

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 INTERIM AND FINAL ORDERS
(I) AUTHORIZING DEBTORS TO PAY CERTAIN PREPETITION TAXES
AND ASSESSMENTS, 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), 507(a), AND
541(d) 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), 363(b), 507(a)(8), and 541(d) 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 (i) interim and final authority to satisfy all Taxes (as defined below) due and owing to various local, state, and foreign taxing authorities (collectively, the “**Taxing Authorities**”)² that arose prior to the Petition Date (as defined below), including all Taxes subsequently determined by audit or otherwise to be owed for periods prior to the Petition Date, and (ii) that the Court authorize and direct applicable banks and financial institutions to receive, honor, process, and pay all checks issued or to be issued and electronic fund transfers requested or to be requested relating to the above.

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**”).

3. A non-exclusive list of the Taxing Authorities is annexed as **Exhibit 1** (the “**Taxing Authorities List**”) to the Proposed Interim Order and the Proposed Final Order.

Although the Taxing Authorities List is substantially complete, the Debtors respectfully request

² The definition of “Taxing Authorities” includes, but is not limited to, those parties set forth on the Taxing Authority List (as defined herein). The inclusion of any entity on, or the omission of any entity from, the Taxing Authority List is not an admission by the Debtors that such entity is, or is not, a Taxing Authority to which the Debtors owe any amount, and the Debtors reserve all rights with respect to any such determination.

that the relief requested herein be applicable to all Taxing Authorities whether or not a particular Taxing Authority is listed on the Taxing Authorities List.

Jurisdiction

4. 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

5. 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.

6. 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**”).

7. 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.³

The Debtors' Prepetition Taxes

A. Sales and Use Taxes

8. The Debtors incur sales and use taxes in Texas and Louisiana on the goods and services that the Debtors purchase from third-party vendors and use in those respective jurisdictions (the "**Sales and Use Taxes**"). Sales and Use Taxes are imposed by the State of Texas and by certain parishes in Louisiana, and non-payment thereof could be a violation of state and local statutes. Typically, the Debtors pay sales taxes on an ongoing basis through vendor withholding. To the extent sales taxes are not withheld, the Debtors receive a monthly invoice from the applicable Taxing Authority. Accordingly, Sales and Use Taxes are paid monthly. Historically, the amount of Sales and Use Taxes has been highly variable: it has averaged between \$3,000 and \$5,000 per month over the last twelve months. Sales and Use Taxes are typically due on or around the fifteenth day of each month, for the prior month. Because the Debtors have accrued Sales and Use Taxes for the entire month of January 2017, the Debtors estimate that they could owe approximately \$5,000 in prepetition Sales and Use Taxes, all of which is due within 21 days of the Petition Date. The Debtors therefore respectfully request authority to pay up to \$5,000 in Sales and Use Taxes on an interim basis and further authority to pay any prepetition Sales and Use Taxes under the Proposed Final Order.

³ Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Mosley Declaration.

B. Gas Utility Taxes

9. Two of the debtors—Azure TGG, LLC and Azure ETG, LLC—are designated as utilities by the State of Texas. As a result, these debtors incur and remit quarterly Gas Utility Taxes (“**GUTs**”) to the State of Texas. The Debtors are typically charged GUTs approximately six weeks following the end of a fiscal quarter. The Debtors estimate total prepetition GUTs for 2016 and 2017 to be \$70,000, of which \$55,000 in GUTs for the quarter ending December 31, 2016 would be due within 21 days of the Petition Date. The Debtors therefore respectfully request authority to pay up to \$55,000 in GUTs on an interim basis and further authority to pay all prepetition GUTs under the Proposed Final Order.

C. Property Taxes/Ad Valorem Taxes

10. The Debtors own or owned property located in New Mexico, Louisiana, Texas, and Wyoming that subject the Debtors to local ad valorem property taxes (the “**Property Taxes**”). The Property Taxes are assessed in estimated amounts based on the net book value of the Debtors’ property, plant, and equipment. The Debtors remit payments on such estimated amounts to the parish or county Taxing Authority, as applicable, on an annual basis. The Debtors estimate that they will owe approximately \$4.14 million in prepetition Property Taxes (the “**Property Taxes**”).

