

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

In re: §
§ **Chapter 11**
§
AZURE MIDSTREAM § **Case No. 17-30461 (DRJ)**
PARTNERS, LP, et al., §
§ **Jointly Administered**
§
Debtors.¹ §
§

**NOTICE OF FILING OF TRANSCRIPT FOR
AUCTION CONDUCTED ON MARCH 10, 2017**

Attached hereto as **Exhibit A** is a copy of the official transcript of an auction conducted on March 10, 2017 in accordance with the 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 [Docket No. 116].

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).



Dated: March 15, 2017
Houston, Texas

/s/ Christopher M. López

Christopher M. López (24041356)
WEIL, GOTSHAL & MANGES LLP
700 Louisiana Street, Suite 1700
Houston, Texas 77002
Telephone: (713) 546-5000
Facsimile: (713) 224-9511
Email: chris.lopez@weil.com

-and-

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

*Attorneys for the Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on March 15, 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.

/s/ Christopher M. López

Christopher M. López

Exhibit A

Official Transcript of Auction

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AZURE MIDSTREAM AUCTION

In re: § Chapter 11
AZURE MIDSTREAM § Case No. 17-30461 (DRJ)
PARTNERS, LP, et al. §
§ Jointly Administered
Debtors. §

MARCH 10, 2017

Houston, TX

Auction

Reported by: Kateri A. Flot-Davis

Job No. 120411

1 AZURE MIDSTREAM AUCTION

2
3 MR. PERSONS: Good morning.
4 Everybody. I'd like to thank you for first for
5 coming. Glad to see this is a full room for,
6 hopefully, an efficient, but robust Auction
7 today.

8 I am Charles Persons. Counsel for
9 the Debtors, Azure Midstream Partners, LP, and
10 its Debtor subsidiaries.

11 With me, although, not technically
12 with me at the moment, is Gary Holster and he
13 will be joining us in a moment.

14 As everyone is aware these cases
15 commenced on January 30, 2017 in the Bankruptcy
16 Court for the Southern District of Texas,
17 Houston Division, and are pending before the
18 Honorable David R. Jones under Case Number
19 17-30461.

20 As part of their Chapter 11 cases,
21 the Debtors are holding this auction to sell
22 substantially all of their assets to the
23 Qualified Bidder that makes the highest or
24 otherwise best bid for all of those assets.

25 With me today, it's a cast of

1 AZURE MIDSTREAM AUCTION

2 thousands, obviously, but we'll introduce a few
3 people.

4 First, Mandy Bush, the Debtors'
5 Chief Financial Officer.

6 We have Cari Turner of Alvarez &
7 Marshal of North America, LLC, the Debtors'
8 Restructuring Advisor.

9 Eric Bauer, of the Evercore
10 Group, the Debtors' investment banker and
11 financial advisor.

12 Mike Sessler, General Corporate
13 Counsel.

14 Representatives for the
15 Administrative Agent to the Debtors'
16 Prepetition Secured Facility are also present.

17 Okay. Additionally, I
18 believe there are representatives here
19 today from BP America.

20 Can you identify yourselves,
21 please.

22 MR. RUBENSTEIN: Mike
23 Rubenstein.

24 MR. PERSONS: Thank you,
25 Michael.

1 AZURE MIDSTREAM AUCTION

2 First ground rules and
3 process we'll have for the Auction: I'd
4 like to do a roll call of the parties that
5 have been announced as Qualified Bidders.

6 I'll announce the name of
7 each Bidder and I'd like the person who
8 will be appearing on behalf of that
9 Bidder. The person identifying themselves
10 as the representatives to the Qualified
11 Bidder at this time will be the only
12 person permitted to make a bid at the
13 Auction.

14 First from M5 Midstream,
15 LLC.

16 MR. TSURU: Mike Tsuru, M5.

17 MR. PERSONS: And from BTA
18 Gathering.

19 MR. TEAGUE: I'm Jim Teague.
20 I'll be doing the bidding.

21 MR. PERSONS: And for the
22 record, why don't we introduce counsel for
23 both M5.

24 MS. GUFFY: Elizabeth Guffy,
25 Locke Lord.

1 AZURE MIDSTREAM AUCTION

2 MS. RUSSELL: Robin Russell,
3 Andrews Kurth, LP, for BTA Gathering.

4 MR. PERSONS: I believe you
5 all received, in advance of the Auction
6 this morning, the bid procedures, but for
7 the record I will run through these
8 things.

