

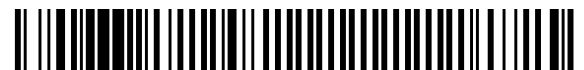
**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
)	
SOUTHCROSS ENERGY PARTNERS, L.P.,)	Case No. 19-[_____] (____)]
<i>et al.</i> ,)	
)	
Debtors. ¹)	Joint Administration Requested
)	

**MOTION OF DEBTORS FOR ENTRY OF INTERIM AND FINAL
ORDERS AUTHORIZING (I) DEBTORS TO CONTINUE AND RENEW
THEIR LIABILITY, PROPERTY, CASUALTY, AND OTHER
INSURANCE PROGRAMS AND HONOR ALL OBLIGATIONS IN
RESPECT THEREOF AND (II) FINANCIAL INSTITUTIONS TO HONOR
AND PROCESS RELATED CHECKS AND TRANSFERS**

Southcross Energy Partners, L.P. (“**Southcross**”), Southcross Energy Partners GP, LLC, and Southcross’s wholly owned direct and indirect subsidiaries, each of which is a debtor and debtor in possession (collectively, the “**Debtors**”) in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”), hereby file this *Motion of Debtors for Entry of Interim and Final Orders Authorizing (i) Debtors To Continue and Renew Their Liability, Property, Casualty, and Other Insurance Programs and Honor All Obligations in Respect Thereof and (ii) Financial Institutions To Honor and Process Related Checks and Transfers* (this “**Motion**”). This Motion

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.



is supported by the *Declaration of Michael B. Howe in Support of Debtors' Chapter 11 Proceedings and First Day Pleadings* (the “**Howe Declaration**”) filed contemporaneously herewith. In further support of this Motion, the Debtors respectfully state as follows:

Relief Requested

1. By this Motion, and pursuant to sections 105(a), 363(b)(1), and 363(c)(1) of title 11 of the United States Code (the “**Bankruptcy Code**”), the Debtors seek entry of interim and final orders (the “**Proposed Orders**” and, if entered, the “**Orders**”) (a) authorizing, but not directing, the Debtors to maintain, continue, and renew, in their sole discretion, their various liability, casualty, property, and other insurance and reinsurance programs in the ordinary course of their businesses (collectively, the “**Insurance Programs**”) through several private insurance carriers (collectively, the “**Insurance Carriers**”) on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date and (b) authorizing the Debtors’ financial institutions to receive, process, honor, and pay checks or wire transfers used by the Debtors to pay the foregoing. This would include (y) paying all amounts arising under the Insurance Programs (collectively, the “**Insurance Obligations**”), including, but not limited to, any Brokers’ Fees (as defined below), whether due and payable before, on, or after the Petition Date and (z) renewing or obtaining new insurance policies as needed in the ordinary course of business.

Jurisdiction and Venue

2. The United States Bankruptcy Court for the District of Delaware (the “**Court**”) has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012.

3. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2) and, pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

4. Venue of the Chapter 11 Cases and related proceedings is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

5. On April 1, 2019 (the “**Petition Date**”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors have continued in possession of their property and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

6. No request has been made for the appointment of a trustee or examiner, and no official committee has been appointed in the Chapter 11 Cases.

7. Additional information about the Debtors’ businesses and affairs, capital structure, and prepetition indebtedness, and the events leading up to the Petition Date, can be found in the Howe Declaration, which is incorporated herein by reference.

The Debtors' Insurance Programs

8. The Debtors maintain various Insurance Programs through the Insurance Carriers. A summary of the Debtors' principal Insurance Programs is set forth on Exhibit A attached hereto.²

9. The Insurance Programs include coverage for, among other things, personal injury, property damage, operation of vehicles, crime, business interruption, breach of duty by officers or directors, the Debtors' development and production facilities, and various other property-related and general liabilities. As part of the Insurance Programs, the Debtors also maintain a workers' compensation policy.³ All of the Insurance Programs are essential to the ongoing operation of the Debtors' businesses and the preservation of the value of the Debtors' estates.

10. The Debtors employ McGriff, Seibels, & Williams, Inc. and Marsh USA Inc. (the "**Brokers**") to assist them with the procurement and management of the Insurance Programs. Specifically, McGriff, Seibels, & Williams, Inc. assists the Debtors with the procurement of the Insurance Programs related to (a) general liability, (b) automobile, (c) property, (d) pollution, and (e) workers' compensation, and was paid a flat annual fee of \$200,000 in 2018. Marsh USA Inc., on the other hand, assists the Debtors with the procurement of the Insurance Programs related to (y) directors' and officers' liability and (z) employee crime, and receives compensation in the form of a percentage of the insurance premiums paid by the Debtors with respect to such

² Due to the breadth of the Debtors' businesses, the Debtors may have certain current Insurance Programs not reflected on Exhibit A. The omission of a particular insurance policy on Exhibit A shall not operate to exclude that policy from the coverage of this Motion or any order entered in connection with this Motion.

³ A detailed discussion of the Debtors' workers' compensation policies is set forth in the *Motion of Debtors for Entry of Interim and Final Orders Authorizing (i) Debtors To (a) Pay Prepetition Employee Obligations and (b) Maintain Employee Benefits Programs and Pay Related Administrative Obligations, (ii) Current and Former Employees To Proceed with Outstanding Workers' Compensation Claims, and (iii) Financial Institutions To Honor and Process Related Checks and Transfers*, filed contemporaneously herewith.

Insurance Programs. In 2018, the Debtors paid Marsh USA Inc. approximately \$82,000 in fees. The Debtors estimate that they pay Brokers annual fees (collectively, the “**Brokers’ Fees**”) in the approximate amount of \$282,000 in the aggregate. The employment of the Brokers allows the Debtors to obtain and manage the Insurance Programs in a reasonable and prudent manner and to realize considerable savings in the procurement of such policies. Accordingly, the Debtors believe that it is in the best interest of the creditors and estates to continue their business relationships with the Brokers. As of the Petition Date, no Brokers’ Fees remain outstanding.

