

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
SOUTHCROSS ENERGY PARTNERS, L.P., <i>et al.</i> ,)	Case No. 19-10702 (MFW)
)	
Debtors. ¹)	(Jointly Administered)
)	
)	Hearing: June 12, 2019, at 11:30 a.m.
)	Objection Deadline: June 5, 2019
)	Re: Docket No. 225

THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY'S LIMITED OBJECTION TO THE DEBTORS' MOTION FOR ENTRY OF ORDERS (I)(A) APPROVING BIDDING PROCEDURES FOR SALE OF DEBTORS' ASSETS, (B) AUTHORIZING THE SELECTION OF A STALKING HORSE BIDDER, (C) APPROVING BID PROTECTIONS, (D) SCHEDULING AUCTION FOR, AND HEARING TO APPROVE, SALE OF DEBTORS' ASSETS, (E) APPROVING FORM AND MANNER OF NOTICES OF SALE, AUCTION, AND SALE HEARING, (F) APPROVING ASSUMPTION AND ASSIGNMENT PROCEDURES, AND (G) GRANTING RELATED RELIEF AND (II)(A) APPROVING SALE OF DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES, (B) AUTHORIZING ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (C) GRANTING RELATED RELIEF

COMES NOW, the Texas Commission on Environmental Quality (“TCEQ”), by and through the Office of the Texas Attorney General, and respectfully files this Limited Objection to the Debtors’ motion styled, *Debtors’ Motion for Entry of Orders (i)(a) Approving Bidding*

1 The debtors and debtors in possession in these chapter 11 cases, along with the last four digits of their respective
Employer Identification Numbers, are as follows: Southcross Energy Partners, L.P. (5230); Southcross Energy
Partners GP, LLC (5141); Southcross Energy Finance Corp. (2225); Southcross Energy Operating, LLC (9605);
Southcross Energy GP LLC (4246); Southcross Energy LP LLC (4304); Southcross Gathering Ltd. (7233); Southcross
CCNG Gathering Ltd. (9553); Southcross CCNG Transmission Ltd. (4531); Southcross Marketing Company Ltd.
(3313); Southcross NGL Pipeline Ltd. (3214); Southcross Midstream Services, L.P. (5932); Southcross Mississippi
Industrial Gas Sales, L.P. (7519); Southcross Mississippi Pipeline, L.P. (7499); Southcross Gulf Coast Transmission
Ltd. (0546); Southcross Mississippi Gathering, L.P. (2994); Southcross Delta Pipeline LLC (6804); Southcross
Alabama Pipeline LLC (7180); Southcross Nueces Pipelines LLC (7034); Southcross Processing LLC (0672); FL
Rich Gas Services GP, LLC (5172); FL Rich Gas Services, LP (0219); FL Rich Gas Utility GP, LLC (3280); FL Rich
Gas Utility, LP (3644); Southcross Transmission, LP (6432); T2 EF Cogeneration Holdings LLC (0613); and T2 EF
Cogeneration LLC (4976). The debtors' mailing address is 1717 Main Street, Suite 5300, Dallas, TX 75201.



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Procedures for Sale of Debtors' Assets, (b) Authorizing the Selection of a Stalking Horse Bidder, (c) Approving Bid Protections, (d) Scheduling Auction for, and Hearing To Approve, Sale of Debtors' Assets, (e) Approving Form and Manner of Notices of Sale, Auction, and Sale Hearing, (f) Approving Assumption and Assignment Procedures, and (g) Granting Related Relief and (ii)(a) Approving Sale of Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (b) Authorizing Assumption and Assignment of Executory Contracts and Unexpired Leases, and (c) Granting Related Relief ("Motion") (ECF No. 225). In support of its Limited Objection, TCEQ states as follows:

1. As the Court is aware, the Debtors' natural gas assets and operations are concentrated in South Texas. These Texas assets include, but are not limited to, the following:

