UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2016

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Azure Midstream Partners, LP

(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-36018**	**46-2627595**
(State or Other Jurisdiction of Incorporation or Organization)	*Commission file number*	*(I.R.S. Employer Identification Number)*

12377 Merit Drive **Suite 300** **Dallas, Texas**	**75251**
(Address of principal executive offices)	*(Zip Code)*

(972) 674-5200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company) Smaller reporting company ☒

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The registrant had the following number of units outstanding as of August 8, 2016:

Class	**Units Outstanding**
Common Units	11,284,341

AZURE MIDSTREAM PARTNERS, LP
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For the Quarter Ended June 30, 2016

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GLOSSARY OF TERMS

The following are definitions of certain terms used in this Quarterly Report on Form 10-Q ("Quarterly Report"):

Bbls: One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

Bbls/d: Stock tank barrel per day.

Bbls/hr: Stock tank barrel per hour.

Condensate: A natural gas liquid with a low vapor pressure, mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.

Crude oil: A mixture of hydrocarbons that exists in liquid phase in underground reservoirs.

Dry gas: A natural gas primarily composed of methane and ethane where heavy hydrocarbons and water either do not exist or have been removed through processing.

End-user markets: The ultimate users and consumers of transported energy products.

EUR: Estimated ultimate recovery.

GPM: *Gallons per Mcf.*

Mcf: One thousand cubic feet.

MMBtu: One million British Thermal Units.

MMcf: One million cubic feet.

MMcf/d: One million cubic feet per day.

Natural gas liquids, or NGLs: The combination of ethane, propane, normal butane, isobutane and natural gasolines that when removed from natural gas become liquid under various levels of higher pressure and lower temperature.

Residue gas: The dry gas remaining after being processed or treated.

Tailgate: Refers to the point at which processed natural gas and natural gas liquids leave a processing facility for end-user markets.

Throughput: The volume of natural gas transported or passing through a pipeline, plant, terminal or other facility during a particular period.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made in this Quarterly Report and may from time to time otherwise make in other public filings, press releases and discussions by management, forward-looking statements concerning our operations, economic performance and financial condition. These statements can be identified by the use of forward-looking terminology including "may," "will," "believe," "expect," "anticipate," "estimate," "continue," or other similar words. These statements discuss future expectations, contain projections of results of operations or financial condition or include other "forward-looking" information. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will be realized. These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following risks and uncertainties:

- the volatility of natural gas, crude oil and NGL prices and the price and demand for products derived from these commodities, particularly in the current depressed energy price environment, which has the potential for further deterioration and has resulted in a material reduction in oil and gas exploration, development and production;
- the volume of natural gas we gather and process and the volume of NGLs we transport;
- the volume of crude oil that we transload;
- the level of production of crude oil and natural gas and the resultant market prices of crude oil, natural gas and NGLs;
- the level of competition from other midstream natural gas companies and crude oil logistics companies in our geographic markets and industry;
- the level of our operating expenses;
- regulatory action affecting the supply of, or demand for, crude oil and natural gas, the transportation rates we can charge on our pipelines, how we contract for services, our existing contracts, our operating costs and our operating flexibility;
- the effects of existing and future laws and governmental regulations;
- the effects of future litigation;
- capacity charges and volumetric fees that we pay for NGL fractionation services;
- realized pricing impacts on our revenues and expenses that are directly subject to commodity price exposure;
- the creditworthiness and performance of our customers, suppliers and contract counterparties, and any material nonpayment or non-performance by one or more of these parties;
- damage to pipelines, facilities, plants, related equipment and surrounding properties, including damage to third-party pipelines or facilities upon which we rely for transportation services, caused by hurricanes, earthquakes, floods, fires, severe weather, casualty losses, explosions and other natural disasters and acts of terrorism;
- outages at the processing or fractionation facilities owned by us or third parties caused by mechanical failure and maintenance, construction and other similar activities;

- actions taken by third-party operators, processors and transporters;
- leaks or accidental releases of products or other materials into the environment, whether as a result of human error or otherwise;
- the level and timing of our expansion capital expenditures and our maintenance capital expenditures;
- the cost of acquisitions, if any;
- the level of our general and administrative expenses, including reimbursements to our General Partner and its affiliates for services provided to us;
- our level of indebtedness, debt service requirements, liquidity, compliance with our debt covenants and our ability to continue as a going concern;
- fluctuations in our working capital needs;
- our ability to borrow funds and access capital markets;
- restrictions contained in our debt agreements;
- the amount of cash reserves established by our General Partner; and
- other business risks affecting our cash levels.

The risk factors and other factors noted throughout or incorporated by reference in this report could cause our actual results to differ materially from those contained in any forward-looking statement. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

AZURE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except number of units)

	(unaudited) June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,359	$ 7,511
Accounts receivable, net	5,320	5,887
Accounts receivable—affiliates	178	5,148
Other current assets	330	339
Total current assets	18,187	18,885
Property, plant, and equipment, net	399,882	485,155
Intangible assets, net	—	59,583
Other assets	302	341
TOTAL ASSETS	$ 418,371	$ 563,964
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,260	$ 6,218
Accounts payable—affiliates	110	96
Total current liabilities	5,370	6,314
Long-term liabilities:		
Long-term debt, net of deferred borrowing costs	212,231	228,474
Deferred income taxes	768	1,104
Other long-term liabilities	18,520	11,625
Total liabilities	236,889	247,517
Commitments and contingencies (Note 10)		
Partners' capital:		
Common units (13,064,218 issued and 11,124,953 outstanding as of June 30, 2016 and 13,044,654 issued and outstanding as of December 31, 2015)	53,180	127,292
Subordinated units (8,724,545 issued and 0 outstanding as of June 30, 2016 and 8,724,545 issued and outstanding as of December 31, 2015)	70,203	114,807
Treasury units (1,939,265 common units, 8,724,545 subordinated units and 10 IDR Units as of June 30, 2016)	(13,745)	—
General partner interest	2,633	5,137
Incentive distribution rights (100 issued and 90 outstanding as of June 30, 2016 and 100 issued and outstanding as of December 31, 2015)	69,211	69,211
Total partners' capital	181,482	316,447
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 418,371	$ 563,964

See the accompanying notes to the condensed consolidated financial statements.

AZURE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except unit and per unit data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues:				
Natural gas, NGLs and condensate revenue	$ 4,606	$ 5,919	$ 7,835	$ 11,321
Natural gas, NGLs and condensate revenue—affiliates	251	561	1,298	705
Gathering, processing, transloading and other fee revenue	5,637	9,440	13,714	16,264
Gathering, processing, transloading and other fee revenue—affiliates	344	8,452	672	11,762
Total operating revenues	10,838	24,372	23,519	40,052
Operating Expenses:				
Cost of natural gas and NGLs	3,970	3,636	7,300	7,954
Cost of natural gas and NGLs—affiliates	—	1,358	—	1,843
Operation and maintenance	4,357	5,777	8,428	10,435
General and administrative	4,072	4,374	6,760	7,248
Depreciation and amortization expense	3,598	5,884	9,588	9,078
Impairments (Notes 2 and 7)	—	—	107,477	—
Total operating expenses	15,997	21,029	139,553	36,558
Operating income (loss)	(5,159)	3,343	(116,034)	3,494
Interest expense	3,153	3,225	6,154	6,698
Other (income) expense, net	(14)	581	81	1,680
Net loss before income tax expense	(8,298)	(463)	(122,269)	(4,884)
Income tax expense (benefit)	93	540	(307)	499
Net loss	$ (8,391)	$ (1,003)	$ (121,962)	$ (5,383)
Net Income (loss) per unit and distributions declared:				
Net loss	$ (8,391)	$ (1,003)	$ (121,962)	$ (5,383)
Less amounts attributable to the General Partner:				
Net loss of the Legacy System for the period from January 1, 2015 to February 28, 2015	—	—	—	(1,666)
Net loss of the ETG System for the three and six months ended June 30, 2015	—	(2,705)	—	(5,816)
General Partner interest	(312)	33	(2,504)	41
Net loss attributable to the General Partner	(312)	(2,672)	(2,504)	(7,441)
Less: Net loss attributable to unvested phantom units	(286)	—	(2,635)	—
Net income (loss) attributable to common and subordinated units (1)	$ (7,793)	$ 1,669	$ (116,823)	$ 2,058
Net income (loss) per common and subordinated unit - basic and diluted (1) (2)	$ (0.70)	$ 0.09	$ (7.10)	$ 0.11
Weighted average number of common units outstanding	11,124,953	9,541,510	12,093,081	9,453,553
Weighted average number of subordinated units outstanding	—	8,724,545	4,362,273	8,724,545
Distributions declared and paid per common and subordinated units (3)	$ —	$ 0.37	$ —	$ 0.74

(1) For the six months ended June 30, 2015, net income per unit has been presented for the period March 1, 2015 to June 30, 2015, the period in which units were outstanding for accounting purposes (see Note 1 to the condensed consolidated financial statements — *"Sale of General Partner Interest and Contribution of the Legacy System"*).

(2) There were no units or awards issued or outstanding during the three and six months ended June 30, 2016, the three months ended June 30, 2015 and the period March 1, 2015 to June 30, 2015 that would be considered dilutive to the net loss per unit calculation, therefore, basic and diluted net loss per unit are the same for the periods presented.

(3) The Partnership has suspended the distributions for the quarterly periods ended March 31, 2016 and June 30, 2016 (see Note 1 to the condensed consolidated financial statements — *"Suspension of Distribution"*).

See the accompanying notes to the condensed consolidated financial statements.

AZURE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands)
(unaudited)

	General Partner Interest	Incentive Distribution Rights	Treasury Units	Limited Partner Common Units	Limited Partner Subordinated Units	Total
Balance at December 31, 2015	$ 5,137	$ 69,211	$ —	$127,292	$ 114,807	$ 316,447
Unit based compensation related to long-term incentive plan	—	—	—	742	—	742
Assignment of 1,939,265 common units, 8,724,545 subordinated units and 10 IDR Units from NuDevco to the Partnership	—	—	(13,745)	—	—	(13,745)
Net loss	(2,504)	—	—	(74,854)	(44,604)	(121,962)
Balance at June 30, 2016	$ 2,633	$ 69,211	$ (13,745)	$ 53,180	$ 70,203	$ 181,482

See the accompanying notes to the condensed consolidated financial statements.

AZURE MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (121,962)	$ (5,383)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation and amortization expense	9,588	9,078
Amortization of deferred financing costs	980	823
Unit based compensation related to long-term incentive plan	742	—
Asset impairment	107,477	—
Deferred income taxes	(336)	415
Gas imbalance mark-to-market	(113)	135
Changes in assets and liabilities, net of effects of business combination:		
Accounts receivable	362	(6,069)
Accounts receivable—affiliates	4,970	—
Other current assets	9	(371)
Other non-current assets	39	—
Accounts payable and accrued liabilities	(992)	(5,894)
Accounts payable and accrued liabilities—affiliates	14	—
Other long-term liabilities	6,895	6,275
Net cash provided by (used in) operating activities	7,673	(991)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(943)	(1,971)
Cash received under aid in construction contracts	341	1,958
Assumed cash acquired in business combination	—	117,268
Net cash provided by (used in) investing activities	(602)	117,255
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt under the Credit Agreement (Note 8)	—	9,500
Proceeds from public offering on common units	—	48,332
Proceeds from AES letter of credit	15,000	—
Allocated repayments of long-term debt under the Azure Credit Agreement	—	(3,741)
Repayments of long-term debt under the Partnership's existing credit facility (Note 8)	—	(15,000)
Repayments of long-term debt under the Credit Agreement (Note 8)	(17,223)	(47,320)
Cash distribution related to the Transactions	—	(99,500)
Distributions to unitholders	—	(6,763)
Payment of deferred financing costs	—	(272)
Parent company net investment	—	3,679
Net cash (used in) financing activities	(2,223)	(111,085)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,848	5,179
CASH AND CASH EQUIVALENTS—Beginning of Period	7,511	—
CASH AND CASH EQUIVALENTS—End of Period	$ 12,359	$ 5,179

See the accompanying notes to the condensed consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

General

In this Quarterly Report, the terms "Partnership", "our", "we", "us" and "its" refer to Azure Midstream Partners, LP itself or Azure Midstream Partners, LP together with its consolidated subsidiaries, which includes the Azure System, as defined below, for all periods presented.

In this Quarterly Report the term "Legacy System" refers to the Legacy gathering system entities and assets, which has been deemed to be the predecessor of the Partnership for accounting and financial reporting purposes. The closing of the transactions described below under "Sale of General Partner Interests and Contribution of the Legacy System" (the "Transactions") occurred on February 27, 2015, and was reflected in the condensed consolidated financial statements of the Partnership using, for accounting purposes, a date of convenience of February 28, 2015 (the "Transaction Date"). The effect of recording the Transactions as of the Transaction Date was not material to the information presented.

In this Quarterly Report the term "Azure System" refers to the operations of the Legacy System, together with the contribution of Azure ETG, LLC; a Delaware limited liability company ("Azure ETG") that owns and operates the East Texas gathering system, (the "ETG System"), for periods beginning November 15, 2013, representing the period Azure Midstream Energy LLC ("AME"), a Delaware limited liability company that is wholly owned by Azure Midstream Holdings LLC a Delaware limited liability company, (collectively "Azure"), acquired 100% of the equity interests in the entities that own the Legacy System and the ETG System up to the Transaction Date. Azure contributed the ETG System to the Partnership on August 6, 2015, effective as of July 1, 2015. This transaction was determined to be a transaction between entities under common control for financial reporting purposes. Accordingly, we have recast the financial results of the Partnership to include the financial results of the ETG System for all periods presented.

Organization and Description of Business

Azure Midstream Partners, LP is a publicly traded Delaware master limited partnership that was formed by NuDevco Partners, LLC and its affiliates ("NuDevco") to develop, own, operate and acquire midstream energy assets. We currently offer natural gas gathering, compression, dehydration, treating, processing, and hydrocarbon dew-point control and transportation services to producers, marketers and third-party pipeline companies.

As of June 30, 2016, Azure owned and controlled 100% of our general partner, Azure Midstream Partners GP, LLC, a Delaware limited liability company, (the "General Partner"), through its ownership of: (i) 429,365 general partner units representing 3.7% general partner interest; (ii) 255,319 common units, representing 2.3% of our outstanding limited partner interests; and (iii) 100% of our outstanding IDR Units, as defined below. As of June 30, 2016, the public owned 10,869,634 of our common units, representing 97.7% of our outstanding limited partner interest. Azure, through its ownership of our General Partner, controls us and is responsible for managing our business and operations.

Delisting of Common Units and Trading of Common Units on the OTCQB Market

On June 6, 2016, the Partnership was formally notified by the New York Stock Exchange ("NYSE") that the NYSE delisted the Partnership's common units from the NYSE. The delisting results from the Partnership's failure to comply with the continued listing standard set forth in Section 802.01B of the NYSE Listed Company Manual. This standard required the Partnership to maintain an average global market capitalization over a consecutive 30-day trading period of at least $15.0 million for the Partnership's common units. The NYSE suspended the trading of the Partnership's common units at the close of trading on June 3, 2016.

On June 6, 2016, the Partnership's common units began trading on the OTCQB Market under the same ticker symbol used previously on the NYSE "AZUR". The Partnership will remain subject to the public reporting requirements of the SEC following the trading of its common units on the OTCQB Market.

Going Concern Uncertainty

The decline in commodity prices throughout 2015 and continuing through the first half of 2016, has adversely affected the Partnership's liquidity outlook. The decline in commodity prices has affected a number of companies in the oil and natural gas industries, including our customers. Lower commodity prices have caused a significant reduction in drilling, completing and connecting new wells, which has caused a reduction in our forecasted volumes. These lower volumes have negatively impacted our operating cash flows. The downturn in the market has also effected the Partnership's ability to access the capital markets, which could have allowed the Partnership to facilitate growth or reduce debt.

As a result of these and other factors the Partnership's inability to comply with financial covenants and ratios in its senior secured revolving credit facility (the "Credit Agreement") has adversely impacted the Partnership's ability to continue as a going concern. Absent a waiver or amendment, failure to meet these covenants and ratios would have resulted in a default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. Based upon our current estimates and expectations for commodity prices in 2016, we do not expect to remain in compliance with all of the restrictive covenants contained in our Credit Agreement throughout 2016 unless those requirements are waived or amended. The Partnership does not currently have adequate liquidity to repay all of its outstanding debt in full if such debt were accelerated.

The report of the Partnership's independent registered public accounting firm that accompanies its 2015 audited consolidated financial statements contains an explanatory paragraph regarding the substantial doubt about the Partnership's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty. The Partnership's Credit Agreement contains the requirement to deliver audited consolidated financial statements without a going concern or like qualification or exception. Consequently, the Partnership would have been in default under the Credit Agreement. Had we been unable to obtain a waiver or other suitable relief from the lenders under the Credit Agreement prior to the expiration of the 30 day grace period, an Event of Default (as defined in the Credit Agreement) could have resulted in the acceleration of the outstanding indebtedness, which would have made it immediately due and payable. On March 29, 2016, the Partnership entered into the third amendment to the Credit Agreement ("Third Amendment"), which waived the event of default described above and certain other events of default until June 30, 2016. On June 30, 2016, the Partnership entered into the Fourth Amendment to the Credit Agreement (as defined below), which extended the waiver of certain other events of default. See Note 3 for further information regarding our ability to continue as a going concern.

Associated Energy Services, LP ("AES") Contract Terminations

During the first quarter of 2016, AES was delinquent in paying amounts invoiced under its gathering and processing contracts, as well as its logistics contracts, with subsidiaries of the Partnership. The contracts had provisions requiring AES to make payments based on minimum volume commitments ("MVCs"). AES caused its bank to issue a $15.0 million letter of credit to the administrative agent under the Credit Agreement to secure the amount of its obligations under its logistics contracts. On March 31, 2016, the Partnership's General Partner executed a settlement

agreement with AES and its parent, NuDevco, (the "AES Agreement") to resolve these issues under the gathering and processing agreements and the logistics contracts. The execution of the AES Agreement resulted in the following: (i) on April 1, 2016, AES instructed our administrative agent to draw down the full $15.0 million amount of the letter of credit, the proceeds of which were applied to pay down debt under our Credit Agreement; (ii) effective as of January 1, 2016, the gathering and processing agreement and the logistics contracts were terminated; (iii) effective April 1, 2016, NuDevco surrendered to the Partnership 8,724,545 subordinated units, 1,939,265 common units and 10 IDR Units of the Partnership held by NuDevco or its subsidiary; (iv) the parties released each other from other claims in respect of the terminated contracts; and (v) AES assigned all of its rights and interests in third-party contracts to Azure. The AES Agreement was subject to final approval from the lenders under the Credit Agreement, which was obtained.

Amendment to Credit Agreement

On June 30, 2016, the Partnership entered into a limited duration waiver agreement and fourth amendment to the Credit Agreement ("Fourth Amendment"). The Fourth Amendment extended the waiver of certain covenant defaults, which were previously waived under the Third Amendment through June 30, 2016, until August 12, 2016. Absent a waiver or amendment, failure to meet the financial covenants and ratios contained in our Credit Agreement, could result in default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. In addition, the Fourth Amendment reduced the borrowing capacity under the Credit Agreement to $214.7 million and any future repayments or reductions to the outstanding balance on the Credit Agreement will reduce the borrowing capacity by an equal amount of the repayment or reduction.

We incurred $0.9 million in fees associated with the Fourth Amendment. These fees are included within general and administrative expense within the condensed consolidated statements of operations.

Suspension of Distribution

As a result of covenant restrictions contained in our Credit Agreement, the board of directors of the General Partner of the Partnership and management have continued the suspension of the distributions for the quarterly period ended June 30, 2016. The board of directors will continue to evaluate the Partnership's ability to reinstate the distribution, although reinstatement of distributions is not expected in the near term absent substantial improvement in our operating performance and compliance with the terms of our Credit Agreement.

Sale of General Partner Interest and Contribution of the Legacy System

On February 27, 2015, we consummated a transaction agreement, dated January 14, 2015 (the "Transaction Agreement"), by and amongst us, Azure, our General Partner, NuDevco and Marlin IDR Holdings Inc, LLC, a wholly owned subsidiary of NuDevco ("IDRH"). The consummation of the Transaction Agreement resulted in Azure contributing the Legacy System to us, and Azure receiving $92.5 million in cash and acquiring 100% of the equity interests in our General Partner and 90% of our incentive distribution rights.

The Transaction Agreement occurred in the following steps:

- we (i) amended and restated the Agreement of Limited Partnership of Marlin Midstream Partners, LP (the "Partnership Agreement") for the second time to reflect the unitization of all of our incentive distribution rights, (as unitized, the "IDR Units"); and (ii) recapitalized the incentive distribution rights owned by IDRH into 100 IDR Units;

- we redeemed 90 IDR Units held by IDRH in exchange for a payment of $63.0 million to IDRH, (the "Redemption");

- Azure contributed the Legacy System to us through the contribution, indirectly or directly, of: (i) all of the outstanding general and limited partner interests in Talco Midstream Assets, Ltd., a Texas limited liability company and subsidiary of Azure ("Talco"); and (ii) certain assets, the ("TGG Assets") owned by TGG

Pipeline, Ltd., a Texas limited liability company and subsidiary of Azure ("TGG") and, collectively with Talco, ("TGGT"), in exchange for aggregate consideration of $162.5 million, which was paid to Azure in the form of: (i) a cash payment of $99.5 million; and (ii) the issuance of 90 IDR Units, (the foregoing transaction, collectively, the "Contribution"); and

- Azure purchased from NuDevco: (i) all of the outstanding membership interests in our General Partner, (the "GP Purchase") for $7.0 million; and (ii) an option to acquire up to 20% of each of the common units and subordinated units held by NuDevco as of the execution date of the Transaction Agreement, the ("Option") and, together with the Redemption, Contribution and GP Purchase, the Transactions.

The Legacy System consists of approximately 666 miles of high-and low-pressure gathering lines and serves approximately 100,000 dedicated acres within the Harrison, Panola and Rusk counties in Texas and Caddo parish in Louisiana and currently serves the Cotton Valley formation, the Haynesville shale formation and the shallower producing sands in the Travis Peak formation. The Legacy System has access to seven major downstream markets, three third-party processing plants and our Panola County processing plants.

Contribution of the ETG System

On August 6, 2015, we entered into a contribution agreement (the "Contribution Agreement") with Azure, which is the sole member of the General Partner. Pursuant to the Contribution Agreement, Azure contributed 100% of the outstanding membership interests in Azure ETG to the Partnership in exchange for the consideration described below. The closing of the transactions contemplated by the Contribution Agreement occurred simultaneously with the execution of the Contribution Agreement. The Contribution Agreement contains customary representations and warranties, indemnification obligations and covenants by the parties, and provides that the Partnership's acquisition of the ETG System was effective on July 1, 2015.

The following transactions took place pursuant to the Contribution Agreement:

- as consideration for the membership interests of Azure ETG, we paid Azure $80.0 million in cash and issued 255,319 common units representing limited partner interests in the Partnership to Azure; and

- we entered into a gas gathering agreement (the "Gas Gathering Agreement") with TGG, an indirect subsidiary of Azure.

The ETG System includes approximately 255 miles of gathering pipelines, two treating plants, 5 MMcf/d of processing capacity and four interconnections with major interstate pipelines providing 1.75 Bcf per day of access to downstream markets. A total of 336,000 gross acres in the Haynesville Shale and Bossier Shale formations are dedicated to the ETG System under 23 long-term producer contracts.

The Partnership financed the cash consideration portion of the ETG Contribution with an $80.0 million draw from its credit facility.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Azure Midstream Partners, LP

The condensed consolidated financial statements give effect to the business combination, accounted for in accordance with the applicable reverse merger accounting guidance, the Transactions under the acquisition method of accounting and the Contribution Agreement, which was determined to be a transaction between entities under common control.

Azure acquired a controlling financial interest in us through the acquisition of our General Partner. As a result, the Legacy System was deemed to be the accounting acquirer of the Partnership because its parent company, Azure, obtained control of the Partnership through its control of the General Partner. Consequently, the Legacy System was deemed to be the predecessor of the Partnership for financial reporting purposes, and the historical financial statements of the Partnership were recast and reflect the Legacy System for all periods prior to the closing of the Transactions. The closing of the Transactions occurred on February 27, 2015, and are reflected in the condensed consolidated financial statements of the Partnership as of the Transaction Date. The recording of the Transactions as of the Transaction Date did not have a material effect to the condensed consolidated financial statements.

The Legacy System's assets and liabilities retained their historical carrying values. Additionally, the Partnership's assets acquired and liabilities assumed by the Legacy System in the business combination were recorded at their fair values measured as of the Transaction Date. The excess of the assumed purchase price of the Partnership over the estimated fair values of the Partnership's net assets acquired was recorded as goodwill. The assumed purchase price or enterprise value of the Partnership was determined using acceptable fair value methods, and was partially derived from the consideration Azure paid for the General Partner and 90 of the IDR Units. Additionally, because the Legacy System was reflected at Azure's historical cost, the difference between the $162.5 million in consideration paid by the Partnership and Azure's historical carrying values, net book value, at the Transaction Date was recorded as an increase to partners' capital in the amount of $51.7 million. The purchase price and fair values were prepared with the assistance of the Partnership's external fair value specialists and represent management's best estimate of the enterprise value and fair values of the Partnership.

The ETG Contribution on August 6, 2015, effective July 1, 2015, was determined to be a transaction between entities under common control for financial reporting purposes. Because the ETG Contribution is considered to be a transaction amongst entities under common control, the ETG System is reflected at Azure's historical cost and the difference between that historical cost and the purchase price was recorded as an adjustment to partners' capital in the amount of $6.8 million. In addition, we have recast the financial results of the Partnership to include the financial results of the ETG System for all periods presented.

In preparing financial statements in accordance with GAAP, management makes informed judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. Management evaluates its estimates and related assumptions regularly, utilizing historical experience and other methods considered reasonable under the particular circumstances. Changes in facts and circumstances or additional information may result in revised estimates and actual results may differ from these estimates. Effects on the business, financial condition and results of operations resulting from revisions to estimates are recognized when the facts that give rise to the revision become known. The information furnished herein reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the condensed consolidated financial statements. Operating results for the three and six months periods ended June 30, 2016 and 2015 are not necessarily indicative of the results which may be expected for the full year or for any interim period. The condensed consolidated financial statements include the accounts of the Partnership and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Azure System

The operating results and the majority of the assets and liabilities of the Azure System were specifically identified based on the existing divisional organization of Azure. Certain assets, liabilities and expenses presented in the carve-out statements of financial position and statements of operations prior to the contributions of the Legacy System and ETG System represent allocations and estimates of the costs of services incurred by Azure. These allocations and estimates were based on methodologies that management believes to be reasonable, and include items such as outstanding debt and related expenses associated with Azure's credit agreement and general and administrative expenses incurred by Azure on behalf of the Azure System.

Revenues were identified by contracts that are specifically identifiable to the Azure System. Depreciation and amortization are based upon assets specifically identified to the Azure System. Salaries, benefits and other general and administrative costs were allocated to the Azure System based on management's use of a reasonable allocation methodology as such costs were historically not allocated to the Azure System. Azure's direct investment in the Azure

System is presented as parent company net investment in the condensed consolidated balance sheets and includes the accumulated net earnings and accumulated net contributions from Azure, including allocated long-term debt, interest expense and general and administrative expenses.

Significant Accounting Policies

The following serves to update our significant accounting policies and to provide our significant accounting policies effective before and after the Transaction Date.

Cash and Cash Equivalents

Cash and cash equivalents consist of all unrestricted demand deposits and funds invested in highly liquid instruments with original maturities of three months or less. We periodically assess the financial condition of the institutions where these funds are held and believe that the credit risk is minimal.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Trade accounts receivable arise from our natural gas sales, natural gas gathering, compression, dehydration, treating, processing, and hydrocarbon dew-point control and transportation services. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the condensed consolidated statements of cash flows. We had no allowance for doubtful accounts as of June 30, 2016 and December 31, 2015.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable. As of June 30, 2016, three customers accounted for more than 10% of our accounts receivable, BP plc, which accounted for 18.2%, Conoco Phillips, which accounted for 17.3% and Anadarko, which accounted for 13.4% of our accounts receivable.

We perform ongoing credit evaluations of our customers' financial condition. Declines in oil and natural gas prices have resulted in reductions in capital expenditure budgets of oil and natural gas exploration and development companies and could affect the financial condition of our customers.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation on property, plant and equipment is recorded on a straight-line basis for groups of property having similar economic characteristics over the estimated useful lives. Uncertainties that may impact these estimates include, but are not limited to, changes in laws and regulations relating to environmental matters, including air and water quality, restoration and abandonment requirements, economic conditions and supply, and demand in the area. When assets are placed into service, management makes estimates with respect to useful lives. However, subsequent events could cause a change in estimates, thereby affecting future depreciation amounts.

When items of property, plant and equipment are sold or otherwise disposed of, gains or losses are reported in the condensed consolidated statements of operations.

The Partnership capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect construction costs include general engineering, insurance, taxes and the cost of funds used during construction. Capitalized interest is calculated by multiplying the Partnership's monthly weighted average interest rate on outstanding debt by the amount of qualifying costs. After major construction projects are completed, the associated capitalized costs including interest are depreciated over the estimated useful life of the related asset. There was no capitalized interest recognized by the Partnership during the three and six months periods ended June 30, 2016 and 2015.

Costs, including complete asset replacements and enhancements or upgrades that increase the original efficiency, productivity or capacity of property, plant and equipment, are also capitalized. In addition, certain of the Partnership's plant assets require periodic and scheduled maintenance, such as overhauls. The cost of these scheduled maintenance projects are capitalized and depreciated on a straight-line basis until the next planned maintenance, which generally occurs every five years.

Costs for planned integrity management projects are expensed in the period incurred. The costs of repairs, minor replacements and maintenance projects, which do not increase the original efficiency, productivity or capacity of property, plant and equipment, are expensed as incurred.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment when events or circumstances indicate that their carrying values may not be recoverable. These events include, but are not limited to, market declines that are believed to be other than temporary, changes in the manner in which we intend to use a long-lived asset, decisions to sell an asset and adverse changes in the legal or business environment such as adverse actions by regulators. If an event occurs, we evaluate the recoverability of our carrying value based on the long-lived asset's ability to generate future cash flows on an undiscounted basis. If the undiscounted cash flows are not sufficient to recover the long-lived asset's carrying value, or if we decide to sell a long-lived asset or group of assets, we adjust the carrying values of the asset downward, if necessary, to their estimated fair value. Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted cash flows. See Note 7.

Intangible Assets

We evaluate intangible assets for impairment upon a significant change in the operating environment or whenever circumstances indicate that the carrying value may not be recoverable. If an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is generally based on discounted future cash flows.

As part of the AES Agreement executed on March 31, 2016, the gathering and processing agreement and the logistics contracts were terminated effective January 1, 2016. Accordingly, the intangible assets which represented the existing customer relationship with AES were impaired. The intangible assets were identified as part of the purchase price allocation to the Partnership's assets acquired by the Azure System. The remaining balance of the intangible asset was eliminated in the second quarter of 2016 as part of the assignment of common and subordinated units and IDR Units from NuDevco to the Partnership. See Note 7.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of debt are capitalized and amortized as interest expense under the effective interest method over the term of the related debt. The unamortized balance of deferred financing costs is included within long-term debt, net of deferred borrowing costs within the condensed consolidated balance sheets. The Partnership had net deferred loan costs of $2.3 million and $3.3 million as of June 30, 2016 and December 31, 2015. These deferred loan costs will be amortized over the maturity period of the Credit Agreement. All deferred financing costs included within the Azure System's consolidated balance sheets, up to the Transaction Date, are associated with the Azure Credit Agreement. See Note 8.