11. The Insurance Programs renew on various dates throughout the year. The premiums for most of the Insurance Programs (collectively, the “**Insurance Premiums**”) are determined annually and are due either in their entirety at policy inception or in periodic installments throughout the policy term. The Debtors make such payments to various parties, including directly to the Insurance Carriers and indirectly to the Insurance Carriers through the Brokers.

12. The Debtors’ aggregate annual Insurance Premiums under the Insurance Programs total approximately \$5,890,000. The Debtors believe that all material Insurance Premiums that were due and payable on or prior to the Petition Date have been fully paid, but, out of an abundance of caution, the Debtors seek authority to satisfy any unpaid prepetition Insurance Premiums.⁴

13. Pursuant to the Insurance Programs, the Debtors may be required to pay various deductibles or retention amounts (collectively, the “**Insurance Deductibles**”), depending upon

⁴ The Debtors and their indirect parent non-Debtor Southcross Holdings LP (“**Holdings**”) are beneficiaries of the Insurance Programs. In accordance with the “Shared Services Arrangement” described in *Motion of Debtors for Entry of Interim and Final Orders Authorizing (i) Debtors To Continue To Maintain Existing Cash Management System, Bank Accounts, and Business Forms and (ii) Financial Institutions To Honor and Process Related Checks and Transfers*, filed contemporaneously herewith, the Debtors pay the Insurance Premiums and Holdings reimburses the Debtors for its allocated portion.

the type of claim and insurance policy involved. Under certain policies, the Insurance Carriers and third party administrators may pay claimants and then invoice the Debtors or draw funds directly from the Debtors' bank accounts for reimbursement for claims paid within any Insurance Deductible. In such situations, the Insurance Carriers may have prepetition claims against the Debtors. As of the Petition Date, the Debtors do not believe that there are any material prepetition obligations owed to Insurance Carriers relating to Insurance Deductibles, but, out of an abundance of caution, the Debtors seek authority to satisfy any unpaid prepetition Insurance Deductibles.

The Debtors' Surety Bond Program

14. In the ordinary course of business, the Debtors are required to provide surety bonds to certain third parties, often governmental units or other public agencies, to secure the Debtors' payment or performance of certain obligations (the "**Surety Bond Program**"). These obligations include eight performance bonds with the Railroad Commission of Texas. The Railroad Commission of Texas requires individuals who operate a pipeline to post a surety bonds in varying amounts prior to conducting business.

15. The Debtors have eight primary surety bonds with RLI Insurance Company ("**RLI**") in the aggregate amount of approximately \$200,000. The premiums for the surety bonds are generally determined on an annual basis and are paid by the Debtors when the bond is issued or renewed. The Debtors pay approximately \$11,000 annually in premiums on account of the Surety Bond Program and are currently in the process of renewing all of the surety bonds. A schedule of the surety bonds currently maintained by the Debtors is attached hereto in Exhibit A.

Basis for Relief

Continuing the Insurance Programs and Paying All Insurance Obligations Are Necessary To Preserve the Value of the Debtors' Estates

16. The nature of the Debtors' businesses makes it essential for the Debtors to maintain their Insurance Programs on an ongoing and uninterrupted basis. The non-payment of any premiums, deductibles, or related fees under the Insurance Programs could result in one or more of the Insurance Carriers terminating or declining to renew their insurance policies or refusing to enter into new insurance policies with the Debtors in the future. If any of the Insurance Programs lapse without renewal, the Debtors could be in violation of state and/or federal law and be exposed to substantial liability for personal and/or property damages, to the detriment of all parties in interest.

17. Moreover, pursuant to contractual obligations with numerous third party property owners, customers, suppliers, distributors, contractors, and lenders, the Debtors are obligated to remain current with respect to certain of the Insurance Programs. Furthermore, the Debtors must maintain the Insurance Programs to comply with the operating guidelines of the Office of the United States Trustee for Region 3. Thus, in order for the Debtors to maintain their operations in compliance with various legal and contractual obligations, the Debtors must be able to continue the Insurance Programs without disruption.

The Continuation of the Insurance Programs and the Payment of the Insurance Obligations Are Justified and Should Be Authorized

18. Although the Debtors do not believe that Court approval is required to maintain their existing Insurance Programs following the Petition Date, this relief is being sought out of an abundance of caution. The Insurance Carriers and Brokers may be reluctant to engage in ordinary course transactions with the Debtors absent an order eliminating any uncertainty as to whether the Debtors have the requisite authority to engage in such transactions.

19. Section 363(b)(1) of the Bankruptcy Code empowers the Court to allow a debtor to “use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Debtors’ decisions to use, sell, or lease assets outside the ordinary course of business must be based upon the sound business judgment of the debtor. *See, e.g., In re Martin*, 91 F.3d 389, 395 (3d Cir. 1996) (citing *In re Schipper*, 933 F.2d 513, 515 (7th Cir. 1991)); *Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re Abbotts Dairies of Pa., Inc.*, 788 F.2d 143, 149-50 (3d Cir. 1986) (implicitly adopting the “sound business purpose” test of *Lionel Corp.* and requiring good faith); *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999); *In re Del. & Hudson Ry. Co.*, 124 B.R. 169, 176 (D. Del. 1991) (concluding that the Third Circuit adopted the “sound business purpose” test in the *Abbotts Dairies* decision); *see also In re Chateaugay Corp.*, 973 F.2d 141, 143 (2d Cir. 1992) (holding that a judge determining a section 363(b) application must find from the evidence presented before him or her a good business reason to grant such application); *In re Glob. Crossing Ltd.*, 295 B.R. 726, 743 (Bankr. S.D.N.Y. 2003); *In re Ionosphere Clubs, Inc.*, 100 B.R. 670, 675 (Bankr. S.D.N.Y. 1989) (noting the standard for determining a section 363(b) motion is “a good business reason”).