11. Included in the Debtors’ estimate of prepetition Property Taxes are estimated assessments for the calendar year ending 2016 and an estimated assessment for the calendar year 2017 up to the Petition Date. Also included are Property Taxes arising from certain of the Debtors’ Texas property for the calendar years ending 2014 and 2015 (the “**Additional Property Taxes**”). The Additional Property Taxes had been subject to dispute and negotiation between the Debtors and the applicable Taxing Authority. The Debtors recently

received a notice of decision from the applicable Taxing Authority regarding that dispute, which determined amounts owed on account of the Additional Property Taxes to be \$920,000.

12. The Debtors estimate that \$3.5 million of Property Taxes will come due within 21 days of the Petition Date. Payments of the 2016 Property Taxes in Texas, totaling approximately \$2.6 million, as well as the \$920,000 in Additional Property Taxes, are due by January 31, 2017—within 21 days of the Petition Date. Failure to remit payments by this date may subject the Debtors to additional penalties or interest. The Debtors therefore seek authority, but not direction, to pay up to \$3.5 million on account of the 2016 Texas Property Taxes and the Additional Property Taxes on an interim basis and further authority to pay all other prepetition Property Taxes under the Proposed Final Order.

D. Regulatory Assessments and Other Miscellaneous Taxes

13. In the ordinary course of business, the Debtors incur certain regulatory assessments, drilling and permitting fees, licensing fees, levies, and other miscellaneous fees (collectively, “**Regulatory Assessments**,” and together with Sales and Use Taxes, GUTs, and Property Taxes, the “**Taxes**”). The continued payment of Regulatory Assessments, including any amount due and owing on account of Regulatory Assessments incurred prior to the Petition Date are crucial to the continued operation of the Debtors’ business. Further, payment of Regulatory Assessments is required under state laws and non-compliance could be a violation of state statutes. Regulatory Assessments are typically paid quarterly. As of the Petition Date, the Debtors estimate that prepetition Regulatory Assessments of approximately \$35,000 have accrued, the majority of which is payable to environmental agencies in Louisiana and Texas based on highly subjective criteria. Although such Regulatory Assessments are paid quarterly, the timing of payments between states differs. Consequently, the Debtors expect approximately \$18,000 of such accrued prepetition Regulatory Assessments to become payable within 21 days

of the Petition Date, with the balance due at a later date. The Debtors therefore seek authority to pay up to \$18,000 in Regulatory Assessments on an interim basis and further authority to pay all prepetition Regulatory Assessments under the Proposed Final Order.

E. Estimated Sum of Prepetition Taxes

14. As of the Petition Date, the Debtors estimate that approximately up to \$5,000 in Sales and Use Taxes, \$70,000 in GUTs, \$4.14 million in Property Taxes, and \$35,000 in Regulatory Assessments relating to periods prior to the Petition Date will become due and owing to the Taxing Authorities after the Petition Date. The Debtors estimate that \$5,000 in Sales and Use Taxes, \$55,000 in GUTs, \$3.5 million in Property Taxes, and \$18,000 in Regulatory Assessments will come due within the first 21 days after the Petition Date. Pursuant to the Proposed Interim Order, the Debtors therefore request authority, but not direction, to pay up to \$3,578,000 of prepetition Taxes. Pursuant to the Proposed Final Order, the Debtors request authority to pay all remaining prepetition amounts.

15. The amounts of the Taxes listed above are good faith estimates based on the Debtors' books and records and remain subject to potential audits and other adjustments. As such, the Debtors also seek authorization to pay any prepetition Taxes due and owing following audit and review pursuant to the Proposed Final Order.