- a. Two cryogenic processing plants located in Bee County, Texas and Refugio County, Texas which are used to extract natural gas liquids ("NGL") from raw gas. Together, these plants have the capacity to process 500 million cubic feet per day.
- b. A fractionation plant, the Bonnie View NGL plant, located in Refugio County, Texas, which is also used to extract NGLs from raw gas. This plant has a capacity of 22,500 barrels per day.
- c. A gathering and treating system referred to as the Valley Wells system. This system can treat approximately 100 million cubic feet of sour gas per day.
- d. Twenty natural gas compression stations; and,
- e. Thousands of miles of pipeline connecting the gas fields to the cryogenic processing plants and the fractionation plant. Further, these pipelines connect to 805 miles of pipelines owned by a non-debtor subsidiary and Southcross Holdings, LP.

2. TCEQ, as a regulator, objects to the Motion to the extent it is unclear to any potential bidder that any Purchaser, as the post-acquisition owner or operator, will be obligated to comply with all applicable environmental laws and regulations, just as if the property had been purchased outside of bankruptcy. *See generally Zerand-Bernal Group, Inc. v. Cox*, 23 F.3d 159, 163 (7th Cir. 1994) ("[N]o one believes . . . that a bankruptcy court enjoys a blanket power to enjoin all future lawsuits

against a buyer at a bankruptcy sale . . . [or] . . . to immunize such buyer from all state and federal laws that might reduce the value of the assets bought from the bankrupt.”).

3. Accordingly, purchasers of Debtors’ Bid Assets, as defined in the Motion and the Hannan Declaration supporting the Motion, must still meet the requirements under non-bankruptcy laws governing the transfers and should not be able to contend that the sale order exempts them from applicable state-laws and regulations in the subsequent operation of the Bid Assets.

4. To avoid any ambiguity or confusion and to make sure that any potential Purchaser is aware of these obligations and TCEQ’s position with respect to the sale of any property in this case, TCEQ respectfully requests the inclusion of the following language into any approved bid procedures in this case:

The Texas Commission on Environmental Quality will object to any sale of these Bid Assets if the proposed order(s) approving the sale(s) does not include language to the effect of the following:

“Nothing in this Order or the Asset Purchase Agreement releases, nullifies, precludes or enjoins the enforcement of any police or regulatory liability to a governmental unit (including, but not limited to, the Texas Commission on Environmental Quality) that any entity would be subject to as the post-sale owner or operator of property after the date of entry of this Order. Nothing in this Order or the Asset Purchase Agreement authorizes the transfer or assignment of any governmental (a) license, (b) permit, (c) registration, (d) authorization, or (e) approval, or the discontinuation of any obligation thereunder, without compliance with all applicable legal requirements and approvals under police or regulatory law. Nothing in this Order divests any tribunal of any jurisdiction it may have under police or regulatory law to interpret this Order or to adjudicate any defense asserted under this Order.”

5. Further, the TCEQ will request that the language above also be included in any Sale Order approving the sale of the Debtors' Bid Assets.²