20. Courts emphasize that the business judgment rule is not an onerous standard and may be satisfied “as long as the proposed action *appears* to enhance the debtor’s estate.” *Crystalin, L.L.C. v. Selma Props. Inc. (In re Crystalin, L.L.C.)*, 293 B.R. 455, 463-64 (B.A.P. 8th Cir. 2003) (quoting *Four B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.)*, 107 F.3d 558, 566 n.16 (8th Cir. 1997) (emphasis in original, internal alterations and quotations omitted)). Courts require only that the debtors “show that a sound business purpose justifies such actions.” *In re Montgomery Ward Holding Corp.*, 242 B.R. at 153 (citations omitted); *see*

also *In re Phx. Steel Corp.*, 82 B.R. 334, 335-36 (Bankr. D. Del. 1987); *In re Adelphia Commc'ns Corp.*, Case No. 02-41729, 2003 WL 22316543, at *31 (Bankr. S.D.N.Y. Mar. 4, 2003); *In re Lionel Corp.*, 722 F.2d at 1071.

21. Further, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) (citation omitted); see also *In re Tower Air, Inc.*, 416 F.3d 229, 238 (3d Cir. 2005) (stating that “[o]vercoming the presumptions of the business judgment rule on the merits is a near-Herculean task”); *In re AbitibiBowater Inc.*, 418 B.R. 815, 831 (Bankr. D. Del. 2009) (the business judgment standard is “not a difficult standard to satisfy”). Under the business judgment rule, “management of a corporation’s affairs is placed in the hands of its board of directors and officers, and the Court should interfere with their decisions only if it is made clear that those decisions are, *inter alia*, clearly erroneous, made arbitrarily, are in breach of the officers’ and directors’ fiduciary duty to the corporation, are made on the basis of inadequate information or study, are made in bad faith, or are in violation of the Bankruptcy Code.” *In re Farmland Indus., Inc.*, 294 B.R. 855, 881 (Bankr. W.D. Mo. 2003) (citing *In re United Artists Theatre Co.*, 315 F.3d 217, 233 (3d Cir. 2003); *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1309 (5th Cir. 1985); *In re Def. Drug Stores, Inc.*, 145 B.R. 312, 317 (B.A.P. 9th Cir. 1992)); *In re Food Barn Stores, Inc.*, 107 F.3d at 567 n.16 (citing *Richmond Leasing Co.*, 762 F.2d at 1309) (“Where the [debtor’s] request is not manifestly unreasonable or made in bad faith, the court should normally grant approval ‘as long as the proposed action appears to enhance the debtor’s estate.’”).

22. Moreover, section 363(c) of the Bankruptcy Code authorizes a debtor in possession operating its business pursuant to section 1108 of the Bankruptcy Code to “enter into transactions . . . in the ordinary course of business without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.” 11 U.S.C. § 363(c)(1).

23. One purpose of section 363 of the Bankruptcy Code is to provide a debtor with the flexibility to engage in the ordinary course transactions required to operate its business without undue supervision by its creditors or the court. *See, e.g., In re Roth Am., Inc.*, 975 F.2d 949, 952 (3d Cir. 1992) (“Section 363 is designed to strike [a] balance, allowing a business to continue its daily operations without excessive court or creditor oversight and protecting secured creditors and others from dissipation of the estate’s assets.”) (citations omitted); *In re Vision Metals, Inc.*, 325 B.R. 138, 145 (Bankr. D. Del. 2005) (same). Included within the purview of section 363(c) of the Bankruptcy Code is a debtor’s ability to continue “routine transactions” necessitated by a debtor’s business practices. *See, e.g., In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 796 (Bankr. D. Del. 2007) (citations omitted) (noting that courts have shown a reluctance to interfere in a debtor’s making of routine, day-to-day business decisions); *In re Vision Metals*, 325 B.R. at 142 (“[W]hen a chapter 11 debtor in possession continues to operate its business, as permitted by section 1108, no court authorization is necessary for the debtor to enter transactions that fall within the ordinary course of its business.”).

24. The Bankruptcy Code does not define “ordinary course of business.” In determining whether a transaction qualifies as “ordinary course,” the Third Circuit has adopted the “horizontal” dimension test (*i.e.*, whether “from an industry-wide perspective, the transaction is of the sort commonly undertaken by companies in that industry”) and “vertical” dimension test

(i.e., whether the transaction is consistent with the reasonable expectations of “hypothetical creditors”). *In re Roth Am., Inc.*, 975 F.2d at 953. “The touchstone of ‘ordinariness’ is . . . the interested parties’ reasonable expectations of what transactions the debtor in possession is likely to enter in the course of its business.” *Id.* (citing *In re James A. Phillips, Inc.*, 29 B.R. 391, 394 (S.D.N.Y. 1983)); *see also In re Nellson Nutraceutical, Inc.*, 369 B.R. at 797 (“[A] debtor’s pre-petition business practices and conduct is the primary focus of the vertical analysis.”); *Sportsman’s Warehouse, Inc. v. McGillis/Eckman Invs.-Billings, LLC (In re Sportsman’s Warehouse, Inc.)*, Case No. 09-10990 (CSS), 2013 WL 492554, at *9 (Bankr. D. Del. Feb. 7, 2013) (citation omitted) (“In determining whether a transaction is in the ordinary course of business, the Third Circuit has adopted the two-part horizontal and vertical dimension test.”); *In re Blitz U.S.A., Inc.*, 475 B.R. 209, 214 (Bankr. D. Del. 2012) (same).

25. The Debtors submit that the relief requested in this Motion represents a sound exercise of the Debtors’ business judgment, is necessary to avoid immediate and irreparable harm, and is justified under section 363 of the Bankruptcy Code. To the extent the maintenance, continuance, and renewal of the Insurance Programs and any and all payments related thereto (including any payments made to the Brokers) are outside the ordinary course of business, they are justified under section 363 of the Bankruptcy Code. Even where coverage is not expressly required by applicable law, the Debtors are nevertheless compelled by sound business practice to maintain essential insurance coverage. Any interruption in such coverage would expose the Debtors to a variety of risks, including the possible (a) incurrence of direct liability for the payment of claims that otherwise would have been covered by the Insurance Programs, (b) incurrence of material costs and other losses that otherwise would have been reimbursed, such as attorneys’ fees for certain covered claims, (c) inability to obtain similar types and levels

of insurance coverage, and (d) incurrence of higher costs for reestablishing lapsed policies or obtaining new insurance coverage.

26. Similarly, although the Debtors do not believe that they have any material outstanding prepetition obligations or payment defaults with respect to their Insurance Obligations, the Debtors are seeking authority to pay any such amounts to ensure continuing insurance coverage during the Chapter 11 Cases.