Basis for Relief Requested

16. Ample reasons exist to authorize the payment of the prepetition Taxes, including, among other things, that (i) the failure to pay the prepetition Taxes may interfere with the Debtors' continued operations and successful reorganization efforts; (ii) certain of the prepetition Taxes may not be property of the Debtors' estates; (iii) the failure to pay prepetition Taxes may increase the scope of secured and priority claims held by the applicable Taxing Authorities against the Debtors' estates; (iv) the payment of prepetition Taxes affects only the

timing of payments as most, if not all, of the Taxes are afforded priority status under the Bankruptcy Code; and (v) the Court has authority to grant the requested relief under sections 105(a) and 363(b) of the Bankruptcy Code.

A. Failure to Pay the Prepetition Taxes May Interfere with the Debtors' Continued Operations and Successful Reorganization Efforts

17. The Debtors seek to pay the prepetition Taxes to, among other things, prevent the Taxing Authorities from taking actions that may interfere with the Debtors' continued business operations. Nonpayment of these obligations may cause Taxing Authorities to take precipitous action, including, but not limited to, asserting liens or seeking to lift the automatic stay, which would disrupt the Debtors' day-to-day operations and could impose significant costs on the Debtors' estates. Furthermore, such actions could disrupt a sale process and chill bidding. Failure to satisfy the prepetition Taxes may jeopardize the Debtors' maintenance of good standing to operate in the jurisdictions in which they do business.

18. To the extent that any prepetition Taxes remain unpaid by the Debtors, the Debtors' officers and directors may be subject to lawsuits or criminal prosecution during the pendency of these chapter 11 cases for taxes that impose personal liability on officers and directors in the event of the company's nonpayment. The dedicated and active participation of the Debtors' directors, officers, and other employees is not only integral to the Debtors' continued, uninterrupted operations, but also essential to the orderly administration of these chapter 11 cases. The threat of a lawsuit or criminal prosecution, and any ensuing personal liability, would distract the Debtors and their personnel from important tasks to the detriment of all parties in interest. Accordingly, the proposed relief is in the best interests of the Debtors' estates.

B. Certain of the Prepetition Taxes May Not Be Property of the Debtors' Estates

19. Certain of the Taxes may not be property of the estate, as they are collected from third parties and held in trust for payment to various Taxing Authorities. Some of the prepetition Taxes, may constitute “trust fund” taxes, which the Debtors are required to collect and/or hold in trust for payment to the Taxing Authorities. Section 541(d) of the Bankruptcy Code provides, in relevant part:

Property in which the debtor holds, as of the commencement of the case, only legal title and not an equitable interest . . . becomes property of the estate . . . only to the extent of the debtor’s legal title to such property, but not to the extent of any equitable interest in such property that the debtor does not hold.

11 U.S.C. § 541(d).

20. To the extent the Debtors have collected or hold Taxes in trust for payment to the Taxing Authorities, such funds do not constitute property of the Debtors’ estates. *See, e.g., Begier v. IRS*, 496 U.S. 53, 60–62 (1990) (holding that excise and withholding taxes are property held by a debtor in trust for another and, as such, are not property of the debtor’s estate); *Al Copeland Enters., Inc. v. Texas*, 991 F.2d 233, 235 (5th Cir. 1993) (debtors’ prepetition collection of sales taxes and interest thereon held subject to trust and not property of estate); *In re Equalnet Comm. Corp.*, 258 B.R. 368, 370 (Bankr. S.D. Tex. 2000) (“[C]ertain prepetition tax claims, such as sales taxes, could be trust fund claims.”). The Debtors, therefore, generally do not have an equitable interest in such funds, and they should be permitted to pay those funds to the Taxing Authorities as they become due.

C. Failure to Pay Prepetition Taxes May Increase the Scope of Secured and Priority Claims Held by the Taxing Authorities

21. The Debtors’ failure to pay such Taxes may increase the amount of secured claims held by Taxing Authorities against the Debtors’ estates. Taxing Authorities may also assert liens against any personal property for which these Taxes are due and owing.

Furthermore, the postpetition creation and perfection of certain of these liens may not be subject to the automatic stay. *See* 11 U.S.C. §§ 362(b)(3), (18). Thus, nonpayment of certain Taxes may inadvertently result in the creation and perfection of additional liens on the Debtors' assets during these chapter 11 cases.