Segment Reporting

The Partnership's chief operating decision maker ("CODM") is the Chief Executive Officer of our General Partner. Our CODM evaluates the performance of our operating segments. The Partnership has two operating segments, gathering and processing and logistics, for financial reporting purposes.

AES was the sole customer of the crude oil logistics business. As a result of the termination of these contracts on April 1, 2016, we currently have no customers for our crude oil logistics business. The Partnership is pursuing other customer contracts and currently has no plans to sell the assets of the logistics business. Accordingly, the assets of the logistics business are classified as held for use and the logistics segment does not meet the criteria to be classified as a discontinued operation.

Revenues and Cost of Natural Gas and NGLs

The Partnership's revenues are derived primarily from natural gas processing and fees earned from its gathering and processing operations. Revenues from all services and activities are recognized by the Partnership using the following criteria: (i) persuasive evidence of an exchange arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the buyer's price is fixed or determinable; and (iv) collection is reasonably assured. Utilizing these criteria, revenues are recognized when the commodity is delivered or services are rendered. Similarly, cost of natural gas and NGLs is recognized when the commodity is purchased or delivered.

The Partnership's fee-based contracts provide for a fixed fee arrangement for one or more of the following midstream services: (i) natural gas gathering; (ii) compression; (iii) dehydration; (iv) treating; (v) processing and hydrocarbon dew-point control; and (vi) transportation services to producers, third-party pipeline companies and marketers. Under these arrangements, the Partnership is paid a fixed fee based on the volume of the natural gas the Partnership gathers and processes, and recognizes revenues for its services in the month such services are performed. Substantially all of these fee-based agreements contain MVCs and annual inflation adjustments.

Under our commercial agreements that do not require us to deliver NGLs to the customer in kind, we provide NGL transportation services to our customers whereby we purchase the NGLs from the customer at an index price, less fractionation and transportation fees, and simultaneously sell the NGLs to third parties at the same index price, less fractionation fees. The revenue generated by these activities is offset by a corresponding cost of natural gas and NGLs that is recorded when we compensated the customer for its share of the NGLs.

Producers' wells and other third-party gathering systems are connected to the Partnership's gathering systems for delivery of natural gas to the Partnership's processing and treating plants, where the natural gas is processed to extract NGLs and condensate or treated in order to satisfy downstream natural gas pipeline specifications. Under percentage of liquids ("POL") arrangements, the Partnership retains a percentage of the liquids processed, and remits a portion back to the producer. Revenues are directly correlated to the commodity's market value. POL contracts also include fee-based revenues for gathering and other midstream services. Under both fixed fee and POL arrangements, the counterparties' share of NGLs, if not delivered as a commodity, is recorded as cost of natural gas and NGLs.

Under our keep-whole contracts, the Partnership is required to gather or purchase raw natural gas at current market rates. The volume of gas gathered or purchased is based on the measured volume at an agreed upon location, generally at the wellhead. The volume of gas redelivered or sold at the tailgate of the Partnership's processing facility would be lower than the volume purchased at the wellhead primarily due to NGLs extracted through processing. The Partnership would make up or "keep the producer whole" for the condensate and NGL volumes through the delivery of or payment for a thermally equivalent volume of residue gas. The cost of these natural gas volumes is recorded as a cost of natural gas and NGLs. The keep-whole contracts convey an economic benefit to the Partnership when the combined value of the individual NGLs is greater in the form of liquids than as a component of the natural gas stream; however, the Partnership is adversely affected when the value of the NGLs is lower as liquids than as a component of the natural gas stream. Certain contracts also included fee-based revenues for gathering and other midstream services. Cost of revenues were derived primarily from the purchase of natural gas, NGLs and condensates. There were no material costs categorized as cost of natural gas and NGLs sold directly identified with gathering, processing and other revenue.

Other revenue producing activities are the sale of natural gas and NGLs purchased from third parties, for which the Partnership takes title, and the sale of condensate liquids. Natural gas revenues are derived from transactions that are completed under contracts with limited commodity price exposure, and the Partnership has elected the normal purchases and normal sales exemption on all such transactions for accounting purposes. The Partnership receives a market price per barrel on our revenue from natural gas condensate liquids. We recognize the natural gas and condensate revenues and

the associated purchases and expenses on a gross basis within our statement of operations. The cost of natural gas purchased from third parties is reported as a component of operating costs and expenses.

The ETG System has a natural gas gathering agreement with a customer that provides for a minimum revenue commitment ("MRC"). Under the MRC, our customer agrees to pay a minimum monetary amount over certain periods during the term of the MRC. The customer must make a deficiency payment to us at the end of the contract year if its actual revenues are less than its MRC for that year. The customer is entitled to utilize the deficiency payments to offset gathering fees in the following periods to the extent that such customer's revenues in the following periods exceed its MRC for that period. This contract provision ranges for the entire duration of the gas gathering agreement, which is ten years. We record customer billings for obligations under the MRC, solely with respect to this natural gas gathering agreement, as deferred revenue when the customer has the right to utilize deficiency payments to offset gathering fees in subsequent periods. We recognize deferred revenue under this arrangement as revenue once all contingencies or potential performance obligations associated with the related revenues have either: (i) been satisfied through the gathering of future excess volumes of natural gas; or (ii) expired, or lapsed through the passage of time pursuant to the terms of the natural gas gathering agreement. We classify deferred revenue as noncurrent where the expiration of the customer's right to utilize deficiency payments is greater than one year. As of June 30, 2016 and December 31, 2015, deferred revenue under the MRC agreement was $18.5 million and $11.6 million and is included within other long-term liabilities in the condensed consolidated balance sheets. No deferred revenue amounts under these arrangements were recognized as revenue during the three and six months periods ended June 30, 2016 and 2015.

Accounts Payable and Accrued Liabilities

The Partnership's accounts payable and accrued liabilities as of June 30, 2016 and December 31, 2015, consist of obligations arising during the normal course of the Partnership's business operations which are expected to be settled within a period of twelve months.

Fair Value of Financial Instruments

Accounting guidance requires the disclosure of the fair value of all financial instruments that are not otherwise recorded at fair value in the financial statements. The carrying amount of long-term debt reported within the condensed consolidated balance sheets as of June 30, 2016 and December 31, 2015 approximates fair value, because of the variable rate nature of the long-term debt. The fair value of the debt is considered a Level 2 fair value measurement. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities reported within the condensed consolidated balance sheets approximate fair value due to the short-term nature of these items.

Transactions with Affiliates

In connection with the closing of the Transactions, we terminated our omnibus agreement, dated July 31, 2013, by and between NuDevco, the General Partner and us, and entered into an omnibus agreement, the "New Omnibus Agreement" with the General Partner and Azure, pursuant to which, among other things, Azure has agreed to provide corporate, general and administrative services, the ("Services"), on behalf of the General Partner and for our benefit and we are obligated to reimburse Azure and its affiliates for costs and expenses incurred by Azure and its affiliates in providing the Services on our behalf. The New Omnibus Agreement also provides us with a right of first offer on any proposed transfer of any assets owned by Azure or its subsidiaries.

Asset Retirement Obligations

Applicable accounting guidance requires us to evaluate whether any future asset retirement obligations exist as of June 30, 2016 and December 31, 2015, and whether the expected retirement date of the related costs of retirement can be estimated. We have concluded that our natural gas gathering system assets, which include pipelines and processing and treating facilities, have an indeterminate life because they are owned and will operate for an indeterminate future period when properly maintained. A liability for these asset retirement obligations will be recorded only if and when a future retirement obligation with a determinable life is identified. The Partnership has not recognized any asset

retirement obligations as of June 30, 2016 and December 31, 2015 because we have no current intention of discontinuing use of any significant assets in the long-term.

Environmental Expenditures

Our operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. Although we believe that we are in compliance with applicable environmental regulations, the risk of costs and liabilities are inherent in pipeline ownership and operation, and there can be no assurances that we will not incur significant costs and liabilities.

Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Liabilities are recorded when the necessity for environmental remediation or other potential environmental liabilities become probable and the costs can be reasonably estimated. Management is not aware of any contingent liabilities that currently exist with respect to environmental matters.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties that are probable of realization are separately recorded as assets, and are not offset against the related environmental liability.

Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of expected future expenditures for environment remediation obligations are not discounted to their present value.

Income Taxes

The Partnership and its condensed consolidated subsidiaries are not taxable entities for U.S. federal income tax purposes or for the majority of states that impose an income tax. Generally, income taxes are not levied at the entity level, but rather on the individual partners of the Partnership. The Partnership is subject to the Revised Texas Franchise Tax ("Texas Margin Tax"). The Texas Margin Tax is computed on modified gross margin, and is recorded as income tax expense in the condensed consolidated statements of operations. In June 2013, the State of Texas enacted certain changes to the Texas Margin Tax which lowered the tax rate and expanded the scope of depreciation deductions. The Partnership does not do business in any other state where a similar tax is applied. As of June 30, 2016 and December 31, 2015, the Partnership had a non-current liability of $0.8 million and $1.1 million for deferred taxes.

Net Income (Loss) Per Unit

Net income (loss) per unit is presented for the three and six months periods ended June 30, 2016, the three months ended June 30, 2015 and the period from March 1, 2015 to June 30, 2015 as this is the period in which the Partnership's results of operations are included within net loss. The Azure System from the period January 1, 2015 up to the Transaction Date had no units and therefore net loss per unit is not presented for periods in which net loss consists only of the Azure System.

Subsequent Events

Subsequent events have been evaluated through the date these financial statements are issued. Any material subsequent events that occurred prior to such date have been properly recognized or disclosed in the condensed consolidated financial statements.

Recent Accounting Pronouncements

Accounting standard-setting organizations frequently issue new or revised accounting rules and pronouncements. We regularly review new accounting rules and pronouncements to determine their impact, if any, on our financial statements.

In April 2015, the Financial Accounting Standards Board ("FASB") issued a pronouncement that specifies how to calculate historical earnings per unit for a master limited partnership with retrospectively adjusted financial statements subsequent to a drop-down acquisition. The amendments specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings or losses of a transferred business before the date of a drop-down acquisition are to be allocated entirely to the general partner. In that circumstance, the previously reported earnings per unit of the limited partners would not change as a result of the dropdown acquisition. Qualitative disclosures about how the rights to the earnings or losses differ before and after the drop-down acquisition occurs for purposes of computing earnings per unit under the two-class method are also required. This standard became effective beginning in 2016; however, we have elected to early adopt this standard in this report and have retrospectively adjusted our prior period balances related to this standard in this report. See Note 5.

In February 2016, the FASB issued a pronouncement amending disclosure and presentation requirements for lessees and lessors to better reflect the recognition of assets and liabilities that arise from leases. The pronouncement states that a lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the face of the balance sheet. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. In addition, also consistent with the previous leases guidance, a lessee (and a lessor) should exclude most variable lease payments in measuring lease assets and lease liabilities, other than those that depend on an index or a rate or are in substance fixed payments. This standard will become effective beginning in 2019.

In September 2015, the FASB issued a new accounting standard, which eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The standard is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The update was implemented on January 1, 2016.

In April 2015, the FASB issued a new accounting standard that simplifies the presentation of debt issuance costs. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented within the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Partnership adopted the guidance effective January 1, 2016. The standard only affected the presentation of the Partnership's condensed consolidated balance sheet and does not affect any of the Partnership's other financial statements.

In May 2014, the FASB and International Accounting Standards Board jointly issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP and International Financial Reporting Standards. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Partnership will be required to adopt this standard beginning in the first quarter of 2018. The adoption could have a significant impact on the condensed consolidated financial statements, however management is currently unable to quantify the impact.

There are currently no other recent accounting pronouncements that have been issued that we believe will materially affect our condensed consolidated financial statements.

3. GOING CONCERN

The precipitous decline in oil and natural gas prices during 2015 and into 2016 has had a significant adverse impact on our business, and has impacted the Partnership's ability to comply with financial covenants and ratios in its Credit Agreement. Based upon our current estimates and expectations for commodity prices in 2016, we do not expect to remain in compliance with all of the restrictive covenants contained in the Credit Agreement throughout 2016 unless those requirements are waived or amended. Absent a waiver or amendment, failure to meet these covenants and ratios would result in a default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. The Partnership does not currently have adequate liquidity to repay all of its outstanding debt in full if such debt were accelerated.

The Credit Agreement requires us to deliver audited, consolidated financial statements without a "going concern" or like qualification or exception. On March 29, 2016, the Partnership entered into the Third Amendment. Pursuant to the Third Amendment, we have received an agreement from our lenders that the default resulting from non-compliance with our financial covenants and ratios has been waived as it relates to the 2015 consolidated financial statements.

Pursuant to the Third Amendment to the Credit Agreement, certain other events of default have been waived until June 30, 2016. On June 30, 2016, the Partnership entered into the Fourth Amendment to the Credit Agreement, which extended the waiver of certain covenant defaults until August 12, 2016. Notwithstanding the effects of these waivers, it is unlikely that we can comply with the leverage covenant currently contained in the Credit Agreement during the next twelve months. If we cannot obtain from our lenders a waiver of such potential breach or an amendment of the leverage covenant, our breach would constitute an event of default that could result in an acceleration of substantially all of our outstanding indebtedness. We would not have sufficient capital to satisfy these obligations.

While the Fourth Amendment offers a temporary solution to the defaults under the Credit Agreement, the Partnership still seeks a long-term solution to its liquidity and covenants under the Credit Agreement.

The significant risks and uncertainties described above raise substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty.

The Partnership is currently in discussions with various stakeholders and is pursuing or considering a number of actions including: (i) obtaining additional sources of capital from asset sales, private issuances of equity or equity-linked securities, debt for equity swaps, or any combination thereof; (ii) obtaining waivers or amendments from its lenders; and (iii) continuing to minimize its capital expenditures, reduce costs and maximize cash flows from operations. There can be no assurance that sufficient liquidity can be obtained from one or more of these actions or that these actions can be consummated within the period needed.

4. PARTNERSHIP EQUITY AND DISTRIBUTIONS

Outstanding Units

As of June 30, 2016, Azure owned 100% of our general partner interests consisting of 429,365 general partner units representing a 3.7% general partner interest, 255,319 common units representing a 2.3% limited partner interest and 100% of our outstanding IDR Units. As of June 30, 2016, the Partnership had common units outstanding of 11,124,953 of which, the public owned 10,869,634 units, representing a 97.7% limited partner interest.

Distributable Cash and Distributions

The Partnership Agreement, which was amended and restated for the second time on February 27, 2015 for, among other things, the Transactions, requires that within 45 days after the end of each quarter, we distribute all of our

available cash to unitholders of record on the applicable record date, as determined by our General Partner. We intend to make at least the minimum quarterly distribution of $0.35 per unit, or $1.40 per unit on an annual basis, to holders of our common and subordinated units, to the extent we have sufficient cash from our operations after the establishment of cash reserves and the payment of costs and expenses, including reimbursement of expenses to our General Partner and its affiliates.

On February 1, 2016, the Partnership announced a temporary suspension of the distributions for the quarterly period ended December 31, 2015. In addition, we have also suspended the distributions for the quarterly periods ended March 31, 2016 and June 30, 2016, primarily due to liquidity constraints contained in the amendments to our Credit Agreement. Should the distributions be reinstated, the common unitholders will be entitled to receive the minimum quarterly distribution of $0.35 per unit in arrears for each quarter as to which the distributions were suspended. Payment of any such amount in arrears will be subject to board of directors approval and compliance with the terms of our Partnership Agreement and the agreements governing our indebtedness. Our ability to pay distributions also is reliant on our ability to comply with restrictions contained in the agreements governing our debt. However, there is no guarantee that we will pay the minimum quarterly distribution on our units in any quarter.

The Partnership declared the following cash distributions to its unitholders of record for the periods presented:

Quarter ended:	Total Quarterly Distribution per Unit	Total Cash Distribution (1)	Date of Distribution
June 30, 2016 (2)	$ —	—	
March 31, 2016 (2)	$ —	—	
December 31, 2015 (2)	$ —	—	
September 30, 2015	$ 0.370	$ 8,213	November 13, 2015
June 30, 2015	$ 0.370	$ 8,187	August 14, 2015
March 31, 2015	$ 0.370	$ 6,763	May 15, 2015

(1) Total distribution amount includes the distributions paid to our General Partner and does not include the payment associated with the distribution equivalent rights that accrue on all unvested phantom units that have been issued under our long-term incentive plan.
(2) Distributions for the quarterly periods ended June 30, 2016, March 31, 2016 and December 31, 2015 have been suspended primarily due to the Partnership's liquidity constraints contained in the amendments to its Credit Agreement.

General Partner Interest

As of June 30, 2016, Azure owned 100% of our general partner interest. If we issue additional units, our General Partner has the right, but not the obligation, to contribute a proportionate amount of capital to us in order to maintain its general partner interest. The general partner interest, and the percentage of our cash distributions to which our General Partner is entitled from such interest, will be proportionately reduced if we issue additional units in the future (other than the issuance of common units upon conversion of outstanding subordinated units or the issuance of common units upon a reset of the incentive distribution rights) and our General Partner does not contribute a proportionate amount of capital to the Partnership in order to maintain its general partner interest. As of June 30, 2016, the general partner interest was the equivalent of 3.7%. This general partner interest increased from 1.9% as of March 31, 2016 as a result of: (i) NuDevco surrendering to the Partnership 8,724,545 subordinated units and 1,939,265 common units as a result of the AES Agreement; partially offset by (ii) our General Partner electing not to make a contribution in connection with the previous issuances of common units related to the vesting of awards under the Marlin Midstream Partners, LP 2013 Long-Term Incentive Plan ("LTIP") (See Note 12); and (iii) our General Partner electing not to make a contribution in connection with the issuance of 255,319 common units to Azure in connection with the contribution of Azure ETG.

Incentive Distribution Rights

As of June 30, 2016, Azure owned all of our outstanding IDR Units. The IDR Units entitle the holder to receive an increasing percentage, 13%, 23% and 48%, of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and certain target distribution levels have been achieved. The target distribution levels are defined within the Partnership Agreement as: (i) the First Target Distribution of $0.4025 per unit per quarter;

(ii) the Second Target Distribution of $0.4375 per unit per quarter; and (iii) the Third Target Distribution of $0.5250 per unit per quarter. The maximum distribution of 48% does not include any distributions that our General Partner or Azure may receive on common, subordinated or general partner units that they own.

Common Units

Our common units represent limited partner interests in us. The holders of our common units are entitled to participate in distributions and are entitled to exercise the rights and privileges available to limited partners under our Partnership Agreement. Our Partnership Agreement provides that, during the Subordination Period, as defined in the Partnership Agreement, the common units have the right to receive distributions of available cash from operating surplus each quarter in an amount that is at least equal to $0.35 per common unit before any distributions of available cash from operating surplus may be made on the subordinated units.

As previously disclosed, the Partnership temporarily suspended distributions for the second quarter of 2016, first quarter of 2016 and fourth quarter of 2015. Should the distributions be reinstated, the common unitholders will be entitled to receive the minimum quarterly distribution of $0.35 per unit in arrears for each quarter as to which the distributions were suspended prior to distributions being made in respect of IDR Units or any junior securities. Payment of any such amount in arrears will be subject to the approval of the board of directors of the General Partner of the Partnership and compliance with the terms of our Partnership Agreement and the agreements governing our indebtedness.

Subordinated Units

Our subordinated units represent limited partner interests in us and convert to common units at the end of the Subordination Period, as defined within the Partnership Agreement. The principal difference between our common units and our subordinated units is that in any quarter during the Subordination Period, holders of the subordinated units are not entitled to receive any distribution of available cash until the common units have received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. Subordinated units do not accrue arrearages.

All subordinated units were surrendered to the Partnership effective April 1, 2016 per the terms of the AES Agreement.

5. NET INCOME (LOSS) PER UNIT

The Partnership's condensed consolidated statements of operations were recast to reflect the Azure System for periods prior to March 1, 2015 in accordance with applicable accounting and financial reporting guidance. The Azure System had no units outstanding prior to the Transaction Date. Therefore, net income per unit for the six months ended June 30, 2015 is presented for the period March 1, 2015 to June 30, 2015, which is the period the Partnership's results of operations are included within these condensed consolidated financial statements and the period in which the Partnership's units were reflected as outstanding within these condensed consolidated financial statements.

The Partnership’s net income (loss) for the three and six months periods ended June 30, 2016, the three months ended June 30, 2015 and the period March 1, 2015 to June 30, 2015 is allocated to the General Partner and our limited partners in accordance with their respective ownership percentages and, when applicable, giving effect to the IDR Units. The ETG System's net losses of $2.7 million and $5.8 million have been allocated to the General Partner for the three months ended June 30, 2015 and the period January 1, 2015 to June 30, 2015 as this period preceded the contribution date of August 6, 2015. Basic and diluted net income (loss) per unit is calculated by dividing the partner’s interest in net income (loss) by the weighted average number of units outstanding during the period. There were no units or awards issued or outstanding during the three and six months periods ended June 30, 2016, the three months ended June 30, 2015 and the period March 1, 2015 to June 30, 2015 that would be considered dilutive to the net income (loss) per unit calculation, and, therefore, basic and diluted net income (loss) per unit are the same for the periods presented.

For the three and six months periods ended June 30, 2016, net loss was allocated to the unvested phantom unit awards granted to our executive officers and certain employees for the earnings per unit calculation. Relevant accounting guidance requires unvested unit-based payments that entitle employees to receive non-forfeitable distributions are considered participating securities for earnings per unit calculations.

The following table illustrates the Partnership's calculation of net income (loss) per unit for common and subordinated units for the periods presented:

	Three Months Ended		Six Months Ended	March 1, 2015 to
In thousands, except per unit data	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net loss	$ (8,391)	$ (1,003)	$ (121,962)	$ (5,383)
Less amounts attributable to the General Partner:				
Net loss of the Legacy System for the period January 1, 2015 to February 28, 2015	—	—	—	(1,666)
Net loss of the ETG System for the three and six months ended June 30, 2015	—	(2,705)	—	(5,816)
General Partner interest	(312)	33	(2,504)	41
Net loss attributable to the General Partner	(312)	(2,672)	(2,504)	(7,441)
Less: Net loss attributable to unvested phantom units	(286)	—	(2,635)	—
Net income (loss) attributable to common and subordinated units	$ (7,793)	$ 1,669	$ (116,823)	$ 2,058
Net income (loss) per common and subordinated unit - basic and diluted	$ (0.70)	$ 0.09	$ (7.10)	$ 0.11
Weighted average units outstanding - basic and diluted				
Common units	11,124,953	9,541,510	12,093,081	9,453,553
Subordinated units	—	8,724,545	4,362,273	8,724,545
Total	11,124,953	18,266,055	16,455,354	18,178,098

6. ACQUISITIONS

Effective as of the Transaction Date, Azure contributed the Legacy System to the Partnership in exchange for aggregate consideration of $162.5 million, which was paid to Azure in the form of: (i) $99.5 million in cash; and (ii) the issuance of 90 of our IDR Units. The cash portion of the contribution was funded through borrowings under the Partnership's Credit Agreement (see Note 8).

The Legacy System has been deemed to be the accounting acquirer of the Partnership in the business combination because its parent company, Azure, obtained control of the Partnership through the indirect control of the General Partner. Consequently, the Legacy System's assets and liabilities retained their historical carrying values. The Partnership's assets acquired and liabilities assumed by the Legacy System have been recorded at their fair values measured as of the Transaction Date. The excess of the assumed purchase price over the estimated fair values of the Partnership's net assets acquired were recorded as goodwill. The assumed purchase price and fair value of the Partnership has been determined by using a combination of an income, market and cost valuation methodology and considered the evaluation of comparable company transactions, the Partnership's discounted future cash flows, the fair value of the Partnership's common units as of the Transaction Date and the consideration paid by Azure for the general partner interest and IDR Units. The purchase price allocation has been prepared based on a valuation report prepared with the assistance of the Partnership's fair value specialists and represents management's best estimate of the enterprise and fair values of the Partnership.

The property, plant and equipment of the Legacy System has been reflected at its historical net carrying value, which is greater than the consideration paid for the business. The excess of the historical carrying value over the consideration paid was $51.7 million and was reflected as an increase to partners' capital. Additionally, the Partnership

did not assume certain liabilities of the Legacy System as part of the Contribution, and, as a result, the amount of such liabilities not assumed is considered a deemed contribution within the statement of partners' capital.

The Partnership incurred $2.6 million in transaction related expenses prior to the Transaction Date as a result of the Transactions. These transaction related expenses were recognized by the Partnership when incurred in the periods prior to the Transaction Date, and therefore are not included within the results of operations presented within the condensed consolidated financial statements for the six months ended June 30, 2015.

The following tables summarize the assumed purchase price, fair value and the allocation to the assets acquired and liabilities assumed as of February 28, 2015 (in thousands):

Total assumed purchase price and fair value of Azure Midstream Partners, LP	$	393,171

The allocation of the assumed purchase price is as follows (in thousands):

Assumed purchase price allocation to Azure Midstream Partners, LP:		
Current assets	$	123,022
Property, plant and equipment		193,316
Identifiable intangible assets		65,000
Goodwill		215,758
Other assets		3,418
Current liabilities		(11,161)
Long-term debt		(195,771)
Deferred income tax liability		(411)
Total assumed consideration and fair value of Azure Midstream Partners, LP	$	393,171

Goodwill recognized from the business combination primarily related to the value attributed to additional growth opportunities, synergies and operating leverage within the Partnership's areas of operation. Goodwill was allocated to our gathering and processing segment and our logistics segment. Goodwill was fully impaired in September 2015. The assumed purchase price and fair values have been prepared with the assistance of our external fair value specialists, and represent management's best estimate of the enterprise value and fair values of the Partnership as of this date.

Contribution of the ETG System

On August 6, 2015, in connection with the execution of the Contribution Agreement, Azure contributed the ETG System to the Partnership in consideration for $80.0 million in cash and the issuance of 255,319 common units. In connection with the Contribution Agreement, we entered into a Gas Gathering Agreement with TGG. The Contribution Agreement contains customary representations and warranties, indemnification obligations and covenants by the parties, and provides that the Partnership’s acquisition of the ETG System was effective on July 1, 2015.

The contribution of the ETG System by Azure to the Partnership was determined to be a transaction between entities under common control for financial reporting purposes. Because the contribution of the ETG System is considered to be a transaction amongst entities under common control, the ETG System is reflected at Azure's historical cost and the difference between that historical cost and the purchase price is recorded as an adjustment to partners' capital.

The assets acquired and liabilities assumed of the ETG System have been reflected at their historical net carrying value, which is less than the consideration paid for the business. The excess of the consideration paid over the historical carrying value was $6.8 million and was reflected as a decrease to partners' capital. Additionally, the Partnership did not assume certain liabilities of the ETG System as part of the Contribution Agreement and, as a result, the amount of such liabilities not assumed is considered a deemed contribution within the condensed consolidated statement of partners' capital.

The Partnership incurred $0.7 million in transaction related expenses associated with the contribution of the ETG System for the year ended December 31, 2015.

The following table summarizes the excess of consideration over the historical net carrying value of the assets acquired and liabilities assumed and net decrease to the statement of partners' capital at August 6, 2015 (in thousands):

Consideration for the ETG System:		
Cash	$	80,000
Issuance of 255,319 common units		3,000
Total consideration		83,000
Assets acquired and liabilities assumed:		
Current assets		11
Property, plant and equipment, net		87,594
Deferred tax asset		211
Other long-term liabilities		(11,625)
Net assets acquired		76,191
Excess of consideration over net assets acquired	$	6,809

Gas Gathering Agreement

Pursuant to the terms of the Gas Gathering Agreement, the Partnership has agreed to provide gathering services to TGG on a priority basis for quantities of gas designated by TGG. AME, which is the sole member of the General Partner, has guaranteed TGG's obligations under the Gas Gathering Agreement.

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment, net

Property, plant and equipment, net is comprised of the following as of each period presented:

In thousands	Estimated Useful Lives (Years)	June 30, 2016	December 31, 2015
Gathering pipelines and related equipment	45	$ 284,010	$ 319,058
Gas processing and compression facilities	20	131,673	173,679
Buildings	30	2,144	2,175
Other depreciable assets	3 - 15	5,632	5,589
Land and rights of way		9,027	9,027
Construction in progress		8	277
Total property, plant and equipment		432,494	509,805
Accumulated depreciation		(32,612)	(24,650)
Total property, plant and equipment, net		$ 399,882	$ 485,155

With the recent decline in commodity prices negatively affecting the level of natural gas and crude oil production as well as the terms of the AES Agreement, we concluded that a triggering event had occurred which required a test for impairment of our assets. The fair value of our long-lived assets was below the carrying value for our gathering and processing assets. As a result, we recorded an impairment of $78.3 million to adjust the processing assets to their net realizable value in the three months ended March 31, 2016.

The net realizable value for the processing assets was determined based upon third party valuations and recent market transactions which are considered Level 2 and Level 3 inputs in accordance with the accounting guidance.

Depreciation expense was $3.6 million and $8.0 million for the three and six months periods ended June 30, 2016 and $4.3 million and $6.9 million for the three and six months periods ended June 30, 2015.

Intangible assets, net

As part of the AES Agreement executed on March 31, 2016, the gathering and processing agreement and the logistics contracts were terminated effective January 1, 2016. Accordingly, the intangible assets which represented the existing customer relationship with AES were impaired. The intangible assets were identified as part of the purchase price allocation to the Partnership's assets acquired by the Azure System.

The Partnership recorded an intangible asset impairment of $29.2 million during the three months ended March 31, 2016. The remaining balance of the intangible asset, of $28.7 million, was eliminated in the second quarter of 2016 as part of the assignment of common and subordinated units and IDR Units from NuDevco to the Partnership.

The intangible impairment recorded in the three months ended March 31, 2016 was calculated based upon the fair value of the NuDevco units that were surrendered on April 1, 2016. The fair value of the common shares were determined based upon the unit price as of March 31, 2016 which is considered a Level 1 input. The fair values of the subordinated units and IDR Units were derived from the common unit price as of March 31, 2016 and was determined using the purchase price valuation performed in connection with the Transactions which is considered a Level 2 input.

Due to the elimination of the remaining intangible asset balance, per the terms of the AES Agreement, no amortization expense associated with the intangible assets was recorded in the three months ended June 30, 2016. The amortization expense associated with the customer contracts and customer relationships intangible assets, which is included within depreciation and amortization expense within the statement of operations was $1.6 million for the six months ended June 30, 2016 and $1.6 million and $2.2 million for the three and six months periods ended June 30, 2015.

8. LONG-TERM DEBT

Long-term debt, net of deferred borrowing costs consists of the following:

In thousands	June 30, 2016	December 31, 2015
Long-term debt associated with the Partnership's Credit Agreement	$ 214,512	$ 231,735
Less: Current portion of long-term debt	—	—
Total long-term debt	214,512	231,735
Less: Net deferred borrowing costs	2,281	3,261
Total long-term debt, net of deferred borrowing costs	$ 212,231	$ 228,474

Credit Agreement

On February 27, 2015, we entered into the Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and SG Americas Securities, LLC, collectively, (the “Lenders”). The Partnership has entered into three amendments to the Credit Agreement as described below.

Borrowings under the Credit Agreement bear interest at: (i) the LIBOR Rate, as defined in the Credit Agreement, plus an applicable margin of 3.25% to 4.25%; or (ii) the Base Rate, as defined in the Credit Agreement plus an applicable margin of 2.25% to 3.25%, in each case, based on the Consolidated Total Leverage Ratio, as defined in the Credit Agreement.