27. In fact, numerous courts in this jurisdiction have granted relief similar to that requested herein in other large chapter 11 cases. *See, e.g., In re Pernix Sleep, Inc.*, Case No. 19-10323 (CSS) (Bankr. D. Del. Feb. 21, 2019); *In re TerraVia Holdings, Inc.*, Case No. 17-11655 (CSS) (Bankr. D. Del. Aug. 3, 2017); *In re Bonanza Creek Energy, Inc.*, Case No. 17-10015 (KJC) (Bankr. D. Del. Jan. 26, 2017); *In re Basic Energy Servs., Inc.*, Case No. 16-12320 (KJC) (Bankr. D. Del. Nov. 17, 2016); *In re Halcón Res. Corp.*, Case No. 16-11724 (BLS) (Bankr. D. Del. Aug. 19, 2016); *In re Dex Media, Inc.*, Case No. 16-11200 (KG) (Bankr. D. Del. May 18, 2016); *In re Venoco, Inc.*, Case No. 16-10655 (KG) (Bankr. D. Del. Apr. 20, 2016); *In re Magnum Hunter Res. Corp.*, Case No. 15-12533 (KG) (Bankr. D. Del. Jan. 11, 2016); *In re Offshore Grp. Inv. Ltd.*, Case No. 15-12422 (BLS) (Bankr. Jan. 6, 2016); *In re Endeavour Operating Corp.*, Case No. 14-12308 (KJC) (Bankr. D. Del. Nov. 6, 2014).

28. Finally, the Debtors submit that payment of the Insurance Obligations is necessary and appropriate and is authorized under section 105(a) of the Bankruptcy Code pursuant to the “necessity of payment” doctrine, which “recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operation of the debtor.” *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989).

29. Under section 105(a) of the Bankruptcy Code, the Court has expansive equitable powers to fashion any order or decree that is in the interest of preserving or protecting the value of the Debtors' assets. *See In re Combustion Eng'g, Inc.*, 391 F.3d 190, 236 (3d Cir. 2004) (citation omitted) (noting that section 105 of the Bankruptcy Code "has been construed to give a bankruptcy court 'broad authority' to provide equitable relief appropriate to assure the orderly conduct of reorganization proceedings"); *In re Nixon*, 404 F. App'x 575, 578 (3d Cir. 2010) (citation omitted) ("It is well settled that the court's power under § 105(a) is broad."); *In re Nortel Networks, Inc.*, 532 B.R. 494, 554 (Bankr. D. Del. 2015) (citations omitted) ("The Third Circuit has construed [section 105 of the Bankruptcy Code] to give bankruptcy courts 'broad authority' to provide appropriate equitable relief to assure the orderly conduct of reorganization proceedings, and to 'craft flexible remedies that, while not expressly authorized by the Code, effect the result the Code was designed to obtain.'"); *see also In re Chinichian*, 784 F.2d 1440, 1443 (9th Cir. 1986) (citation omitted) ("Section 105 sets out the power of the bankruptcy court to fashion orders as necessary pursuant to the purposes of the Bankruptcy Code.").

30. The Court's power to utilize the "doctrine of necessity" in the Chapter 11 Cases derives from the Court's inherent equity powers and its statutory authority to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). The United States Supreme Court first articulated the doctrine of necessity more than a century ago, in *Miltenberger v. Logansport Ry. Co.*, 106 U.S. 286 (1882), in affirming the authorization by the lower court of the use of receivership funds to pay pre-receivership debts owed to employees, vendors, and suppliers, among others, when such payments were necessary to preserve the receivership property and the integrity of the business in receivership. *See id.* at 309. The modern application of the doctrine of necessity is largely

unchanged from the Supreme Court's reasoning in *Miltenberger*. See *In re Lehigh & New Eng. Ry.*, 657 F.2d 570, 581-82 (3d Cir. 1981) (“[I]n order to justify payment under the ‘necessity of payment’ rule, a real and immediate threat must exist that failure to pay will place the continued operation of the [debtor] in serious jeopardy.”); *Friedman’s Inc. v. Roth Staffing Cos., L.P.* (*In re Friedman’s Inc.*), Case No. 09-10161 (CSS), 2011 WL 5975283, at *3 (Bankr. D. Del. Nov. 30, 2011) (citing *In re Enron Corp.*, 2003 WL 1562202, at *20 (Bankr. S.D.N.Y. Mar. 21, 2003)) (“The ‘doctrine of necessity’ stands for the proposition that a bankruptcy court may allow payment outside of a plan of reorganization on account of a pre-petition obligation where such payment is critical to the reorganization process.”); *In re Just for Feet, Inc.*, 242 B.R. 821, 824-25 (D. Del. 1999).

31. The doctrine of necessity “recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operation of the debtor.” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 176; see also *In re Just For Feet, Inc.*, 242 B.R. at 826 (stating that where the debtor “cannot survive” absent payment of certain prepetition claims, the doctrine of necessity should be invoked to permit payment); *In re Sharon Steel Corp.*, 159 B.R. 730, 736 (Bankr. W.D. Pa. 1993) (noting that courts grant debtors the authority to pay certain prepetition claims “where the payment is necessary to permit the effectuation of the rehabilitative purposes of the Bankruptcy Code”).

32. The doctrine of necessity is an accepted component of modern bankruptcy jurisprudence. See *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175 (holding that the “ability of a Bankruptcy Court to authorize the payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept”); *In re Just For Feet, Inc.*, 242 B.R. at 826 (approving payment of key inventory suppliers’ prepetition claims when such

suppliers could destroy debtor's business by refusing to deliver new inventory on eve of debtor's key sales season); *see also Official Comm. of Unsecured Creditors of Motor Coach Indus. Int'l v. Motor Coach Indus. Int'l (In re Motor Coach Indus. Int'l)*, Case No. 09-078-SLR, 2009 WL 330993, at *2 n.5 (D. Del. Feb. 10, 2009); *In re Columbia Gas Sys., Inc.*, 171 B.R. 189, 191-92 (Bankr. D. Del. 1994). The doctrine is frequently invoked early in a reorganization, particularly in connection with those chapter 11 sections that relate to payment of prepetition claims. The court in *In re StructureLite Plastics Corp.* indicated its accord with "the principle that a bankruptcy court may exercise its equity powers under section 105(a) to authorize payment of prepetition claims where such payment is necessary to 'permit the greatest likelihood of survival of the debtor and payment of creditors in full or at least proportionately.'" *In re StructureLite Plastics Corp.*, 86 B.R. 922, 931 (Bankr. S.D. Ohio 1988). The court stated that a "*per se* rule proscribing the payment of prepetition indebtedness may well be too inflexible to permit the effectuation of the rehabilitative purposes of the Code." *Id.* at 932. Accordingly, pursuant to section 105(a) of the Bankruptcy Code, the Court is empowered to grant the relief requested herein.

