



ENTERED
02/01/2017

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

In re:

AZURE MIDSTREAM
PARTNERS, LP, *et al.*,

Debtors.¹

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Chapter 11

Case No. 17-30461 (DRJ)

(Jointly Administered)

Re: Docket No. 10

ORDER (I) APPROVING DEBTORS' PROPOSED FORM OF ADEQUATE ASSURANCE OF PAYMENT TO UTILITY COMPANIES, (II) ESTABLISHING PROCEDURES FOR RESOLVING OBJECTIONS BY UTILITY COMPANIES, AND (III) PROHIBITING UTILITY COMPANIES FROM ALTERING, REFUSING, OR DISCONTINUING SERVICE PURSUANT TO SECTIONS 366 AND 105(a) OF THE BANKRUPTCY CODE AND SECTION 6004 OF THE BANKRUPTCY RULES

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**"), (i) for approval of the Debtors' proposed form of adequate assurance of payment to Utility Companies; (ii) to establish procedures for resolving objections by Utility Companies; and (iii) to prohibit Utility Companies from altering, refusing, or discontinuing Utility Services, pursuant to sections 366 and 105(a) of title 11 of the United States Code (the "**Bankruptcy Code**") and Rule 6004 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), as more fully set forth in the Motion; and upon consideration of the Mosley Declaration; and the Court having jurisdiction to consider the

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). The Debtors' principal offices are located at 12377 Merit Drive, Suite 300, Dallas, Texas 75251.

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



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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 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 as set forth herein.
2. Pursuant to sections 366 and 105(a) of the Bankruptcy Code and Bankruptcy Rule 6004, the Debtors' form of Proposed Adequate Assurance is approved.
3. The Adequate Assurance Deposit, together with the Debtors' ability to pay for future Utility Services in the ordinary course of business, shall constitute adequate assurance of future payment as required by section 366 of the Bankruptcy Code.
4. The Debtors shall deposit the Adequate Assurance Deposit in the amount of \$57,795 in a newly-created, segregated, interest-bearing account for the benefit of the Utility Companies (the "**Utility Deposit Account**"), which shall be separately allocated for, and payable to, each Utility Company in the amount set forth on **Exhibit 1** annexed hereto as to each Utility Company or as otherwise agreed within 20 days after the Petition Date.

5. All Utility Companies, including, without limitation, those listed on **Exhibit 1** annexed hereto, are prohibited from altering, refusing, or discontinuing Utility Services or otherwise discriminating against the Debtors on account of any unpaid prepetition charges or any perceived inadequacy of the Debtors' Proposed Adequate Assurance.

6. The following Additional Assurance Procedures are approved:

- a. Within three business days after entry of this Order, the Debtors will fax, e-mail, serve by overnight mail, or otherwise expeditiously send a copy of this Order and the Motion to the Utility Companies on the Utility Services List.
- b. Each Utility Company shall be entitled to the funds in the Utility Deposit Account in the amount set forth for such Utility Company in the column labeled "Proposed Adequate Assurance" on the Utility Services List.
- c. If an amount relating to Utility Services provided postpetition by a Utility Company is unpaid, and remains unpaid beyond any applicable grace period, such Utility Company may request a disbursement from the Utility Deposit Account by giving notice to: (i) proposed counsel to the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: David Zubkis, Esq.); (ii) the Office of the United States Trustee, 515 Rusk Street, Suite 3516, Houston, Texas 77002; and (iii) counsel for the official committee of unsecured creditors (if any) appointed in these chapter 11 cases. The Debtors shall honor any such request within five (5) business days after the date the request is received by the Debtors, subject to the ability of the Debtors and any such requesting Utility Company to resolve any dispute regarding such request without further order of the Court. To the extent a Utility Company receives a disbursement from the Utility Deposit Account, the Debtors shall replenish the Utility Deposit Account in the amount so disbursed.
- d. The portion of the Adequate Assurance Deposit attributable to each Utility Company shall be returned to the Debtors on the earlier of (i) reconciliation and payment by the Debtors of the Utility Company's final invoice in accordance with applicable nonbankruptcy law following Debtors' termination of Utility Services from such Utility Company and (ii) the effective date of any chapter 11 plan confirmed in these chapter 11 cases.
- e. If a Utility Company is not satisfied with the Proposed Adequate Assurance, it must serve a written request (an "**Additional Assurance Request**") upon proposed counsel to the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153

(Attn: David Zubkis, Esq.), and the Additional Assurance Request must set forth (i) the location(s) for which Utility Services are provided; (ii) the account number(s) for such location(s); (iii) the outstanding balance for each such account; and (iv) an explanation of why the Utility Company believes the Adequate Assurance Deposit is not adequate assurance of payment. All Additional Assurance Requests must further (x) summarize the Debtors' payment history relevant to the affected account(s), (y) certify the amount that is equal to two weeks of the Utility Services the Utility Company provides to the Debtors, calculated as a historical average over the 12-month period preceding the Petition Date, and (z) certify that the Utility Company does not already hold a deposit equal to or greater than two weeks of Utility Services provided by such Utility Company.