All of the Partnership's domestic restricted subsidiaries guarantee our obligations under the Credit Agreement, and all such obligations are secured by a security interest in substantially all of our assets, in each case, subject to certain customary exceptions. The Credit Agreement contains affirmative and negative covenants customary for credit facilities of its size and nature that, among other things, limit or restrict our ability and the ability of our subsidiaries to: (i) incur additional debt; (ii) grant certain liens; (iii) make certain investments; (iv) engage in certain mergers or consolidations; (v) dispose of certain assets; (vi) enter into certain types of transactions with affiliates; and (vii) make distributions, with

certain exceptions, including the distribution of Available Cash, as defined in the Partnership Agreement, if no default or event of default exists.

As of June 30, 2016, we had outstanding borrowings under the Credit Agreement of $214.5 million. For the three and six months periods ended June 30, 2016 interest expense associated with the Credit Agreement was $2.6 million and $5.2 million. For the three months ended June 30, 2015 interest expense associated with the credit agreement was $1.7 million. For the period March 1, 2015 to June 30, 2015 interest expense associated with the Credit Agreement was $2.3 million. We had net deferred loan costs of $2.3 million and $3.3 million as of June 30, 2016 and December 31, 2015 in connection with the Credit Agreement. These financing costs were classified within long-term debt, net of deferred borrowing costs in the condensed consolidated balance sheets and will be amortized to interest expense and related charges over the maturity period of the Credit Agreement.

As part of the AES Agreement discussed in Note 1, on April 1, 2016, the proceeds from the $15.0 million letter of credit were applied to pay down debt under our Credit Agreement.

Amendments to the Credit Agreement

As a result of the decline in commodity prices and associated decline in upstream oil and gas drilling activity, we experienced a decline in the growth in volume of natural gas we gather and process for our customers. These collective events affected our operating results adversely and resulted in the need to amend our Credit Agreement.

In October 2015, the Partnership entered into the second Amendment to the Credit Agreement ("Second Amendment"), and the first amendment to the security agreement. Among other things, the Partnership agreed to reduce the borrowing capacity under the Credit Agreement to $238.0 million in exchange for more favorable financial condition covenants, including amending our maximum permitted consolidated leverage ratio.

Our maximum permitted consolidated leverage ratio as a result of the Second Amendment was superseded by the Third Amendment and waived as an event of default until June 30, 2016.

Under the terms of the Second Amendment, we are prohibited from declaring or paying any distribution to unitholders if a default or event of default exists. In addition, under the Second Amendment, future distributions were contingent upon the maintenance of certain leverage ratios, as detailed in the Second Amendment. There is a reasonable possibility that the Partnership will be unable to comply with the financial covenants over the next four quarters. As part of its balance sheet management, the Partnership is evaluating several alternatives to bolster its capital and liquidity position, including but not limited to asset sales and issuances of equity. The ability to comply with the financial covenants and to pay distributions will depend upon the Partnership's ability to reduce debt, increase its liquidity, or increase its Adjusted EBITDA due to a rebound in commodity prices and a related increase in drilling activity by the producers supplying its volumes.

We incurred $0.7 million in fees associated with the Second Amendment. These fees are included within general and administrative expense within the condensed consolidated statements of operations.

In March 2016, the Partnership entered into the Third Amendment. The amendment waived the affirmative covenant that stated if the Partnership's annual financial statements, prepared in accordance with generally accepted accounting standards, contained any going concern qualification an event of default would result, for the year ended December 31, 2015. Additionally, the Third Amendment waived certain other events of default until June 30, 2016.

Under the terms of the Third Amendment, we are still prohibited from declaring or paying any distributions to unitholders if a default or event of default exists.

On June 30, 2016, the Partnership entered into the Fourth Amendment. The Fourth Amendment extended the waiver of certain covenant defaults, which were previously waived under the Third Amendment through June 30, 2016, until August 12, 2016. Absent a waiver or amendment, failure to meet the financial covenants and ratios contained in our Credit Agreement, could result in default and, to the extent the applicable lenders so elect, an acceleration of the existing

indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. In addition, the Fourth Amendment reduced the borrowing capacity under the Credit Agreement to $214.7 million and any future repayments or reductions to the outstanding balance on the Credit Agreement will reduce the borrowing capacity by an equal amount of the repayment or reduction.

We incurred $0.9 million in fees associated with the Fourth Amendment. These fees are included within general and administrative expense within the condensed consolidated statements of operations.

Based upon our current estimates and expectations for commodity prices in 2016, we do not expect to remain in compliance with all of the restrictive covenants contained in the Credit Agreement throughout 2016 unless those requirements are waived or amended. The Partnership does not currently have adequate liquidity to repay all of its outstanding debt in full if such debt were accelerated.

Azure Credit Agreements

On November 15, 2013, Azure closed on a $550.0 million Senior Secured Term Loan B (the "TLB") maturing November 15, 2018, and a $50.0 million Senior Secured Revolving Credit Facility, the ("Revolver") and collectively with the TLB, the ("Azure Credit Agreement"), with a maturity of November 15, 2017. Borrowings under the Azure Credit Agreement were unconditionally guaranteed, jointly and severally, by all of the Azure subsidiaries and are collateralized by first priority liens on substantially all of existing and subsequently acquired assets and equity. The Azure Credit Agreement weighted average interest rate for the period from January 1, 2015 to February 28, 2015 was 6.50%.

Azure System Long-term Debt and Related Expense Allocations

The Azure Credit Agreement served as the sole borrowing agreement applicable for the Azure System from the period November 15, 2013 up to the Transaction Date. In addition, substantially all of Azure's subsidiaries, including the Azure System, served as guarantors and pledger's with respect to the Azure Credit Agreement. The Azure System's long-term debt and related expense balances for the period from January 1, 2015 to February 28, 2015 represent an allocation of its proportionate share of the Azure consolidated long-term debt presented in accordance with applicable accounting guidance. The allocation of long-term debt and related expense is based on the Azure System's proportional carrying value of assets as a percentage of total assets financed by the Azure Credit Agreement.

In connection with entering into the Azure Credit Agreement, Azure incurred financing costs, which were deferred and amortized over the maturity period of the Azure Credit Agreement. These deferred financing costs have also been allocated to the Azure System's balance sheet, included within long-term debt, net of deferred borrowing costs, as of December 31, 2015. The Azure System's interest expense allocation has also been calculated using a similar allocation methodology as long-term debt.

The weighted average long-term debt allocated to the Azure System for the period January 1, 2015 to February 28, 2015 was $192.0 million. The weighted average long-term debt allocated to the Partnership for the Azure ETG System was $54.4 million for the period March 1, 2015 to June 30, 2015. The interest expense allocated to the Azure System for the period January 1, 2015 to February 28, 2015 was $2.3 million of which $0.3 million was associated with the allocation of deferred financing cost amortization expense. The interest expense allocated to the Partnership for the Azure ETG System was $1.2 million for the three months ended June 30, 2015, of which $0.2 million was associated with the allocation of deferred financing cost amortization expense. The interest expense allocated to the Partnership for the Azure ETG System was $1.7 million for the period March 1, 2015 to June 30, 2015, of which $0.2 million was associated with the allocation of deferred financing cost amortization expense.

The allocation of long-term debt and related expenses to the Azure System were in accordance with applicable accounting guidance, and the long-term debt and related expenses were not assumed by the Partnership as part of the Contribution. As a result, the allocation of long-term debt and related expenses is only applicable for the Azure System historical periods presented.

9. SEGMENT INFORMATION

As of June 30, 2016, the Partnership had two operating segments gathering and processing and logistics. These segments were identified based on the differing products and services, regulatory environment, and expertise required for their respective operations. The Partnership's CODM is the Chief Executive Officer of our General Partner.

As a result of the terms of the AES Agreement all of the contracts with our logistics segment were terminated. During the second quarter of 2016, we evaluated our logistics segment. This evaluation resulted in focusing our operations around our Wildcat crude oil transloading facility located in Carbon County, Utah. We moved our transloading equipment from our Wyoming and New Mexico facilities to our Wildcat facility to concentrate our efforts to acquire new business in this region. We will continue to evaluate our logistics segment on an ongoing basis to determine its viability as an operating segment.

The financial information for our operating segments has been presented for the three and six months ended June 30, 2016 and 2015 and as of June 30, 2016 and December 31, 2015.

The following table presents financial information by segment for the three months ended June 30, 2016:

In thousands	Gathering & Processing	Logistics	Corporate and Consolidation	Azure Midstream Partners, LP
Total operating revenues	$ 10,838	$ —	$ —	$ 10,838
Cost of natural gas and NGL's	3,970	—	—	3,970
Gross margin	6,868	—	—	6,868
Operation and maintenance	3,689	668	—	4,357
General and administrative	—	—	4,072	4,072
Depreciation and amortization expense	3,547	29	22	3,598
Operating loss	(368)	(697)	(4,094)	(5,159)
Interest expense	—	—	3,153	3,153
Other income, net	(14)	—	—	(14)
Net loss before income tax expense	(354)	(697)	(7,247)	(8,298)
Income tax expense	23	—	70	93
Net loss	$ (377)	$ (697)	$ (7,317)	$ (8,391)

The following table presents financial information by segment for the six months ended June 30, 2016:

In thousands	Gathering & Processing	Logistics	Corporate and Consolidation	Azure Midstream Partners, LP
Total operating revenues	$ 23,519	$ —	$ —	$ 23,519
Cost of natural gas and NGL's	7,300	—	—	7,300
Gross margin	16,219	—	—	16,219
Operation and maintenance	7,097	1,331	—	8,428
General and administrative	—	—	6,760	6,760
Depreciation and amortization expense	7,859	59	1,670	9,588
Impairments	78,264	29,213	—	107,477
Operating loss	(77,001)	(30,603)	(8,430)	(116,034)
Interest expense	—	—	6,154	6,154
Other expense, net	21	—	60	81
Net loss before income tax expense	(77,022)	(30,603)	(14,644)	(122,269)
Income tax expense (benefit)	30	—	(337)	(307)
Net loss	$ (77,052)	$ (30,603)	$ (14,307)	$ (121,962)

The following table presents financial information by segment for the three months ended June 30, 2015:

In thousands	Gathering & Processing	Logistics	Corporate and Consolidation	Azure Midstream Partners, LP
Total operating revenues	$ 20,209	$ 4,163	$ —	$ 24,372
Cost of natural gas and NGL's	4,994	—	—	4,994
Gross margin	15,215	4,163	—	19,378
Operation and maintenance	5,149	628	—	5,777
General and administrative	—	—	4,374	4,374
Depreciation and amortization expense	4,224	22	1,638	5,884
Operating income (loss)	5,842	3,513	(6,012)	3,343
Interest expense	—	—	3,225	3,225
Other expense, net	581	—	—	581
Net income (loss) before income tax expense	5,261	3,513	(9,237)	(463)
Income tax expense	—	—	540	540
Net income (loss)	$ 5,261	$ 3,513	$ (9,777)	$ (1,003)

The following table presents financial information by segment for the six months ended June 30, 2015:

In thousands	Gathering & Processing	Logistics	Corporate and Consolidation	Azure Midstream Partners, LP
Total operating revenues	$ 34,469	$ 5,583	$ —	$ 40,052
Cost of natural gas and NGL's	9,797	—	—	9,797
Gross margin	24,672	5,583	—	30,255
Operation and maintenance	9,437	998	—	10,435
General and administrative	—	—	7,248	7,248
Depreciation and amortization expense	6,851	589	1,638	9,078
Operating income (loss)	8,384	3,996	(8,886)	3,494
Interest expense	—	—	6,698	6,698
Other expense, net	1,680	—	—	1,680
Net income (loss) before income tax expense	6,704	3,996	(15,584)	(4,884)
Income tax expense	—	—	499	499
Net income (loss)	$ 6,704	$ 3,996	$ (16,083)	$ (5,383)

The following table presents financial information by segment as of June 30, 2016:

In thousands	Gathering & Processing	Logistics	Corporate and Consolidation	Azure Midstream Partners, LP
Assets:				
Current assets	$ 5,244	$ 12	$ 12,931	$ 18,187
Property, plant and equipment, net	398,575	941	$ 366	399,882
Other assets	—	—	302	302
Total Assets	$ 403,819	$ 953	$ 13,599	$ 418,371
Liabilities and Partners' Capital				
Total current liabilities	$ 3,702	$ 50	$ 1,618	$ 5,370
Total long-term liabilities	18,520	—	212,999	231,519
Total Liabilities	22,222	50	214,617	236,889
Partners' Capital	381,597	903	(201,018)	181,482
Total Liabilities and Partners' Capital	$ 403,819	$ 953	$ 13,599	$ 418,371

The following table presents financial information by segment as of December 31, 2015:

In thousands	Gathering & Processing	Logistics	Corporate and Consolidation	Azure Midstream Partners, LP
Assets:				
Current assets	$ 6,489	$ 1,565	$ 10,831	$ 18,885
Property, plant and equipment, net	483,763	993	$ 399	485,155
Intangible assets, net	—	59,583	—	59,583
Other assets (1)	—	—	341	341
Total Assets	$ 490,252	$ 62,141	$ 11,571	$ 563,964
Liabilities and Partners' Capital				
Total current liabilities	$ 3,691	$ 54	$ 2,569	$ 6,314
Total long-term liabilities (1)	11,625	—	229,578	241,203
Total Liabilities	15,316	54	232,147	247,517
Partners' Capital	474,936	62,087	(220,576)	316,447
Total Liabilities and Partners' Capital	$ 490,252	$ 62,141	$ 11,571	$ 563,964

(1) Includes reclassification of deferred loan costs of $3.3 million from other assets to total long-term liabilities.

10. COMMITMENTS AND CONTINGENCIES

Pursuant to the Contribution Agreement, the Partnership entered into a Gas Gathering Agreement with TGG agreeing to provide services to TGG on a priority basis for quantities of gas designated by TGG. Azure has guaranteed TGG's obligations under the Gas Gathering Agreement. For the three and six months periods ended June 30, 2016, TGG paid the Partnership $0.3 million and $0.6 million.

From time to time, the Partnership may be involved in legal, tax, regulatory and other proceedings in the ordinary course of business. Management does not believe that the Partnership is a party to any litigation that will have a material impact on its financial condition or results of operations.

The Partnership and its subsidiaries are guarantors of the Credit Agreement as of June 30, 2016 (See Note 8).

The Partnership leases compression and treating equipment and these leases are accounted for as operating leases. Total rent expense for operating leases, including those with terms of less than one year, was $0.2 million and $0.4 million for the three and six months ended June 30, 2016 and $0.9 million and $1.7 million for the three and six months periods ended June 30, 2015.

The following table summarizes our future minimum lease commitments:

In thousands	2016	2017	2018	2019	2020	Thereafter	Total
Operating lease agreements (1)	$ 298	$ 399	$ 290	$ 274	$ 274	$ 1,017	$2,552

(1) The contractual obligations associated with operating lease agreements relate to various midstream property and equipment operating leases that are used in our gathering, processing and transloading operations and have terms of greater than one year.

11. TRANSACTIONS WITH AFFILIATES

From time to time, we enter into transactions with affiliated entities that are deemed affiliated entities because of common ownership. These affiliated entities include Azure and its owners, affiliates and subsidiaries, including our General Partner.

Revenues and cost of natural gas and NGLs

The Partnership gathering and processing segment sells natural gas to its affiliates throughout the course of business. For the three and six months periods ended June 30, 2016, affiliate natural gas sales were $0.3 million and $1.3 million. For the three and six months periods ended June 30, 2015, affiliate natural gas sales were $0.6 million and $0.7 million.

Due to the termination of our contracts with AES, per the terms of the AES Agreement, we incurred no affiliate related cost of natural gas and NGLs sold for the three and six months periods ended June 30, 2016. For the three and six months periods ended June 30, 2015, the Partnership's results of operations included the related cost of natural gas and NGLs sold in the amount of $1.4 million and $1.8 million. All of these costs were attributable to AES.

The Partnership provides gathering, transportation, and processing services to its affiliates. The Partnership's gathering and processing segment provided gathering, transportation, and processing services to its other affiliates in the amount of $0.3 million and $0.7 million for the three and six months periods ended June 30, 2016 and $0.1 million and $0.1 million for the three and six months periods ended June 30, 2015.

The Partnership had a fee-based commercial agreement with AES, requiring a minimum monthly volume commitment of 80 MMcf/d. This agreement, which was terminated in the first quarter of 2016, contributed to gathering, processing, transloading, and other fee revenue of $4.2 million for the three months ended June 30, 2015 and $6.1 million for the period March 1, 2015 to June 30, 2015.

Also included in gathering, processing, transloading and other fee revenue are transloading services provided to AES. These services accounted for $4.2 million in revenue for the three months ended June 30, 2015 and $5.6 million in revenue for the period March 1, 2015 to June 30, 2015.

See Note 1 *"Associated Energy Services ("AES") Contract Terminations"* for more information on the termination of our affiliate contracts with AES.

Accounts receivable from and accounts payable to affiliates

The Partnership had receivables due from these affiliates in the amount of $0.2 million and $5.1 million at June 30, 2016 and December 31, 2015. Receivables due from affiliates primarily related to the Partnership's fee-based gathering and processing agreements and, for the year ended December 31, 2015, the Partnership's fee-based transloading services agreement with AES. Payables to affiliates were $0.1 million at June 30, 2016 and December 31, 2015. Payables to affiliates primarily related to settlements under the Partnership's gathering and processing agreements and reimbursement to an affiliate of NuDevco for certain general and administrative and operating costs under the Existing Omnibus Agreement with NuDevco.

Cost Allocations and Termination of Existing Omnibus Agreement and Entering into New Omnibus Agreement

In connection with the Transactions, the Partnership terminated its Original Omnibus Agreement, dated July 31, 2013, by and between NuDevco and its affiliates, the General Partner and the Partnership, together with the General Partner, the ("Partnership Parties"). NuDevco and its affiliates released each of the Partnership Parties, and each of the Partnership Parties released NuDevco and its affiliates, from any claims or liabilities arising from or under the terms of the Original Omnibus Agreement other than any obligations under the Transaction Agreement.

Also in connection with the Transactions, the Partnership entered into the New Omnibus Agreement with the General Partner and Azure, pursuant to which, among other things:

- Azure will provide Services on behalf of the General Partner for the benefit of the Partnership and its subsidiaries;
- The Partnership is obligated to reimburse Azure and its affiliates for costs and expenses incurred by Azure and its affiliates in providing the Services on behalf of the Partnership;
- The General Partner or Azure may at any time temporarily or permanently exclude any particular Service from the scope of the New Omnibus Agreement upon 90 days' notice;
- The Partnership or Azure may terminate the New Omnibus Agreement in the event that Azure ceases to control the General Partner. Azure may also terminate the New Omnibus Agreement if the General Partner is removed without cause and the units held by the General Partner were not voted in favor of the removal; and
- The Partnership will have a right of first offer on any proposed transfer of any assets owned by Azure or its subsidiaries.

Expenses under the New Omnibus Agreement, which are included within general and administrative expenses within the condensed consolidated statements of operations, were $1.1 million and $2.4 million for the three and six months periods ended June 30, 2016, $1.0 million for the three months ended June 30, 2015 and $1.4 million for the period March 1, 2015 to June 30, 2015. These expenses are reimbursed by the Partnership to Azure and its affiliates. In addition, Azure and its affiliates plan to allocate certain overhead costs associated with general and administrative services, including facilities, information services, human resources and other support departments to the Partnership. Where costs incurred on the Partnership's behalf could not be determined by specific identification, the costs were primarily allocated to the Partnership based on percentage of departmental usage, wages or headcount. The Partnership believes these allocations are a reasonable reflection of the utilization of services provided. However, the allocations may not fully reflect the expenses that would have been incurred had the Partnership been a stand-alone company during the periods presented.

Substantially all of the Partnership's senior management are employed by Azure. As a result, Azure's consolidated general and administrative expenses have been allocated to the Azure System for the period from November 15, 2013 up to the Transaction Date. The allocated general and administrative expenses from Azure were $1.7 million for the period January 1, 2015 to March 1, 2015. The allocated general and administrative expenses from the Azure ETG System were $0.4 million for the three months ended June 30, 2015 and $0.6 million for the period March 1, 2015 to June 30, 2015. This allocation represents Azure's best estimate of the general and administrative expenses incurred on behalf of the Azure System and was determined after consideration of multiple operating metrics, including dedicated operating personnel, pipeline mileage and system throughput as a percentage of each total consolidated Azure's operating metric. Management believes these allocations reasonably reflect the utilization of services provided and benefits received. The allocated costs are included within general and administrative expense in the statements of operations. See Note 8 for further discussion of the long-term debt and interest expense allocated to the Azure System.

12. EQUITY BASED COMPENSATION

The board of directors of the Partnership's General Partner have adopted the LTIP. Individuals who are and were eligible to receive awards under the LTIP include: (i) employees of the Partnership, Azure and its affiliates, and NuDevco and its affiliates; (ii) directors of the Partnership's General Partner; and (iii) consultants. The LTIP provides for the grant of unit options, unit appreciation awards, restricted units, phantom units, distribution equivalent rights, unit awards, profits interest units, and other unit-based awards. The maximum number of common units issuable under the LTIP is 1,750,000.

The Partnership had 278,400 phantom unit awards outstanding immediately prior to the Transactions that had been awarded to certain employees of NuDevco and its affiliates who provide direct or indirect services to the Partnership pursuant to affiliate agreements.

All of the phantom unit awards granted were considered non-employee equity based awards, issued to individuals who were not deemed to be employees of the Partnership. The applicable accounting guidance required that the phantom unit awards be remeasured at fair market value at each reporting period and amortized to compensation expense on a straight-line basis over the vesting period of the phantom units with a corresponding increase in a liability. Management intended to settle the awards by allowing the recipient to choose between: (i) issuing the net amount of common units due, less common units equivalent to pay withholding taxes, due upon vesting with the Partnership paying the amount of withholding taxes due in cash; or (ii) issuing the gross amounts of common units due with the recipient paying the withholding taxes. DER were accrued for each phantom unit award as the Partnership declares cash distributions and was recorded as a decrease in partners' capital with a corresponding liability in accordance with the vesting period of the underlying phantom unit, which will be settled in cash when the underlying phantom units vest. The phantom units awarded to employees of NuDevco and its affiliates had vesting terms of five equal annual installments.

The acquisition of our General Partner by Azure resulted in a Change in Control Event, as defined in the LTIP, for the holders of our phantom units, and, as a result, all of the outstanding phantom units immediately vested as of the date of the Change in Control Event. As a result of the vesting of the phantom units, the Partnership immediately recognized compensation expense of $4.2 million and issued 196,108 common units. The Partnership was also required to make a cash payment of $1.9 million associated with the withholding taxes on these units and a cash payment of $0.2 million related to the distribution equivalent rights associated with these phantom units. The compensation expense has not been reflected within the Partnership's condensed consolidated financial statements for the period from March 1, 2015 to June 30, 2015, but rather have been considered an expense incurred immediately prior to the Transactions and therefore is reflected within the Partnership's operating results prior to the business combination. The liability associated with the withholding tax and distribution equivalent rights payments were included within the liabilities assumed by the Partnership as part of the business combination.

On July 9, 2015, the Partnership awarded 379,544 phantom units under the LTIP to certain named executive officers and employees of the General Partner. Each phantom unit is the economic equivalent of one common unit of the Partnership and entitles the grantee to receive one common unit or an amount of cash equal to the fair market value of a common unit upon the vesting of the phantom unit. The phantom units vest in three equal annual installments with the first installment vesting on July 1, 2016. In addition, the Partnership awarded 3,522 common units under the LTIP, to an employee of the General Partner, which vested immediately upon issuance.

On January 27, 2016, the Partnership awarded an additional 153,500 phantom units under the LTIP to executive officers and certain employees of the General Partner. The phantom units vested in a single installment which took place on July 18, 2016.

The following table summarizes information regarding awards of phantom units granted under the LTIP as of June 30, 2016:

	Number of Units		Weighted Average Grant-Date Fair Value
Total unvested phantom units at December 31, 2015	367,491	$	13.06
Granted	153,500	$	2.50
Vested	(26,600)	$	13.06
Forfeited	(86,712)	$	11.01
Total unvested phantom units at June 30, 2016	407,679	$	9.52

As of June 30, 2016, the unrecognized unit-based compensation expense related to the LTIP was $2.1 million. Incremental unit-based compensation will be recorded in operating expense and general and administrative expense accordingly over the weighted average period of 2.0 years.

13. INCOME TAX

The Partnership is not a taxable entity for U.S. federal income tax purposes or for the majority of states that impose an income tax. Therefore, income taxes are not levied at the entity level, but rather on the individual partners of the Partnership. Accordingly, the accompanying condensed consolidated financial statements do not include a provision for federal and state income taxes.

The Partnership is subject to the Texas Margin Tax, which qualifies as an income tax under GAAP, and requires us to recognize the effect of this tax on the temporary differences between the financial statement assets and liabilities and their tax basis. Our current tax liability will be assessed based upon the gross revenue apportioned to Texas.

The Partnership had a non-current deferred tax liability of $0.8 million and $1.1 million as of June 30, 2016 and December 31, 2015 that relates primarily to differences between the book basis of property, plant and equipment and their tax basis, as well as the timing of recognition of deferred revenue. The Partnership incurred income tax expense for the three months ended June 30, 2016 of $0.1 million. The associated deferred income tax benefit of $0.3 million recorded for the six months ended June 30, 2016, was a result of a smaller book to tax difference resulting from impairments recorded in the first quarter of 2016. There was no current income tax expense for the three and six months periods ended June 30, 2016.

The Partnership did not have any uncertain tax positions as of June 30, 2016.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes certain supplemental cash flow information for each period:

In thousands	Six Months Ended June 30, 2016	2015
Supplemental disclosures:		
Cash paid for interest	$ 5,121	$ 5,627
Cash paid for income taxes	$ 30	$ 225
Supplemental non-cash investing and financing activities:		
Elimination of intangible assets per the assignment of common and subordinated units and IDR Units from NuDevco to the Partnership	$ 28,745	$ —
Recording of treasury units per the assignment of common and subordinated units and IDR Units from NuDevco to the Partnership	$ (13,745)	$ —
Capital expenditures included in accounts payable and accrued liabilities	$ 34	$ 84
Parent company net contribution associated with the Legacy System	$ —	$ 2,754
Parent company net contribution associated with the ETG System	$ —	$ 2,278
Deemed contribution associated with the Transactions	$ —	$ 126,481

15. SUBSEQUENT EVENTS

On July 1, 2016, the General Partner on behalf of the Partnership, entered into a Retention of Services Agreement with its CEO I.J. "Chip" Berthelot, II.

Terms of the Retention of Services Agreement include:

- retention of the services of I.J. "Chip" Berthelot, II as President and Chief Executive Officer of the General Partner of the Partnership and in a similar position for any of the Partnership's subsidiaries for which he currently acts in such capacities, from the date of the Retention Services Agreement through March 31, 2017 (the "Retention Period");
- General Partner will pay I.J. "Chip" Berthelot, II retention compensation in the amount of $0.5 million payable in three equal installments on each of July 1, 2016, October 1, 2016 and January 1, 2017; and
- General Partner and I.J. "Chip" Berthelot, II will continue to negotiate in good faith to enter into definitive written agreements regarding further employment prior to the end of the Retention Period.

On August 4, 2016, our wholly-owned subsidiary Marlin Midstream, LLC ("Marlin Midstream") entered into an Asset Purchase and Sale Agreement (the "Sale Agreement") with a subsidiary of Align Midstream Partners, LP ("Align"). Pursuant to the Sale Agreement, we sold our 100 MMcf/d Panola I processing plant and our Murvaul pipeline to Align. The Murvaul pipeline consists of approximately 51.1 miles of 4.5" to 12.75" OD steel pipelines, related compression and gathering facilities and associated tracts of real property, surface leases, easements and rights-of-way located in Panola and Rusk Counties, Texas. The purchase price was $44.9 million in cash, less certain agreed-upon adjustments in respect of ad valorem taxes on the assets sold. The Sale Agreement contained customary representations, warranties and indemnification provisions.

In connection with the Sale Agreement, Marlin Midstream and Align entered into certain agreements relating to the facilities sold, including a gas gathering agreement and reciprocal gas processing agreements. We also entered into an agreement with Align by which we guaranteed Marlin Midstream's obligations under the Sale Agreement.

The Partnership continues to own and operate the 125 MMcf/d Panola II processing plant located in East Texas.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), the terms "Partnership", "our", "we", "us" and "its" refer to Azure Midstream Partners, LP itself or Azure Midstream Partners, LP together with its consolidated subsidiaries, which includes the Azure System, as defined below, for all periods presented.

In this MD&A the term "Legacy System" refers to the Legacy gathering system entities and assets, which has been deemed to be the predecessor of the Partnership for accounting and financial reporting purposes. The closing of the transactions described below under "Sale of General Partner Interests and Contribution of the Legacy System"(the Transactions") occurred on February 27, 2015, and was reflected in the condensed consolidated financial statements of the Partnership using, for accounting purposes, a date of convenience of February 28, 2015 (the "Transaction Date"). The effect of recording the Transactions as of the Transaction Date was not material to the information presented.

In this MD&A the term "Azure System" refers to the operations of the Legacy System, together with the contribution of Azure ETG, LLC; a Delaware limited liability company ("Azure ETG") that owns and operates the East Texas gathering system, (the "ETG System"), for periods beginning November 15, 2013, representing the period Azure Midstream Energy LLC ("AME"), a Delaware limited liability company that is wholly owned by Azure Midstream Holdings LLC a Delaware limited liability company, (collectively "Azure"), acquired 100% of the equity interests in the entities that own the Legacy System and the ETG System up to the Transaction Date. Azure contributed the ETG System to the Partnership on August 6, 2015, effective as of July 1, 2015. This transaction was determined to be a transaction between entities under common control for financial reporting purposes. Accordingly, we have recast the financial results of the Partnership to include the financial results of the ETG System for all periods presented.

You should read this MD&A in conjunction with the historical financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q ("Quarterly Report").

OVERVIEW

We are a fee-based, growth-oriented Delaware limited partnership formed to develop, own, operate and acquire midstream energy assets. We currently provide natural gas gathering, compression, dehydration, treating, processing and hydrocarbon dew-point control and transportation services.

Recent Developments

Delisting of Common Units and Trading of Common Units on the OTCQB Market

On June 6, 2016, the Partnership was formally notified by the New York Stock Exchange ("NYSE") that the NYSE delisted the Partnership's common units from the NYSE. The delisting results from the Partnership's failure to comply with the continued listing standard set forth in Section 802.01B of the NYSE Listed Company Manual. This standard required the Partnership to maintain an average global market capitalization over a consecutive 30-day trading period of at least $15.0 million for the Partnership's common units. The NYSE suspended the trading of the Partnership's common units at the close of trading on June 3, 2016.

On June 6, 2016, the Partnership's common units began trading on the OTCQB Market under the same ticker symbol used previously on the NYSE "AZUR". The Partnership will remain subject to the public reporting requirements of the SEC following the trading of its common units on the OTCQB Market.

Going Concern Uncertainty

The decline in commodity prices throughout 2015 and continuing through the first half of 2016, has adversely affected the Partnership's liquidity outlook. The decline in commodity prices has affected a number of companies in the oil and natural gas industries, including our customers. Lower commodity prices have caused a significant reduction in drilling, completing and connecting new wells, which has caused a reduction in our forecasted volumes. These lower volumes have negatively impacted our operating cash flows. The downturn in the market has also effected the Partnership's ability to access the capital markets, which could have allowed the Partnership to facilitate growth or reduce debt.