33. The Debtors' ability to maintain and honor their Insurance Programs in a timely manner is critical to the ongoing operation of their businesses, as discussed above, and therefore necessary to their successful reorganization. The Debtors believe that any prepetition amounts that they will pay in respect of Insurance Programs would be small relative to the size of the Debtors' estates and the critical benefits provided by the Insurance Programs. As noted above, interruption of the Debtors' insurance coverage could, among other things, cause the Debtors to violate state and/or federal law and expose the Debtors to direct liability for significant claims that otherwise would be covered by insurance, thus potentially substantially diminishing the

value of the Debtors' estates. For the Debtors to pay what would be relatively small prepetition amounts under the Insurance Programs to avoid such an occurrence is in the best interests of the Debtors, their estates, and all of the Debtors' stakeholders and other parties in interest.

Accordingly, the continuation of the Insurance Programs and the payment of prepetition Insurance Premiums, including any payments to the Brokers, falls within the sound business judgment of the Debtors and will benefit, rather than prejudice, the Debtors' creditors by preserving the property of the Debtors' estates. The Debtors submit that the relief requested herein is appropriate under the doctrine of necessity and section 105(a) of the Bankruptcy Code.

34. Based upon the foregoing, the Debtors submit that the relief requested herein is essential, appropriate, and in the best interests of the Debtors' estates and stakeholders. Absent this relief, the value of the Debtors' estates will suffer, possibly precipitously. Consequently, the Debtors' stakeholders will benefit if the requested relief is granted.

**Applicable Financial Institutions Should Be
Authorized To Honor and Process Related Checks and Transfers**

35. The Debtors also request that all applicable financial institutions be authorized to (a) receive, process, honor, and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to, the claims that the Debtors request authority to pay in this Motion, regardless of whether the checks were presented or fund transfer requests were submitted before, on, or after the Petition Date and (b) rely on the Debtors' designation of any particular check as approved by the Proposed Orders.

Necessity of Immediate Relief

36. Bankruptcy Rule 6003 provides that "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, issue an order granting . . . (b) 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” Fed. R. Bankr. P. 6003. The Debtors believe that they may need to make upcoming payments to the Insurance Carriers and the Brokers. If the Debtors are not permitted to continue their ordinary business operations by continuing to pay the Insurance Carriers and the Brokers as they become due, and to reassure the Insurance Carriers and the Brokers that authority has been granted to honor all such claims, the Debtors could suffer immediate and irreparable harm. Accordingly, the relief requested herein is consistent with Bankruptcy Rule 6003.

Debtors’ Reservation of Rights

37. Nothing contained herein is intended or should be construed as, or deemed to constitute, an agreement or admission as to the validity of any claim against the Debtors on any grounds, a waiver or impairment of the Debtors’ rights to dispute any claim on any grounds, or an assumption or rejection of any agreement, contract, or lease under section 365 of the Bankruptcy Code. The Debtors expressly reserve their rights to contest any claims related to the Insurance Obligations under applicable bankruptcy and non-bankruptcy law. Likewise, if the Court grants the relief sought herein, any payment made pursuant to the Court’s order is not intended, and should not be construed, as an admission as to the validity of any claim or a waiver of the Debtors’ rights to dispute such claim subsequently.

Waiver of Stay Under Bankruptcy Rule 6004(h)

38. The Debtors also request that, to the extent applicable to the relief requested in this Motion, the Court waive the stay imposed by Bankruptcy Rule 6004(h), which provides that “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). As described above, the relief that the Debtors seek in this Motion is

necessary for the Debtors to operate their businesses without interruption and to preserve value for their estates. Accordingly, the Debtors respectfully request that the Court waive the 14-day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief.

Notice

39. Notice of this Motion will be provided to (a) the Office of the United States Trustee for the District of Delaware, (b) each of the Debtors' 20 largest unsecured creditors on a consolidated basis, (c) Vinson & Elkins LLP, as counsel to Wells Fargo Bank, N.A., the administrative agent under Southcross's prepetition secured revolving credit facility, (d) (x) Arnold & Porter Kaye Scholer LLP and (y) Young Conaway Stargatt & Taylor, LLP, as counsel to Wilmington Trust, N.A., the administrative agent under Southcross's prepetition secured term loan facility and post-petition credit facility, (e) Willkie Farr & Gallagher LLP, as counsel to the post-petition lenders and an ad hoc group of prepetition lenders, (f) Debevoise & Plimpton LLP, as counsel to Southcross Holdings LP, (g) the Securities and Exchange Commission, (h) the Internal Revenue Service, (i) the United States Attorney's Office for the District of Delaware, (j) the Insurance Carriers set forth on Exhibit A hereto, and (k) the Brokers (collectively, the "**Notice Parties**").

40. Notice of this Motion and any order entered hereon will be served on all parties required by Local Rule 9013-1(m). A copy of this Motion and any order approving it will also be made available on the Debtors' case information website located at <http://www.kccllc.net/southcrossenergy>. Based on the urgency of the circumstances surrounding this Motion and the nature of the relief requested herein, the Debtors respectfully submit that no further notice is required.

No Prior Request

41. The Debtors have not previously sought the relief requested herein from the Court or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter the Proposed Orders, substantially in the forms attached hereto as Exhibit B and Exhibit C, respectively, granting the relief requested herein and such other and further relief as the Court deems just and proper.