22. Moreover, to the extent the Taxing Authorities hold oversecured claims, if the prepetition Taxes are not paid, postpetition interest, fees, penalties, and other charges may accrue. *See* 11 U.S.C. § 506(b); *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 241–43 (1989) (holding that nonconsensual lienholders may receive interest on their claims under section 506(b) of the Bankruptcy Code). As discussed below, even if these Taxes are not treated as secured claims, they may still be entitled to priority treatment—as may any penalties assessed by the applicable Taxing Authorities on delinquent taxes owed by the Debtors. *See* 11 U.S.C. § 507(a)(8). The Debtors' failure to pay the prepetition Taxes thus may increase the amount of priority claims held by the Taxing Authorities against the Debtors' estates.

23. Paying the prepetition Taxes as set forth in this Motion will avoid the imposition of liens, the accrual of interest charges, and unnecessary fees and penalties on such claims, thereby preserving the value of the Debtors' estates and maximizing the distribution available for other creditors. Therefore, the Court should authorize, but not direct, the Debtors to pay prepetition Taxes because payment will benefit the estates' creditors and other parties in interest.

D. Paying the Prepetition Taxes Will Affect Only the Timing of Payments

24. Most, if not all, of the Taxes described herein are also afforded priority status pursuant to section 507(a)(8) of the Bankruptcy Code. *See* 11 U.S.C. § 507(a)(8)(A) (“[A] tax on or measured by income or gross receipts for a taxable year on or before date of filing of the petition”); *id.* at (B) (“[A] a property tax incurred before the commencement of the case

and last payable without penalty after one year before the date of the filing of the petition.”); *id.* at (C) (“[A] tax required to be collected or withheld and for which the debtor *is liable in whatever capacity.*”) (emphasis added); *id.* at (E) (“[A]n excise tax on . . . a transaction occurring before the date of filing the petition”); *id.* at (F) (“[A] customs duty arising out of the importation of merchandise”); *id.* at (G) (“[A] penalty related to a claim of a kind specified in this paragraph and in compensation for actual pecuniary loss.”).

25. Courts frequently authorize early payment of priority claims when such early payment is intended to prevent some harm or to procure some benefit for the estate. *See, e.g., In re CEI Roofing, Inc.*, 315 B.R. 50, 60-61 (Bankr. N.D. Tex. 2004) (finding that authorization of early payment of priority claims does not trigger concerns of either upsetting priority scheme of Bankruptcy Code or of unfair discrimination); *In re CoServ, L.L.C.*, 273 B.R. 487, 493 (Bankr. N.D. Tex. 2002) (implying that bankruptcy court may authorize early payment of prepetition priority claims in instances where nonpayment could impair debtor’s ability to operate); *Equalnet Commc’ns Corp.*, 258 B.R. at 370 (stating that court may authorize pre-plan payment of priority claims, because “the need to pay these claims in an ordinary course of business time frame is simple common sense”).

26. To the extent the prepetition Taxes are priority claims, they must be paid in full before any general unsecured obligations of the Debtors may be satisfied. Accordingly, the proposed relief will affect only the timing of payment of the prepetition Taxes and will not prejudice the rights of any general unsecured creditor or other party in interest. Therefore, the Debtors respectfully request authority to pay the prepetition Taxes in the ordinary course.

E. The Court has Authority to Grant the Requested Relief Under Sections 363(b) and 105(a) of the Bankruptcy Code

27. 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.” The Debtors submit that payment of Taxes constitutes an ordinary course transaction. To the extent necessary, payment of Taxes should also be approved under sections 363(b)(1), 1107(a), and 105(a) of the Bankruptcy Code.

28. Section 363(b)(1) of the Bankruptcy Code provides that “[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. at 59 (quoting *In re CoServ, L.L.C.*, 273 B.R. at 497). 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 and 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.