As a result of these and other factors the Partnership's inability to comply with financial covenants and ratios in its senior secured revolving credit facility (the "Credit Agreement") has adversely impacted the Partnership's ability to continue as a going concern. Absent a waiver or amendment, failure to meet these covenants and ratios would have resulted in a default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. Based upon our current estimates and expectations for commodity prices in 2016, we do not expect to remain in compliance with all of the restrictive covenants contained in our Credit Agreement throughout 2016 unless those requirements are waived or amended. The Partnership does not currently have adequate liquidity to repay all of its outstanding debt in full if such debt were accelerated.

The report of the Partnership's independent registered public accounting firm that accompanies its 2015 audited consolidated financial statements contains an explanatory paragraph regarding the substantial doubt about the Partnership's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty. The Partnership's Credit Agreement contains the requirement to deliver audited consolidated financial statements without a going concern or like qualification or exception. Consequently, the Partnership would have been in default under the Credit Agreement. Had we been unable to obtain a waiver or other suitable relief from the lenders under the Credit Agreement prior to the expiration of the 30 day grace period, an Event of Default (as defined in the Credit Agreement) could have resulted in the acceleration of the outstanding indebtedness, which would have made it immediately due and payable. On March 29, 2016, the Partnership entered into the third amendment to the Credit Agreement ("Third Amendment"), which waived the event of default described above and certain other events of default until June 30, 2016. On June 30, 2016, the Partnership entered into the Fourth Amendment to the Credit Agreement (as defined below), which extended the waiver of certain other events of default. See Note 3 to the notes to condensed consolidated financial statements for further information regarding our ability to continue as a going concern.

Disposition of Assets

On August 4, 2016, our wholly-owned subsidiary Marlin Midstream, LLC ("Marlin Midstream") entered into an Asset Purchase and Sale Agreement (the "Sale Agreement") with a subsidiary of Align Midstream Partners, LP ("Align"). Pursuant to the Sale Agreement, we sold our 100 MMcf/d Panola I processing plant and our Murvaul pipeline to Align. The Murvaul pipeline consists of approximately 51.1 miles of 4.5" to 12.75" OD steel pipelines, related compression and gathering facilities and associated tracts of real property, surface leases, easements and rights-of-way located in Panola and Rusk Counties, Texas. The purchase price was $44.9 million in cash, less certain agreed-upon adjustments in respect of ad valorem taxes on the assets sold. The Sale Agreement contained customary representations, warranties and indemnification provisions.

In connection with the Sale Agreement, Marlin Midstream and Align entered into certain agreements relating to the facilities sold, including a gas gathering agreement and reciprocal gas processing agreements. We also entered into an agreement with Align by which we guaranteed Marlin Midstream's obligations under the Sale Agreement.

The Partnership continues to own and operate the 125 MMcf/d Panola II processing plant located in East Texas.

Associated Energy Services, LP ("AES") Contract Terminations

During the first quarter of 2016, AES was delinquent in paying amounts invoiced under its gathering and processing contracts, as well as its logistics contracts, with subsidiaries of the Partnership. The contracts had provisions requiring AES to make payments based on minimum volume commitments ("MVCs"). AES caused its bank to issue a $15.0 million letter of credit to the administrative agent under the Credit Agreement to secure the amount of its obligations under its logistics contracts. On March 31, 2016, the Partnership's General Partner executed a settlement agreement with AES and its parent, NuDevco, (the "AES Agreement") to resolve these issues under the gathering and processing agreements and the logistics contracts. The execution of the AES Agreement resulted in the following: (i) on April 1, 2016, AES instructed our administrative agent to draw down the full $15.0 million amount of the letter of credit, the proceeds of which were applied to pay down debt under our Credit Agreement; (ii) effective as of January 1, 2016, the gathering and processing agreement and the logistics contracts were terminated; (iii) effective April 1, 2016, NuDevco surrendered to the Partnership 8,724,545 subordinated units, 1,939,265 common units and 10 IDR Units of the Partnership held by NuDevco or its subsidiary; (iv) the parties released each other from other claims in respect of the terminated contracts; and (v) AES assigned all of its rights and interests in third party contracts to Azure. The AES Agreement was subject to final approval from the lenders under the Credit Agreement, which was obtained.

Amendment to Credit Agreement

On June 30, 2016, the Partnership entered into a limited duration waiver agreement and fourth amendment to the Credit Agreement ("Fourth Amendment"). The Fourth Amendment extended the waiver of certain covenant defaults, which were previously waived under the Third Amendment through June 30, 2016, until August 12, 2016. Absent a waiver or amendment, failure to meet the financial covenants and ratios contained in our Credit Agreement, could result in default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. In addition, the Fourth Amendment reduced the borrowing capacity under the Credit Agreement to $214.7 million and any future repayments or reductions to the outstanding balance on the Credit Agreement will reduce the borrowing capacity by an equal amount of the repayment or reduction.

Suspension of Distribution

As a result of covenant restrictions contained in our Credit Agreement, the board of directors of the General Partner of the Partnership and management have continued the suspension of distributions for the quarterly period ended June 30, 2016. The board of directors will continue to evaluate the Partnership's ability to reinstate the distribution, although reinstatement of distributions is not expected in the near term absent substantial improvement in our operating performance and compliance with the terms of our Credit Agreement.

Sale of General Partner Interests and Contribution of the Legacy System

On February 27, 2015, we consummated a transaction agreement, dated January 14, 2015 (the "Transaction Agreement"), by and amongst us, Azure, our General Partner, NuDevco and Marlin IDR Holdings Inc, LLC, a wholly owned subsidiary of NuDevco ("IDRH"). The consummation of the Transaction Agreement resulted in Azure contributing the Legacy System to us, and Azure receiving $92.5 million in cash and acquiring 100% of the equity interests in our General Partner and 90% of our incentive distribution rights.

The Transaction Agreement occurred in the following steps:

- we (i) amended and restated the Agreement of Limited Partnership of Marlin Midstream Partners, LP (the "Partnership Agreement") for the second time to reflect the unitization of all of our incentive distribution rights, (as unitized, the "IDR Units"); and (ii) recapitalized the incentive distribution rights owned by IDRH into 100 IDR Units;

- we redeemed 90 IDR Units held by IDRH in exchange for a payment of $63.0 million to IDRH, (the "Redemption");

- Azure contributed the Legacy System to us through the contribution, indirectly or directly, of: (i) all of the outstanding general and limited partner interests in Talco Midstream Assets, Ltd., a Texas limited liability company and subsidiary of Azure ("Talco"); and (ii) certain assets, the ("TGG Assets") owned by TGG Pipeline, Ltd., a Texas limited liability company and subsidiary of Azure ("TGG") and, collectively with Talco, ("TGGT"), in exchange for aggregate consideration of $162.5 million, which was paid to Azure in the form of: (i) a cash payment of $99.5 million; and (ii) the issuance of 90 IDR Units, (the foregoing transaction, collectively, the "Contribution"); and

- Azure purchased from NuDevco: (i) all of the outstanding membership interests in our General Partner, (the "GP Purchase") for $7.0 million; and (ii) an option to acquire up to 20% of each of the common units and subordinated units held by NuDevco as of the execution date of the Transaction Agreement, the ("Option") and, together with the Redemption, Contribution and GP Purchase, the Transactions.

Contribution of the ETG System

On August 6, 2015, we entered into a contribution agreement (the "Contribution Agreement") with Azure, which is the sole member of the General Partner. Pursuant to the Contribution Agreement, Azure contributed 100% of the outstanding membership interests in Azure ETG to the Partnership in exchange for the consideration described below. The closing of the transactions contemplated by the Contribution Agreement occurred simultaneously with the execution of the Contribution Agreement. The Contribution Agreement contains customary representations and warranties, indemnification obligations and covenants by the parties, and provides that the Partnership's acquisition of the ETG System was effective on July 1, 2015.

The following transactions took place pursuant to the Contribution Agreement:

- as consideration for the membership interests of Azure ETG, we paid Azure $80.0 million in cash and issued 255,319 common units representing limited partner interests in the Partnership to Azure; and

- we entered into a gas gathering agreement (the "Gas Gathering Agreement") with TGG, an indirect subsidiary of Azure.

Ownership

As of June 30, 2016, Azure owned and controlled 100% of the General Partner through its ownership of: (i) 429,365 general partner units representing 3.7% general partner interest; (ii) 255,319 common units, representing 2.3% of our outstanding limited partner interests; and (iii) 100% of our outstanding IDR Units, as defined below. As of June 30, 2016, the public owned 10,869,634 of our common units, representing 97.7% of our outstanding limited partner interest. Azure, through its ownership of our General Partner, controls us and is responsible for managing our business and operations.

Basis of Presentation

The following financial information gives effect to the business combination and the Transactions and the transactions contemplated by the Contribution Agreement discussed above.

Under the acquisition method of accounting, the business combination was accounted for in accordance with the applicable reverse merger accounting guidance. Azure acquired a controlling financial interest in us through the acquisition of our General Partner. As a result, the Legacy System is deemed to be the accounting acquirer of the Partnership because its parent company, Azure, obtained control of the Partnership through its control of our General Partner. Consequently, the Legacy System is deemed to be the predecessor of the Partnership for financial reporting purposes, and the historical financial statements of the Partnership were recast to reflect the Legacy System for all periods prior to November 15, 2013, and the Azure System for all periods subsequent to November 15, 2013, the date Azure acquired the Legacy System and ETG System, up to the Transaction Date.

The Azure System assets and liabilities retained their historical carrying values. Additionally, the Partnership's assets acquired and liabilities assumed by the Legacy System in the business combination were recorded at their fair values measured as of the Transaction Date. The excess of the assumed purchase price of the Partnership over the estimated fair values of the Partnership's net assets acquired were recorded as goodwill. The assumed purchase price or enterprise value of the Partnership was determined using acceptable fair value methods, and is partially derived from the consideration Azure paid for our General Partner and 90% of our IDR Units. Additionally, because the Legacy System is reflected at Azure's historical cost, the difference between the $162.5 million in consideration paid by the Partnership and Azure's historical carrying values (net book value) at the Transaction Date was recorded as an increase to partners' capital in the amount of $51.7 million. The purchase price and fair values were prepared with the assistance of our external fair value specialists and represented management's best estimate of the enterprise value and fair values of the Partnership.

The contribution of the ETG System by Azure to the Partnership on August 6, 2015, effective July 1, 2015, was determined to be a transaction between entities under common control for financial reporting purposes. Because the contribution of the ETG System is considered to be a transaction among entities under common control, the ETG System is reflected at Azure's historical cost and the difference between that historical cost and the purchase price is recorded as an adjustment to partners' capital. In addition, we have included in the financial results of the Partnership the financial results of the ETG System for all periods subsequent to November 15, 2013, the date Azure acquired the ETG System.

OUR ASSETS

Gathering and Processing

Our gathering and processing midstream natural gas assets include: (i) two related natural gas processing facilities located in Panola County, Texas with an approximate design capacity of 220 MMcf/d; (ii) an idle natural gas processing facility located in Tyler County, Texas with an approximate design capacity of 80 MMcf/d; (iii) our Legacy System high-and low-pressure gathering lines that currently serve approximately 100,000 dedicated acres and have access to seven major downstream markets, our Panola County processing plants and three third-party processing plants; (iv) our ETG System high-and-low pressure gathering lines that currently serve approximately 336,000 gross dedicated acres, has two owned treating plants, 5 MMcf/d of processing capacity and four interconnections with major interstate pipelines providing 1.75 Bcf per day of access to downstream markets. The ETG System's Fairway processing plant is designed to extract NGL content from natural gas averaging 3.2 GPM for liquids processing; and (v) two NGL transportation pipelines with an approximate design capacity of 20,000 Bbls/d that connect our Panola County and Tyler County processing facilities to third party NGL pipelines.

Our primary gathering and processing segment assets are located in long-lived oil and natural gas producing regions in East Texas and gather and process NGL-rich natural gas streams associated with production primarily from the Cotton Valley Sands, Haynesville Shale, Bossier, Austin Chalk and Eaglebine formations and the liquid rich James Lime formation.

FACTORS AFFECTING THE COMPARABILITY OF OUR OPERATING RESULTS

As described above, the Legacy System was deemed to be the accounting acquirer of the Partnership in accordance with applicable business combination accounting guidance and, as a result, the historical financial statements of the Partnership were recast to reflect the statement of position and results of operations of the Legacy System for periods prior to November 15, 2013, and the Azure System for all periods subsequent to November 15, 2013, the date Azure acquired the Legacy System and ETG System, up to the Transaction Date. Therefore, the Partnership's future results of operations may not be comparable to the Azure System's historical results of operations for the reasons described below.

In connection with the AES Agreement, the Partnership no longer has MVC contracts with AES for our current gathering and processing operations effective January 1, 2016. AES was the sole customer for our logistics segment, and as such, we recorded no logistics revenues for the first half of 2016.

Ownership

Azure controls us through its ownership of our General Partner, and Azure is responsible for the management of the operations of our business. In connection with the closing of the Transactions, the Partnership terminated its omnibus agreement, dated July 31, 2013, (the "Original Omnibus Agreement"), by and between NuDevco, the General Partner and the Partnership. Also in connection with the closing of the Transactions, the Partnership entered into an omnibus agreement, (the "New Omnibus Agreement") with the General Partner and Azure, pursuant to which, among other things:

- Azure will provide corporate, general and administrative services (the "Services") on behalf of the General Partner for the benefit of the Partnership and its subsidiaries;
- the Partnership is obligated to reimburse Azure and its affiliates for costs and expenses incurred by Azure and its affiliates in providing the Services on behalf of the Partnership;
- the General Partner or Azure may at any time temporarily or permanently exclude any particular Service from the scope of the New Omnibus Agreement upon 90 days' notice;
- the Partnership or Azure may terminate the New Omnibus Agreement in the event that Azure ceases to control the General Partner. Azure may also terminate the New Omnibus Agreement if the General Partner is removed without cause and the units held by the General Partner were not voted in favor of the removal; and
- the Partnership will have a right of first offer on any proposed transfer of any assets owned by Azure or its subsidiaries.

The Partnership's ongoing results of operations are comprised of our gathering and processing assets, including the Azure System. The ongoing results of operations are under Azure management, as it controls our General Partner. As a result, the historical results of operations of the Azure System will not be comparable to the Partnership's future results of operations for periods prior to the Transaction Date.

Revenues

The revenues generated by the Partnership consist of the revenues from the gathering and processing segment assets, including the Azure System, and the logistics segment subsequent to the Transaction Date. The historical revenues included within the Partnership's financial statements prior to the Transaction Date are comprised of the Azure System. The Azure System's primary revenue-producing activities are the sales of natural gas and NGLs and the sale of condensate liquids. The Azure System also earns gathering services and other fee-based revenues from the gathering, compression and treating of natural gas. The Partnership's revenues are primarily derived from natural gas processing and fees earned from its gathering and processing operations. In addition, there was no transloading revenue recorded in the first half of 2016 as a result of the AES contract terminations. Therefore, our ongoing operating results subsequent to the Transaction Date, will not be comparable with the historical revenues of the Azure System.

Operation and Maintenance

The operation and maintenance expenses incurred by the Partnership consist of the expenses from the gathering and processing assets and the Azure System subsequent to the Transaction Date. The historical operation and maintenance expenses included within the Partnership's financial statements prior to the Transaction Date are comprised of the Azure System. The operation and maintenance expense reported prior to the Transactions Date is not indicative of operation and maintenance expense incurred subsequent to the Transactions Date due to synergies in staffing, use of equipment and utilization of chemicals, which has resulted in a decrease in operations and maintenance expenses when comparing the six months ended June 30, 2016 to the corresponding period in the previous fiscal year.

General and Administrative Expenses

Under the New Omnibus Agreement, Azure has the ability to determine the Services and the amount of such Services it provides to the Partnership. These general and administrative expenses are not comparable to the general and administrative expenses previously allocated to the Azure System from Azure. In addition, the Partnership's general and administrative expenses are not comparable to the historical Azure System's general and administrative expenses because the Partnership's general and administrative expenses include the expenses associated with being a publicly traded master limited partnership whereas the Azure System was operated as a component of a private company.

Financing

In connection with the Transactions, the Partnership entered into the Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and SG Americas Securities, LLC, (collectively, the "Lenders"). The Credit Agreement has a maturity date of February 27, 2018 and up to $214.7 million in commitments subsequent to the Fourth Amendment. As a result, the Partnership's long-term debt and related charges are not comparable to the Azure System's historical long-term debt and related charges. We expect ongoing sources of liquidity to include cash generated from operations.

HOW WE EVALUATE OUR OPERATIONS

Our management uses a variety of financial and operational metrics to analyze the Partnership's performance. These metrics include: (i) throughput volume; (ii) Adjusted EBITDA; (iii) operating expenses; and (iv) capital spending.

Throughput Volume

The volume of natural gas and crude oil that we gather and transport depends on the level of production from natural gas and oil wells connected to our gathering systems and transloading facilities. Aggregate production volumes are impacted by the overall amount of drilling and completion activity because production must be maintained or increased by new drilling or other activity as the production rate of a natural gas and oil wells decline over time. Producers' willingness to engage in new drilling is determined by a number of factors, the most important of which are the prevailing and projected prices of natural gas, oil and NGLs, the cost to drill and operate a well, the availability and cost of capital, and environmental and government regulations. We generally expect the level of drilling to positively correlate with long-term trends in commodity prices. Similarly, production levels nationally and regionally generally tend to positively correlate with drilling activity, and we actively monitor producer drilling activity in the areas served by our gathering systems and transloading facilities to pursue new supply opportunities.

We must continually obtain new supplies of natural gas and crude oil to maintain or increase the throughput volume on our systems and our transloading facilities. Our ability to maintain or increase existing throughput volumes and obtain new supplies of natural gas and crude oil is impacted by:

- successful drilling activity within our dedicated acreage and areas of operations;
- the level of work-overs and recompletions of wells on existing pad sites to which our gathering systems and transloading facilities are connected;
- the number of new pad sites in our dedicated acreage awaiting lateral connections;
- our ability to compete for volumes from successful new wells in the areas in which we operate outside of our existing dedicated acreage;
- our ability to utilize the remaining uncommitted capacity on, or add additional capacity to, our gathering and processing systems and our transloading facilities;

- our ability to gather natural gas and crude oil volumes that have been released from commitments with our competitors; and

- our ability to acquire or develop new systems with associated volumes and contracts.

Adjusted EBITDA

We believe that Adjusted EBITDA is a widely accepted financial indicator of our operational performance and our ability to incur and service debt, fund capital expenditures and make distributions. Adjusted EBITDA is used as a supplemental financial measure by management and external users of our financial statements, such as investors, commercial banks and research analysts, to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; our operating performance and return on capital as compared to those of other companies in the midstream energy sector, without regard to financing or capital structure; and the attractiveness of capital projects and acquisitions and the overall rates of return on alternative investment opportunities.

We define EBITDA as net income (loss), plus: (i) interest expense; (ii) income tax expense; and (iii) depreciation and amortization expense. We define Adjusted EBITDA as EBITDA, plus adjustments associated with certain non-cash and other items.

The following table presents a reconciliation of the GAAP financial measure of net loss to the non-GAAP financial measure of Adjusted EBITDA:

	Three Months Ended		Six Months Ended	
In thousands	**June 30, 2016**	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Net loss	$ (8,391)	$ (1,003)	$ (121,962)	$ (5,383)
Add (Deduct):				
Interest expense	3,153	3,225	6,154	6,698
Income tax expense (benefit)	93	540	(307)	499
Depreciation and amortization expense	3,598	5,884	9,588	9,078
Non-cash equity based compensation	318	—	742	—
Impairments	—	—	107,477	—
Other adjustments (1)	2,044	2,507	2,225	4,476
Adjusted EBITDA (2)	$ 815	$ 11,153	$ 3,917	$ 15,368

(1) Other adjustments is comprised of non-recurring and non-cash items, including: (i) non-recurring expenses associated with the Transactions; (ii) severance payments; (iii) debt issuance costs; and (iv) non-cash volumetric natural gas imbalance adjustments.

(2) In previous filings on Form 10-Q and Form 10-K the Partnership has included deferred revenue associated with minimum revenue contract ("MRC") and several MVC agreements. Based on recent accounting guidance regarding non-GAAP financial measures, we have removed such items from our calculation of Adjusted EBITDA.

Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure provides useful information to investors in assessing our financial condition and results of operations. The GAAP measure most directly comparable to Adjusted EBITDA is net income (loss). This measure should not be considered as an alternative to operating income, net income (loss), or any other measure of financial performance presented in accordance with GAAP. The non-GAAP financial measure has important limitations as an analytical tool because it excludes some but not all items that affect net income. You should not consider this non-GAAP financial measure in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because the non-GAAP financial measure may be defined differently by other companies in our industry, our definition may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Operating Expenses

We seek to maximize the profitability of our operations in part by minimizing, to the extent appropriate, expenses directly tied to operating and maintaining our assets. Direct labor costs, repair and non-capitalized maintenance costs, integrity management costs, treating chemical costs, utilities and contract services are the most significant portion of our operating expenses. These expenses are largely dependent on the volumes delivered through our gathering systems and processing plants, and these expenses may fluctuate depending on the type of activities, such as repairs and maintenance and integrity management, performed during a specific period.

Capital Spending

Our management seeks to effectively manage our maintenance capital expenditures, including turnaround costs. These capital expenditures relate to the maintenance and integrity of our pipelines and processing facilities. We capitalize the costs of major maintenance activities, or turnarounds, and depreciate the costs over the period until the next planned turnaround of the affected unit. We categorize maintenance capital expenditures as those that are made to maintain our asset base, operating capacity or operating income, or to maintain the existing useful life of any of our capital assets, in each case over the long term. Examples of maintenance capital expenditures are expenditures for the repair, refurbishment and replacement of our assets, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations. In addition, we may designate a portion of our maintenance capital expenditures to connect new wells to maintain throughput to the extent such capital expenditures are necessary to maintain, over the long term, our operating capacity or operating income.

Expenditure levels will increase as pipelines age and require higher levels of inspection, maintenance and capital replacement. Growth capital expenditures are cash expenditures to construct new midstream infrastructure, including those expenditures incurred in order to extend the useful lives of our assets, reduce costs, increase revenues, or increase system throughput or capacity from current levels. Examples of growth capital expenditures include the construction, development or acquisition of additional gathering pipelines, compressor stations, processing plants, transloading facilities and new well connections, in each case to the extent such capital expenditures are expected to expand our operating capacity or operating income. In the future, if we make acquisitions that increase system throughput or capacity, the associated capital expenditures will also be considered expansion capital expenditures.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

The following table presents selected financial data for each of the three months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		
In thousands, except operating data	2016	2015	Change
Operating Revenues:			
Natural gas, NGLs and condensate revenue	$ 4,857	$ 6,480	$ (1,623)
Gathering, processing, transloading and other fee revenue	5,981	17,892	(11,911)
Total operating revenues	10,838	24,372	(13,534)
Operating Expenses:			
Cost of natural gas and NGLs	3,970	4,994	(1,024)
Operation and maintenance	4,357	5,777	(1,420)
General and administrative	4,072	4,374	(302)
Depreciation and amortization	3,598	5,884	(2,286)
Total operating expenses	15,997	21,029	(5,032)
Operating income (expense)	(5,159)	3,343	(8,502)
Interest expense	3,153	3,225	(72)
Other (income) expense, net	(14)	581	(595)
Net loss before income tax expense	(8,298)	(463)	(7,835)
Income tax expense	93	540	(447)
Net loss	$ (8,391)	$ (1,003)	$ (7,388)
Key performance metric:			
Adjusted EBITDA (1)	$ 815	$ 11,153	
Operating data:			
Average throughput volumes of natural gas (MMcf/d)	246	338	
Average volume of processed gas (MMcf/d)	62	185	
Transloading Volumes (Bbls/d) (2)	—	22,496	

(1) Adjusted EBITDA is not a financial measure presented in accordance with GAAP. For a reconciliation of Adjusted EBITDA to its most directly comparable financial measure calculated and presented in accordance with GAAP, please see - *"How We Evaluate Our Operations."*

(2) Primarily MVC volumes.

Revenues

Natural gas, NGLs and condensate revenue decreased by $1.6 million to $4.9 million for the three months ended June 30, 2016, as compared to $6.5 million for the three months ended June 30, 2015. This decrease was primarily attributed to the Legacy System, which decreased $1.5 million and the ETG System, which decreased $0.4 million as a result of declines in commodity prices and lower volumes. The decrease in natural gas, NGLs and condensate revenue was partially offset by an increase of $0.3 million in revenue attributed to the Partnership's historical midstream assets.

Gathering, processing, transloading and other fee revenue decreased by $11.9 million to $6.0 million for the three months ended June 30, 2016, as compared to $17.9 million for the three months ended June 30, 2015. This decrease was primarily attributable to the Partnership's historical midstream assets, which recognized revenue of $1.2 million for the three months ended June 30, 2016 as compared to $12.5 million for the three months ended June 30, 2015. This decrease reflects no transloading revenue during the three months ended June 30, 2016 as compared to transloading revenue of $4.2 million and MVC's of $4.2 million for the three months ended June 30, 2015 due to the AES contract terminations. The Legacy System and ETG System experienced a decrease in gathering, processing, transloading and other fee revenue of $0.6 million and $0.1 million as a result of declines in commodity prices and lower volumes.

Cost of Natural Gas and NGLs

Cost of natural gas and NGLs decreased by $1.0 million to $4.0 million for the three months ended June 30, 2016, as compared to $5.0 million for the three months ended June 30, 2015. This decrease was primarily attributed to the Azure System, which recognized cost of $2.0 million for the three months ended June 30, 2016 compared to $3.0 million for the three months ended June 30, 2015. The decrease in the Azure System was attributable to the Legacy System, which decreased $0.7 million while the ETG System decreased $0.3 million as a result of lower commodity prices and volumes purchased, which directly correlates to the decrease in natural gas, NGLs and condensate revenue for the period.

Operation and Maintenance Expense

Operation and maintenance expense decreased by $1.4 million to $4.4 million for the three months ended June 30, 2016, as compared to $5.8 million for the three months ended June 30, 2015. This decrease reflects a $1.2 million decrease in the Azure System and a $0.2 million decrease in the Partnership's historical midstream assets operations and maintenance expense, and was a result of lower compression rental, asset integrity management and repairs and maintenance expenses.

General and Administrative Expense

General and administrative expense decreased by $0.3 million to $4.1 million for the three months ended June 30, 2016, as compared to $4.4 million for the three months ended June 30, 2015. This decrease was related to: (i) $1.1 million of transaction costs related to the reverse merger and the contribution of the ETG System in 2015; (ii) $0.4 million of lower personnel costs, primarily related to $0.3 million of accrued bonus expense in 2015; and (iii) $0.4 million of allocated expense related to the ETG System; partially offset by (iv) $0.5 million of costs related to our amendments to the Credit Agreement; (v) $0.3 million of unit based compensation expense in connection with the LTIP; (vi) $0.2 million increase in insurance expense primarily related to D&O insurance; (vii) $0.2 million increase in professional fees; (viii) $0.2 million increase in legal fees; (ix) $0.1 million increase in board of director fees; and (x) $0.1 million increase in computer licenses, subscriptions and maintenance expense.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased $2.3 million to $3.6 million for the three months ended June 30, 2016, as compared to $5.9 million for the three months ended June 30, 2015. This decrease was primarily the result of a $1.6 million decrease in amortization expense related to the elimination of intangible assets in connection with the AES Agreement. In addition, the Partnership experienced a decrease in depreciation expense of $0.7 million related to lower asset balances primarily related to an impairment of $78.3 million to adjust the processing assets to their net realizable value in the first quarter of 2016.

Interest Expense

Interest expense decreased by $0.1 million to $3.1 million for the three months ended June 30, 2016, as compared to $3.2 million for the three months ended June 30, 2015. The decrease in interest expense is due to the allocation of $1.2 million of interest expense for the three months ended June 30, 2015, of which $0.2 million was associated with the allocation of deferred financing costs to the ETG System on an average debt balance of $54.2 million at an average interest rate of 6.5% related to the Azure Credit Agreement.

The decrease in interest expense was partially offset by interest expense calculated on an average debt balance of $214.5 million at an average rate of 4.7% for the three months ended June 30, 2016, versus interest calculated on an average debt balance of $172.0 million at an average interest rate of 3.4% for the three months ended June 30, 2015 related to the Credit Agreement. In addition, deferred financing costs of $0.3 million were written down in the three months ended June 30, 2016 related to a reduction in borrowing base on the Credit Agreement.

Other (Income) Expense, Net

Other (income) expense, net increased by $0.6 million to income of $14,000 for the three months ended June 30, 2016, as compared to expense of $0.6 million for the three months ended June 30, 2015. This increase was primarily attributable to a decrease in expense for the ETG System of $0.6 million related to transaction costs allocated by AME in connection with the Transactions in the three months ended June 30, 2015.

Income Tax Expense

Income tax expense decreased by $0.4 million to $0.1 million for the three months ended June 30, 2016, as compared to $0.5 million for the three months ended June 30, 2015. The decrease in tax expense results from a decrease in the book to tax difference as a result of impairments recorded in the first quarter of 2016.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30 2015

The following table presents selected financial data for each of the six months ended June 30, 2016 and 2015:

	Six Months Ended June 30,		
In thousands, except operating data	2016	2015	Change
Operating Revenues:			
Natural gas, NGLs and condensate revenue	$ 9,133	$ 12,026	(2,893)
Gathering, processing, transloading and other fee revenue	14,386	28,026	(13,640)
Total operating revenues	23,519	40,052	(16,533)
Operating Expenses:			
Cost of natural gas and NGLs	7,300	9,797	(2,497)
Operation and maintenance	8,428	10,435	(2,007)
General and administrative	6,760	7,248	(488)
Depreciation and amortization	9,588	9,078	510
Impairments	107,477	—	107,477
Total operating expenses	139,553	36,558	102,995
Operating income (loss)	(116,034)	3,494	(119,528)
Interest expense	6,154	6,698	(544)
Other expense, net	81	1,680	(1,599)
Net loss before income tax expense	(122,269)	(4,884)	(117,385)
Income tax expense (benefit)	(307)	499	(806)
Net loss	$ (121,962)	$ (5,383)	$ (116,579)
Key performance metric:			
Adjusted EBITDA (1)	$ 3,917	$ 15,368	
Operating data:			
Average throughput volumes of natural gas (MMcf/d)	253	353	
Average volume of processed gas (MMcf/d)	64	186	
Transloading Volumes (Bbls/d) (2)	—	22,512	

(1) Adjusted EBITDA is not a financial measure presented in accordance with GAAP. For a reconciliation of Adjusted EBITDA to its most directly comparable financial measure calculated and presented in accordance with GAAP, please see - *"How We Evaluate Our Operations."*

(2) Primarily MVC volumes.

Revenues

Natural gas, NGLs and condensate revenue decreased by $2.9 million to $9.1 million for the six months ended June 30, 2016, as compared to $12.0 million for the six months ended June 30, 2015. This decrease was primarily attributed to the Legacy System, which decreased $3.8 million and the ETG System, which decreased $0.9 million as a

result of declines in commodity prices and lower volumes. The decrease in natural gas, NGLs and condensate revenue was partially offset by an increase of $1.8 million in revenue attributed to the Partnership's historical midstream assets.