Dated: April 1, 2019
Wilmington, Delaware

Respectfully submitted,

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Robert J. Dehney

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-and-

DAVIS POLK & WARDWELL LLP

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Proposed Counsel to the Debtors and Debtors in Possession

Exhibit A

The Insurance Programs

Insurance Programs

Coverage	Insurance Carrier(s)	Policy Number	Policy Term	Limits of Liability
Commercial General Liability	Everest National Insurance Company	EN4GL00252-181	11/01/2018 - 11/01/2019	Each Occurrence: \$1,000,000 Personal & Advertising Injury: \$1,000,000 General Aggregate: \$2,000,000 Products-Completed Ops Agg: \$2,000,000 Damage to Premises Rented to You: \$100,000 Medical Expense Limit: \$10,000
Business Auto Coverage	Everest National Insurance Company	EN4CA00277-181	11/01/2018 - 11/01/2019	Liability: \$1,000,000 PD: ACV or Cost to Repair, whichever is less (Autos 2014 & Newer)
Primary Umbrella Coverage	National Fire & Marine Ins. Co.	42UMO10003606	11/01/2018 - 11/01/2019	Each Occurrence: \$10,000,000 General Aggregate: \$10,000,000 Products/Completed Ops Aggregate: \$10,000,000
Excess Liability Coverage	Westchester Fire Insurance Company	G46797425002	11/01/2018 - 11/01/2019	Each Occurrence/Aggregate: \$15,000,000 Excess of \$10MM Underlying
Excess Liability Coverage	Ohio Casualty Insurance Company	ECO1958073368	11/01/2018 - 11/01/2019	Each Occurrence/Aggregate: \$25,000,000 Excess of \$25MM Underlying
Excess Liability Coverage	AXIS Insurance Company	P00100005424101	11/01/2018 - 11/01/2019	\$25,000,000 Each Occurrence \$25,000,000 General Aggregate \$25,000,000 Products & Completed Operations
Excess Liability Coverage	RSUI Indemnity Company	NHA084607	11/01/2018 - 11/01/2019	Each Occurrence/Aggregate: \$25,000,000 Excess of \$75MM Underlying
Commercial Property	AEGIS Ltd.	PO5778001P	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$350,000,000 (9.5% participation) Subject to sub-limits shown in the policy
Simplified Commercial Property	Ace American Insurance Co	EPRN1 43 26 83 2	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$350,000,000 (25% participation) Subject to sub-limits shown in the policy

Coverage	Insurance Carrier(s)	Policy Number	Policy Term	Limits of Liability
Simplified Commercial Property	XL Insurance America, Inc.	US00067688P R18A	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$350,000,000 (15% participation) Subject to sub-limits shown in the policy
Simplified Commercial Property	Zurich American Insurance Company	OGR 0222656-02	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$350,000,000 (4% participation) Subject to sub-limits shown in the policy
Simplified Commercial Property	UND AT Lloyds/Certain Other	ME1806342	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$350,000,000 (29% Quota Share Participation) Subject to sub-limits shown in the policy
Simplified Commercial Property	Lloyd's	ME1806344	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$325,000,000 (9.5% Participation) excess of \$25,000,000
Simplified Commercial Property	Lloyd's	ME1806395	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$25,000,000 (Quota Share 9.5% Participation) Subject to sub-limits shown in the policy
Simplified Commercial Property	Lloyd's	ME1806343	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$10,000,000 (2.5% Participation) Subject to sub-limits shown in the policy
Simplified Commercial Property	Lloyd's	ME1806345	11/01/2018 - 11/01/2019	Per Occurrence and in the Annual Aggregate separately as respects Flood and Earthquake: \$340,000,000 (2.5% Participation) excess of \$10,000,000
Pollution Liability	Illinois Union Insurance Co.	PPLG2454538 6002	11/08/2015 - 11/08/2019	A) \$10,000,000 - Per Pollution Condition or Indoor Environmental Condition Limit of Liability B) \$10,000,000 - Total Policy and Program Aggregate Limit of Liability for all Pollution Conditions and Indoor Environmental Conditions

Coverage	Insurance Carrier(s)	Policy Number	Policy Term	Limits of Liability
Workers Compensation Coverage	Hartford Underwriters Ins. Co.	21 WEH WQ0077	12/31/2018 - 12/31/2019	Coverage A-Statutory Coverage B: Bodily Injury By Accident (Each Accident): \$1,000,000 Bodily Injury by Disease (Policy Limit): \$1,000,000 Bodily Injury by Disease (Each Employee): \$1,000,000
Directors & Officers Liability Primary	QBE Insurance Corporation	QPL0493660	04/13/2018 - 04/13/2019	A) Loss from Insuring Clauses A, B, C, \$10,000,000 in the aggregate B) Securityholder Derivative Demand Investigation Limit \$500,000
Excess Directors & Officers	AEGIS	DX5707402P	04/13/2018 - 04/13/2019	\$10,000,000
Excess Directors & Officers	XL Specialty Insurance Com	ELU154826-18	04/13/2018 - 04/13/2019	\$10,000,000
Excess Directors & Officers	Endurance American Insurance Company	DOX10010979 201	04/13/2018 - 04/13/2019	Limit of Liability \$5,000,000; Underlying Limit \$30,000,000
A-Side Directors & Officers	Lloyd's of London	B0509FINMW 1800193	04/13/2018 - 04/13/2019	A. Original Limit USD 15,000,000 in the aggregate B. Single Claim Limit: USD 15,000,000 each Single Claim C. Reinstated Limit: USD 15,000,000 in the aggregate D. Second Reinstated Limit: USD 15,000,000 in the aggregate E. Limit for Policyholder Board Access Costs: USD 1,000,000 in the aggregate
A-Side Directors & Officers	Lloyd's of London	B0509FINMW 1800747	07/01/2018 - 04/13/2019	\$5,000,000
Fiduciary Liability Insurance Edge	Illinois National Insurance Company	01-615-81-87	07/13/2018 - 07/13/2019	\$5,000,000
Employee Crime	Travelers Casualty and Surety Co. of Am	105857121	07/13/2018 - 07/13/2019	\$5,000,000
Employment Edge	Illinois National Insurance Company	01-615-81-84	07/13/2018 - 07/13/2019	\$5,000,000