² On information and belief, identical if not substantially similar language has been included in many cases involving sales in the bankruptcy courts of Delaware. *See e.g., In re: CST Industries Holdings Inc., et al.*, Case No. 17-11292 (BLS) (Bankr. D. Del. December 6, 2017) at ¶ 58; *In re: Venoco, LLC*, Case No. 17-10828 (KG) (Bankr. D. Del. December 1, 2017) at ¶ 28; *In re Adams Resources Exploration Corporation*, Case No. 17-10866 (KG) (Bankr. D. Del. September 7, 2017) at ¶ 10; *In re New Source Energy Partners, L.P.*, Case No. 16-10642 (CSS) (Bankr. D. Del. June 13, 2017) at ¶ 24; *Maxus Energy Corporation, et al.*, Case No. 16-11501 (CSS) (Bankr. D. Del. May 16, 2017) at ¶ 28; *In re Chieftain Sand and Proppant LLC*, Case No. 17-10064 (KG) (Bankr. D. Del. March 27, 2017) at ¶ 43; *In re Maxus Energy Corporation*, Case No. 16-11501 (CSS) (Bankr. D. Del. May 16, 2017) at ¶ 28; *In Chieftain Sand and Proppant, LLC, et al.*, Case No. 17-10064 (KG) (Bankr. D. Del. March 27, 2017) at ¶ 43; *In re Abeinsa Holding Inc., et al.*, Case No. 16-10790 (KJC) (Bankr. D. Del. December 6, 2016) at ¶ 24; *In re Constellation Enterprises, LLC, et al.*, Case No. 16-11213 (CSS) (Bankr. D. Del. August 19, 2016) at ¶ 23; *In re Constellation Enterprises LLC, et al.*, Case No. 16-11213 (CSS) (Bankr. D. Del. August 19, 2016) at ¶ 21; *In re Extreme Plastics Plus, Inc., et al.*, Case No. 16-10221 (CSS) (Bankr. D. Del. November 22, 2016) at ¶ 44; *In re Sundevil Power Holdings, LLC, et al.*, Case No. 16-10369 (KJC) (Bankr. D. Del. August 23, 2016) at ¶ 7; *In re Triangle USA Petroleum Corp., et al.*, Case No. 16-11566 (MFW) (Bankr. D. Del. August 3, 2016) at ¶ 5; *In re Capsule International Holdings LLC et al.*, Case no. 13-13281 (CSS) (Bankr. D. Del. May 26, 2016) at ¶ 18; *In re Sports Authority Holdings, Inc., et al.*, Case No. 16-10527 (MFW) (Bankr. D. Del. May 24, 2016) at ¶ 16; *In re Molycorp, Inc., et al.*, Case No. 15-11357 (CSS) (Bankr. D. Del. April 6, 2016) at ¶ 25; *In re Molycorp, Inc., et al.*, Case No. 15-11357 (CSS) (Bankr. D. Del. April 5, 2016) at ¶ 12; *In re Samson Resources Corporation, et al.*, Case No. 15-11934 (CSS) (Bankr. D. Del. February 24, 2016) at ¶ 15; *In re Meridian Automotive Systems, Inc. et al.*, Case No. 09-12806 (MFW) (Bankr. D. Del. February 23, 2016) at ¶ 9; *In re Santa Fe Gold Corp. et al.*, Case No. 15-11761 (MFW) (Bankr. D. Del. February 5, 2016) at ¶ 26; *In re Reichhold Holdings US Inc., et al.*, Case No. 14-12237 (MFW) (Bankr. D. Del. February 4, 2016) at ¶ 11; *In re Swift Energy Company, et al.*, Case Mo. 15-12670 (MFW) (Bankr. D. Del. February 2, 2016) at ¶ 23; *In re Quicksilver Resources Inc., et al.*, Case No. 15-10585 (LSS) (Bankr. D. Del. January 27, 2016) at ¶ 57; *In re Parallel Energy LP, et al.*, Case No. 15-15563 (KG) (Bankr. D. Del. January 12, 2016) at ¶ 42; *Reichhold Holdings US, Inc., et al.