Gathering, processing, transloading and other fee revenue decreased by $13.6 million to $14.4 million for the six months ended June 30, 2016, as compared to $28.0 million for the six months ended June 30, 2015. This decrease was primarily attributable to the Partnership's historical midstream assets, which recognized revenue of $3.2 million for the six months ended June 30, 2016 as compared to $17.1 million for the six months ended June 30, 2015. This decrease reflects no transloading revenue for the first half of 2016 as compared to transloading revenue of $5.6 million and MVC's of $6.2 million in the first half of 2015 due to the AES contract terminations. The Legacy System experienced a decrease in gathering, processing, transloading and other fee revenue of $1.0 million as a result of declines in commodity prices and lower volumes. This decrease in gathering, processing, transloading and other fee revenue was partially offset by an increase of $1.3 million attributable to the ETG System, due to fees related to a pipeline construction project to be owned by the ETG System upon completion of the project.

Cost of Natural Gas and NGLs

Cost of natural gas and NGLs decreased by $2.5 million to $7.3 million for the six months ended June 30, 2016, as compared to $9.8 million for the six months ended June 30, 2015. This decrease was primarily attributed to the Azure System, which recognized cost of $3.1 million for the six months ended June 30, 2016 compared to $7.0 million for the six months ended June 30, 2015. The decrease in the Azure System was attributable to the Legacy System, which decreased $3.1 million while the ETG System decreased $0.8 million as a result of lower commodity prices and volumes purchased, which directly correlates to the decrease in natural gas, NGLs and condensate revenue for the period. The decrease in cost of natural gas and NGLs attributed to the Azure System was partially offset by an increase of $1.4 million attributable to the Partnership's historical midstream assets, which are included within the condensed consolidated results of operations subsequent to the Transaction Date.

Operation and Maintenance Expense

Operation and maintenance expense decreased by $2.0 million to $8.4 million for the six months ended June 30, 2016, as compared to $10.4 million for the six months ended June 30, 2015. This decrease reflects a $2.5 million decrease in the Azure System's operations and maintenance expense period over period, and was a result of lower compression rental, asset integrity management and repairs and maintenance expenses. This decrease was partially offset by an increase of $0.5 million in operations and maintenance expense attributable to the Partnership's historical midstream assets, which are included within the condensed consolidated results of operations subsequent to the Transaction Date.

General and Administrative Expense

General and administrative expense decreased by $0.5 million to $6.7 million for the six months ended June 30, 2016, as compared to $7.2 million for the six months ended June 30, 2015. This decrease was related to: (i) $2.3 million of allocated expenses in 2015, of which $1.4 million related to the Legacy System and $0.9 million related to the ETG System; and (ii) $1.0 million decrease in transaction costs related to the reverse merger and the contribution of the ETG System in 2015; partially offset by (iii) $0.7 million increase in unit based compensation expense in connection with the LTIP; (iv) $0.5 million increase in insurance expense primarily related to D&O insurance; (v) $0.5 million increase in professional fees; (vi) $0.5 million increase in costs related to our amendments to the Credit Agreement; (vii) $0.2 million increase in legal fees; (viii) $0.2 million increase in computer licenses, subscriptions and maintenance expense; (ix) $0.1 million increase in board of director fees; and (x) $0.1 million increase in personnel costs.

Depreciation and Amortization Expense

Depreciation and amortization expense increased $0.5 million to $9.6 million for the six months ended June 30, 2016, as compared to $9.1 million for the six months ended June 30, 2015. This increase was primarily the result of $0.4 million increase attributable to the Azure System. In addition, depreciation and amortization expense increased $0.1 million related to the Partnership's historical midstream assets, which were adjusted to fair value in connection with the

business combination and are included within the condensed consolidated results of operations subsequent to the Transaction Date.

Impairments

With the recent decline in commodity prices negatively affecting the level of natural gas and crude oil production as well as the terms of the AES Agreement, we concluded that a triggering event had occurred which required we test for impairment of our assets. The fair value of our long-lived assets was below the carrying value for our gathering and processing assets. As a result, we recorded an impairment of $78.3 million to adjust the processing assets to their net realizable value in the first quarter of 2016.

As part of the AES Agreement executed on March 31, 2016, the gathering and processing agreement and the logistics contracts were terminated effective January 1, 2016. Accordingly, the intangible assets which represented the existing customer relationship with AES were impaired. The intangible assets were identified as part of the purchase price allocation to the Partnership's assets acquired by the Azure System.

The Partnership recorded an intangible asset impairment of $29.2 million during the first quarter of 2016. The remaining balance of the intangible asset was eliminated in the second quarter of 2016 as part of the assignment of common and subordinated units and IDR Units from NuDevco to the Partnership.

Interest Expense

Interest expense decreased by $0.5 million to $6.2 million for the six months ended June 30, 2016, as compared to $6.7 million for the six months ended June 30, 2015. The decrease in interest expense was due to the average long-term debt balance allocated to the Azure System of $192.0 million for the period January 1, 2015 to February 28, 2015, resulting in additional interest expense of $2.3 million of which $0.3 million was associated with the allocation of deferred financing cost amortization expense. In addition, the average long-term debt balance allocated to the ETG System of $54.4 million for the period March 1, 2015 to June 30, 2015, resulting in additional interest expense of $1.7 million of which $0.2 million was associated with the allocation of deferred financing cost amortization expense. These allocations were calculated using an average interest rate of 6.5% related to the Azure Credit Agreement.

The decrease in interest expense was partially offset by interest expense calculated on an average debt balance of $223.5 million at an average rate of 4.5% for the six months ended June 30, 2016, versus interest calculated on an average debt balance of $175.9 million at an average interest rate of 3.4% for the period March 1, 2015 to June 30, 2015 related to the Credit Agreement. In addition, deferred financing costs of $0.3 million were written down in the second quarter of 2016 related to a reduction in borrowing base on the Credit Agreement.

Other Expense, Net

Other expense, net decreased $1.6 million to $0.1 million for the six months ended June 30, 2016, as compared to expense of $1.7 million for the six months ended June 30, 2015. This decrease was primarily attributable to a decrease in expense of $1.6 million, related to the ETG System, for transaction costs allocated by AME in connection with the Transactions in the first quarter of 2015.

Income Tax Expense (Benefit)

Income tax expense (benefit) increased by $0.8 million to an income tax benefit of $0.3 million for the six months ended June 30, 2016, as compared to income tax expense of $0.5 million for the six months ended June 30, 2015. The income tax benefit recognized in the six months ended June 30, 2016 is a result of the decrease in net book value of fixed assets as a result of the impairment, as well as the recognition of the deferred revenue for the minimum revenue commitment as compared to the tax basis for fixed assets. The income tax expense recognized in the six months ended June 30, 2015 reflects a larger book to tax difference as a result of the newly acquired assets after the reverse merger.

LIQUIDITY AND CAPITAL RESOURCES

In managing our liquidity and capital resources, we monitor and analyze, on a consistent basis the following key variables: (i) discretionary operation and maintenance expense; (ii) general and administrative expense; (iii) capital expenditures; (iv) Credit Agreement capacity and availability; (v) working capital levels; and (vi) level of investments required to support our growth strategies.

We expect ongoing sources of liquidity to primarily consist of cash generated from operations. We believe that cash generated from operations will be sufficient to sustain operations. Management is continuing to consider alternatives to enhance the Partnership's liquidity and address concerns surrounding its ability to remain in compliance with the financial covenants under its Credit Agreement.

Ability to Continue as a Going Concern

The precipitous decline in oil and natural gas prices during 2015 and into 2016 has had a significant adverse impact on our business, and the Partnership's ability to comply with financial covenants and ratios in the Credit Agreement. Based upon our current estimates and expectations for commodity prices in 2016, we do not expect to remain in compliance with all of the restrictive covenants contained in the Credit Agreement throughout 2016 unless those requirements are waived or amended. Absent a waiver or amendment, failure to meet these covenants and ratios would result in a default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. The Partnership does not currently have adequate liquidity to repay all of its outstanding debt in full if such debt were accelerated.

As part of the AES Agreement, discussed previously in "*Recent Developments*" in this MD&A, on April 1, 2016, the proceeds from the $15.0 million letter of credit were applied to pay down debt under our Credit Agreement.

Distributions

For the quarters ended June 30, 2016, March 31, 2016 and December 31, 2015, we suspended distributions on our limited partner interests. Should the distributions be reinstated, the common unitholders will be entitled to receive the minimum quarterly distribution of $0.35 per unit in arrears for each quarter as to which the distributions were suspended. Payment of any such amount in arrears will be subject to our board of directors' approval and compliance with the terms of our Partnership Agreement and the agreements governing our indebtedness. The board of directors will continue to evaluate the Partnership's ability to reinstate the distribution, although reinstatement of distributions is not expected in the near term absent substantial improvement in our operating performance and compliance with the terms of our Credit Agreement.

We are evaluating a number of strategies to strengthen the balance sheet and improve liquidity. However, other than the requirement in our Partnership Agreement to distribute all of our available cash each quarter, we have no obligation to make quarterly cash distributions in this or any other quarter, and our General Partner has considerable discretion to determine the amount of our available cash each quarter.

Credit Agreement

On February 27, 2015, we entered into the Credit Agreement, which matures on February 27, 2018.

If we fall out of compliance with the covenants set forth in our Credit Agreement and are unable to reach an agreement with our banks, find acceptable alternative financing or complete asset sales, the lenders could accelerate the outstanding indebtedness, which would make it immediately due and payable. Current market conditions may put limitations on our ability to issue new debt or equity securities in the public or private markets. The ability of oil and gas companies to access the equity and high yield debt markets has been significantly limited since the significant decline in commodity prices throughout 2015 and into 2016.

Amendments to the Credit Agreement

Due to the extended decline in commodity prices, the Partnership determined that there was a significant risk of triggering a covenant default under the Credit Agreement. Accordingly, in October 2015, the Partnership entered into the second amendment to the Credit Agreement (the "Second Amendment") and the first amendment to the security agreement. Among other things, the Second Amendment reduced the borrowing capacity under the Credit Agreement to $238.0 million and provided for more favorable financial condition covenants, including amending our maximum permitted consolidated leverage ratio.

Under the terms of the Second Amendment, we are prohibited from declaring or paying any distribution to unitholders if a default or event of default exists. In addition, under the Second Amendment, future distributions are contingent upon the maintenance of certain leverage ratios, as detailed in the Second Amendment. There is substantial doubt that the Partnership will be able to comply with the financial covenants over the next four quarters. As part of its balance sheet management, the Partnership is evaluating several alternatives to bolster its capital and liquidity position, including but not limited to asset sales. The Partnership's ability to comply with the financial covenants and to pay distributions over the next four quarters is uncertain and will depend upon the Partnership's ability to reduce debt, increase its liquidity, or increase its Adjusted EBITDA due to a rebound in commodity prices and a related increase in drilling activity by the producers supplying its volumes.

We incurred $0.7 million in fees associated with the Second Amendment. These fees are included within general and administrative expense within the condensed consolidated statements of operations.

On March 29, 2016, the Partnership entered into the Third Amendment. The Third Amendment waived the affirmative covenant that stated if the Partnership's annual financial statements, prepared in accordance with generally accepted accounting standards, contained any going concern qualification an event of default would result, for the year ended December 31, 2015. Additionally, the Third Amendment waived certain other events of default until June 30, 2016. Under the terms of the Third Amendment, we are still prohibited from declaring or paying any distributions to unitholders if a default or event of default exists. Pursuant to the terms of the Third Amendment we were granted a waiver of all financial covenants until June 30, 2016.

On June 30, 2016, the Partnership entered into the Fourth Amendment. The Fourth Amendment extended the waiver of certain covenant defaults, which were previously waived under the Third Amendment through June 30, 2016, until August 12, 2016. Absent a waiver or amendment, failure to meet the financial covenants and ratios contained in our Credit Agreement, could result in default and, to the extent the applicable lenders so elect, an acceleration of the existing indebtedness, causing such debt of approximately $214.5 million to be immediately due and payable. In addition, the Fourth Amendment reduced the borrowing capacity under the Credit Agreement to $214.7 million and any future repayments or reductions to the outstanding balance on the Credit Agreement will reduce the borrowing capacity by an equal amount of the repayment or reduction.

We incurred $0.9 million in fees associated with the Fourth Amendment. These fees are included within general and administrative expense within the condensed consolidated statements of operations.

Based upon our current estimates and expectations for commodity prices in 2016, we do not expect to remain in compliance with all of the restrictive covenants contained in its Credit Agreement throughout 2016 unless those requirements are waived or amended. The Partnership does not currently have adequate liquidity to repay all of its outstanding debt in full if such debt were accelerated.

The Credit Agreement requires that all domestic restricted subsidiaries guarantee our obligations and the obligations of the subsidiary guarantors under: (i) the Credit Agreement and other loan documents; (ii) certain hedging agreements and cash management agreements with lenders and affiliates of lenders; and (iii) all such obligations be secured by a security interest in substantially all of our assets and the assets of our subsidiary guarantors, in each case, subject to certain customary exceptions.

Borrowings under the Credit Agreement bear interest at the LIBOR Rate (as defined in the Credit Agreement) plus an applicable margin of 3.25% to 4.25% or the Base Rate, as defined in the Credit Agreement, plus an applicable margin of 2.25% to 3.25%, in each case, based on the Consolidated Total Leverage Ratio, as defined in the Credit Agreement.

All of the Partnership's domestic restricted subsidiaries guarantee our obligations under the Credit Agreement, and all such obligations are secured by a security interest in substantially all of our assets, in each case, subject to certain customary exceptions. The Credit Agreement contains affirmative and negative covenants customary for credit facilities of its size and nature that, among other things, limit or restrict our ability and the ability of our subsidiaries to: (i) incur additional debt; (ii) grant certain liens; (iii) make certain investments; (iv) engage in certain mergers or consolidations; (v) dispose of certain assets; (vi) enter into certain types of transactions with affiliates; and (vii) make distributions, with certain exceptions, including the distribution of Available Cash, as defined in the Partnership Agreement, if no default or event of default exists. As of June 30, 2016, we were in compliance with all of our covenants associated with the Credit Agreement, as amended.

Azure System Credit Agreements

On November 15, 2013, Azure closed on a $550.0 million Senior Secured Term Loan B, the ("TLB") maturing November 15, 2018, and a $50.0 million Senior Secured Revolving Credit Facility, the ("Revolver") and collectively with the TLB, the ("Azure Credit Agreement"), with a maturity of November 15, 2017. Borrowings under the Azure Credit Agreement are unconditionally guaranteed, jointly and severally, by all of the Azure subsidiaries and are collateralized by first priority liens on substantially all of existing and subsequently acquired assets and equity. The Azure Credit Agreement served as the sole borrowing agreement applicable for the Azure System up to the Transaction Date. In addition, substantially all of Azure's subsidiaries, including the Azure System, served as guarantors and pledger's with respect to the Azure Credit Agreement.

CASH FLOWS

The following table summarizes net cash flows provided by (used in) operating activities, investing activities and financing activities for the six months ended June 30, 2016 and 2015:

In thousands	Six Months Ended June 30,		
	2016	2015	Change
Net cash provided by (used in):			
Operating activities	$ 7,673	$ (991)	$ 8,664
Investing activities	$ (602)	$ 117,255	$ (117,857)
Financing activities	$ (2,223)	$ (111,085)	$ 108,862

Operating Activities. Cash flows provided by operating activities for the six months ended June 30, 2016 were $7.7 million compared to cash flows used in operating activities of $1.0 million for the six months ended June 30, 2015. The net source of cash flows from operating activities of $8.7 million was primarily due to: (i) $17.4 million from changes in operating assets and liabilities; (ii) higher unit based compensation related to the Marlin Midstream Partners, LP 2013 Long-Term Incentive Plan ("LTIP") of $0.7 million; (iii) higher depreciation and amortization expense of $0.5 million related to the Partnership's historical midstream assets, which were adjusted to fair value in connection with the Transactions and are included within the condensed consolidated results of operations subsequent to the Transaction Date; and (iv) higher deferred financing cost amortization of $0.2 million; partially offset by (v) increase in net loss of $9.1 million exclusive of $107.5 million of intangible asset and fixed asset impairments in the first quarter of 2016; (vi) higher deferred income tax liability of $0.8 million; and (vi) mark to market adjustment related to a gas imbalance of $0.2 million.

Investing Activities. Cash flows used in investing activities were $0.6 million for the six months ended June 30, 2016 compared to cash flows provided by investing activities of $117.3 million for the six months ended June 30, 2015. The cash flows used in investing activities for the six months ended June 30, 2016 were related to capital expenditures of $0.9 million, partially offset by amounts received under aid-in-construction contracts of $0.3 million.

The cash flows provided by investing activities for the six months ended June 30, 2015 were associated with: (i) $117.3 million in cash acquired in the Transactions, which represents the net cash held by the Partnership immediately prior to the business combination. The net cash balance held by the Partnership immediately prior to the business combination was assumed to be the $180.8 million in cash borrowed under the Credit Agreement less the $63.0 million paid in connection with the redemption of 90 IDR Units from NuDevco; (ii) $2.0 million of amounts received under aid-in-construction contracts; partially offset by (iii) $2.0 million of capital expenditures.

Financing Activities. Cash flows used in financing activities were $2.2 million for the six months ended June 30, 2016 compared to cash flows used in financing activities of $111.1 million for the six months ended June 30, 2015. The cash flows used in financing activities for the six months ended June 30, 2016 were associated with the repayment of debt under the Credit Agreement of $17.2 million partially offset by proceeds from the AES line of credit of $15.0 million. The cash flows used in financing activities for the six months ended June 30, 2015 were: (i) $99.5 million cash distribution related to the Transactions; (ii) $47.3 million repayment of long-term debt on the Credit Agreement from proceeds from a public offering of our common units; (iii) $15.0 million repayment of long-term debt related to the Partnership's previous existing credit facility in connection with the Transactions; (iv) $6.8 million quarterly distribution to unitholders; (v) $3.7 million of allocated repayments of long-term debt related to the Azure Credit Agreement; and (vi) $0.3 million payment of deferred financing costs related to the Credit Agreement; partially offset by (vii) $48.3 million proceeds from a public offering of our common units; (viii) $9.5 million of borrowings under our Credit Agreement; and (ix) $3.7 million of net contributions related to parent company net investment for the period January 1, 2015 to February 28, 2015 related to the Azure System.

CAPITAL EXPENDITURES

Our operations require investments to expand, upgrade or enhance existing operations and to meet environmental and operational regulations. Our capital requirements have consisted of maintenance capital expenditures and expansion capital expenditures. Maintenance capital expenditures are cash expenditures, including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new, capital assets, made to maintain our long-term operating income or operating capacity. Expansion capital expenditures include expenditures to acquire assets and expand existing facilities that increase throughput capacity on our pipelines, processing plants and crude oil logistics assets. Based on current market conditions, we expect to be able to fund our activities for 2016 with cash flows generated from our operations and available cash on hand.

Capital Requirements

The midstream business is capital intensive and can require significant investment to maintain and upgrade existing operations, connect new wells to the system, organically grow into new areas and comply with environmental and safety regulations.

Going forward, our capital requirements will consist of the following:

- maintenance capital expenditures are cash expenditures that are made to maintain our asset base, operating capacity or operating income, or to maintain the existing useful life of any of our capital assets, in each case over the long term. Examples of maintenance capital expenditures are expenditures for the repair, refurbishment and replacement of our assets, to maintain equipment reliability, integrity and safety, and to address environmental laws and regulations. In addition, we may designate a portion of our maintenance capital expenditures to connect new wells to maintain throughput to the extent such capital expenditures are necessary to maintain, over the long term, our operating capacity or operating income. We capitalize the costs of major maintenance activities, or turnarounds, and depreciate the costs over the expected useful life of such maintenance cost. Expenditure levels will increase as pipelines age and require higher levels of inspection, maintenance and capital replacement; and

- growth capital expenditures are cash expenditures to construct new midstream infrastructure, including those expenditures incurred in order to extend the useful lives of our assets, reduce costs, increase

revenues, or increase system throughput or capacity from current levels. Examples of growth capital expenditures include the construction, development or acquisition of additional gathering pipelines, compressor stations, processing plants, and new well connections, in each case to the extent such capital expenditures are expected to expand our operating capacity or operating income. In the future, if we make acquisitions that increase system throughput or capacity, the associated capital expenditures will also be considered growth capital expenditures.

Our ability to pay distributions to our unitholders, fund planned capital expenditures and to make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in the industry, some of which are beyond our control and our ability to access the capital markets for debt and equity capital.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL OBLIGATIONS

A summary of our contractual obligations as of June 30, 2016 is as follows:

In thousands	2016	2017	2018	2019	2020	Thereafter	Total
Operating lease agreements (1)	$ 298	$ 399	$ 290	$ 274	$ 274	$ 1,017	$ 2,552
Employment contracts	333	167	—	—	—	—	500
Long-term debt (2)	6,332	12,629	216,484	—	—	—	235,445
Total	$6,963	$13,195	$216,774	$ 274	$ 274	$ 1,017	$238,497

(1) The contractual obligations associated with operating lease agreements relate to various midstream property and equipment operating leases that are used in our gathering, processing and transloading operations and have terms of greater than one year.

(2) The contractual obligations associated with long-term debt and interest expense relate to obligations under our Credit Agreement. The Credit Agreement has a maturity date of February 27, 2018, and we have estimated the outstanding borrowings as of June 30, 2016 will be paid at maturity. We have estimated a weighted average interest rate of 5.89% in determining the future interest obligations associated with the Credit Agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives, but involve implementation and interpretation of existing rules, and the use of judgment to the specific set of circumstances existing in our business. Compliance with the rules necessarily involves reducing a number of very subjective judgments to a quantifiable accounting entry or valuation. We make every effort to properly comply with all applicable rules on or before their adoption, and we believe the proper implementation and consistent application of the accounting rules is critical.

Our Revenue Recognition Policies and Use of Estimates for Revenues and Expenses

In general, we recognize revenue from customers when all of the following criteria are met: (i) persuasive evidence of an exchange arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured.

We utilize extensive estimation procedures to determine the sales and cost of gas, NGL, condensate or crude oil purchase accruals for each accounting cycle. Accruals are based on estimates of volumes flowing each month from a variety of sources. We use actual measurement data, if it is available, and will use such data as producer/shipper

nominations, prior month average daily flows, estimated flow for new production and estimated end-user requirements (all adjusted for the estimated impact of weather patterns) when actual measurement data is not available. Throughout the month following production, actual measured sales and transportation volumes are received and invoiced and used in a process referred to as "actualization". Through the actualization process, any estimation differences recorded through the accrual are reflected in the subsequent month's accounting cycle when the accrual is reversed and actual amounts are recorded. Actual volumes purchased, processed or sold may differ from the estimates due to a variety of factors including, but not limited to: (i) actual wellhead production or customer requirements being higher or lower than the amount nominated at the beginning of the month; (ii) liquids recoveries being higher or lower than estimated because gas processed through the plants was richer or leaner than estimated; (iii) NGL composition of purchases, sales and inventory being different than estimated; (iv) the estimated impact of weather patterns being different from the actual impact on sales and purchases; and (v) pipeline maintenance or allocation causing actual deliveries of gas to be different than estimated. We believe that our accrual process for sales and purchases provides a reasonable estimate of such sales and purchases.

Depreciation Methods and Estimated Useful Lives of Property, Plant and Equipment

We calculate depreciation expense using the straight-line method over the estimated useful lives of our property, plant and equipment. We assign asset lives based on reasonable estimates when an asset is placed into service. We periodically evaluate the estimated useful lives of our property, plant and equipment and revise our estimates when and as appropriate. Because of the expected long useful lives of the property, plant and equipment, we depreciate our property, plant and equipment over periods ranging from 3 years to 45 years. Changes in the estimated useful lives of the property, plant and equipment could have a material adverse effect on our results of operations.

Impairment of Long-Lived Assets and Intangible Assets

In accordance with FASB ASC 360-10-05, we evaluate long-lived assets, including related intangibles, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

When determining whether impairment of one of our long-lived assets has occurred, we must estimate the undiscounted cash flows attributable to the asset. Our estimate of cash flows is based on assumptions regarding the purchase and resale margins on natural gas, NGLs and crude oil, volume of gas, NGLs and crude oil available to the asset, markets available to the asset, operating expenses, and future natural gas, NGL product and crude oil prices. The amount of availability of gas, NGLs and crude oil to an asset is sometimes based on assumptions regarding future drilling activity, which may be dependent in part on natural gas and crude oil prices.

Projections of gas, NGL and crude oil volumes and future commodity prices are inherently subjective and contingent upon a number of variable factors, including but not limited to:

- changes in general economic conditions in regions in which our markets are located;
- the availability and prices of natural gas, NGLs, crude oil and condensate supply;
- our ability to negotiate favorable sales agreements;
- the risk that natural gas, NGLs, crude oil and condensate exploration and production activities will not occur or be successful;
- our dependence on certain significant customers, producers and transporters of natural gas, NGLs, crude oil and condensate; and

- competition from other midstream companies, including major energy companies.

Any significant variance in any of the above assumptions or factors could materially affect our cash flows, which could require us to record an impairment of an asset.

With the recent decline in commodity prices negatively affecting the level of natural gas and crude oil production as well as the terms of the AES Agreement, we concluded that a triggering event had occurred which required we test for impairment of our assets. The fair value of our long-lived assets' was below the carrying value for our gathering and processing assets. As a result, we recorded an impairment of $78.3 million to adjust the processing assets to their net realizable value in the first quarter of 2016.

We evaluate intangible assets for impairment upon a significant change in the operating environment or whenever circumstances indicate that the carrying value may not be recoverable. If an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is generally based on discounted future cash flows.

The Partnership recorded an intangible asset impairment of $29.2 million during the first quarter of 2016. The remaining balance of the intangible asset was eliminated in the second quarter of 2016 as part of the assignment of common and subordinated units and IDR Units from NuDevco to the Partnership.

Accounting for Awards under the Long-term Incentive Plan

In connection with the Partnership's IPO, in July 2013, the board of directors of the General Partner adopted the LTIP. Individuals who are eligible to receive awards under the LTIP include: (i) our employees and the employees of NuDevco Midstream Development and its affiliates; (ii) directors of the Partnership's General Partner; and (iii) consultants. The LTIP provides for the grant of unit options, unit appreciation awards, restricted units, phantom units, distribution equivalent rights, unit awards, profits interest units, and other unit-based awards. The maximum number of common units issuable under the LTIP is 1,750,000.

All of the phantom unit awards granted prior to the Transaction Date were considered non-employee equity based awards and were required to be remeasured at fair market value at each reporting period and amortized to compensation expense on a straight-line basis over the vesting period of the phantom units with a corresponding increase in a liability. Our intent was to settle the awards by allowing the recipient to choose between issuing the net amount of common units due, less common units equivalent to pay withholding taxes, due upon vesting with the Partnership paying the amount of withholding taxes due in cash or issuing the gross amount of common units due with the recipient paying the withholding taxes. The phantom unit awards were awarded to individuals who are not deemed to be employees of the Partnership.

Distribution equivalent rights are accrued for each phantom unit award as the Partnership declares cash distributions and are recorded as a decrease in partners' capital with a corresponding liability in accordance with the vesting period of the underlying phantom unit, which will be settled in cash when the underlying phantom units vest.

As a result of the Transactions, the awards previously issued under the LTIP immediately vested due to the change in control of our General Partner. Azure, as General Partner, plans to continue to operate under the LTIP in the future. However, there were no awards issued under the LTIP in connection with or immediately following the closing of the Transactions, and Azure, as General Partner, has the ability to determine the terms and conditions of the awards issued under the LTIP, which may differ from those previously issued.

Subsequent to the closing of the Transactions, we awarded phantom units under the LTIP to certain named executive officers and employees of the General Partner. Each phantom unit is the economic equivalent of one common unit of the Partnership and entitles the grantee to receive one common unit or an amount of cash equal to the fair market value of a common unit upon the vesting of the phantom unit. The phantom units shall vest in three equal annual installments with the first installment vesting on July 1, 2016. In addition, we awarded common units under the LTIP to an employee of the General Partner, which vested immediately upon issuance.

On January 27, 2016, the Partnership awarded an additional 153,500 phantom units under the LTIP to executive officers and certain employees of the General Partner. The phantom units vested in a single installment which took place on July 18, 2016.

NEW ACCOUNTING STANDARDS

Accounting standard-setting organizations frequently issue new or revised accounting rules and pronouncements. We regularly review new accounting rules and pronouncements to determine their affect, if any, on our financial statements.

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends ASC Topic 718, Compensation – Stock Compensation ("ASU 2016-09"). The new standard will require the following: (i) all of the tax effects related to share-based payments at settlement (or expiration) to be recorded through the income statement, and is required to be applied prospectively; (ii) the new standard also allows entities to withhold taxes of an amount up to the employees' maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award, and is required to be adopted using a modified retrospective approach; and (iii) forfeitures can be estimated, as currently required, or recognized when they occur. If elected, the change to recognize forfeitures when they occur must be adopted using a modified retrospective approach. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016 including interim periods within those annual periods. Early adoption is permitted. This standard became effective for us July 1, 2016.

In February 2016, the FASB issued a pronouncement amending disclosure and presentation requirements for lessees and lessors to better reflect the recognition of assets and liabilities that arise from leases. The pronouncement states that a lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the face of the balance sheet. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. In addition, also consistent with the previous leases guidance, a lessee (and a lessor) should exclude most variable lease payments in measuring lease assets and lease liabilities, other than those that depend on an index or a rate or are in substance fixed payments. This standard will become effective beginning in 2019.

In February 2015, the FASB issued a new accounting pronouncement to respond to stakeholders' concerns about the current accounting for consolidation of certain legal entities. The update provides additional guidance to reporting entities in evaluating whether certain legal entities, such as limited partnerships, limited liability corporations and securitization structures, should be consolidated. The update is considered to be an improvement on current accounting requirements as it reduces the number of existing consolidation models. The update was effective for us beginning on January 1, 2016, and will have no effect on our condensed consolidated financial statements or related disclosures.

In September 2015, the FASB issued a new accounting standard, which eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The standard is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the standard is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The update was effective for us beginning on January 1, 2016.

In April 2015, the FASB issued a new accounting standard that simplifies the presentation of debt issuance costs. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented within the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The

Partnership adopted the guidance effective January 1, 2016. The standard only affected the presentation of the Partnership's condensed consolidated balance sheet and did not affect any of the Partnership's other financial statements.

In May 2014, the FASB and International Accounting Standards Board jointly issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP and International Financial Reporting Standards. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Partnership will be required to adopt this standard beginning in the first quarter of 2018. The adoption could have a significant impact on the condensed consolidated financial statements, however management is currently unable to quantify the impact.

In August 2014, the FASB issued ASU 2014-15, "*Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)".* The guidance will require management to evaluate whether there are conditions and events that raise substantial doubt about the company's ability to continue as a going concern within one year after the financial statements are issued on both an interim and annual basis. Additionally, management will be required to provide certain footnote disclosures if it concludes that substantial doubt exists or when it plans to alleviate substantial doubt about the company's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter.

There are currently no other recent accounting pronouncements that have been issued that we believe will materially affect our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

We have exposure to changes in interest rates under our amended Credit Agreement. The credit markets continues to produce an environment of low interest rates. It is possible that monetary policy will tighten, resulting in higher interest rates to counter possible inflation. Interest rates on our Credit Agreement, which is under floating interest rates, and future debt offerings could be higher than current levels, causing our financing costs to increase accordingly. For the six months ended June 30, 2016, a 1% change in the interest rate under our Credit Agreement would have resulted in a $1.1 million change in interest expense.

Commodity Price Risk

Energy commodity prices can affect our profitability indirectly by influencing the level of drilling and production activity by our producer customers, the willingness of our non-producer customers to purchase natural gas for processing and the volumes of natural gas delivered to us for processing by all of our customers.