29. The Debtors' failure to pay its Taxes could have a material adverse impact on their ability to operate, as the Taxing Authorities could attempt to prevent or delay the Debtors' operations if the Taxes are not paid. Payment of the prepetition Taxes is an exercise of sound business judgment and is necessary to permit a successful reorganization, as the Debtors' satisfaction of the prepetition Taxes is necessary 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 conduct a successful reorganization process and thereby maximize the value of the Debtors' estates for the benefit of creditors.

30. For the foregoing reasons, granting the Debtors authority to pay the prepetition Taxes in the ordinary course is necessary, appropriate, and in the best interests of the Debtors, their estates, and all other parties in interest in these cases. Courts in this district and others have approved comparable motions as a routine matter in similar cases. *See, e.g., In re Memorial Prod. Partners LP, et al.*, No. 17-30262 (MI) (Bankr. S.D. Tex. Jan. 17, 2017) (Docket No. 58) (granting interim relief pending a final hearing); *In re Shoreline Energy LLC, et al.*, No. 16-35571 (DRJ) (Bankr. S.D. Tex. Nov. 4, 2016) (Docket No. 34) (granting authority to pay prepetition taxes on a final basis); *In re Midstates Petroleum. Co.*, No.16-32237 (DRJ) (Bankr. S.D. Tex. May 2, 2016) (Docket No. 70) (authorizing debtor to pay prepetition taxes on a final basis at outset of case); *In re Energy XXI Ltd*, No.16-31928 (DRJ) (Bankr. S.D. Tex. Apr. 15, 2016) (Docket No. 57) (same). The same relief is also appropriate here. Accordingly, the Court should authorize the Debtors to pay prepetition Taxes in the ordinary course.

**Applicable Banks Should be Directed
to Honor and Pay Checks Issued and Make
Other Transfers to Pay the Prepetition Taxes**

31. As part of their cash management system, the Debtors maintain deposit accounts at Wells Fargo, National Association (“**Wells Fargo**”). In the ordinary course of business, the Debtors draw upon funds in these accounts to satisfy their obligations with respect to Taxes. The Debtors request that the Court direct Wells Fargo and any other applicable financial institutions to receive, process, honor, and pay all checks and electronic funds transfers (“**EFTs**”) used to pay the Taxes, whether requested or presented prior to, on, or after the Petition Date. The Debtors also seek authority to issue new postpetition checks and effect new postpetition EFTs on account of the Taxes to replace any prepetition checks or EFTs that may be dishonored or rejected as a result of the commencement of these chapter 11 cases. The Debtors have sufficient liquidity to pay such amounts as they come due in the ordinary course of the Debtors’ business.

Bankruptcy Rule 6003 Has Been Satisfied

32. 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. An inability to pay taxes could result in the Debtors’ violation of state and local law. Accordingly, the Debtors submit that they have satisfied the requirements of Bankruptcy Rule 6003.

Request for Bankruptcy Rule 6004 Waivers

33. 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

34. Nothing contained herein 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, if the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended to be and should not be construed as an admission to the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently.

Notice

35. 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; (vi) the United States Attorney's

Office for the Southern District of Texas; and (vii) the Taxing Authorities. The Debtors submit that no other or further notice need be provided.

No Previous Request

36. 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 CERTAIN PREPETITION TAXES AND ASSESSMENTS, 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), 507(a), AND 541(d) 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 an order (i) authorizing Debtors to pay certain prepetition taxes and assessments, 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), 507(a), and 541(d) of the Bankruptcy Code, 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

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.

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 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), 507(a), and 541(d) of the Bankruptcy Code, to pay prepetition Taxes due and owing to the Taxing Authorities within 21 days of the Petition Date, including, without limitation, those Taxing Authorities listed on **Exhibit 1** annexed hereto, that arose prior to the Petition Date, including all Taxes subsequently determined upon audit or otherwise to be owed for periods prior to the Petition Date, in an interim amount not to exceed \$3,578,000, which includes up to \$5,000 in Sales and Use Taxes, up to \$55,000 in GUTs, up to \$3,500,000 in Property Taxes, and up to \$18,000 in Regulatory Assessments, as defined in the Motion.
3. Wells Fargo and other financial institutions are authorized and 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 belief 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.