9 And the idea, as I explained
10 to both parties, after we get these on the
11 record, we will do a quick breakout
12 session.

13 We will talk about the
14 valuation on the two bids and give
15 everybody a chance to talk. We'll
16 reconvene shortly after that and hopefully
17 start going at full speed.

18 So on February 10, 2017 the
19 Debtors filed an Expedited Motion, Docket
20 No. 78, to, among other things, establish
21 Bid Procedures and obtain authority to
22 conduct this Auction to sell substantially
23 all of their assets.

24 An order, which I will refer
25 to as the "Bid Procedures Order" [Docket

1 AZURE MIDSTREAM AUCTION

2 No. 116] was entered by the Court
3 approving those procedures on February 23,
4 2017.

5 This Auction will be
6 conducted in accordance with the Bid
7 Procedures that were approved by the Court
8 on February 23.

9 However, pursuant to
10 Paragraph 28 of the Bid Procedures Order,
11 the Debtors may, in consultation with the
12 advisors for the Administrative Agent,
13 make alterations to these Bid Procedures
14 to the extent not materially inconsistent
15 with the approved Bid Procedures.

16 First and foremost, it's
17 extremely important that only one person
18 speak at a time, and when you do, please
19 identify yourself by name.

20 As we said earlier, the
21 preference is once bidding begins, that
22 the two parties that have agreed to bid to
23 be the designated Bidders be the only
24 parties on the record for that point.
25 That will keep the record clean and make

1 AZURE MIDSTREAM AUCTION

2 this simple for us going forward.

3 Prior to the commencement of
4 the bidding I will announce the current
5 highest or otherwise best Bid, as
6 determined by the Debtors, in consultation
7 with the advisors in the Administrative
8 Agent in their business judgment.

9 That bid will represent the
10 Opening Bid. I will announce the current
11 Back-Up Bid at that time.

12 Qualified Bidders may then
13 submit successive bids higher than the
14 previous bid, based on and increased from
15 the Opening Bid, in increments of
16 \$500,000.

17 However, pursuant to
18 Paragraph 28 of the Bid Procedures Order,
19 again, the Debtors reserve the right, in
20 consultation with the Administrative Agent
21 and subject to the exercise of their
22 business judgment, to announce reductions
23 or increases in minimum bid increments at
24 any time during the Auction to alter that
25 number either up or down to the extent

1 AZURE MIDSTREAM AUCTION

2 necessary.

3 All Qualified Bidders shall
4 have the right to submit additional bids
5 make additional modifications to either
6 the Stocking Horse Agreement or their
7 Modified Asset Purchase Agreement, as
8 applicable at the Auction to improve such
9 bids.

10 The Debtors reserve the
11 right to determine, in their reasonable
12 discretion, in consultation with the
13 advisors to the Administrative Agent,
14 which bid is the highest or otherwise best
15 and reject at any time, without liability,
16 any offer that the Debtors, in their
17 reasonable discretion, in consultation
18 with the advisors to the Administrative
19 Agent, deem to be inadequate or
20 insufficient, not in conformity with the
21 requirements of the Bankruptcy Code, the
22 Bankruptcy Rules, or the procedures set
23 forth in the Bid Procedures or are
24 contrary to the best interests of the
25 Debtors and their estates.

1 AZURE MIDSTREAM AUCTION

2 At the request of any
3 Qualified Bidder, the Debtors will permit
4 the Qualified Bidder to take a break for
5 upwards of 15 minutes to confer and
6 discuss in their assigned break-out rooms.

7 If no additional Qualified
8 Bid is made prior to the expiration of
9 that 15-minute period, the Auction will be
10 concluded.

11 The Debtors, once again,
12 pursuant to Paragraph 28 of the Bid
13 Procedures Order reserve their right to
14 change that amount of time as we move
15 through the day.

16 The Auction among Qualified
17 Bidders will continue according to these
18 procedures until the Debtors determine, in
19 consultation with the advisors for the
20 Administrative Agent and subject to Court
21 approval, that the Debtors have received
22 Successful Bids as that term is defined in
23 the Bankruptcy Code.

