Petition Date, in an interim amount not to exceed \$910,300; *provided that* any Trade Creditor receiving payment on its Trade Claim must agree to maintain or reinstate trade terms during the pendency of these chapter 11 cases that are at least as favorable as the most favorable trade terms existing in the six (6) months before the Petition Date or such other trade terms acceptable to the Debtors (the “**Customary Trade Terms**”).
3. If a Trade Creditor, after receiving payment on account of a Trade Claim, ceases to provide Customary Trade Terms or otherwise fails to perform under a contract with a Debtor, the Debtors, in their sole discretion, may then take any and all appropriate steps to cause such Trade Creditor to repay payments made to it on account of its prepetition Trade Claim to the extent that such payments exceed the postpetition amounts then owing to such Trade Creditor.

4. No Trade Claims shall include amounts owed to AME on account of advances made to the Debtors pursuant to the Omnibus Agreement.

5. All banks and other financial institutions are authorized, but not directed, to receive, process, honor, and pay all checks presented for payment by the Debtors and to honor all fund transfer requests related to such obligations. Such banks and other financial institutions shall not be liable to any party on account of: (i) following the Debtors' representations, instructions, or presentations as to any order of this Court (without any duty of further inquiry); (ii) the honoring of any prepetition checks, drafts, wires, or ACH payments in a good-faith believe or upon a representation by the Debtors that this Court has authorized such prepetition check, draft, wire, or ACH payment; or (iii) an innocent mistake made despite implementation of reasonable handling procedures.

6. The Debtors are further authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to any prepetition amounts that are authorized to be paid pursuant to this Interim Order.

7. 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.

8. Notwithstanding entry of this Interim Order, nothing herein shall create, nor is intended to create, any rights in favor of or enhance the status of any claim held by any party.

9. 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.

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

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

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

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

14. 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.

15. 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 B

Proposed Final Order

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

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

**FINAL ORDER (I) AUTHORIZING DEBTORS TO PAY PREPETITION
CLAIMS IN THE ORDINARY COURSE OF BUSINESS AND (II) DIRECTING
FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND
TRANSFERS PURSUANT TO SECTIONS 105(a), 362(d), 363(b) AND 503(b)
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, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”) for interim and final (i) authority to pay all undisputed, liquidated amounts owing with respect to the Trade Claims and (ii) direction of financial institutions to receive, honor, process, and pay all checks and wire transfers drawn on the Debtors’ accounts related thereto; 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 Court pursuant to 28

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.

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 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 on a final basis as set forth herein.
2. The Debtors are authorized, but not directed, pursuant to sections 105(a), 363(b), and 503(c) of the Bankruptcy Code, to pay and satisfy Trade Claims, whether relating to the period before or after the Petition Date; *provided that* any Trade Creditor receiving payment on its Trade Claim must agree to maintain or reinstate trade terms during the pendency of these chapter 11 cases that are at least as favorable as the most favorable trade terms existing in the six (6) months before the Petition Date or such other trade terms acceptable to the Debtors (the “**Customary Trade Terms**”).
3. If a Trade Creditor, after receiving payment on account of a Trade Claim, ceases to provide Customary Trade Terms or otherwise fails to perform under a contract with a Debtor, the Debtors, in their sole discretion, may then take any and all appropriate steps to cause such Trade Creditor to repay payments made to it on account of its prepetition Trade Claim to

the extent that such payments exceed the postpetition amounts then owing to such Trade Creditor.

4. No Trade Claims shall include amounts owed to AME on account of advances made to the Debtors pursuant to the Omnibus Agreement.

5. All banks and other financial institutions are authorized, but not directed, to receive, process, honor, and pay all checks presented for payment by the Debtors and to honor all fund transfer requests related to such obligations. Such banks and other financial institutions shall not be liable to any party on account of: (i) following the Debtors' representations, instructions, or presentations as to any order of this Court (without any duty of further inquiry); (ii) the honoring of any prepetition checks, drafts, wires, or ACH payments in a good-faith believe or upon a representation by the Debtors that this Court has authorized such prepetition check, draft, wire, or ACH payment; or (iii) an innocent mistake made despite implementation of reasonable handling procedures.

6. The Debtors are further authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to any prepetition amounts that are authorized to be paid pursuant to this Final Order.

7. 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.

8. 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.

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

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

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

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

13. 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