4. 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.

5. The Debtors shall serve this Interim Order within three (3) business days after its entry on the Notice Parties.

6. Nothing in the Motion or this Interim Order shall be deemed to authorize the Debtors to accelerate any payments not otherwise due prior to the Final Hearing.

7. 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.

8. 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.

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 Interim Order shall be immediately effective and enforceable upon its entry.

12. This Interim Order is effective only from the date of entry through this Court's disposition of the Motion on a final basis; *provided*, that the Court's ultimate disposition of the Motion on a final basis shall not impair or otherwise affect any action taken pursuant to this Interim Order.

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 1

Taxing Authorities List

Taxing Authorities List

Authority	Address
Railroad Commission of Texas Gas Services Division	1701 N. Congress Austin, TX 78701
Angelina County	606 E Lufkin Avenue Lufkin, TX 75901
Caddo Parish	501 Texas Street, Room 102 Shreveport, LA 71101
Carbon County	120 East Main Price, UT 84501
DeSoto Parish	211 Crosby Street Mansfield, LA 71052
Fremont County	450 North 2nd Street Lander, WY 82520
Galena Park ISD	14705 Woodforest Boulevard Houston, TX 77015
Greenwood Town	9381 Greenwood Road Greenwood, LA 71033
Harris County	201 Caroline Drive Houston, TX 77002
Harrison CAD	601 S. Washington Avenue Marshall, TX 75670
Harrison County	200 West Houston Marshall, TX 75670
Louisiana Department of Environmental Quality	Galvez Building 602 North Fifth Street Baton Rouge, LA 70802
Morris CAD	501 Crockett Street Daingerfield, TX 75638
Nacogdoches CAD	216 W Hospital Street Nacogdoches, TX 75961
Panola County	110 S. Sycamore, Room 211 Carthage, TX 75633
Red River Tax Agency	Red River Parish Administration Building, 2nd Floor 2015 Redoak Road Coushatta, LA 71019
Rusk County	107 N. Van Buren Street Henderson, TX 75652
Sabine County	201 Main Street Hemphill, TX 75948
San Augustine County	100 W. Columbia, Room 102 San Augustine, TX 75972
Sandoval County	1500 Idalia Road, Building D Bernalillo, NM 87004

Authority	Address
Shelby County	200 San Augustine Street Center, TX 75935
Tenaha ISD	138 College Street Tenaha, TX, 75974
Texas Commission on Environmental Quality	12100 Park 35 Circle Austin, TX 78753
Texas Comptroller of Public Accounts	Lyndon B. Johnson State Office Building 111 East 17th Street Austin, TX 78774
Tyler County	1001 West Bluff Woodville, TX 75979

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 CERTAIN PREPETITION TAXES AND ASSESSMENTS, 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), 507(a), AND 541(d) OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6003 AND 6004

Upon the motion, dated January 30, 2017 (the “**Motion**”),² of Azure Midstream Partner, LP, its subsidiaries, and certain affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”), for an order (i) authorizing Debtors to pay certain prepetition taxes and assessments, 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), 507(a), and 541(d) of the Bankruptcy Code, 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

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.

the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing venue is allowed before this 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 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 on a final basis as set forth herein.
2. The Debtors are authorized, but not directed, pursuant to sections 105(a), 363(b), 507(a), and 541(d) of the Bankruptcy Code, to satisfy all prepetition Taxes due and owing to the Taxing Authorities, including, without limitation, those Taxing Authorities listed on **Exhibit 1** annexed hereto, that arose prior to the Petition Date, including all Taxes subsequently determined upon audit or otherwise to be owed for periods prior to the Petition Date.
3. Wells Fargo and other financial institutions are authorized and 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 belief 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.

4. 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.

5. The Debtors shall serve this Final Order within three business days of its entry on the Notice Parties.

6. Notwithstanding entry of this Final 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.

7. 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.

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

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

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

11. 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

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