- f. Unless a Utility Company properly and timely files and serves an objection to this Motion or serves, and all the Notice Parties listed actually receive, an Additional Assurance Request within 20 days after entry of the order granting this Motion by the Court, such Utility Company shall be: (i) deemed to have received "satisfactory" adequate assurance of payment in compliance with section 366 of the Bankruptcy Code and (ii) forbidden from discontinuing, altering, or refusing Utility Services to, or discriminating against, the Debtors on account of any unpaid prepetition charges or requiring additional assurance of payment other than the Proposed Adequate Assurance.
- g. Upon the Debtors' receipt of any Additional Assurance Request, the Debtors shall negotiate with such Utility Company to resolve such Utility Company's Additional Assurance Request.
- h. The Debtors may, without further order from the Court, resolve any Additional Assurance Requests by mutual agreement with a Utility Company, and the Debtors may, in connection with any such agreement, provide a Utility Company with additional adequate assurance of payment, including, but not limited to, cash deposits, prepayments, or other forms of security if the Debtors believe that such adequate assurance is reasonable.
- i. If the Debtors and the Utility Company are not able to reach an alternative resolution within 30 days of receipt of the Additional Assurance Request, the Debtors shall file a Motion requesting that the Court determine the adequacy of assurance of payment with respect to a particular Utility Company (the "**Determination Motion**") pursuant to section 366(c)(3) of the Bankruptcy Code.
- j. Pending the outcome of the Determination Motion, the Utility Company filing such Additional Assurance Request shall be prohibited from altering, refusing, or discontinuing Utility Services to the Debtors on

account of unpaid charges for prepetition services or on account of any objections to the Proposed Adequate Assurance.

7. The Utility Companies are prohibited from requiring or requesting additional adequate assurance of payment other than pursuant to the Adequate Assurance Procedures.

8. The Debtors are authorized in their sole discretion to add, after serving a copy of this Order upon a newly identified Utility Company, and remove any Utility Company from the Utility Services List. The Debtors shall add to or subtract from the Adequate Assurance Account an amount equal to two weeks' payment for Utility Services, calculated using the historical average for such payments during the past 12 months, for each Utility Company subsequently added or removed in this way, respectively. Any Utility Company subsequently added to the Utility Services List shall have 20 days from the date of service of this Order to make an additional Assurance Request and shall be bound by the Adequate Assurance Procedures.

9. The relief granted herein is for all Utility Companies providing Utility Services to the Debtors and is not limited to those parties or entities listed on the Utility Services List.

10. The Debtors' service of the Motion upon the Utility Services List shall not constitute an admission or concession that any such entity is a "utility" within the meaning of section 366 of the Bankruptcy Code, and the Debtors reserve all rights and defenses with respect thereto.

11. All applicable banks 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 to the extent that sufficient funds are on deposit and standing in the Debtors' credit in the applicable bank accounts to cover such payments. Such applicable banks and other financial institutions are authorized to accept and honor all representations and instructions from the Debtors as to which check, ACH transfer,

draft, wire, or other transfer drawn or issued by the Debtors before the Petition Date should be honored pursuant to any order of this Court. Such banks and financial institutions shall not have any liability to any party for (a) relying on this Order or the representations or instructions by the Debtors as provided for herein or any other order of this Court, or (b) honoring or not honoring any check, ACH transfer, draft, wire, or other transfer in a good-faith belief that the Court has or has not authorized the honoring of such check, ACH transfer, draft, wire, or other such transfer. Without limiting the foregoing, all banks and other financial institutions may rely on the representations of the Debtors with respect to whether any check or other payment order drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to this or any other order of this Court, and such banks and financial institutions shall not have any liability to any party for relying on such representations by the Debtors as provided for herein.

12. 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 Order.

13. Nothing contained in this Order or any action taken by the Debtors in implementing this Order shall be deemed (i) an admission as to the validity of any claim against the Debtors; (ii) a waiver of the Debtors' or any party in interest's rights to dispute the amount of, basis for, or validity of any claim of any Utility Company under applicable nonbankruptcy law; (iii) a waiver of any claims or causes of action which may exist against any Utility Company; or (iv) 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.

14. Notwithstanding entry of this 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.

15. The Debtors shall serve this Order within three business days of its entry on the Notice Parties and Utility Companies.

16. Notice of the Motion as provided herein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) are waived.

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

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

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

SIGNED: February 1, 2017.



DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Nonexclusive Utility Services List

Nonexclusive Utility Services List

Provider	Utility Contact Address	Service(s) Provided	Account Number(s)	Proposed Adequate Assurance Deposit ⁽³⁾
AT&T	4331 Communications Dr, FL 4W Dallas, TX 75211	Telephone	903 935-2333 886 1, 903 694-2700 138 3, 903 694-9761 241 6, 903 690-9400 125 2	\$297.88
AT&T	4331 Communications Dr, FL 4W Dallas, TX 75211	Internet	145773561	\$138.95
AT&T Mobility	4331 Communications Dr, FL 4W Dallas, TX 75211	Telephone	287256929901	\$98.77
CenterPoint Energy - Entex	1111 Louisiana St Houston, TX 77002	Commercial Gas Service	9253335-5	\$9.28
CenturyLink QCC Services	665 Lexington Ave. Mansfield, OH 44907	Telephone/Internet	85990342	\$3,540.19
City of Carthage	City Hall 321 W. Panola Street Carthage, TX 75633	Water	012-0000220-010	\$46.72
City of Waskom	450 W. Texas Avenue Waskom, TX 75692	Water	00000843	\$29.95
Comcast	1701 John F Kennedy Blvd Philadelphia, PA 19103-2838	Internet/Cable	8495 44 083 0308675	\$86.66
Deep East Texas Electric Cooperative Inc	880 Texas Hwy 21 East San Augustine, TX 75972	Electricity	1314294007, 1314294006, 1314294005, 1314294004, 1314294011, 1314294002, 1314294001, 1314294003	\$12,951.96
DirecTV Inc	2230 E Imperial Hwy El Segundo, CA 90245-3501	Television	052070624	\$89.43
Eastex Telephone Coop Inc	3675 Us Highway 79 South Henderson, TX 75654	Telephone	00621954, 3023440	\$598.75

³ Deposit amounts represent two weeks' spend; based on the Debtors' overall expenditure between January 1, 2016 and December 31, 2016.

Provider	Utility Contact Address	Service(s) Provided	Account Number(s)	Proposed Adequate Assurance Deposit ⁽³⁾
Leigh Water Supply Corporation	2121 FM 1999 Karnack, TX 75661	Water	102141	\$58.34
Panola Harrison Electric Coop	410 East Houston Marshall, TX 75670	Electricity	99996661-013, 99996661-015, 99996661-001, 99996661-002, 99996661-003, 99996661-004, 99996661-005, 99996661-006, 99996661-009, 99996661-010, 99996661-011, 99996661-012, 99996661-014, 12818-002, 12818-003, 12818-004, 12818-006, 12818-009, 12818-010, 12818-011, 99996476-001, 99996476-002, 19298-001	\$3,177.84
Questar Gas	333 South State Street P.O. Box 45433 Salt Lake City, UT 84111	Commercial Gas Service	0231602861	\$140.00
Republic Services	6896 Industrial Loop Shreveport, LA 71129	Waste Disposal/Removal	3-0975-0000393, 3-0975-0002660, 3-0070-0033147	\$966.48
Rocky Mountain Power	1407 W North Temple Salt Lake City, UT 84116	Electricity	36448723-001 3	\$40.00
Rusk County Electric Coop Inc	3162 Hwy. 43 E Henderson, TX 75652	Electricity	32684500, 34551200, 34729000, 34967700, 34799700, 34459600, 34967900, 34462800, 34992700, 35015000, 34799500, 34506200, 34928700, 34929500, 34950400, 34335000, 34377300, 35188100,	\$25,611.00

Provider	Utility Contact Address	Service(s) Provided	Account Number(s)	Proposed Adequate Assurance Deposit⁽³⁾	
Sam Houston Electric Coop	1157 E. Church St. Livingston, TX 77351	Electricity	2306439, 2293546, 2321750	\$957.60	
Southwestern Electric Power	428 Travis St Shreveport, LA 71101	Electricity	968-239-769-0-5, 964-021-242-1-6, 960-510-667-1-8, 967-985-618-0-7, 969-850-932-1-8, 962-897-632-1-9, 964-368-187-0-0, 965-409-707-2-8, 960-202-668-1-1, 960-907-865-2-4, 969-956-688-1-9, 967-903-046-1-0, 962-626-332-1-5, 961-695-911-1-0, 962-943-953-0-4		\$656.11
TXU Energy Retail Company LLC	6555 Sierra Drive Irving, TX 75039	Electricity	100033589801	\$22.07	
Upshur Rural Electric Cooperative	1200 W. Tyler Street Po Box 70 Gilmer, TX 75644	Electricity	10059003, 10059004, 10059007, 10059008, 10059010, 10059002, 10059009	\$8,017.42	
Vonage Business, Inc.	34232 Pacific Coast Highway Ste E Dana Point, CA 92629	Telephone	21408	\$206.63	
Zoom Broadband, LLC	309 W. Houston Marshall, TX 75670	Internet	AZURE_MIDSTREAM	\$52.67	