24 In making this decision, the
25 Debtors may consider, without limitation,

1 AZURE MIDSTREAM AUCTION

2 the amount of the purchase price, the
3 amount of proposed-assumed liabilities,
4 the value of any exclude assets, the form
5 of consideration being offered, the tax
6 consequences of such bid, the likelihood
7 of the Qualified Bidder's ability to close
8 a given transaction, the proposed timing
9 thereof, and rights of such Qualified
10 Bidder and the Debtors with respect to the
11 termination thereof the number, type and
12 nature of any changes reflected in the
13 Modified Asset Purchase Agreement
14 requested by each Qualified Bidder, the
15 extent to which such changes are likely to
16 delay closing of the Sale Transaction,
17 and the cost to the Debtors of such
18 changes or delay.

19 The executory contracts and
20 unexpired leases being assumed or rejected
21 and the consequences of such actions to
22 the estates and the net benefit to the
23 Debtors' estates, taking into account the
24 Stalking Horse Purchaser's rights to the
25 Break-Up Fee and Expense Reimbursement.

1 AZURE MIDSTREAM AUCTION

2 The Stalking Horse Purchaser
3 is entitled to credit bid the full value
4 of its Break-Up Fee and Expense
5 Reimbursement equal to \$5.533 million,
6 with any subsequent bid it makes during
7 the Auction.

8 The Qualified Bidder
9 submitting such Successful Bids for the
10 Assets shall become the Successful Bidder
11 and shall have such rights and
12 responsibilities of a purchaser, as set
13 forth in the Modified Asset Purchase
14 Agreement or Stalking Horse Agreement, as
15 applicable.

16 As you all know, the
17 Successful Bid is still subject to Court
18 approval at the Sale Hearing, which is
19 currently scheduled to be before
20 Judge Jones on Wednesday, March 15, 2017,
21 10:30 a.m. at 515 Rusk Street, Houston,
22 Texas 77002.

23 The Qualified Bidder with
24 the next highest or otherwise Qualified
25 Bidder at the Auction, which will be the

1 AZURE MIDSTREAM AUCTION

2 Back-Up Bidder, shall be required to serve
3 as the Back-Up Bidder and keep such
4 Back-Up Bid open and irrevocable until the
5 first to occur of 30 days after the
6 completion of the Auction, consummation of
7 the transaction with the Successful
8 Bidder, or the termination of the Back-Up
9 Bidder's obligations under the Stalking
10 Horse Agreement or Modified Asset Purchase
11 Agreement with the Successful Bidder.

12 Following the Sale Hearing
13 if the Successful Bidder fails to
14 consummate an approved Sale Transaction
15 because of a breach or failure to perform
16 on the part of such Successful Bidder or
17 otherwise, the Back-Up Bidder will
18 automatically be deemed to be the new
19 Successful Bidder and the Debtors will be
20 authorized, but not required, to
21 consummate the sale with the Back-Up
22 Bidder without further order of the Court.

23 Except as provided herein,
24 Good Faith Deposits shall be returned,
25 without interest, to each bidder and not

1 AZURE MIDSTREAM AUCTION

2 selected by the Debtors as the Successful
3 Bidder or the Back-Up Bidder by no later
4 than the fifth business day following the
5 conclusion of the Auction.

6 The Good Faith Deposit of
7 the Back-Up Bidder shall be held by the
8 Debtors until five business days after the
9 closing of the Sale Transaction with the
10 Successful Bidder or termination of the
11 Back-Up Bid as provided for above.

12 With that, I will announce
13 the opening bid whatever the Debtors in
14 consultation with the Administrative Agent
15 and its counsel and its various advisors
16 have determined to be the opening bid for
17 the Auction, and that will be BTA's
18 Qualified Bid of \$160.0 million.

19 That means the current M5's
20 Stalking Horse Bid of \$151.1 million there
21 stand as the Back-Up Bid.

22 Before we take a break and
23 discuss the adjustments as necessary, BTA,
24 can you confirm for the record that you
25 understand the Auction Rules as laid out

1 AZURE MIDSTREAM AUCTION

2 in the Auction Rules and as I just laid
3 out?

4 MR. TEAGUE: Yes.

5 MR. PERSONS: And, M5, can
6 you confirm for the record that you
7 understand the Auction Rules as set forth
8 in the Bid Procedures Order and as I just
9 laid out?