*, Case No. 14-12237 (MFW) (Bankr. D. Del. January 12, 2016) at ¶ 9; *In re Reichhold Holdings US, Inc., et al.*, Case No. 14-12237 (MFW) (Bankr. D. Del. January 12, 2016) at ¶ 10; *In re Wire Company Holdings, Inc., et al.*, Case No. 15-21097 (LSS) (Bankr. D. Del. December 9, 2015) at ¶ 6.B; *In re Endeavour Operating Corporation, et al.*, Case No. 14-12308 (KJC) (Bankr. D. Del. December 1, 2015) at ¶ 26; *In re Taylor Wharton International LLC, et al.*, Case No. 15-12075 (BLS) (Bankr. D. Del. November 23, 2015) at ¶ 50; *In re Endeavour Operating Corporation, et al.*, Case No. 14-12308 (KJC) (Bankr. D. Del. October 14, 2015) at ¶ 28; *In re Endeavour Operating Corporation, et al.*, Case No. 14-12308 (KJC) (Bankr. D. Del. August 24, 2015) at ¶ 28; *In re Cal Dive International, Inc., et al.*, Case No. 15-10458 (CSS) (Bankr. D. Del. August 20, 2015) at ¶ 31; *In re Cal Dive International, Inc., et al.*, Case No. 15-10458 (CSS) (Bankr. D. Del. July 24, 2015) at ¶ 36; *In re Reichhold Holdings US, Inc., et al.*, Case No. 14-12237 (MFW) (Bankr. D. Del. July 13, 2015) at ¶ 9; *In re Radioshack Corporation, et al.*, Case No. 15-10197 (BLS) (Bankr. D. Del. June 19, 2015) at ¶ 22; *In re The Standard Register Company, et al.*, Case No. 15-10541 (BLS) (Bankr. D. Del. June 19, 2015) at ¶ 71; *In re Allied Nevada Gold Corp., et al.*, Case No. 15-10503 (MFW) (Bankr. D. Del. June 18, 2015) at ¶ 25; *In re ADI Liquidation, Inc. (f/k/a AWI Delaware, Inc.) et al.*, Case No. 14-12092 (KJC) (Bankr. D. Del. April 20, 2015) at ¶ 10; *In re Quicksilver Resources Inc., et al.*, Case No. 15-10585 (LSS) (Bankr. D. Del. April 14, 2015) at ¶ 13; *In re Radioshack Corporation, et al.*, Case No. 15-10197 (BLS) (Bankr. D. Del. April 1, 2015) at ¶ 43; *In re Mineral Park, Inc.*, Case No. 14-11996 (KJC) (Bankr. D. Del. Jan. 20, 2015) at ¶ 32; *In re Reichhold Holdings US, Inc.*, Case No. 14-12237 (MFW) (Bankr. D. Del. Jan. 12, 2015) at ¶ 37; *In re Gridway Energy Holdings, Inc.*, Case No. 14-10833 (CSS) (Bankr. D. Del. Nov. 28, 2014) at ¶ 47; *In re AWI Delaware, Inc.*, Case No. 14-12092 (KJC) (Bankr. D. Del. Oct. 29, 2014) at ¶ 43; *In re PSL – North America LLC*, Case No. 14-11477 (PJW) (Bankr. D. Del. Aug. 15, 2014) at ¶ 49; *In re Optim Energy, LLC*, Case 14-10262 (BLS) (Bankr. D. Del. Aug. 7, 2014) at ¶ 19; *In re Ormet Corporation*, Case No. 13-10334 (MFW) (Bankr. D. Del. July 17, 2014) at ¶ 38; *In re Gridway Energy Holdings, Inc.*, Case No. 14-10833 (CSS) (Bankr. D. Del. June 17, 2014) at ¶ 53; *In re Vertis Holdings, Inc.*, Case No. 12-12821 (CSS) (Bankr. D. Del. April 29, 2014) at ¶ 14; *In re Vertis Holdings, Inc.*, Case No. 12-12821 (CSS) (Bankr. D. Del. March 26, 2014) at ¶ 14; *In re Green Field Energy Services, Inc.*, Case No. 13-12783 (KG) (Bankr. D. Del. March 14, 2014) at ¶ 18; *In re Vertis Holdings, Inc.*, Case No. 12-12821 (CSS) (Bankr. D. Del. March 13, 2014) at ¶