Beginning in the second half of 2014 and continuing through the issuance of these financial statements, commodity prices have experienced increased volatility. In particular, natural gas, crude oil and NGL prices have decreased significantly. As a result of the decline in commodity prices and associated decline in upstream drilling activity, we have experienced a decline in the growth in volume of natural gas we gather and process for our customers.

In order to mitigate the effects of commodity price volatility substantially all of our revenues and the related cost of natural gas, NGLs and condensate revenues are generated under fee-based commercial agreements, the substantial majority of which have MVCs. We believe these commercial arrangements will help promote adequate cash flows and minimize direct commodity price exposure. Accordingly, we do not plan to enter into any derivative contracts to manage our exposure to commodity price risk, and, as a result of our limited exposure to commodity price risk under our fee-based commercial agreements, we do not plan to enter into hedging arrangements to manage such risk.

Counterparty and Customer Credit Risk

For the six months ended June 30, 2016, we had two customers that each accounted for more than 10% of our revenues. Those customers were BP plc, which accounted for 17.5% of our revenues and EOG Resources, Inc., which accounted for 11.6% of our revenues.

Per the terms of the AES Agreement, our three-year fee-based gathering and processing agreement with AES at our Panola County processing facilities was terminated. Under this agreement, AES paid us a fixed fee per Mcf, subject to an annual inflation adjustment, for gathering, treating, compression and processing services and a per gallon fixed fee for NGL transportation services. We will have to replace the existing contract with new arrangements with other customers if we are to continue operations at this facility. AES has historically been our sole customer with respect to our crude oil logistics business, and we have derived the substantial majority of our transloading revenues from AES. AES contracts represented 100% of the capacity at our Wildcat, Big Horn, and East New Mexico facilities. The AES contract terminations have materially and adversely affected our crude oil logistics business.

If any customer that accounts for more than 10% of our revenues were to default on their contract, or if we were unable to renew a contract with them on favorable terms, we may not be able to replace such customers in a timely fashion, on favorable terms or at all. In any of these situations, our revenues and cash flows and our ability to make cash distributions to our unitholders would be materially and adversely affected.

During the first quarter of 2016, AES was delinquent in paying amounts invoiced under its gathering and processing contracts, as well as its logistics contracts with subsidiaries of the Partnership. The contracts have provisions requiring AES to make payments based on MVCs. AES caused its bank to issue a $15.0 million letter of credit to the administrative agent under our Credit Agreement to secure the amount of its obligations under its logistics contracts. See Item 2, *"Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Developments"* for further discussion of the AES contract terminations.

Item 4. Controls and Procedures

Material Weakness in Internal Controls Over Financial Reporting

As previously discussed under Item 9A. Controls and Procedures in our Annual Report on Form 10-K ("Annual Report") the Partnership did not have appropriately designed controls over the accounting for revenue and accounts receivable, specifically related to timely evaluation of the terms of revenue contracts from acquired businesses to ensure complete and accurate information was used in recording and reporting revenue and accounts receivable.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of our General Partner performed an evaluation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC and to ensure that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our General Partner's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

During the first half of 2016, we have focused our internal controls over accounting for revenue and accounts receivable as they relate to timely evaluation of the terms of revenue contracts and have taken steps to strengthen controls in response to the identified material weakness discussed above. Significant internal control, information systems and process improvements have been implemented in the communication of amendments to our revenue contract terms and the related adjustments required for timely and accurate financial reporting.

Our management has concluded that the newly designed controls have been in place for a sufficient period of time to allow the effectiveness of the remediation measures to be validated. We have remediated the material weakness in the internal controls over accounting for revenue and accounts receivable as they relate to timely evaluation of the terms of revenue contracts and have concluded that the disclosure controls and procedures are effective as of June 30, 2016.

Changes in Internal Control Over Financial Reporting

Aside from the implementation of the remediation measures described above, there has not been any changes in the Partnership's internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act during the six months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any legal, regulatory or administrative proceedings other than proceedings arising in the ordinary course of our business. Management believes that there are no such proceedings for which final disposition could have a material adverse effect on our financial condition, results of operations or cash flows, or for which disclosure is required by Item 103 of Regulation S-K.

Item 1A. Risk Factors

RISK FACTORS

Security holders and potential investors in our securities should carefully consider the risk factors set forth under Part I. "Item 1A, Risk Factors", in our Annual Report. There has been no material change in our risk factors from those described in the Annual Report. These risks are not the sole risks for investors. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

(a) Disposition of Assets.

On August 4, 2016, our wholly-owned subsidiary Marlin Midstream entered into the Sale Agreement with a subsidiary of Align. Pursuant to the Sale Agreement, we sold our 100 MMcf/d Panola I processing plant and our Murvaul pipeline to Align. The Murvaul pipeline consists of approximately 51.1 miles of 4.5” to 12.75” OD steel pipelines, related compression and gathering facilities and associated tracts of real property, surface leases, easements and rights-of-way located in Panola and Rusk Counties, Texas. The purchase price was $44.9 million in cash, less certain agreed-upon adjustments in respect of ad valorem taxes on the assets sold. The Sale Agreement contained customary representations, warranties and indemnification provisions.

In connection with the Sale Agreement, Marlin Midstream and Align entered into certain agreements relating to the facilities sold, including a gas gathering agreement and reciprocal gas processing agreements. We also entered into an agreement with Align by which we guaranteed Marlin Midstream’s obligations under the Sale Agreement.

The foregoing description of the Sale Agreement is not complete and is qualified in its entirety by reference to the full text of the Sale Agreement, which is filed as Exhibit 2 to this Report on Form 10-Q and incorporated in this item 5(a) by reference.

The Partnership continues to own and operate the 125 MMcf/d Panola II processing plant located in East Texas.

Item 6. Exhibits.

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report, and such Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Azure Midstream Partners, LP
By: Azure Midstream Partners GP, LLC,
The General Partner of Azure Midstream Partners, LP

August 8, 2016

/s/ Amanda Bush
Amanda Bush
Chief Financial Officer of Azure Midstream Partners GP, LLC
(Principal Financial Officer and Principal Accounting Officer)

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Exhibit Number	Filing Date	SEC File No.
2.1*†	Asset Purchase and Sale Agreement between Marlin Midstream, LLC and AMP ETX Gathering, LLC dated as of August 4, 2016.				
3.1	Certificate of Limited Partnership of Marlin Midstream Partners, LP.	DRS	3.1	5/3/2013	377-00170
3.2	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Azure Midstream Partners, LP, effective as of March 30, 2016.	8-K	3.1	4/5/2016	001-36018
3.3	Certificate of Formation of Marlin Midstream GP, LLC.	DRS	3.3	5/3/2013	377-00170
10.1	Limited Duration Waiver Agreement and Amendment No. 4 to Credit Agreement, dated as of June 30, 2016, by and among Azure Midstream Partners, LP, as borrower, the subsidiaries of Azure Midstream Partners, LP, as guarantors, Wells Fargo Bank, National Association, as administrative agent, and the lender parties thereto.	8-K	10.1	7/1/2016	001-36018
10.2	Retention of Services Agreement between Azure Midstream Partners, GP, LLC on behalf of Azure Midstream Partners, LP and I.J. “Chip” Berthelot, II dated as of July 1, 2016.	8-K	10.2	7/1/2016	001-36018
10.3	Amendment No.3 to Credit Agreement and Amendment No. 2 to Security Agreement.	10-K	10.1	3/30/2016	001-36018
10.4	Settlement Agreement Regarding AES Contracts between Azure Midstream Partners, LP, Marlin Midstream, LLC and Marlin Logistic, LLC and Associated Energy Services, LP, NuDevco Midstream Development, LLC and Marlin IDR Holdings, LLC dated effective March 31, 2016.	8-K	10.1	4/5/2016	001-36018
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
32**	Certifications pursuant to 18 U.S.C. Section 1350.				
101.INS*	XBRL Instance Document.				
101.SCH*	XBRL Schema Document.				
101.CAL*	XBRL Calculation Document.				
101.LAB*	XBRL Labels Linkbase Document.				
101.PRE*	XBRL Presentation Linkbase Document.				
101.DEF*	XBRL Definition Linkbase Document.				

* Filed Herewith.
** Furnished Herewith.
† The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K.

Exhibit 2.1

ASSET PURCHASE AND SALE AGREEMENT

(Carthage Plant and Murvaul Trunkline)

between

MARLIN MIDSTREAM, LLC,

as Seller,

and

AMP ETX GATHERING, LLC

as Buyer

Dated as of August 4, 2016

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ASSET PURCHASE AND SALE AGREEMENT

(Carthage Plant and Murvaul Trunkline)

THIS ASSET PURCHASE AND SALE AGREEMENT (this "**Agreement**"), dated as of August 4, 2016, is made and entered into by and between Marlin Midstream, LLC, a Texas limited liability company ("**Seller**"), and AMP ETX Gathering, LLC, a Delaware limited liability company ("**Buyer**"). The above-named entities are sometimes referred to in this Agreement each as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Seller desires to sell, transfer and convey to Buyer certain assets including and related to its 100MMcf/d Carthage cryogenic processing plant located in Panola County, Texas (the "**Panola I Plant**") and its Murvaul Trunkline pipeline, compression and gathering facilities located in Panola and Rusk Counties, Texas, and rights in and to certain properties, all of which are more particularly described and defined collectively herein as the "**Purchased Assets**," subject to Buyer's payment of the Purchase Price and assumption of certain obligations and liabilities of Seller related to the Purchased Assets, all of which are more particularly described and defined herein as the "**Assumed Liabilities**;" and

WHEREAS, Buyer wishes to purchase and acquire the Purchased Assets from Seller, and in consideration therefor pay the Purchase Price and assume and agree to pay and discharge the Assumed Liabilities;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby undertake and agree as follows:

ARTICLE I

1.1 ***Defined Terms.*** Unless the context expressly requires otherwise, the respective terms defined in this Section 1.1 shall, when used in this Agreement, have the respective meanings herein specified, with each such definition to be equally applicable both to the singular and the plural forms of the term so defined.

"**Action**" means any claim, action, suit, investigation, inquiry, proceeding, condemnation or audit by or before any court or other Governmental Authority or any arbitration proceeding.

"**Affiliate**" means, with to respect to a specified Person, any other Person controlling, controlled by or under common control with that first Person. As used in this definition, the term "control" means (a) with respect to any Person having voting securities or the equivalent and elected directors, managers or Persons performing similar functions, the ownership of or power to vote, directly or indirectly, voting securities or the equivalent representing 50% or more of the power to vote in the election of directors, managers or Persons performing similar functions, (b) ownership of 50% or more of the equity or equivalent interest in any Person or (c) the ability to direct the business and affairs of any Person by acting as a general partner, manager or otherwise.

"**Allocation**" has the meaning set forth in Section 2.4.

"**Agreement**" has the meaning set forth in the preamble.

"**Align**" means Align Midstream Partners, LP, a Delaware limited partnership, and the indirect parent entity of Buyer.

"**Ancillary Documents**" means, collectively, Buyer Ancillary Documents and Seller Ancillary Documents.

"**Applicable Law**" means any applicable statute, law, regulation, ordinance, rule, judgment, rule of law, decree, Permit, requirement, or other governmental restriction or any similar form of decision of, or any provision or condition issued under any of the foregoing by, or any determination by any Governmental Authority having or asserting jurisdiction over the matter or matters in question, whether now or hereafter in effect and in each case as amended (including all of the terms and provisions of the common law of such Governmental Authority), as interpreted and enforced at the time in question, including Environmental Law.

"**Assumed Liabilities**" means all of the following Liabilities arising out of or relating to the Purchased Assets other than the Excluded Liabilities, *provided* that, in the case of Liabilities identified in clauses (a) and (c) of this definition such Liabilities first arise, accrue and become due and payable from and after the Effective Time:

(a) all Liabilities associated with the Purchased Assets in respect of Taxes for periods commencing on or after the Effective Time, except any and all Taxes (including Transfer Taxes) arising from or as a result of the transactions contemplated under this Agreement;

(b) all Liabilities of employees, agents or contractors engaged by or on behalf of Buyer providing services in respect of the Purchased Assets;

(c) all other Liabilities arising out of any Action or Claim relating to the ownership or operation of the Purchased Assets by Buyer on or after the Effective Time or the business conducted or operated by Buyer using any of the Purchased Assets on or after the Effective Time;

(d) excepting only Buyer Indemnified Costs, (i) all Liabilities to the extent that they relate to title to the Rights-of-Way, or the terms or conditions of the Contracts for the Rights-of-Way, and (ii) Liabilities arising or attributable to the period following the Closing under or in connection with the TEPPCO Interconnection Agreement; and

(e) excepting only Buyer Indemnified Costs, all Liabilities to the extent that they first arise, accrue and become due and payable from and after the Effective Time in connection with the Purchased Assets related to the following:

(i) the condition of the Purchased Assets;

(ii) compliance with Environmental Laws or other Applicable Laws; and

(iii) compliance with Environmental Permits or other Permits.

"**Assumption Agreement**" means that certain Assumption Agreement between Seller and Buyer.

"**Bank**" means Wells Fargo Bank, National Association, and any successor thereto, as Administrative Agent under the Credit Agreement.

"**Bank Consent**" means the Consent of the Bank under the Credit Agreement to the transactions contemplated by this Agreement, and any payoff letter furnished by the Bank, in form and substance satisfactory to Buyer.

"**Bill of Sale**" means that certain Bill of Sale between Seller and Buyer, dated as of the date hereof.

"**Business Day**" means any day on which banks are open for business in Texas, other than Saturday or Sunday.

"**Buyer**" has the meaning set forth in the preamble.

"**Buyer Ancillary Documents**" means each agreement, document, instrument or certificate to be delivered by Buyer, or its Affiliates, at the Closing pursuant to Section 3.3 hereof and each other document or Contract entered into by Buyer, or its Affiliates, in connection with this Agreement or the Closing.

"**Buyer Indemnified Costs**" means (a) any and all damages, losses, Claims, liabilities, demands, charges, suits, penalties, costs, and expenses (including costs of Remediation, court costs and reasonable attorneys' fees and expenses incurred in investigating and preparing for any litigation or proceeding) that any of Buyer Indemnified Parties incurs and that arise out of or relate to any (i) breach of a representation, warranty or covenant of Seller in this Agreement or in any Seller Ancillary Document, subject in all respects to any limitations imposed in Section 7.4 or elsewhere in this Agreement, or (ii) Excluded Assets or Excluded Liabilities, and (b) any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs, and expenses, including reasonable legal fees and expenses, incident to any of the foregoing. Notwithstanding anything in the foregoing to the contrary, Buyer Indemnified Costs shall exclude any and all Special Damages (other than those that are a result of a third-party claim for Special Damages).

"**Buyer Indemnified Parties**" means Buyer, its Affiliates, and its and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives and invitees of each of the foregoing (and including their respective successors and assigns, but excluding any member of the Seller Indemnified Parties).

"**Change of Control**" means a transaction is consummated by which (a) Align or any controlled Affiliate of Align merges or consolidates with any other Person other than an Affiliate of Align and is not the surviving person (or survives only as the subsidiary of another Person) or

(b) any Person or group acting together which is not an Affiliate of Align (i) becomes the direct owner of fifty percent (50%) or more of the outstanding voting securities (or fifty percent (50%) or more of the equity, economic or equivalent interest) of Align or any controlled Affiliate of Align, or (ii) acquires, either alone or in conjunction with others, direct control of Align or any controlled Affiliate of Align. For the avoidance of doubt, (x) a transfer pursuant to Section 6.8(d) and (y) a merger, consolidation or transfer of securities of any Affiliate directly or indirectly controlling Align shall not be deemed to be a Change of Control.

"**Claim**" means any existing or threatened future claim, demand, suit, action, investigation, proceeding, governmental action or cause of action of any kind or character (in each case, whether civil, criminal, investigative or administrative), known or unknown, under any theory, including those based on theories of contract, tort, statutory liability, strict liability, employer liability, premises liability, products liability, breach of warranty or malpractice.

"**Closing**" has the meaning set forth in Section 3.1.

"**Closing Date**" has the meaning set forth in Section 3.1.

"**Code**" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"**Confidential Information**" has the meaning set forth in Section 8.5.

"**Consents**" means all notices to, authorizations, consents, Orders, approvals or waivers of, or registrations, declarations or filings with, or expiration of waiting periods imposed by, any Governmental Authority, and any notices to, consents, approvals or waivers of any other third party, in each case that are required by Applicable Law or by Contract in order to consummate the transactions contemplated by this Agreement and the Ancillary Documents.

"**Contract**" means any written or oral contract, agreement, indenture, instrument, note, bond, loan, lease, mortgage, franchise, license agreement, purchase order, binding bid or offer, binding term sheet or letter of intent or memorandum, commitment, letter of credit or any other legally binding arrangement, including any amendments or modifications thereof and waivers relating thereto, and includes any of the foregoing that constitute or affect the Rights-of-Way.

"**Credit Agreement**" means that certain Credit Agreement, dated as of February 27, 2015, by and among Azure Midstream Partners, LP (formerly known as Marlin Midstream Partners, LP), the financial institutions from time to time party thereto and the Bank, as amended to date.

"**Debt**" means, with respect to Seller, all obligations and liabilities of Seller taken as a whole, whether matured or unmatured; liquidated or unliquidated; disputed or undisputed; secured or unsecured; senior or subordinated; absolute, fixed or contingent; full-recourse, limited-recourse, or non-recourse; and whether or not required to be disclosed pursuant to generally accepted accounting principles.

"**Deed**" means that certain Special Warranty Deed, dated as of the date hereof, executed by Seller to Buyer to evidence and give effect to all conveyances to Buyer of fee interests in the Real Property.

"**Dispute**" means any and all disputes, Claims, controversies and other matters in question between Seller, on the one hand, and Buyer, on the other hand, arising out of or relating to this Agreement, any Ancillary Document or the alleged breach hereof or thereof, or in any way relating to the subject matter of this Agreement or any Ancillary Document regardless of whether (a) allegedly extra-contractual in nature, (b) sounding in contract, tort or otherwise, (c) provided for by Applicable Law or otherwise or (d) seeking damages or any other relief, whether at law, in equity or otherwise.

"**Effective Time**" has the meaning set forth in Section 3.1.

"**Employee-Related Liabilities**" has the meaning set forth in Section 6.6.

"**Environmental Permit**" means any permit, approval, identification number, license, registration, consent, exemption, variance or other authorization required under or issued pursuant to any applicable Environmental Law.

"**Environmental Law**" means all federal, state, and local laws, statutes, rules, regulations, orders, judgments, ordinances, codes, injunctions, decrees, Environmental Permits and other legally enforceable requirements and rules of common law now or hereafter in effect, relating to pollution or protection of human health or the environment, including the federal Comprehensive Environmental Response, Compensation, and Liability Act, the Superfund Amendments Reauthorization Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act, the Toxic Substances Control Act, the Oil Pollution Act, the Safe Drinking Water Act, the Hazardous Materials Transportation Act, and other similar federal, state or local environmental conservation and protection laws, each as amended and in effect from time to time, and any successor thereto.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute.

"**Excluded Assets**" means those assets listed and described on Schedule 1.1.

"**Excluded Liabilities**" means the following Liabilities, all of which are retained by Seller and are not being assumed by Buyer:

(a) any Liabilities arising or accruing under any of the Permits prior to the Effective Time;

(b) any Liabilities arising or accruing at any time under any Contracts of Seller that are not assigned to and assumed by Buyer in writing; *provided,* that all Liabilities (i) arising or accruing under the Contracts for the Rights-of-Way which have been or following the Closing are assigned to Buyer pursuant to the terms of this Agreement are assumed by Buyer subject to the representations and warranties made by Seller in this Agreement and (ii) arising or accruing after the Closing under or in connection with the TEPPCO Interconnect Agreement are assumed by Buyer subject to the representations and warranties made by Seller in this Agreement; and such Liabilities described in the foregoing clause (i) and clause (ii) constitute Assumed Liabilities;

(c) Liabilities arising from or relating to (i) any offsite transportation, treatment, recycling or disposal of Hazardous Materials, or arrangement therefor occurring before Closing, (ii) any alleged personal injury, disease, or property damage arising from exposure to or the release of any Hazardous Material before the Closing, and (iii) Actions or Claims arising from non-compliance with Applicable Laws, Environmental Laws, Environmental Permits, or other Permits occurring before the Closing with respect to the ownership, operation or condition of the Purchased Assets, except to the extent that (A) the remedy sought in connection therewith is limited to investigation, Remediation, cleanup or monitoring of Hazardous Materials, at, in, on or under, or migrating from the Purchased Assets, or other correction, repair, or modification of the physical condition of the Purchased Assets, and (B) such Liabilities do not arise from a breach of Seller's representations and warranties in this Agreement;

(d) any asserted or unasserted Liabilities to third parties (including employees) for personal injury or tort, or similar causes of action arising out of Seller's ownership or operation of the Purchased Assets prior to the Effective Time;

(e) any Liabilities of Seller in any pending Claims;

(f) any Liabilities relating to the employment or termination of employment of any of Seller's or its Affiliates' employees, including Liabilities under any employee benefit plans (as defined in Section 3(3) of ERISA), Liabilities for discrimination, wages, overtime, accrued vacation or sick days, retirement savings plans, employment Taxes, severance pay, wrongful discharge, unfair labor practices, or wrongful constructive termination by Seller;

(g) any Liability of Seller for Taxes, any Liability for Taxes relating to the Purchased Assets prior to the Effective Time and any Transfer Taxes as provided in Section 6.3(a);

(h) any Employee-Related Liabilities;

(i) any Liability arising from or related to the Excluded Assets; and

(j) any Liability relating to gas imbalances with respect to the Purchased Assets accruing prior to the Effective Time.

"**Fundamental Representations**" has the meaning set forth in Section 7.4(b).

"**Gas Processing Agreements**" means the gas processing agreement between Buyer (as processor) and Seller (as shipper) and/or the reciprocal gas processing agreement between Buyer (as shipper) and Seller (as processor), each dated as of the date hereof.

"**Gas Transportation Agreement**" means that certain gathering agreement between Buyer (as gatherer) and Seller (as shipper), dated as of the date hereof.

"**Governmental Authority**" means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority

exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

"**Guarantor**" means Azure Midstream Partners, LP, a Delaware limited partnership.

"**Guaranty**" means that certain Guaranty, dated as of the date hereof, executed by Guarantor.

"**Hazardous Materials**" means any chemicals, materials or substances, whether waste materials, raw materials or finished products, that are (a) regulated under Environmental Laws; (b) defined as or included in the definition of "hazardous substances," "extremely hazardous substances," "hazardous materials," "hazardous wastes," "solid wastes," "special waste," "oil and gas waste," "oil and gas NORM (naturally occurring radioactive material) waste," "hazardous oil and gas waste," "toxic substances," "toxic pollutants," "pollutants," or "contaminants," as those words are used or defined under any Environmental Law; or (c) any substance, material or waste which is or contains: (i) petroleum, oil or any fraction thereof, (ii) radioactive materials (including naturally occurring radioactive materials); (iii) asbestos or asbestos containing materials; (iv) polychlorinated biphenyls; or (v) other materials, substances or wastes which as situated pose an imminent threat to health or the environment under Environmental Laws.

"**Indemnified Costs**" means Buyer Indemnified Costs and Seller Indemnified Costs, as applicable.

"**Indemnified Party**" means Buyer Indemnified Parties and Seller Indemnified Parties.

"**Indemnifying Party**" has the meaning set forth in Section 7.2.

"**Interconnection Facilities**" has the meaning set forth in Section 6.7(d).

"**Knowledge**," "**known to**" or similar terms, whether or not capitalized, refer to matters that are within the actual knowledge, without imputing or assuming knowledge, of Seller's officers and Buyer's officers listed on Schedule 1.2, after reasonably inquiry by each such individual.

"**Liabilities**" means any direct or indirect liabilities, STRICT LIABILITY (INCLUDING STRICT LIABILITY ARISING UNDER ENVIRONMENTAL LAWS), indebtedness, obligations, expenses, Claims, defaults, deficiencies or guaranties of or by any Person of any type, whether accrued, deferred, absolute, contingent or otherwise, and including costs of Remediation, court costs and reasonable attorneys' fees and expenses incurred in investigating and preparing for any litigation or proceeding.

"**Lien**" means any mortgage, deed of trust, lien, security interest, pledge, encumbrance, restriction on transferability, charge or claim of any nature whatsoever on any property or property interest.

"**Material Adverse Effect**" means any material adverse change, circumstance, effect or condition (a) in or relating to the Purchased Assets or the assets, financial condition, results of operations, or business of any Party, or that materially impedes the ability of any Party to

consummate the transactions contemplated hereby or (b) results or would result in Indemnified Costs to a Party in excess of Seven Hundred Fifty Thousand and No/100 Dollars ($750,000.00), other than any change, circumstance, effect or condition in the gathering, processing, treatment, refining or pipelines industries generally (including any change in the prices of crude oil, natural gas, natural gas liquids, feedstocks or refined products or other hydrocarbon products, or the transportation or processing of any such materials or substances, industry margins or any regulatory changes or changes in Applicable Law) or in United States or global economic conditions or financial markets in general.

"**Mcf**" means one thousand cubic feet of natural gas

"**Mcf/d**" means one thousand cubic feet of natural gas per day.

"**MMBtu**" means one million British Thermal Units.

"**MMcf**" means one million cubic feet of natural gas.

"**MMcf/d**" means one million cubic feet of natural gas per day.

"**NGL Balancing Agreement**" has the meaning set forth in Section 6.7(f)(v).

"**NGL Marketing Agreement**" means that certain NGL Marketing Agreement between Seller and Buyer, dated as of the date hereof.

"**NGL Pipeline and Interconnect**" means that certain natural gas liquids pipeline and related interconnection to be conveyed by Seller to Buyer on the Closing Date described as the "Turkey Creek P1 NGL Pipeline and Enterprise NGL Meter" (P Marlin Meter, Legacy Code 04614005).

"**Offered Interests**" has the meaning set forth in Section 6.8(c)(i).

"**Order**" means any order, writ, injunction, decree, compliance or consent order or decree, settlement agreement and similar binding legal agreement issued by or entered into with a Governmental Authority.

"**Panola I Plant**" has the meaning set forth in the recitals.

"**Panola II Plant**" means that certain 120MMcf/d Carthage cryogenic processing plant located in Panola County, Texas owned and to be retained by Seller on the Closing Date and which does not constitute part of the Purchased Assets.

"**Party**" and "**Parties**" have the meanings set forth in the preamble.

"**Permits**" means those permits, Environmental Permits, licenses, operating authorizations and similar rights identified on Schedule 1.3.

"**Permitted Encumbrances**" means (a) the terms and conditions of the Rights-of-Way; (b) required third party consents to assignment and similar agreements (i) with respect to which

waivers or consents are obtained from the appropriate parties or, if affirmative consent is not required and consent may be deemed after the satisfaction of specified conditions, required notices have been given to the holders of such rights, and the appropriate time period for asserting such rights has expired without an exercise of such rights and all other requirements are met for deemed consent, (ii) that are not applicable to the transactions provided in the Transaction Documents, or (iii) as to such required third party consents, if the failure to obtain such consent would not render the transfer of the affected asset void or voidable, give rise to a claim for liquidated damages, or cause a termination or loss of the affected asset in a manner that would be material to the operation of the Purchased Assets; (c) Liens for Taxes or assessments not yet delinquent or, if delinquent, that are being contested in good faith in the normal course of business with all requirements met to preclude the imposition of any Lien and referenced on Schedule 1.4; (d) conventional rights of reassignment upon final intention to abandon or release the Purchased Assets, or any of them that accrue after the Effective Time; (e) such matters as Buyer may specifically waive in writing pursuant to the terms of this Agreement; (f) all Applicable Laws, and rights reserved to or vested in any Governmental Authority (i) to control or regulate any Purchased Asset in any manner, (ii) by the terms of any Permit, or by any provision of Applicable Law, to terminate such Permit or to purchase, condemn, expropriate, or recapture or to designate a purchaser of any of the Purchased Assets; (iii) to use such property in a manner which does not materially impair the use of such property for the purposes for which it is currently owned and operated and (iv) to enforce any obligations or duties affecting the Purchased Assets to any Governmental Authority, with respect to any franchise, grant, license, or permit; (g) rights of a common owner of any interest in any Rights-of-Way; (h) easements, conditions, covenants, restrictions, servitudes, permits, rights-of-way, surface leases and other rights in the Purchased Assets for the purpose of surface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines, and removal of timber, grazing, logging operations, canals, ditches, reservoirs, and other like purposes, or for the joint or common use of real estate, rights-of-way, facilities, and equipment, (in each case) that do not materially impair the use or operation of the Real Property portion of the Purchased Assets as currently operated; (i) zoning and planning ordinances and similar regulations of any Governmental Authority having jurisdiction over any property; (j) any encumbrances which are discharged, released or cured by Seller, Buyer or their Affiliates at or prior to Closing; and (k) such other encumbrances, defects or other matters that are minor defects and irregularities in title or other restrictions that do not materially and adversely affect the ownership, operation, use, financing or transfer of the Purchased Assets.

"**Person**" means a natural person or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, Governmental Authority or other entity.

"**Purchase Price**" has the meaning set forth in Section 2.3(a).

"**Purchased Assets**" means the assets listed and described on Schedule 1.5.

"**Qualified IPO**" means the closing of a firm underwritten public offering of the securities of Buyer or its Affiliate or their successor pursuant to an effective registration statement under the Securities Act of 1933, as amended, or any successor statute.

"**Real Property**" means, collectively, the "Panola I Inlet Area Parcel" and the "Panola I Plant Parcel," each of which is more particularly described on Schedule 4.12(a).

"**Remediation**" means the removal, abatement, response, investigation, cleanup, monitoring, reporting, and other activities undertaken to address and/or respond to releases or threatened releases of Hazardous Materials or violations of Environmental Laws.

"**Right-of-Way Assignments**" means one or more Right-of-Way Assignments, dated the date hereof, between Seller and Buyer pursuant to which Seller conveys, transfers and assigns to Buyer its rights in and to the Rights-of-Way.

"**Rights-of-Way**" means rights-of-way, easements, surface rights, rights of access and similar rights included within the Purchased Assets as may be evidenced by any Contract or Order, which are listed on Schedule 4.13(a), but excluding in all respects the Real Property listed on Schedule 4.12(a); and *provided* that the Rights-of-Way do not constitute "personal property" pursuant to this Agreement.

"**Seller**" has the meaning set forth in the preamble.

"**Seller Ancillary Documents**" means each agreement, document, instrument or certificate to be delivered by Seller, or its Affiliates, at the Closing pursuant to Section 3.2 hereof and each other document or Contract entered into by Seller, or its Affiliates, in connection with this Agreement or the Closing.

"**Seller Indemnified Costs**" means (a) any and all damages, losses, Claims, liabilities, demands, charges, suits, penalties, costs, and expenses (including court costs and reasonable attorneys' fees and expenses incurred in investigating and preparing for any litigation or proceeding) that any of Seller Indemnified Parties incurs and that arise out of or relate to any breach of a representation, warranty or covenant of Buyer in this Agreement or in any Buyer Ancillary Document, subject in all respects to any limitations imposed in Section 7.4 or elsewhere in this Agreement, and (b) any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs, and expenses, including reasonable legal fees and expenses, incident to any of the foregoing. Notwithstanding anything in the foregoing to the contrary, Seller Indemnified Costs shall exclude any and all Special Damages (other than those that are a result of a third-party claim for Special Damages).

"**Seller Indemnified Parties**" means Seller, its Affiliates, and its and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives and invitees of each of the foregoing (and including their respective successors and assigns, but excluding any member of the Buyer Indemnified Parties).

"**Seller Panola I Inlet Facilities**" has the meaning set forth in Section 6.7(b)(i).