10 MR. TSURU: Yes, we do.

11 MR. PERSONS: With that, I
12 believe we can take a short break.

13 Are there any questions or
14 anyone hopes to make a statement on the
15 record prior to us going on break?

16 Okay. With that, we'll go
17 off the record and we'll be around to your
18 rooms momentarily.

19 (Recess Taken.)

20 MR. PERSONS: All right.
21 The time is 11:25. We're back on the
22 record.

23 For the record this is
24 Charles Persons on behalf of the Debtors.

25 When we took our first break

1 AZURE MIDSTREAM AUCTION

2 we had announced that the Debtors would be
3 moving forward with BTA as the opening bid
4 at \$160 million, subject to adjustments
5 for or subject to the credit bid of M5.

6 M5 bid at \$151.1 at certain
7 adjustments that were discussed in the
8 break between the parties.

9 So at this time, M5 is
10 eligible to bid next.

11 MR. TSURU: Okay. So before
12 we give the number, I want to make a
13 statement that we're waiving the
14 requirement of privity on the back-to-back
15 contract.

16 We're going to reduce the
17 value of the BP contract to \$10 million,
18 and our bid and making all necessary
19 adjustments is \$153.017 million, plus the
20 credit bid.

21 MR. PERSONS: That is a
22 qualified overbid, and so we can move now
23 back to BTA.

24 MS. RUSSELL: BTA -- may I
25 ask a question?

1 AZURE MIDSTREAM AUCTION

2 MR. PERSONS: You may.

3 MS. RUSSELL: What would be
4 the next incremental bid of 500,000 over
5 that?

6 MR. PERSONS: Well, your
7 next incremental bid would simply be to go
8 up to 161 as a headline number.

9 MS. RUSSELL: BTA okay.
10 Thank you.

11 MR. TEAGUE: BTA Gathering
12 bids 165.

13 MR. PERSONS: So you'll both
14 waive the privity?

15 MR. TEAGUE: Yes.

16 MR. PERSONS: And also add 5
17 million to your bid?

18 MR. TEAGUE: Yes.

19 Off the record.

20

21 (Brief Recess Taken.)

22

23 MR. PERSONS: It's 11:39

24 back on the record.

25 Again, Charles Persons for

1 AZURE MIDSTREAM AUCTION

2 the Debtors.

3 Okay. We've had a bid and a
4 price adjustment of the waiver of privity
5 from BTA, as well as a bid of \$165
6 million.

7 Going forward in the Auction
8 we will state: All bids that will be made
9 by M5 will be inclusive of their credit
10 bid so that the numbers are more round.

11 So we will make the actual
12 adjustment to the top-line number at the
13 conclusion of this when we get to the Sale
14 Order.

15 So the current bid on the
16 record then is \$165 million from -- is
17 everyone in agreement about what was just
18 said?

19 Can I get a verbal "yes"
20 from both M5 and from BTA?

21 MR. TSURU: Yes.

22 MR. TEAGUE: Yes.

23 MR. PERSONS: So the current
24 bid for the assets, the Debtor's assets,
25 is \$165 million from BTA.

1 AZURE MIDSTREAM AUCTION

2 M5, you're welcome to bid
3 inclusive of the price adjustments as well
4 as the credit.

5 MR. TSURU: Yes.

6 Our bid, inclusive of the
7 credit, is \$165.5 million.

8 MR. PERSONS: Okay.

9 MR. TEAGUE: BTA bids 171.

10 MR. PERSONS: Thank you.

11 M5.

12 MR. TSURU: 170.5.

13 MR. TEAGUE: BTA bids 175.

14 MR. TSURU: Okay. Let me do
15 this. Give me a moment, 15 minutes --

16 MR. PERSONS: Sure.

17 M5 has requested a 15-minute
18 break. We will give them the 15 minutes.

19 The current bid as we go out
20 here is \$175 million from BTA. We'll go
21 off the record. Thank you.

22
23 (Brief Recess Taken.)

24
25 MR. PERSONS: At 12:15, I'll

1 AZURE MIDSTREAM AUCTION

2 start by saying that the Debtors pursued
3 their abilities to off the Bid Procedures
4 as necessary to attempt to get a higher
5 and better bid did grant extensions to M5
6 to give them continued opportunity to put
7 together a follow-up bid or understand
8 what their situation was.

9 Does anybody need to comment
10 on that?

11 Okay. Hearing nothing,
12 we'll move on.

13 For purposes of helping
14 everybody understand, while I would like
15 to continue the process of having the bids
16 simply be in, sort of, gross number
17 standpoint, and thus, we would say that
18 the next M5 bid in order to top will be
19 \$175.5 million.