Surety Bonds

Obligee/Beneficiary	Principal	Surety/Bank	Address	Type	Current Instrument Number	Current Amount
Railroad Commission of Texas	FL Rich Gas Services, LP	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015763	\$25,000
Railroad Commission of Texas	Southcross CCNG Gathering Ltd.	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015765	\$25,000
Railroad Commission of Texas	Southcross CCNG Transmission Ltd.	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015766	\$25,000
Railroad Commission of Texas	Southcross Gulf Coast Transmission Ltd.	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015767	\$25,000
Railroad Commission of Texas	Southcross NGL Pipeline Ltd.	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015768	\$25,000
Railroad Commission of Texas	Southcross Gathering Ltd.	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015769	\$25,000
Railroad Commission of Texas	Southcross Processing LLC	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015770	\$25,000

Obligee/Beneficiary	Principal	Surety/Bank	Address	Type	Current Instrument Number	Current Amount
Railroad Commission of Texas	Southcross Nueces Pipelines LLC	RLI Insurance Company	2925 Richmond Ave, Suite 1600 Houston, TX 77098	Oil and Gas Operations Performance Bond	RLB0015771	\$25,000

Exhibit B

Proposed Interim Order

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

)	
In re:)	Chapter 11
)	
SOUTHCROSS ENERGY PARTNERS, L.P.,)	Case No. 19-[_____] (____)]
<i>et al.</i> ,)	
)	Jointly Administered
Debtors. ¹)	
)	

INTERIM ORDER AUTHORIZING (I) DEBTORS TO CONTINUE AND RENEW THEIR LIABILITY, PROPERTY, CASUALTY, AND OTHER INSURANCE PROGRAMS AND HONOR ALL OBLIGATIONS IN RESPECT THEREOF AND (II) FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

Upon the motion (the “**Motion**”)² of Southcross Energy Partners, L.P. (“**Southcross**”), Southcross Energy Partners GP, LLC, and Southcross’s wholly owned direct and indirect subsidiaries, each of which is a debtor and debtor in possession in the Chapter 11 Cases (collectively, the “**Debtors**”), for entry of interim and final orders pursuant to sections 105(a), 363(b)(1), and 363(c)(1) of the Bankruptcy Code, (a) authorizing, but not directing, the Debtors to maintain, continue, and renew, in their sole discretion, the Insurance Programs through the

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.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

Insurance Carriers on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date and (b) authorizing the Debtors' financial institutions to receive, process, honor, and pay checks or wire transfers used by the Debtors to pay the foregoing, as more fully described in the Motion; and the Court having jurisdiction to consider the matters raised in the Motion pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012; and the Court having authority to hear the matters raised in the Motion pursuant to 28 U.S.C. § 157; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and consideration of the Motion and the requested relief being a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b)(2); and due and proper notice of the Motion and opportunity for a hearing on the Motion having been given to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having reviewed and considered the Motion and the Howe Declaration; and the Court having held a hearing on the Motion (the "**Hearing**"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having found that the relief requested in the Motion being in the best interests of the Debtors, their creditors, their estates, and all other parties in interest; 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 relief requested in the Motion is hereby granted on an interim basis as set forth herein.

2. The Debtors are authorized, but not directed to maintain and continue, in their sole discretion, their Insurance Programs without interruption and in accordance with the same practices and procedures as were in effect prior to the Petition Date.

3. The Debtors are authorized, but not directed, to pay, in their sole discretion, the Insurance Obligations, if any, that may be owed in connection with the Insurance Programs or the financing thereof (including the Brokers' Fees and Insurance Deductibles) during the interim period, in an amount not to exceed \$35,000, whether due and payable before, on, or after the Petition Date, unless otherwise ordered by the Court.

4. The Debtors are authorized, but not directed to (a) renew or obtain, in their sole discretion, new insurance policies or execute other agreements in connection with their Insurance Programs, including, without limitation, upon the expiration or termination of any Insurance Program and (b) enter, in their sole discretion, into insurance premium financing transactions in connection with the Insurance Programs.

5. Notwithstanding anything to the contrary in the Insurance Programs or Obligations, in the event the Debtors default under the terms of the Insurance Programs or Obligations, the Insurer shall not cancel any insurance policy of the Debtors without first providing notice of such default in writing by overnight mail to the Debtors, their counsel, any statutory committee, and the U.S. Trustee and with at least 5 business days to cure. If the Debtors fail to cure the default within that time, then the Insurer may, in accordance with the terms of any applicable Insurance Program, and without further order of this Court, exercise any and all of its rights under the Insurance Program.

6. A final hearing to consider the relief requested in the Motion shall be held on _____, 2019 at _____ (Prevailing Eastern Time) and any objections or responses to the

Motion shall be filed and served on the Notice Parties so as to be actually received on or prior to _____, 2019 at 4:00 p.m. (Prevailing Eastern Time).

7. All applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests, or automated clearing house transfers evidencing amounts paid by the Debtors under this Order whether presented prior to, on, or after the Petition Date. Such banks and financial institutions are authorized to rely on the representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this interim Order without any duty of further inquiry and without liability for following the Debtors' instructions.

8. The Debtors are authorized, but not required to issue, in their sole discretion, new post-petition checks, or effect new fund transfers, for the Insurance Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected and to reimburse the Insurance Carriers, the Brokers, or the applicable payee, as the case may be, for any fees or costs incurred by them in connection with a dishonored or voided check or funds transfer.

9. Nothing in this Order or any action taken by the Debtors in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtors' rights with respect to such matters are expressly reserved.

10. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity or (b) be deemed to convert the priority of any claim from a prepetition claim into an administrative expense claim.

11. Nothing in this Order nor the Debtors' payment of claims pursuant to this Order shall be construed as or deemed to constitute (a) an agreement or admission by the Debtors as to the validity of any claim against the Debtors on any ground, (b) a grant of third party beneficiary status or bestowal of any additional rights on any third party, (c) a waiver or impairment of any rights, claims or defenses of the Debtors' rights to dispute any claim on any grounds, (d) a promise by the Debtors to pay any claim, or (e) an implication or admission by the Debtors that such claim is payable pursuant to this Order.