"**Separation Activities**" has the meaning set forth in Section 6.7(a).

"**Shared Facilities**" has the meaning set forth in Section 6.7.

"**Shared Facilities Memorandum**" means a memorandum outlining the material terms of Section 6.7 and recorded in the official public records of Panola County, Texas promptly following the Closing.

"**Special Damage**" means any consequential, punitive, special, incidental or exemplary damages, or for loss of profits or revenues.

"**Surface Rights**" means and includes the easements, permits, licenses, servitudes, rights-of-way, surface leases, and any other surface rights as may be granted or created under any Contract which cover or relate to the Shared Facilities (or to the ownership, maintenance, development, operation, or abandonment thereof).

"**Tax**" or "**Taxes**" means any federal, state, local or foreign income, gross receipts, branch profits, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, escheat, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, ad valorem, value added, alternative or add-on minimum or estimated tax or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"**Tax Return**" means any return, report, form or information statements filed or required to be filed with a Taxing Authority relating to any Taxes.

"**Taxing Authority**" means, with respect to any Tax, the Governmental Authority that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such Governmental Authority.

"**TEPPCO Interconnection Agreement**" means that certain Connection Agreement, dated as of August 1, 2006, between Panola Pipeline Company and URS Field Services, LLC.

"**TEPPCO Interconnection Agreement Assignment**" means that certain Assignment and Assumption of TEPPCO Interconnection Agreement between Seller and Buyer, dated as of the date hereof.

"**Third-Party Action**" has the meaning set forth in Section 7.2.

"**Transfer of Interest**" means (a) any conveyance, assignment, transfer, exchange or other disposition of all or substantially all of the assets of Align and its controlled Affiliates as a whole or (b) a Change of Control of Align.

"**Transaction Documents**" means this Agreement, the Deed, the Right-of-Way Assignments, the Bill of Sale, the Assumption Agreement, the Gas Transportation Agreement, the Gas Processing Agreements, the Transition Services Agreement and the other Buyer Ancillary Documents and Seller Ancillary Documents.

"**Transfer Notice**" has the meaning set forth in Section 6.8(a).

"**Transfer Taxes**" means all transfer, sales, use, goods and services, value added, documentary, stamp duty, conveyance, and other similar Taxes, duties, fees or charges.

"**Transition Services Agreement**" means that certain Transition Services Agreement between Seller and Buyer, dated as of the date hereof.

"**URS Field Services, LLC**" is the predecessor name for Seller.

ARTICLE II
TRANSFER OF PURCHASED ASSETS AND AGGREGATE CONSIDERATION

2.1 ***Sale of Purchased Assets.*** Subject to all of the terms and conditions of this Agreement, Seller hereby sells, assigns, transfers and conveys to Buyer, and Buyer hereby purchases and acquires from Seller, the Purchased Assets.

2.2 ***Excluded Assets.*** The Purchased Assets shall not include, and Seller reserves and retains all right, title and interest in and to, and obligations arising under, the Excluded Assets.

2.3 ***Consideration.***

(a) The aggregate cash consideration to be paid by Buyer to or for the benefit of Seller for the Purchased Assets shall be Forty-Four Million Nine Hundred Twenty Five Thousand and No/100 Dollars ($44,925,000.00), subject to adjustment as provided herein (the "**Purchase Price**").

(b) The Purchase Price shall be paid at the Closing by wire transfer of immediately available funds to the account or accounts specified by Seller to Buyer in writing prior to the Closing Date.

(c) Buyer's assumption of the Assumed Liabilities as set forth herein shall be considered additional consideration to Seller for the purchase and sale of the Purchased Assets.

2.4 ***Allocation.*** The Purchase Price (plus the Assumed Liabilities, to the extent properly taken into account by the Code), shall be allocated among the Purchased Assets in accordance with Section 1060 of the Code and the Treasury regulations promulgated thereunder (and any similar provision of state, local or foreign law, as appropriate the "**Allocation**"). The Allocation shall be delivered by Seller to Buyer within sixty (60) days after the Closing Date for Buyer's approval, which approval shall not be unreasonably withheld. Seller and Buyer shall work in good faith to resolve any disputes relating to the Allocation. If the Purchase Price is adjusted pursuant to any provision of this Agreement, the Allocation will reflect such adjustment as mutually agreed by Seller and Buyer. Seller and Buyer shall file all Tax Returns (including IRS Form 8594) consistent with the Allocation. Neither Seller nor Buyer shall take any Tax position inconsistent with such Allocation and neither Seller nor Buyer shall agree to any proposed adjustment to the Allocation by any Taxing authority without first giving the other Party prior written notice; *provided, however*, that nothing contained herein shall prevent Seller or Buyer from settling any proposed deficiency or adjustment by any Taxing authority based upon or arising out

of the Allocation, and neither Seller nor Buyer shall be required to litigate before any court a proposed deficiency or adjustment by any taxing authority challenging such Allocation.

2.5 ***Non-Assignable Assets.***

(a) To the extent that the sale, assignment, transfer, conveyance or delivery, or attempted sale, assignment, transfer, conveyance or delivery, to Buyer of any Purchased Asset would result in a violation of Applicable Law, or would require the Consent of a Person who is not a party to this Agreement, and such Consent shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery, or an attempted sale, assignment, transfer, conveyance or delivery, thereof; *provided, however*, that the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price on account thereof.

(b) To the extent any of the Purchased Assets being sold to Buyer hereunder are non-assignable or non-transferable by Seller at Closing or any Consents required for such sale or assignment have not been obtained prior to Closing, the terms and provisions of Section 6.9 shall apply to each such Purchased Asset. Seller shall assist Buyer in the exercise of its rights granted with respect to such Purchased Assets and to execute any and all such documents, instruments, consents, conveyances, and other items that may, from time to time after Closing, be necessary or incident to reflect Buyer's full ownership of and to permit its free and full use and exercise of its rights with respect to all such Purchased Assets. All such non-transferable or unassigned Purchased Assets licensed by Seller to Buyer hereunder shall be held by Seller as trustee, until fully assigned, transferred, or consent thereto has been received by Buyer (as the case may be), exclusively for the benefit of Buyer, and Seller shall remit and turn over to Buyer all benefits therefrom received by Seller after the Closing Date.

ARTICLE III
CLOSING

3.1 ***Closing***. The closing of the transactions contemplated hereby (the "**Closing**") shall take place simultaneously with the execution of this Agreement. The date of the Closing is referred to herein as the "**Closing Date**" and the Closing is deemed to be effective as of 12:01 a.m., Dallas, Texas time, on the Closing Date (the "**Effective Time**").

3.2 ***Deliveries by Seller.*** At the Closing, Seller shall deliver, or cause to be delivered, to Buyer the following:

(a) The Purchased Assets and the possession thereof, free and clear of all Liens (other than Permitted Encumbrances with respect to the Real Property).

(b) The Deed duly executed by Seller.

(c) The Right-of-Way Assignments duly executed by Seller.

(d) The Bill of Sale duly executed by Seller.

(e) The Gas Transportation Agreement duly executed by Seller.

(f) Both Gas Processing Agreements duly executed by Seller.

(g) The Transition Services Agreement duly executed by Seller.

(h) A non-foreign affidavit required pursuant to Section 1445 of the Code, duly executed by Seller or its member, as appropriate.

(i) Evidence, in form and substance acceptable to Buyer, that Seller has filed an affidavit in Panola County, Texas reflecting the change of name from "URS Field Services, LLC" to Seller pursuant to the Articles of Amendment filed by Seller's predecessor on February 14, 2007 with the Secretary of State of the State of Texas, and reflecting Seller as the current vested owner of the Real Property being conveyed to Buyer.

(j) All books and records and all of the designs, models, manuals, drawings, instructions, specifications and directions for the Purchased Assets, and all files, correspondence and other documents, instruments, papers, ticket forms and data belonging to Seller that are part of or relate to the Purchased Assets or the business conducted with respect to the Purchased Assets.

(k) Copies of any and all consents, waivers or approvals, if any, of (i) any Governmental Authority required to be obtained by Seller with respect to the consummation of the sale and transfer of the Purchased Assets or the execution and delivery of any of the Ancillary Documents, and (ii) any other Person obtained by Seller with respect to the consummation of the sale and transfer of the Purchased Assets or the execution and delivery of any of the Ancillary Documents.

(l) Copies, certified by the Secretary or Assistant Secretary of Seller (or other appropriate officers or managers), of resolutions of Seller authorizing the execution and delivery of this Agreement, the Seller Ancillary Documents and the other documents contemplated herein and the transactions contemplated hereby, and the incumbency of Seller's signatories, in such form as reasonably approved by Buyer.

(m) Copies, certified by the Secretary or Assistant Secretary of Guarantor (or other appropriate officers or partners), of resolutions of Guarantor or its general partner authorizing the execution and delivery by Seller of this Agreement, the Seller Ancillary Documents, and the other documents contemplated herein to be executed and delivered by Seller and the transactions contemplated hereby, and the execution and delivery by Guarantor of the Guaranty, and the incumbency of Guarantor's or its general partner's signatories, in such form as reasonably approved by Buyer.

(n) UCC-3 termination statements and other releases in form and substance satisfactory to Buyer, of any Liens on any of the Purchased Assets (other than Permitted Encumbrances on the Real Property), including Liens by the Bank and any other lenders under the Credit Agreement.

(o) The Bank Consent.

(p) The Guaranty, duly executed by the guarantor thereto.

(q) A Texas Statement of Occasional Sale (Form 01-917), dated as of the Closing Date, duly executed by Seller.

(r) All currently effective "Spill Prevention, Control and Countermeasure Plans" or any similar plans under which Seller owns or operates the Purchased Assets.

(s) All currently effective risk management or similar plans under which Seller owns or operates the Purchased Assets.

(t) The Shared Facilities Memorandum duly executed by Seller.

(u) The NGL Balancing Agreement duly executed by Seller.

(v) The TEPPCO Interconnection Agreement Assignment duly executed by Seller.

(w) The NGL Marketing Agreement duly executed by Seller.

3.3 ***Deliveries by Buyer.*** At the Closing, Buyer shall deliver, or cause to be delivered, to Seller the following:

(a) The Purchase Price as provided in Section 2.3.

(b) The Right-of-Way Assignments duly executed by Buyer.

(c) The Bill of Sale duly executed by Buyer.

(d) The Assumption Agreement duly executed by Buyer.

(e) The Gas Transportation Agreement duly executed by Buyer.

(f) Both Gas Processing Agreements duly executed by Buyer.

(g) The Transition Services Agreement duly executed by Buyer.

(h) A certificate of the Secretary or Assistant Secretary of Buyer (or other appropriate officer or manager), of resolutions authorizing the execution and delivery of this Agreement, the Buyer Ancillary Documents and the other documents contemplated herein and the transactions contemplated hereby, and the incumbency of Buyer's signatories, in such form as reasonably approved by Seller.

(i) The Shared Facilities Memorandum duly executed by Buyer.

(j) The NGL Balancing Agreement duly executed by Buyer.

(k) The TEPPCO Interconnection Agreement Assignment duly executed by Buyer.

(l) The NGL Marketing Agreement duly executed by Buyer.

3.4 ***Prorations.*** On the Closing Date, the real and personal property taxes with respect to the Purchased Assets shall be prorated between Buyer, on the one hand, and Seller, on the other hand, effective as of the Effec tive Time with Seller being responsible for amounts related to the period prior to but excluding the Effective Time and Buyer being responsible for amounts related to the period at and after the Effective Time. If the final property tax rate or final assessed value for the current tax year is not established by the Closing Date, the prorations shall be made on the basis of the rate or assessed value in effect for the preceding tax year and shall be adjusted when the exact amounts are determined as promptly as possible after the Effective Time. All such prorations shall be based upon the most recent available assessed value available prior to the Closing Date.

3.5 ***Reimbursement.*** If Buyer, on the one hand, or Seller, on the other hand, pays any Tax agreed to be borne by the other Party under this Agreement, such other Party shall promptly reimburse the paying Party for the amounts so paid. If any Party receives any Tax refund or credit applicable to a Tax paid by another Party hereunder, the receiving Party shall promptly pay such amounts to the Party entitled thereto.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer that as of the date of this Agreement and as of the Closing Date:

4.1 ***Organization.*** Seller is a member-managed limited liability company duly organized and validly existing under the Applicable Laws of the State of Texas.

4.2 ***Authorization.*** Seller has full limited liability company power and authority to execute, deliver, and perform this Agreement and any Seller Ancillary Documents to which it is a party. The execution, delivery, and performance by Seller of this Agreement and any Seller Ancillary Documents and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized by all necessary limited liability company action of Seller. This Agreement and each Seller Ancillary Document has been duly executed and delivered by Seller and constitutes a valid and legally binding obligation of Seller, enforceable against it in accordance with its terms, except to the extent that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights and remedies generally and (b) equitable principles which may limit the availability of certain equitable remedies (such as specific performance) in certain instances.

4.3 ***No Conflicts or Violations; No Consents or Approvals Required.*** The execution, delivery and performance by Seller of this Agreement and the Seller Ancillary Documents to which it is a party do not, and the consummation of the transactions contemplated hereby and thereby will not, (a) violate, conflict with, or result in any breach of any provision of Seller's certificate of formation, limited liability company agreement or any Contract or Permit to which Seller is a party or its assets are bound, or (b) violate any Applicable Law to which Seller is subject

or to which any Purchased Asset is subject. No Consent of any Governmental Authority is required in connection with the execution, delivery and performance by Seller of this Agreement and the Seller Ancillary Documents to which Seller is a party or the consummation of the transactions contemplated hereby or thereby.

4.4 ***Absence of Litigation.*** There is no Action pending or, to the knowledge of Seller, threatened against Seller or any of its Affiliates relating to the transactions contemplated by this Agreement or the Seller Ancillary Documents or the Purchased Assets which, if adversely determined, would reasonably be expected to materially impair the ability of Seller to perform its obligations and agreements under this Agreement or the Seller Ancillary Documents and to consummate the transactions contemplated hereby and thereby.

4.5 ***Brokers and Finders.*** No investment banker, broker, finder, financial advisor or other intermediary has been retained by or is authorized to act on behalf of Seller who is entitled to receive from Buyer any fee or commission in connection with the transactions contemplated by this Agreement.

4.6 ***Permits.*** To Seller's Knowledge, it is operating in all material respects in compliance with the terms of its Permits that relate to the Purchased Assets; and there is no Action pending or, to the knowledge of Seller, threatened before any Governmental Authority that seeks the revocation, cancellation, suspension or adverse modification of Seller's Permits relating to the Purchased Assets.

4.7 ***Compliance with Environmental Laws and Other Applicable Laws.*** To Seller's Knowledge and except for matters that in the aggregate would not reasonably be expected to result in a Material Adverse Effect, Seller is owning and operating the Purchased Assets in compliance with Environmental Laws and all other Applicable Laws.

4.8 ***Removal of Liens Securing Indebtedness for Borrowed Money.*** On or prior to the Closing Date, Seller has taken all such actions as are reasonably required to remove any Liens on the Purchased Assets securing indebtedness for borrowed money, to the end that from and after the Closing Date Buyer will hold the Purchased Assets free and clear of such Liens.

4.9 ***Non-Foreign Person.*** Neither Seller nor any member of Seller is a foreign person within the meaning of Section 1445 of the Code.

4.10 ***Third-Party Options.*** Seller has not granted, and to Seller's knowledge no other Person has granted, to any Person, and to Seller's Knowledge no Person possesses, any right of first refusal, option or preferential right to purchase any of such Purchased Assets, except pursuant to the terms of this Agreement.

4.11 ***Title to Personal Property.*** Seller owns and has good and marketable title to all of the personal property that is included in the Purchased Assets, free and clear of all Liens. Seller has the valid right to use, and enjoy peaceful and undisturbed possession of, all personal property included in the Purchased Assets. No Person other than Seller owns any assets or property used in the operation of the Purchased Assets.

4.12 ***Real Property.***

(a) Title. Schedule 4.12(a) provides reference to the deeds containing a true and correct legal descriptions of the Real Property. Except as set forth on Schedule 4.12(a), Seller has exclusive, good and marketable title to the Real Property, free and clear of all Liens other than Permitted Encumbrances. There are no leases, licenses or other occupancy agreements affecting the Real Property or any portion thereof. There are no Contracts to purchase or sell, or options or similar rights to purchase or sell, any of the Real Property.

(b) Eminent Domain. Except as set forth on Schedule 4.12(b), Seller has not received notice that any Governmental Authority having jurisdiction over the Real Property intends to exercise the power of eminent domain with respect to any of the Real Property or other matters materially and adversely affecting the current use, occupancy or value thereof, and to Seller's Knowledge the Real Property has all Permits necessary for the occupancy or use thereof.

(c) Tax Parcels. True and correct copies of the current real estate tax bills for the Real Property have been delivered to Buyer by Seller.

(d) No Liens. There is no construction on the Real Property or any portion thereof. Seller does not owe any monies to any contractor, subcontractor or materialman for labor or materials performed, rendered or supplied to or in connection with the Real Property or any portion thereof for which such Person could claim a Lien.

(e) Surveys; Title Insurance. Copies of any current surveys in Seller's or its Affiliates' possession with respect to the Real Property owned by Seller have heretofore been delivered by Seller to Buyer. Seller has no title insurance applicable to the Real Property.

(f) Boundary Disputes. To Seller's Knowledge, there are no disputes with third parties regarding any encroachments, overlaps, boundary line disputes or similar matters with respect to the Real Property.

(g) Parties in Possession. There are no parties (other than Seller) in possession of any of the Real Property.

(h) Assessments. Seller has not received written notice from any Governmental Authority that the assessed value of any of the Real Property has been increased from that upon which real property Taxes were paid for the most recently completed tax year.

4.13 ***Rights-of-Way.***

(a) Schedule 4.13(a) sets forth a list or description, that is complete and accurate in all material respects, of any and all Rights-of-Way relating to the Purchased Assets to which Seller is a party.

(b) Except as set forth on Schedule 4.13(b), all of the Rights-of-Way set forth on Schedule 4.13(a) are: (i) legal, valid, binding and enforceable in accordance with their

terms and in full force and effect; (ii) to Seller's Knowledge, no reason exists why the Rights-of-Way should not continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby; (iii) to Seller's Knowledge, no Person is in breach or default, and no event has occurred which with notice or lapse of time would constitute a breach or default, or permit termination or modification under the Rights-of-Way; (iv) to Seller's Knowledge, no Person has repudiated any provision thereof; (v) to Seller's Knowledge, are freely assignable to Buyer; and (vi) to Seller's Knowledge, may be transferred or assigned to Buyer at the Closing without consent or approval of the other parties thereto, and will continue in full force and effect thereafter, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any material rights thereunder. Except as may be provided in the Right-of-Way agreements and documents made available to Buyer for its review in conducting its due diligence investigation, none of the Rights-of-Way require the payment of any additional rents.

(c) Except as set forth on Schedule 4.12(b), Seller has not received notice that any Governmental Authority having jurisdiction over the Rights-of-Way intends to exercise the power of eminent domain with respect to any of the Rights-of-Way or other matters materially and adversely affecting the current use, occupancy or value thereof, and to Seller's Knowledge Seller has all Permits necessary for the occupancy or use of the Rights-of-Way.

(d) Seller is not performing or causing the performance of any construction on the Rights-of-Way or any portion thereof. Seller does not owe any monies to any contractor, subcontractor or materialman for labor or materials performed, rendered or supplied to or in connection with the Rights-of-Way or any portion thereof for which such Person could claim a Lien.

4.14 ***Environmental Matters.*** Except as set forth on Schedule 4.14:

(a) Seller has not entered into, and is not subject to, any consent order, consent decree, contractual obligation, compliance order or administrative order with any Governmental Authority pursuant to any Environmental Law that materially restricts the future use of any of the Purchased Assets or that requires any material Remediation, payment of funds, or other change in the present condition or use of any of the Purchased Assets.

(b) Seller (in connection with the Purchased Assets) and the Purchased Assets are not subject to any pending or, to Seller's Knowledge, threatened Claim related to any alleged non-compliance with or Liability pursuant to Environmental Laws that could reasonably be expected to result in any material Liability.

(c) To Seller's Knowledge it is not and has not been within the preceding five (5) years in violation in any material respect of any Environmental Law or any Environmental Permit relating to the Purchased Assets.

(d) To Seller's Knowledge: Seller possesses all Environmental Permits for the ownership, use, and operation of the Purchased Assets; none of such Environmental Permits is subject to cancellation or termination or to pending renewal, amendment or modification for which material expenditures, capital improvements, or changes in operation as a condition or as a result of such renewal, amendment, or modification will be necessary.

(e) To Seller's Knowledge, no Hazardous Materials have been released by Seller or any other Person, or are present in the environment at, on, under or from any of the Purchased Assets, for which material Remediation obligations reasonably could be expected to arise.

(f) As of the date hereof, to Seller's Knowledge it has made available to Buyer a copy of all material files, including regulatory files, abstracts, environmental data or information, reports, maps, drawings, surveys, books, records, and agreements regarding environmental matters in Seller's possession or control and relating to the Purchased Assets.

4.15 ***Shared Facilities.*** Seller owns or has the legal right to use, and has the right, power and authority to convey to Buyer pursuant to the provisions of Section 6.7, the rights and interests licensed or granted to Buyer pursuant to Section 6.7, including with respect to each of the Interconnection Facilities referenced on Schedule 6.7(c) and the TEPPCO Interconnection Agreement. Seller has provided to Buyer true and correct copies of all Contracts affecting the Interconnection Facilities and the TEPPCO Interconnection Agreement.

4.16 ***Delivery of Documents.*** Seller has delivered to Buyer true and complete copies of (a) all Contracts for Rights-of-Way and (b) all other documents (including all amendments, modifications, supplements or waivers currently in effect) described in any Schedule hereto or required to be delivered on or before the date hereof.

4.17 ***Taxes.*** All Tax Returns that are required to have been filed by or with respect to Seller with respect to the Purchased Assets have been duly and timely filed, and all such Tax Returns were correct and complete, to the extent that the failure to file any such Tax Return or pay any such Tax could result in a Lien on the Purchased Assets. All Taxes that are required to have been paid by Seller with respect to the Purchased Assets have been duly and timely paid in full, to the extent that the failure to pay any such Tax could result in a Lien on the Purchased Assets. There have been no waivers of any statute of limitations in respect of Taxes with respect to the Purchased Assets or any extension of time with respect to a Tax assessment or deficiency with respect to the Purchased Assets. There are no pending or active audits or legal proceedings by or before any Governmental Authority involving Tax matters or, to Seller's Knowledge, threatened audits or proposed deficiencies or other Claims for unpaid Taxes of Seller with respect to the Purchased Assets. None of the Purchased Assets is subject to any Lien arising in connection with any failure or alleged failure to pay any Tax, except Permitted Encumbrances. None of the Purchased Assets is "tax-exempt use property" (within the meaning of Section 168(h) of the Code) or "tax-exempt bond financed property" (within the meaning of Section 168(g)(5) of the Code). None of the Purchased Assets constitutes omitted property for ad valorem or property Tax

purposes. None of the Purchased Assets is an interest in a partnership for U.S. federal income tax purposes.

4.18 ***ERISA.*** Buyer's purchase of the Purchased Assets will not cause Buyer to incur any liability under Title IV of ERISA or Section 412 of the Code.

4.19 ***Seller's Acknowledgement of Fair Value.*** Seller acknowledges that prior to the Closing Date Seller or its Affiliate had (a) been in default under the Credit Agreement, but received a waiver or forbearance by the Bank and the required lenders under the Credit Agreement with respect thereto, while also facing challenges in its business given the status of the oil and gas energy markets resulting in public disclosure by Seller's Affiliate regarding its "going concern uncertainty," and (b) undertaken the engagement of investment bankers and third party advisors to review alternatives available to sell all or a portion of its assets to achieve liquidity and, as part of such effort, organized a data room to facilitate discussions with third parties to meet those objectives and had extensively marketed the Purchased Assets. Seller acknowledges that the Bank and the required lenders under the Credit Agreement have consented to the transactions under this Agreement, including with respect to the Purchase Price and the disbursement thereof, and have released or agreed to release any and all Liens against the Purchased Assets being conveyed to Buyer. Given the foregoing circumstances, the lack of higher and better offers for the Purchased Assets, and with the objective of trying to avoid foreclosure under the Credit Agreement and to responsibly raise needed capital, Seller, after approval by Guarantor, as its sole member, and the board of directors of Guarantor's general partner, believes (i) it to be in the best interests of Seller to execute and deliver this Agreement with Buyer and to consummate the transactions contemplated herein and (ii) that the Purchase Price for the Purchased Assets and the Assumed Liabilities being assumed by Buyer pursuant to this Agreement represents fair value and the best available present value for the Purchased Assets.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that as of the date of this Agreement and as of the Closing Date:

5.1 ***Organization.*** Buyer is a limited liability company, duly organized, validly existing and in good standing under the Applicable Laws of the State of Delaware.

5.2 ***Authorization.*** Buyer has full limited liability company power and authority to execute, deliver, and perform this Agreement and any Buyer Ancillary Documents to which it is a party. The execution, delivery, and performance by Buyer of this Agreement and the Buyer Ancillary Documents and the consummation by Buyer of the transactions contemplated hereby and thereby, have been duly authorized by all necessary action of Buyer. This Agreement and each Buyer Ancillary Document has been duly executed and delivered by Buyer and constitutes a valid and legally binding obligation of Buyer, enforceable against it in accordance with its terms, except to the extent that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights and remedies generally and (b) equitable principles which may limit the availability of certain equitable remedies (such as specific performance) in certain instances.

5.3 ***No Conflicts or Violations; No Consents or Approvals Required.*** The execution, delivery and performance by Buyer of this Agreement and the Buyer Ancillary Documents to which it is a party do not, and consummation of the transactions contemplated hereby and thereby will not, (a) violate, conflict with, or result in any breach of any provisions of Buyer's certificate of formation or limited liability company agreement, or (b) violate any Applicable Law to which Buyer is subject that could prevent or materially delay the consummation of the transactions contemplated by this Agreement. No Consent of any Governmental Authority is required in connection with the execution, delivery and performance by Buyer of this Agreement and the Buyer Ancillary Documents to which Buyer is a party or the consummation of the transactions contemplated hereby or thereby.

5.4 ***Absence of Litigation.*** There is no Action pending or, to the knowledge of Buyer, threatened against Buyer or any of its Affiliates relating to the transactions contemplated by this Agreement or the Buyer Ancillary Documents or which, if adversely determined, would reasonably be expected to materially impair the ability of Buyer to perform its obligations and agreements under this Agreement or the Buyer Ancillary Documents and to consummate the transactions contemplated hereby and thereby.

5.5 ***Brokers and Finders.*** No investment banker, broker, finder, financial advisor or other intermediary has been retained by or is authorized to act on behalf of Buyer who is entitled to receive from Seller any fee or commission in connection with the transactions contemplated by this Agreement.

5.6 ***Shared Facilities.*** Buyer has the limited liability company right, power and authority to convey to Seller pursuant to the provisions of Section 6.7, the rights and interests licensed or granted to Seller pursuant to Section 6.7.

ARTICLE VI
COVENANTS

6.1 ***Additional Agreements.*** Subject to the terms and conditions of this Agreement and the Ancillary Documents, each of the Parties shall use its commercially reasonable efforts to do, or cause to be taken all action and to do, or cause to be done, all things necessary, proper, or advisable under Applicable Laws to consummate and make effective the transactions contemplated by this Agreement. If at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement or any Ancillary Document, upon the request of a Party the other Party and its duly authorized representatives shall use commercially reasonable efforts to promptly take all such action.

6.2 ***Further Assurances.*** After the Closing, each Party shall take such further actions, including obtaining consents to assignment from third parties and acting to transfer or re-issue into Buyer's name all Permits on the same terms and conditions, and execute such further documents as may be necessary or reasonably requested by the other Party in order to effectuate the intent of this Agreement and the Ancillary Documents and to provide such other Party with the intended benefits of this Agreement and the Ancillary Documents. Following the Closing, Buyer and Seller agree to remit to the other Party or its Affiliates, as applicable, with reasonable promptness, any payments, rebates, bills or other correspondence received on or in respect of, or otherwise relevant

to the other Party or its Affiliates, including with respect to Buyer, the Purchased Assets or, with respect to Seller, the Excluded Assets.

6.3 ***Tax Matters.***

(a) The Parties do not expect that any Transfer Taxes will arise as a result of the transactions contemplated under this Agreement. Consistent with the foregoing, Seller shall provide Buyer with a completed and signed Texas Statement of Occasional Sale (Form 01-917), dated as of the Closing Date, at or prior to the Closing. Notwithstanding the foregoing, if the transactions provided in this Agreement are determined to be subject to Transfer Taxes, Seller shall bear and fully pay and discharge such Transfer Taxes. Seller will determine, and Buyer will cooperate with Seller in determining the amounts, if any, of Transfer Taxes that are due in connection with the transactions contemplated by this Agreement and Seller will pay any such Transfer Taxes to Buyer or to the appropriate Governmental Authority. The Parties shall cooperate and consult with each other (i) in connection with, and prior to, filing such Tax Returns to ensure that all such returns are filed in a consistent manner and (ii) in demonstrating that the requirements for exemptions, if any, from such Transfer Taxes have been met.

(b) Following the Closing Date, the Parties shall cooperate fully with each other and shall make available to the other Party, as reasonably requested and at the expense of the requesting Party, and to any Governmental Authority responsible for the administration of any tax, all information, records or documents relating to tax liabilities or potential tax liabilities of Seller for all periods at or prior to the Effective Time and any information which may be relevant to determining the amount payable under this Agreement, and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof.

6.4 ***Cooperation on Litigation and Other Actions.*** Each Party shall cooperate reasonably with the other Party, at the requesting Party's expense (but including reasonable photocopying and delivery costs and out-of-pocket expenses to unaffiliated third parties, and not the costs incurred by any Party for the wages or other benefits paid to its officers, directors or employees), in furnishing reasonably available information, testimony and other assistance in connection with any proceedings, tax audits or other disputes involving any of the Parties hereto (other than in connection with Disputes between the Parties).

6.5 ***Retention of and Access to Records.***

(a) As of the Closing Date, Seller has delivered or caused to be delivered to Buyer all records that are in the possession or control of Seller or its Affiliates and that relate to the ownership or operation of the Purchased Assets. Buyer agrees to hold and maintain such records so that they may be reasonably retrievable and not to destroy or dispose of any portion thereof for a period of three years from the Closing Date or such longer time as may be required by Applicable Law, *provided* that if Buyer desires to destroy or dispose of such records during such period, it will first offer in writing at least sixty (60) days before such destruction or disposition to surrender them to Seller and if Seller does

not accept such offer within thirty (30) days after receipt of such offer, Buyer may take such action.

(b) Buyer agrees to afford Seller and its Affiliates and their respective accountants, counsel and other designated individuals, during normal business hours, upon reasonable request, at a mutually agreeable time, full access to and the right to make copies of the records provided to Buyer under Section 6.5(a) at no cost to Seller or its Affiliates (other than for reasonable photocopying and delivery costs and out-of-pocket expenses to unaffiliated third parties); *provided,* that in the event of any litigation, nothing herein shall limit any Party's rights of discovery under Applicable Law. Without limiting the generality of the preceding sentence, Buyer agrees to provide Seller and its Affiliates reasonable access to and the right to make copies of such records after the Closing for the purposes of assisting Seller and its Affiliates (a) in complying with Seller's obligations under this Agreement, (b) in preparing and delivering any accounting statements provided for under this Agreement and adjusting, prorating and settling the charges and credits provided for in this Agreement, (c) in owning or operating the Excluded Assets, (d) in preparing Tax Returns, (e) in responding to or disputing any tax audit, (f) in asserting, defending or otherwise dealing with any claim or dispute, known or unknown, under this Agreement or with respect to Excluded Assets or (g) in asserting, defending or otherwise dealing with any third party claim or dispute by or against Seller or its Affiliates relating to the Purchased Assets.

