

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

IN THE MATTER OF:

CASE NO. 17-30461

AZURE MIDSTREAM PARTNERS,  
L.P., ET AL.

DEBTORS

CHAPTER 11

OBJECTION TO  
EXPEDITED MOTION OF DEBTORS PURSUANT TO 11 U.S.C. §§ 105, 363, 365, AND 503  
AND FED. R. BANKR. P. 2002, 6004, AND 6006 FOR ENTRY OF (I) ORDER APPROVING  
(A) BID PROCEDURES, (B) PROCEDURES FOR ASSUMPTION AND ASSIGNMENT OF  
CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND RELATED  
NOTICES, (C) NOTICE OF AUCTION AND SALE HEARING, AND (D) RELATED RELIEF  
AND (II) ORDER (A) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE  
DEBTORS’ ASSETS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND  
OTHER INTERESTS, (B) APPROVING ASSUMPTION, ASSIGNMENT AND SALE OF  
CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND RELATED  
CURE AMOUNTS, AND (C) GRANTING RELATED RELIEF  
(Document 78)

TO THE HONORABLE BANKRUPTCY JUDGE:

NOW COMES the County of Harrison, Texas and Harrison Central Appraisal District (“Harrison County and Harrison CAD”) and file their Objection to Expedited Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 363, 365, and 503 and Fed. R. Bankr. P. 2002, 6004, and 6006 for Entry of (I) Order Approving (A) Bid Procedures, (B) Procedures for Assumption and Assignment of Certain Executory Contracts and Unexpired Leases and Related Notices, (C) Notice of Auction and Sale Hearing, and (D) Related Relief and (II) Order (A) Approving the Sale of Substantially All of the Debtors’ Assets Free and Clear of Liens, Claims, Encumbrances and Other Interests, (B) Approving Assumption, Assignment and Sale of Certain Executory Contracts and Unexpired Leases and Related Cure Amounts, and (C) Granting Related Relief (Document 78) (“Sale Motion”), on the following grounds:



1. Harrison County and Harrison CAD are political subdivisions of the State of Texas. There are delinquent taxes due to Harrison County and Harrison CAD for the 2014-2016 tax years in the amount of \$1,733,182.04. These taxes are secured with a security interest that is superior to that of any other secured claim under the Texas Constitution, Article VIII, Section 15, and the Texas Property Tax Code, Section 32.01 and Section 32.05(b). Stanford v. Butler, 826 F.2d 353 (5th Cir. 1987), 11 USC § 506; Universal Seismic Associates, Inc., 288 F.3d 205 (5th Cir. 2002); In Re Winn's Stores, Inc.; 177 B.R. 253 (Bkcty W.D. Tex 1995). In addition, the lien is a lien *in solido* and attaches to all personal property of the debtors. Texas Property Tax Code Section 32.01(b).
2. Harrison County and Harrison CAD do not oppose the sale of the property, so long as the 2014-2016 ad valorem taxes are paid at closing from the proceeds of the sale, or placed in a segregated account, prior to the distribution of any proceeds to any other creditor. In addition, the liens for the 2014-2016 tax years should attach to the proceeds of the sale as adequate protection as required by 11 U.S.C. § 363(e) until all taxes, penalties and interest are paid in full. In addition, interest should be paid on the claim as allowed by 11 U.S.C. §§ 506(b) and Harrison County and Harrison CAD object to the distribution of proceeds to any other creditors whose liens are inferior to that of Harrison County and Harrison CAD.
3. The following language if included in the order approving the sale would be sufficient to satisfy the objection of Harrison County and Harrison CAD:

On the Payment Date, the Debtors shall pay the 2014-2016 taxes plus interest as provided by 11 U.S.C. §§ 506(b) and 511 due to Harrison County and Harrison CAD. In the alternative, the Debtors shall establish a segregated account into which there shall be deposited an amount equal to 1,733,182.04 plus interest as provided by 11 U.S.C. §§ 506(b) and 511 to provide for the payment of claims or liens of Harrison County and Harrison

CAD. The liens of Harrison County and Harrison CAD shall attach to these segregated proceeds with the same validity, to the same extent, and with the same priority they now hold in the property being sold. This segregated account shall be in the nature of adequate protection and shall neither be a cap on the amounts recoverable by Harrison County and Harrison CAD from proceeds of sale, nor shall this segregated account be an allowance of their claims, said claims being subject to any and all rights of any party to object to the validity, extent or priority of these claims. No funds from this segregated account will be distributed apart from agreement of the Debtors and Harrison County and Harrison CAD or upon subsequent order of the court duly noticed to Harrison County and Harrison CAD.

4. The 2017 tax liens of Harrison County and Harrison CAD are currently attached to the assets being sold as provided by Texas Property Tax Code § 32.01 and are superior to any other liens under Texas Property Tax Code § 32.05. Harrison County and Harrison CAD further request that the 2017 taxes be paid in the ordinary course of business, and that the Sale Order reflect that the 2017 tax liens be retained as provided by the proposed Asset Purchase Agreement filed with the Sale Motion.
5. In the alternative, if a credit bid is the successful bid and no proceeds are available, Harrison County and Harrison CAD request that the 2014-2017 taxes be paid by the buyer, and that the 2014-2017 tax liens be retained until all 2014-2017 taxes, plus any penalties and interest that may accrue thereon are paid in full.
6. For the reasons stated above, Harrison County and Harrison CAD object to the Sale Motion on the grounds that 1) they have not consented to the sale as required by 11 U.S.C. § 363(f) and 2) that the Sale Motion does not provide adequate protection for the claims of Harrison County and Harrison CAD as required by 11 U.S.C. § 363(e).

WHEREFORE, Harrison County and Harrison CAD request this Court to order that 1) the Harrison County and Harrison CAD tax liens attach to the cash proceeds of the sale, and the tax

claim be paid at closing, or 2) that the amount of \$3,553,023.18 be placed in an escrow account as adequate protection with the tax liens attached to those sale proceeds or 3) provide for adequate protection of the Harrison County and Harrison CAD's tax liens in some other manner and further request other and such relief as is just and proper.

Dated: March 13, 2017

Respectfully submitted,  
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/s/Lee Gordon

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CERTIFICATE OF SERVICE

I hereby certify that I have placed a copy of the above Objection to Sale Motion to the following parties and to those parties on the Court's Notice of Electronic Filing on March 13, 2017 by Electronic Notification.

/s/Lee Gordon  
Lee Gordon

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