12. Notwithstanding anything to the contrary in this Order, in the event of any inconsistency between the terms of this Order and the terms of any order of this Court approving the debtor-in-possession financing facility and use of cash collateral (the "**DIP Order**"), including, without limitation, any budget in connection therewith, the terms of the DIP Order shall govern.

13. The requirements of Bankruptcy Rule 6003 are satisfied by the contents of the Motion.

14. Any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Order is hereby waived, and the terms and conditions of this Order shall be effective and enforceable immediately upon its entry.

15. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Order.

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

Dated: _____, 2019
Wilmington, Delaware

THE HONORABLE [•]
UNITED STATES BANKRUPTCY JUDGE

Exhibit C

Proposed Final Order

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

)	
In re:)	Chapter 11
)	
SOUTHCROSS ENERGY PARTNERS, L.P.,)	Case No. 19-[_____] (____)]
<i>et al.</i> ,)	
)	Jointly Administered
Debtors. ¹)	
)	

FINAL ORDER AUTHORIZING (I) DEBTORS TO CONTINUE AND RENEW THEIR LIABILITY, PROPERTY, CASUALTY, AND OTHER INSURANCE PROGRAMS AND HONOR ALL OBLIGATIONS IN RESPECT THEREOF AND (II) FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

Upon the motion (the “**Motion**”)² of Southcross Energy Partners, L.P. (“**Southcross**”), Southcross Energy Partners GP, LLC, and Southcross’s wholly owned direct and indirect subsidiaries, each of which is a debtor and debtor in possession in the Chapter 11 Cases (collectively, the “**Debtors**”) for entry of interim and final orders pursuant to sections 105(a), 363(b)(1), and 363(c)(1) of the Bankruptcy Code, (a) authorizing, but not directing, the Debtors to maintain, continue, and renew, in their sole discretion, the Insurance Programs through the

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.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

Insurance Carriers on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date and (b) authorizing the Debtors' financial institutions to receive, process, honor, and pay checks or wire transfers used by the Debtors to pay the foregoing, as more fully described in the Motion; and the Court having jurisdiction to consider the matters raised in the Motion pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012; and the Court having authority to hear the matters raised in the Motion pursuant to 28 U.S.C. § 157; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and consideration of the Motion and the requested relief being a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b)(2); and due and proper notice of the Motion and opportunity for a hearing on the Motion having been given to the parties listed therein, and it appearing that no other or further notice need be provided; and the Court having reviewed and considered the Motion and the Howe Declaration; and the Court having held an interim hearing on the Motion; and the Court having granted interim relief on the Motion on [•], 2019 (D.I. [•]); and the Court having held a final hearing on the Motion (the "**Hearing**"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having found that the relief requested in the Motion being in the best interests of the Debtors, their creditors, their estates, and all other parties in interest; 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 relief requested in the Motion is hereby granted as set forth herein.

2. The Debtors are authorized, but not directed to maintain and continue, in their sole discretion, their Insurance Programs without interruption and in accordance with the same practices and procedures as were in effect prior to the Petition Date.

3. The Debtors are authorized, but not directed to pay, in their sole discretion, the Insurance Obligations, if any, that may be owed in connection with the Insurance Programs or the financing thereof (including the Brokers' Fees and Insurance Deductibles), whether due and payable before, on, or after the Petition Date, unless otherwise ordered by the Court.

4. The Debtors are authorized, but not directed, to (a) renew or obtain, in their sole discretion, new insurance policies or execute other agreements in connection with their Insurance Programs, including, without limitation, upon the expiration or termination of any Insurance Program and (b) enter, in their sole discretion, into insurance premium financing transactions in connection with the Insurance Programs.

5. Notwithstanding anything to the contrary in the Insurance Programs or Obligations, in the event the Debtors default under the terms of the Insurance Programs or Obligations, the Insurer shall not cancel any insurance policy of the Debtors without first providing notice of such default in writing by overnight mail to the Debtors, their counsel, any statutory committee, and the U.S. Trustee and with at least 5 business days to cure. If the Debtors fail to cure the default within that time, then the Insurer may, in accordance with the terms of any applicable Insurance Program, and without further order of this Court, exercise any and all of its rights under the Insurance Program.

6. All applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests, or automated clearing house transfers evidencing amounts paid by the Debtors under this Order

whether presented prior to, on, or after the Petition Date. Such banks and financial institutions are authorized to rely on the representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this interim Order without any duty of further inquiry and without liability for following the Debtors' instructions.

7. The Debtors are authorized, but not required to issue, in their sole discretion, new post-petition checks, or effect new fund transfers, for the Insurance Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or rejected and to reimburse the Insurance Carriers, the Brokers, or the applicable payee, as the case may be, for any fees or costs incurred by them in connection with a dishonored or voided check or funds transfer.

8. Nothing in this Order or any action taken by the Debtors in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtors' rights with respect to such matters are expressly reserved.

9. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity or (b) be deemed to convert the priority of any claim from a prepetition claim into an administrative expense claim.

10. Nothing in this Order nor the Debtors' payment of claims pursuant to this Order shall be construed as or deemed to constitute (a) an agreement or admission by the Debtors as to the validity of any claim against the Debtors on any ground, (b) a grant of third party beneficiary status or bestowal of any additional rights on any third party, (c) a waiver or impairment of any rights, claims or defenses of the Debtors' rights to dispute any claim on any grounds, (d) a

promise by the Debtors to pay any claim, or (e) an implication or admission by the Debtors that such claim is payable pursuant to this Order.

11. Notwithstanding anything to the contrary in this Order, in the event of any inconsistency between the terms of this Order and the terms of any order of this Court approving the debtor-in-possession financing facility and use of cash collateral (the “**DIP Order**”), including, without limitation, any budget in connection therewith, the terms of the DIP Order shall govern.

12. Any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Order is hereby waived, and the terms and conditions of this Order shall be effective and enforceable immediately upon its entry.

13. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Order.

14. Proper, timely, adequate, and sufficient notice of the Motion has been provided in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules, and no other or further notice of the Motion or the entry of this Order shall be required.

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

Dated: _____, 2019
Wilmington, Delaware

THE HONORABLE [•]
UNITED STATES BANKRUPTCY JUDGE