JURISDICTION

6. The TCEQ acknowledges this is a core proceeding and acknowledges the Court has jurisdiction to enter final orders.

PRAYER

7. Wherefore, the TCEQ respectfully requests that the Court sustain its Limited Objection to Debtors' Motion and grants such further relief to TCEQ as this Court deems just and equitable.

Respectfully submitted,

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14; *In re Fisker Automotive Holdings, Inc.*, Case No. 13-13087 (KG) (Bankr. D. Del. Feb. 19, 2014) at ¶ 14; *In re Constar International Holdings, LLC*, Case No. 13-13281(CSS) (Bankr. D. Del. Feb. 11, 2014) at ¶ 25; *In re Ormet Corporation*, Case No. 13-10334 (MFW) (Bankr. D. Del. Dec. 18, 2013) at ¶ 7; *In re Fresh & Easy Neighborhood Market Inc.*, Case No. 13-12569 (KJC) (Bankr. D. Del. Nov. 22, 2013) at ¶ 54; *In re Furniture Brands International, Inc.*, Case No. 13-12329 (CSS) (Bankr. D. Del. Nov. 22, 2013) at ¶53; *In re Ormet Corporation*, Case no. 13-10334 (MFW) (Bankr. D. Del. Nov. 12, 2013) at ¶ 32; *In re NE OPCO, Inc.*, Case No. 13-11483 (CSS) (Bankr. D. Del. Sept. 12, 2013) at ¶ 38; *In re Introcan, Inc.*, Case No. 13-11499 (BLS) (Bankr. D. Del. Sept. 9, 2013) at ¶ 21; *In re AgFeed USA, LLC*, Case no 13-11761 (BLS) (Bankr. D. Del. Aug. 29, 2013) at ¶ 49; *In re iGPS LLC*, Case No. 13-11459 (KG) (Bank. D. Del. July 29, 2013 at ¶ 34; *In re Satcon Technology Corporation*, Case No. 12-12869 (KG) (Bankr. D. Del. June 13, 2013) at ¶ J; *In re Revstone Industries, LLC*, Case No. 12-13262 (BLS) (Bankr. D. Del. May 30, 2013) at ¶ 34; *In re Ormet Corporation*, Case No. 13-10334 (MFW) (Bankr. D. Del. June 6, 2013) at ¶ 41; *In re Immunology Partners, Inc.*, Case No. 12-13259 (BLS) (Bankr. D. Del. Jan. 23, 2013) at ¶ 26; *In re Cylex Inc.*, Case No. 12-13259 (BLS) (Bankr. D. Del. Jan. 23, 2013) at ¶ 26; *In re Olyndra LLC*, Case No. 11-12799 (MFW) (Bankr. D. Del. Nov. 15, 2012 at ¶9; *In re Tri-Valley Corporation, et al.*, Case No. 12-12291 (MFW) (Bankr. D. Del. Oct. 18, 2012) at ¶ 37; *In re Blitz U.S.A, Inc.*, Case No. 11-13603 (PJW) (Bankr. D. Del. Sept. 11, 2012) at ¶ 28; *In re Contract Research Solutions, Inc.*, Case No. 12-11004 (KJC) (Bankr. D. Del. May 17, 2012) at ¶ 37; *In re Evergreen Solar, Inc.*, Case No. 11-12590 (MFW) (Bankr. D. Del. Mar 23, 2012) at ¶ 30; *In re Beacon Power Corp.*, Case No. 11-13450 (KJC) (Bankr. D. Del. Feb. 7, 2012) at ¶ 40; *In re AES Thames, L.L.C.*, Case No. 11-10334 (KJC) (Bankr. D. Del. Dec. 7, 2011) at ¶ 19; *In re Allen Family Foods, Inc.*, Case No. 11-11764 (KJC) (Bankr. D. Del. Jul. 29, 2011) at ¶ 33; *In re Crucible Materials Corp.*, Case No. 09-11582 (MFW) (Bankr. D. Del. Dec. 17, 2009) at ¶ 22; *In re Chef Solutions Holdings, L.L.C.*, Case No. 11-131-39 (KG) (Bankr. D. Del. Nov. 15, 2011) at ¶ 48; *In re Alabama Aircraft Industries, Inc.*, Case No. 11-10452 (PJW) (Bankr. D. Del. Sept. 6, 2011) at ¶ 21; *In re Caribbean Petroleum Corp.*, Case No. 10-12553 (KG) (Bankr. D. Del. Dec. 22, 2010) at ¶¶ 9-10.

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing has been served via the Court's Electronic Filing System on all parties requesting notice in this proceeding and that copies were mailed to the counsel and parties listed below via first class U.S. Mail, postage prepaid, on June 5, 2019.

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