20 We have included on the
21 screen up here the simple calculation of
22 the various credits, as well as the bid
23 protection credit bid, credit negative, to
24 the bid of M5, and then the positive to
25 the credit bid.

1 AZURE MIDSTREAM AUCTION

2 And so the actual cash
3 required for the next bid to M5 would be
4 \$171,717,000.

5 So with that, is M5 prepared
6 to make a follow-up bid? Again, that bid
7 would be just gross 175.5?

8 MR. TSURU: Yes. We bid
9 \$175.5 million.

10 MR. PERSONS: Okay.

11 MR. TEAGUE: BTA bids 177.5.

12 MR. TSURU: M5 bids 182.5.

13 MR. TEAGUE: BTA bids 183.5.

14 MR. TSURU: M5 bids 184.

15 MR. TEAGUE: BTA 185.5.

16 MR. TSURU: We'll talk it
17 over. I want to talk it over with these
18 guys.

19 MR. PERSONS: We'll take a
20 15-minute break to allow M5 to discuss.

21
22 (Brief Recess Taken.)

23
24 MR. PERSONS: It is 12:26.

25 We will go back on the record.

1 AZURE MIDSTREAM AUCTION

2 The last bid from BTA was
3 \$185,500,000.

4 M5 net of all credits, it is
5 \$186 million of all credits.

6 MR. TSURU: Yes. We bid
7 \$186.5 million.

8 MR. TEAGUE: We bid 187.5.

9 MR. TSURU: M5 bids 188.

10 MR. TEAGUE: BTA bids 189.

11 MR. TSURU: Okay. I'm out.
12 Congratulations.

13 MR. PERSONS: All right.
14 Thank you everybody for your patience.

15 Elizabeth before we lose
16 you, will you please state on the record
17 that you all understand that you remain
18 the Backup Bidder for purposes of this
19 process at a bid of \$188 million net of
20 credits?

21 MS. GUFFY: We remain the
22 Backup Bidder per the terms of the APA is
23 the judge's order.

24 MR. PERSONS: Very good.

25 All right. With that, thank

1 AZURE MIDSTREAM AUCTION

2 you, BTA. Congratulations. We,
3 obviously, appreciate having you all come
4 on, and we'll take a break.

5 We will talk to our board
6 real fast and get everything. We'll give
7 our board a little heads-up, and then I
8 think we can talk.

9 Congratulations. Thank you.

10
11 (Brief Recess Taken.)

12
13 MS. RUSSELL: Just for the
14 sake of clarity, the bidding is ending at
15 189 and BTA has the highest and best
16 offer?

17 MR. PERSONS: Yes. From the
18 Debtor's perspective, after the results of
19 the Auction BTA has submitted the highest
20 or otherwise best offer at \$189 million
21 and subject to, obviously, Bankruptcy
22 Court approval next Wednesday at the Sale
23 Hearing, we will still speak to our board,
24 but we don't anticipate any problems on
25 any front.

1 AZURE MIDSTREAM AUCTION

2 MS. RUSSELL: So the Auction
3 is officially closed at 12:32?

4 MR. PERSONS: This is what I
5 wanted to talk to my board, technically,
6 about first.

7 I'll say we'll close the
8 Auction at 12:32, subject to the Debtor's
9 needs to reopen it for some unforeseen
10 event.

11 MS. RUSSELL: Thank you.

12 MR. PERSONS: Thank you very
13 much.

14 (Conclusion of Auction 12:32 p.m.)

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1 STATE OF TEXAS:

2

3 COUNTY OF HARRIS:

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5 I, Kateri A. Flot-Davis,
6 Certified Shorthand Reporter in and for
7 the State of Texas, hereby certify that
8 the foregoing transcript is done to the
9 best of my ability and reflects
10 proceedings.

11 I further certify that I am
12 neither counsel for, related to, nor
13 employed by any of the parties or
14 attorneys in the action in which this
15 proceeding was taken, and further that I
16 am not financially or otherwise interested
17 in the outcome of the action.

18 Certified to by me this 13th of
19 March, 2017.

20

21

Kateri A. Flot-Davis
Texas CSR No. 8462
Expiration Date: 12-31-17
TSG Reporting-Worldwide
877-702-9580

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