6.6 ***No Obligation to Hire Employees; No Liability for Seller's Employee-Related Liabilities.*** The Parties acknowledge that no employees of Seller or its Affiliates are being offered employment or being employed by Buyer on the Closing Date as part of the transactions contemplated by this Agreement, and subject to the terms of the Ancillary Agreements, Seller shall retain the responsibility for all Liabilities relating to its employees and contractors, including any and all (a) compensation and benefits of any kind whatsoever; (b) Liabilities of Seller or any of its Affiliates, including liabilities under ERISA, relating to the employment or termination of employment of their employees; and (c) any and all employment-related Claims or Actions arising from or relating to the transactions contemplated herein, none of which are being assumed by Buyer (the "Employee-Related Liabilities"); provided, however, that neither this Section 6.6 nor the definition of "Excluded Liabilities" shall in any respect diminish Buyer's obligation to pay Seller for services or otherwise (including Buyer's indemnification obligations) under the Transition Services Agreement.

6.7 ***Agreements Concerning the Shared Facilities.*** As an integral part of this Agreement and a condition to the purchase and sale of the Purchased Assets, and in order to facilitate the sale of the Purchased Assets to Buyer and provide for the ability of both Seller and Buyer to own, operate, use, maintain, repair, finance and transfer their respective assets and properties on and following the Closing Date, Seller and Buyer have agreed to the following provisions to govern certain rights and obligations they will have to each other on and following the Closing Date with respect to the Real Property, other real property and the personal property of each Party, as set forth below. The Seller Panola I Inlet Facilities, the Interconnection Facilities and the NGL Pipeline and Interconnect, to the extent of the rights of access and use as provided for in this Section 6.7, are collectively referred to herein as the "Shared Facilities". Upon the expiration or termination of the rights of access and use granted in this Section 6.7 with respect to

any asset or property, the affected Shared Facilities shall no longer be considered Shared Facilities under this Agreement.

(a) Separation Activities. Seller and Buyer shall, promptly following the Closing, undertake the activities necessary to initiate and complete the separation of the ownership by Buyer of the Purchased Assets from any of Seller's Excluded Assets or other retained assets in accordance with the diagram and separation activities noted thereon attached as Schedule 6.7 (the "**Separation Activities**"), for which the provisions of this Section 6.7 shall apply with respect to the Shared Facilities. While Buyer and/or its representatives will lead, supervise and coordinate all Separation Activities, the Parties agree to cooperate, work with and communicate with each other to accomplish the Separation Activities as promptly as commercially reasonable and to have all separation activities noted on Schedule 6.7 completed within ninety (90) days following the Closing Date, at Seller's sole cost and expense.

(b) Activities Affecting the Panola I Inlet Area Parcel.

(i) As a result of the consummation of the transactions contemplated by this Agreement, Seller will own or continue to own the following facilities (collectively, the "**Seller Panola I Inlet Facilities**") that are located within the Panola I Inlet Area Parcel, as further depicted on Schedule 6.7(a):

Below Ground Facilities

- 12" P2 Common Inlet Pipeline
- 12" Yellow Fin Pipeline
- 12" Residue Header
- 8" Forest Compressor Line

Above Ground Facilities

- 8" Ultrasonic meter skid (to be installed downstream of residue gas filter)
- Inlet manifold header
- Control Valve & 6" Meter Skid (to be installed) measuring gas to be delivered by Seller to Buyer for processing at the Panola I Plant
- 12" Pig Launcher from Yellow Fin
- 12" Pig Launcher for Common Inlet
- 12" Residue Launcher
- Inlet header – above ground piping
- Slug Catcher SC1

(ii) In consideration of the purchase and sale of the Purchased Assets, and at no additional cost to Seller, Buyer agrees to provide Seller access to the Seller Panola I Inlet Facilities and the Real Property upon which they are located, and hereby grants to Seller a fully-paid, royalty-free license, subject to the rights of third Persons, to use, operate, modify, repair, replace and otherwise fully hold, deal

with, sell, lease, and otherwise dispose of any and all rights of Seller in and to the Seller Panola I Inlet Facilities. All rights of access to the Real Property provided by Buyer to Seller pursuant to this Section 6.7 shall be subject to any policies then in effect by Buyer for such access, including those governing health, safety, the environment and emergencies.

(iii) Each Party shall maintain in good operating condition and repair, and in accordance with Applicable Law, all of its respective assets and properties and shall, upon cessation of the use thereof, promptly, at its sole cost and expense, cause the removal and proper disposal of such assets and properties, and in connection therewith restore any real and personal property of the other Party affected by the cessation or removal thereof.

(c) Activities Affecting the Panola I Plant Parcel. The Parties acknowledge and agree that there will be no Shared Facilities on or with respect to the Panola I Plant Parcel, and no rights of access or use granted by Seller or Buyer in connection therewith, unless specified in the Transition Services Agreement or any subsequent written agreement executed and delivered by the Parties.

(d) Use of Downstream Residue Pipeline and Interconnects. Seller has interconnection agreements with those Persons referenced on Schedule 6.7(c) and for the capacity therein referenced for delivery of natural gas residue from the tailgate of the Panola I Plant and the Panola II Plant into those interconnections (collectively, the "**Interconnection Facilities**"). Seller hereby grants to Buyer, for a term of ten (10) years following the Closing Date, for the consideration paid for the Purchased Assets and at no additional cost, the right to access and to use fifty percent (50%) of the capacity and other rights held by Seller as of the Closing with respect to each of the Interconnection Facilities in order to permit Buyer the ability to deliver natural gas residue from the tailgate of the Panola I Plant into the Interconnection Facilities. As part of the Separation Activities, Seller and Buyer shall cause the installation of a new meter downstream of the residue gas filter and upstream of the CenterPoint Energy Interconnection Facilities (as referenced on Schedule 6.7(c)) on Buyer's 12" natural gas residue pipeline conveyed to Buyer as part of the Purchased Assets.

(e) Costs of the Interconnection Facilities. The rights granted by Seller to Buyer in this Section 6.7 are granted in consideration of Buyer's payment of the Purchase Price, and at no additional cost; *provided* that Buyer agrees to pay fifty percent (50%) of all of Seller's out-of-pocket third party costs of repair, maintenance, upgrades and the like in respect of the Interconnection Facilities during such ten(10) year term, upon substantiation by Seller to Buyer of the costs therefor.

(f) Use of Downstream NGL Pipeline and Interconnect.

(i) Seller and Buyer have agreed that the Purchased Assets shall include the NGL Pipeline and Interconnect and the TEPPCO Interconnection Agreement which shall be conveyed to Buyer on the Closing Date as part of the Purchased Assets and shall include any and all Rights-of-Way associated with the NGL

Pipeline and Interconnect referenced as "Doc# 137366" (Grantor, Atmos Energy Corporation) under the "Easements" heading on Schedule 4.13(a) and any and all required Consents from third Persons with respect thereto, which Consents shall permit the transfer to Buyer or any of its Affiliates. The TEPPCO Interconnection Agreement shall be conveyed by Seller to Buyer pursuant to the TEPPCO Interconnection Agreement Assignment. The Parties agree that in the event that the foregoing Consents (including the Consent for the TEPPCO Interconnection Agreement Assignment) are not received by Buyer at the Closing, the provisions of Section 6.9 shall apply with respect to the rights of Buyer and the obligations of Seller with respect to such Purchased Assets.

(ii) In consideration of the purchase and sale of the Purchased Assets, and at no additional cost to Seller (except as provided in Section 6.7(f)(iii)), subject to the receipt of the Consents referenced in Section 6.7(f)(i), Buyer hereby grants to Seller a fully-paid, royalty-free license to access and use the NGL Pipeline and Interconnect for a term expiring on the earlier of (A) one (1) year following the Closing Date or (B) such date as Seller has completed alternate facilities which are commercially operational for movement of natural gas liquids from the Panola II Plant. Seller agrees to promptly (and within two (2) Business Days) notify Buyer in writing upon completion of the activities referenced in clause (B) of the immediately preceding sentence.

(iii) The rights granted by Buyer to Seller in this Section 6.7(f) are granted in consideration of Seller's agreement to pay Buyer fifty percent (50%) of all of Buyer's out-of-pocket third party costs of repair, maintenance, upgrades and the like in respect of the NGL Pipeline and Interconnect during the term provided in Section 6.7(f)(ii), upon substantiation by Buyer to Seller of the costs therefor.

(iv) In the event that an emergency, force majeure event or any other circumstance (including the existing operational capacity of the NGL Pipeline and Interconnect) constrains either Party's ability to move natural gas liquids into and through the NGL Pipeline and Interconnect, the Parties agree that, absent any other written agreement between the Parties to the contrary, any and all rights of such Party to effect deliveries of natural gas liquids into and through the NGL Pipeline and Interconnect shall be equally reduced.

(v) At the Closing, the Parties shall execute and deliver a balancing agreement (the "**NGL Balancing Agreement**") to address the natural gas liquids delivered into the NGL Pipeline and Interconnect by each Party and to account for the differences in natural gas liquids and the components thereof entering the NGL Pipeline and Interconnect from the Panola I Plant and the Panola II Plant as metered at each such plant or by any other Person at the NGL Pipeline and Interconnect.

(g) Indemnification under this Section 6.7.

(i) The provisions of this Section 6.7(g) shall apply to all of the provisions of this Section 6.7, but, notwithstanding anything to the contrary, the

provisions of Article VII (including the limitations in Section 7.4) shall not apply to Section 6.7.

(ii) Seller shall indemnify, defend and hold harmless the Buyer Indemnified Parties from and against all Claims, Actions or Liabilities incurred or suffered by any Buyer Indemnified Parties resulting from Seller's (or any of the Seller Indemnified Parties') operations, actions or activities with respect to the Shared Facilities or the real property on which they are located, to the extent (and only to the extent or proportionate part) arising from or attributable to the sole, joint or concurrent negligence, willful misconduct, fault or breach of duty (whether statutory, implied or contractual) of Seller (or any Seller Indemnified Party), *provided, however,* that none of the Buyer Indemnified Parties shall be entitled to indemnification or defense under this Section to the extent such Claims, Actions or Liabilities arise from or are attributable to the sole, joint or concurrent negligence, willful misconduct, fault or breach of duty (whether statutory, implied or contractual) of any Buyer Indemnified Party.

(iii) Buyer shall indemnify, defend and hold harmless the Seller Indemnified Parties from and against all Claims, Actions or Liabilities incurred or suffered by any Seller Indemnified Party resulting from Buyer's (or any of the Buyer Indemnified Parties') operations, actions or activities with respect to the Shared Facilities or the real property on which they are located, to the extent (and only to the extent or proportionate part) arising from or attributable to the sole, joint or concurrent negligence, willful misconduct, fault or breach of duty (whether statutory, implied or contractual) of Buyer (or any Buyer Indemnified Party), *provided, however,* that none of the Seller Indemnified Parties shall be entitled to indemnification or defense under this Section to the extent such Claims, Actions or Liabilities arise from or are attributable to the sole, joint or concurrent negligence, willful misconduct, fault or breach of duty (whether statutory, implied or contractual) of any Seller Indemnified Party.

(iv) The Parties agree that the indemnity, hold harmless and defense obligations in this Section 6.7 shall not be waived, limited or in any way affected by any limitation on the amount or type of damages, compensation or benefits payable by or for Seller or Buyer under any workers' compensation Applicable Law, disability benefits Applicable Law, or other employee benefits Applicable Law.

(v) The Parties agree that their indemnity, hold harmless and defense obligations in this Section 6.7 shall not be relieved or diminished by securing insurance coverage in accordance with this Section 6.7.

(vi) The indemnity, hold harmless and defense obligations in this Section 6.7 shall survive the Closing.

(h) Insurance.

(i) Seller's Insurance. Seller shall at its expense maintain, with an insurance company or companies authorized to do business in the State of Texas, insurance coverages of the kind and in the amounts set forth on Schedule 6.7(h), insuring the risks, liabilities and indemnity obligations specifically assumed by Seller in this Section 6.7, including the indemnification provisions set forth in this Section 6.7. Seller shall procure from the company or companies writing said insurance a certificate, or certificates, confirming that said insurance is in full force and effect and that said insurance shall not be canceled or materially changed without at least ten (10) days' prior written notice to Buyer. For the risks, liabilities and indemnity obligations assumed hereunder by Seller, its insurance shall be endorsed to provide that the underwriters waive their right of subrogation against the Buyer Indemnified Parties. Seller shall cause its underwriters to name the Buyer Indemnified Parties as additional insureds but only to the extent of the risks, obligations, liabilities and indemnification obligations assumed by Seller in this Section 6.7.

(ii) Buyer's Insurance. Buyer shall at Buyer's expense maintain, with an insurance company or companies authorized to do business in the State of Texas, insurance coverages of the kind and in the amounts set forth on Schedule 6.7(h), insuring the risks, liabilities and indemnity obligations specifically assumed by Buyer in this Section 6.7, including the indemnification provisions set forth in this Section 6.7. Buyer shall procure from the company or companies writing said insurance a certificate, or certificates, confirming that said insurance is in full force and effect and that said insurance shall not be canceled or materially changed without at least ten (10) days' prior written notice to Seller. For the risks, liabilities and indemnity obligations assumed hereunder by Buyer, its insurance shall be endorsed to provide that the underwriters waive their right of subrogation against the Seller Indemnified Parties. Buyer shall cause its underwriters to name the Seller Indemnified Parties as additional insureds but only to the extent of the risks, obligations, liabilities and indemnification obligations assumed by Buyer in this Section 6.7.

(iii) Insurance Primary. The indemnifying party's liability insurance shall be primary to the extent of the releases, indemnification obligations and assumptions of liability of the indemnifying party under this Section 6.7. Seller agrees that the Seller Indemnified Parties shall not be entitled to assert a claim against Buyer's insurance with respect to risks and liabilities assumed by Seller or as to which Seller has agreed to indemnify Buyer under this Section 6.7. Buyer agrees that the Buyer Indemnified Parties shall not be entitled to assert a claim against Seller's insurance with respect to risks and liabilities assumed by Buyer or as to which Buyer has agreed to indemnify Seller under this Section 6.7.

(iv) Insurance Constitutes Separate Obligations. Notwithstanding any other provision of this Agreement to the contrary, the Parties hereby acknowledge and agree that, to the maximum extent permitted under Applicable Law, the insurance and indemnity obligations are separate and distinct duties of the Parties under this Agreement. Except as may be mandated by Applicable Law, the

indemnity obligations contained in this Section 6.7 shall not be limited by the insurance requirements of this Section 6.7 and Schedule 6.7(h).

(i) Cooperation and Non-Interference; Audit Rights.

(i) From and after the Closing, each Party covenants and agrees to conduct its operations with respect to the Shared Facilities as a prudent operator, in accordance with all Applicable Laws, and with due regard for the other Party's rights and interests to use its own assets and properties and the Shared Facilities. The Parties agree to maintain an on-going informal process of communication and sharing of any material information concerning their respective activities with respect to the Shared Facilities during the respective term for the use thereof.

(ii) In connection with their respective operations, each Party covenants not to unreasonably interfere with the surface operations of the other Party. Each Party agrees, to the extent permitted to do so under its applicable Contracts, to use commercially reasonable efforts to accommodate requests by the other Party regarding rights and terms to share use, access, and/or ownership of any and all Surface Rights. Except as otherwise provided in this Section 6.7, neither Party shall have the right to use any equipment of the other Party in connection with its operations, without such other Party's prior written consent (which consent may be granted or denied at the sole discretion of such other Party).

(iii) Each Party shall, upon written request of the other Party and except as limited by confidentiality, privilege or Applicable Law, furnish to the requesting Party invoices and other documents and records substantiating all Separation Activities and all activities conducted by a Party with respect to the Shared Facilities and the activities performed under this Section 6.7. Each Party agrees that it will preserve and keep the records associated with the subject matter of this Section 6.7 for at least four (4) years following the date of the activity performed and shall make such records and personnel available to the other Party as may be reasonably required by such Party in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of a Party or in order to enable a Party to comply with or perform their respective obligations under this Section 6.7. In the event a Party wishes to destroy such records within four (4) years following the date of the activity performed, such Party shall first give ninety (90) days' prior written notice to the other Party, and such other Party shall have the right at its option and expense, upon prior written notice given to such Party within that ninety (90)-day period, to take possession of the records.

(iv) Each Party covenants and agrees that it will make timely payment to any Person who provide services on behalf of such Party with respect to property or assets of such Party or the other Party.

(j) Ad Valorem Taxes. Except as otherwise specifically provided in this Agreement, each Party shall be responsible for all ad valorem taxes assessed and due and payable on its respective assets and properties.

(k) Disclaimer of Joint Liability. The provisions of this Section 6.7 do not create the relationship of a partnership or joint venture between the Parties, and no single act done by either Party pursuant to the provisions hereof shall operate to create such relationship, nor shall the provisions of this Section 6.7 be construed as creating such relationship. The liability of the Parties shall be several and not joint or collective, and each Party shall be responsible only for its own obligations as set forth in this Section 6.7.

6.8 ***Right of First Offer to Purchase.*** In consideration of the other terms and conditions of this Agreement and the compliance and fulfillment by Seller of all of its obligations under this Agreement, Buyer has agreed to grant to Seller, but not to any successor (including with respect to any successor by operation of law) or assign of Seller other than to Guarantor or, with the written consent of Seller and Guarantor, Azure Midstream Holdings, LLC (and which shall, in any such case, be with respect to all of the rights in this Section 6.8), the right of first offer and other rights as provided in this Section 6.8, all of which shall be personal to Seller or Azure Midstream Partners, LP for a period of three (3) years following the Closing Date, as follows:

(a) Notice of Proposed Transfer of Interest. In the event that Buyer or its Affiliate determines to undertake a Transfer of Interest (*i.e.*, to market its equity or assets), then Buyer or its Affiliate shall notify Seller in writing of such desire (the "**Transfer Notice**," which term shall include any Transfer Notice modified as referenced below). The Transfer Notice shall provide information about the price and terms on which Buyer is proposing to consummate the Transfer of Interest with Seller or request Seller to make an offer to Buyer to purchase the assets or interests subject to the Transfer Notice, including any material terms of the proposed offer or sale desired to be set forth by Buyer, including the time for consummation of such acquisition.

(b) Combined Sales. In the case of a combined sale of Align and its controlled Affiliates or their respective assets or interests with other assets or interests not controlled, directly or indirectly by Align, in the case of a Change of Control, or if the proposed Transfer of Interest is structured as a like-kind exchange, the Align assets or interests that are subject to the Transfer of Interest shall be separately valued and the Transfer Notice shall state the monetary value attributed to those assets or interests and the terms of sale applicable only with respect to the sale of those assets or interests (without imposing other obligations, properties or interests that are separate from the Transfer of Interest).

(c) Exercise of Right of First Offer.

(i) Within thirty (30) days following receipt of the Transfer Notice, Seller may exercise its preferential right to purchase the assets or interests subject to the Transfer of Interest (the "**Offered Interests**") for the amount offered or designated by Buyer or its Affiliate in the Transfer Notice or such other amount and on such other terms as Buyer and Seller have agreed to in writing, which shall be deemed to be a modified Transfer Notice. If Seller does not exercise its

preferential right to purchase the Offered Interests pursuant to the terms set forth in the Transfer Notice (as same may be modified in writing) within thirty (30) days following receipt of the Transfer Notice and consummate the transactions timely as provided in the Transfer Notice, Buyer or its Affiliate shall be free to complete any Transfer of Interest to any other Person on substantially similar terms to those disclosed in the Transfer Notice *provided* that the purchase price or other consideration for the Offered Interests to be received by Buyer or its Affiliate must exceed one hundred and five percent (105%) of the purchase price set forth in the Transfer Notice (or otherwise agreed between Buyer and Seller in wiring as a modified Transfer Notice).

(ii) If Buyer or its Affiliate has not consummated any Transfer of Interest within a period of one (1) year following the date of delivery of the Transfer Notice to Seller, then any prospective Transfer of Interest shall again be subject to the provisions of this Section 6.8.

(iii) The right of Seller to exercise its preferential right to purchase the Offered Interests for any Transfer of Interest shall be subject to the following conditions:

(A) Seller is not, at the time of the delivery by Buyer or its Affiliate to Seller of any Transfer Notice, in breach of any obligation, representation, warranty, covenant or other agreement made by Seller in this Agreement or in any Ancillary Document;

(B) Seller provides reasonable financial assurances to Buyer and can demonstrate to Buyer the ability to perform its obligations to purchase the Offered Interests upon any exercise by Seller of its preferential purchase right under this Section 6.8; and

(C) Neither Seller nor any Affiliate controlling Seller has taken or acquiesced in the taking of an action seeking relief under, or advantage of, an applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization, or similar law affecting the rights or remedies of creditors generally.

(d) Transfer of Interest Not Affected by the Right of First Offer. The provisions of this Section 6.8 shall not apply when Buyer or any Affiliate:

(i) proposes to mortgage, pledge, hypothecate, or grant a security interest in all or a portion of its assets, equity interests or properties, or with respect to any foreclosure, transfer in lieu of foreclosure, assignment, or other conveyance of title affecting any of the foregoing resulting from any mortgage, pledge, hypothecation, or grant of a security interest, following which the provisions of this

Section 6.8 shall be automatically terminated without any further action of the Parties; or

(ii) proposes to dispose of any assets or equity interests by:

(A) a Transfer of Interest to an Affiliate (*provided* that the provisions of this Section 6.8 shall apply to any Transfer of Interest by such Affiliate or prospective Affiliates to a non-Affiliate); or

(B) a Change of Control resulting from a Qualified IPO; or

(iii) receives an offer from a non-affiliated Person for a Transfer of Interest that Buyer or its Affiliates did not solicit.

(e) Term. This Section 6.8 shall be deemed to be automatically terminated without any further action of the Parties and of no force or effect from and after the date which is the third (3rd) year anniversary of the Closing Date.

(f) No Other Restrictions on Buyer's Activities. Except for the provisions set forth in this Section 6.8, no restrictions whatsoever shall be placed on Buyer's or its Affiliates' ability to own, lease, finance, operate, acquire or divest their respective assets, equity interests or businesses.

6.9 ***License Agreement.***

(a) The Purchased Assets set forth on Schedule 6.9 require that the relevant counterparty consent to the assignment of such Purchased Assets. Pending the receipt of such consents and the actual assignment of those Purchased Assets from Seller to Buyer, Seller has agreed to provide for Buyer an exclusive, irrevocable, worldwide, fully-paid, royalty-free license and right to use, amend, substitute, modify, and otherwise fully hold, deal with, sell, lease and otherwise dispose of any and all rights of Seller in and to the Purchased Assets more particularly described on Schedule 6.9.

(b) Without limiting Buyer's rights provided under this Agreement, until consent is received under the relevant instrument set forth on Schedule 6.9 and the actual assignment of such instrument from Seller to Buyer by separate written instrument recorded in the official public records of the relevant county, (i) Buyer shall have the exclusive, irrevocable, worldwide, fully-paid, royalty-free license and right to use, amend, substitute, modify, and otherwise fully hold, deal with, sell, lease, and otherwise dispose of any and all rights of Seller in and to each and all of such Purchased Assets identified on Schedule 6.9, whether transferable or otherwise, (ii) Seller shall hold such Purchased Assets for the sole benefit of Buyer and shall cooperate with Buyer in any reasonable arrangement designed to provide for Buyer and its successors and assigns the benefits of such Purchased Assets, and (iii) after the Closing Date, Seller shall use commercially reasonable efforts to secure all such consents required for the sale and assignment of all Purchased Assets identified on Schedule 6.9 as expeditiously as possible such that each

such asset may be transferred and assigned to Buyer as soon as reasonably practicable following the date hereof; *provided,* that in exercising commercially reasonable efforts to obtain such consents Seller shall not be obligated to incur any cost or expense to obtain the consent of any counterparty. If any such consents have not been obtained within one (1) year from the date hereof, then, at the option of Buyer, Seller shall promptly release any unassigned Rights-of-Way and Buyer may, at Buyer's sole cost and expense, obtain new grant(s) as appropriate.

6.10 ***WAIVERS AND DISCLAIMERS.*** BUYER HAS HAD THE OPPORTUNITY TO CONDUCT, AND HAS CONDUCTED, A "DUE DILIGENCE" REVIEW OF THE PURCHASED ASSETS, AND, EXCEPT TO THE EXTENT AND SUBJECT TO BUYER'S REMEDIES PROVIDED HEREIN AND IN THE ANCILLARY DOCUMENTS, BUYER ACCEPTS ALL RISKS RELATED TO THE PURCHASED ASSETS AND THEIR CONDITION. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT OR IN ANY ANCILLARY DOCUMENT, EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES AND OTHER COVENANTS AND AGREEMENTS MADE BY THE PARTIES IN THIS AGREEMENT AND IN THE ANCILLARY DOCUMENTS, THE PARTIES HERETO ACKNOWLEDGE AND AGREE THAT NONE OF THE PARTIES HAS MADE, DOES NOT MAKE, AND EACH SUCH PARTY SPECIFICALLY NEGATES AND DISCLAIMS, ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, ORAL OR WRITTEN, PAST OR PRESENT, REGARDING (A) THE VALUE, NATURE, QUALITY OR CONDITION OF THE PURCHASED ASSETS, INCLUDING THE WATER, SOIL, GEOLOGY OR ENVIRONMENTAL CONDITION OF THE PURCHASED ASSETS GENERALLY, INCLUDING THE PRESENCE OR LACK OF HAZARDOUS SUBSTANCES OR OTHER MATTERS ON THE PURCHASED ASSETS, OR COMPLIANCE WITH ENVIRONMENTAL LAWS GENERALLY, (B) THE INCOME TO BE DERIVED FROM THE PURCHASED ASSETS, (C) THE SUITABILITY OF THE PURCHASED ASSETS FOR ANY AND ALL ACTIVITIES AND USES THAT MAY BE CONDUCTED IN CONNECTION WITH SUCH PURCHASED ASSETS, OR OPERATING COSTS OR CAPITAL COSTS EXPECTED TO BE INCURRED IN CONNECTION WITH THE FUTURE OPERATION OF THE PURCHASED ASSETS, (D) THE COMPLIANCE OF OR BY THE PURCHASED ASSETS OR THEIR OPERATION WITH ANY APPLICABLE LAWS (INCLUDING ANY ZONING, ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS), (E) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PURCHASED ASSETS OR (F) THE ADEQUACY OR CONDITION OF BUYER'S RIGHTS IN OR TITLE TO ANY RIGHTS-OF-WAY. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN THE ANCILLARY DOCUMENTS, NONE OF THE PARTIES IS LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PURCHASED ASSETS FURNISHED BY ANY AGENT, EMPLOYEE, SERVANT OR THIRD PARTY. EXCEPT TO THE EXTENT PROVIDED IN THIS AGREEMENT AND IN THE ANCILLARY DOCUMENTS, EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT TO THE MAXIMUM EXTENT

PERMITTED BY APPLICABLE LAW, THE TRANSFER AND CONVEYANCE OF THE PURCHASED ASSETS SHALL BE MADE IN AN "AS IS," "WHERE IS" CONDITION WITH ALL FAULTS, AND THE PURCHASED ASSETS ARE TRANSFERRED AND CONVEYED SUBJECT TO ALL OF THE MATTERS REFERRED TO IN THIS SECTION 6.10. THIS SECTION 6.10 SHALL SURVIVE THE TRANSFER AND CONVEYANCE OF THE PURCHASED ASSETS. THE PROVISIONS OF THIS SECTION 6.10 HAVE BEEN NEGOTIATED BY THE PARTIES AFTER DUE CONSIDERATION AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO THE PURCHASED ASSETS THAT MAY ARISE PURSUANT TO APPLICABLE LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN THE ANCILLARY DOCUMENTS.

ARTICLE VII
INDEMNIFICATION

7.1 ***Indemnification of Buyer and Seller.*** From and after the Closing and subject to the provisions of this Article VII, (i) Seller agrees to indemnify, defend and hold harmless the Buyer Indemnified Parties from and against any and all Buyer Indemnified Costs and (ii) Buyer agrees to indemnify, defend and hold harmless the Seller Indemnified Parties from and against any and all Seller Indemnified Costs.

7.2 ***Defense of Third-Party Claims.*** An Indemnified Party shall give prompt written notice to Seller or Buyer, as applicable (the "Indemnifying Party"), of the commencement or assertion of any Action or Claim by a third party (collectively, a "Third Party Action") in respect of which such Indemnified Party seeks indemnification hereunder. Any failure so to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability that it may have to such Indemnified Party under this Article VII except to the extent the failure to give such notice prejudices the Indemnifying Party. The Indemnifying Party shall have the right to assume control of the defense of, settle, or otherwise dispose of such Third Party Action on such terms as it deems appropriate; provided, however, that:

(a) The Indemnified Party shall be entitled, at its own expense, to participate in the defense of such Third Party Action (*provided, however*, that the Indemnifying Party shall pay the attorneys' fees of the Indemnified Party if (i) the employment of separate counsel shall have been authorized in writing by the Indemnifying Party in connection with the defense of such Third Party Action, (ii) the Indemnifying Party shall not have employed counsel reasonably satisfactory to the Indemnified Party to have charge of such Third Party Action, (iii) the Indemnified Party shall have reasonably concluded that there may be defenses available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party, or (iv) the Indemnified Party's counsel shall have advised the Indemnified Party in writing, with a copy delivered to the Indemnifying Party, that there is a material conflict of interest that could violate applicable standards of professional conduct to have common counsel);

(b) The Indemnifying Party shall obtain the prior written approval of the Indemnified Party before entering into or making any settlement, compromise, admission, or acknowledgment of the validity of such Third Party Action or any liability in respect thereof if, pursuant to or as a result of such settlement, compromise, admission, or acknowledgment, injunctive or other equitable relief would be imposed against the Indemnified Party or if such settlement, compromise, admission, or acknowledgment would have a material adverse effect on the Indemnified Party's business;

(c) The Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by each claimant or plaintiff to each Indemnified Party of a release, in reasonable form and on reasonable terms, from liability in respect of such Third Party Action; and

(d) The Indemnifying Party shall not be entitled to control (but shall be entitled to participate at its own expense in the defense of), and the Indemnified Party shall be entitled to have sole control over, the defense or settlement, compromise, admission, or acknowledgment of any Third Party Action (i) as to which the Indemnifying Party fails to assume the defense within a reasonable length of time or (ii) to the extent the Third Party Action seeks an order, injunction, or other equitable relief against the Indemnified Party which, if successful, would materially adversely affect the business, operations, assets, or financial condition of the Indemnified Party; *provided, however*, that the Indemnified Party shall make no settlement, compromise, admission, or acknowledgment that would give rise to liability on the part of any Indemnifying Party without the prior written consent of such Indemnifying Party.

The Parties shall extend reasonable cooperation in connection with the defense of any Third Party Action pursuant to this Article VII and, in connection therewith, shall furnish such records, information, and testimony and attend such conferences, discovery proceedings, hearings, trials, and appeals as may be reasonably requested.

7.3 ***Direct Claims.*** In any case in which an Indemnified Party seeks indemnification hereunder which is not subject to Section 7.2 because no Third Party Action is involved, the Indemnified Party shall promptly notify the Indemnifying Party in writing of any Indemnified Costs which such Indemnified Party claims are subject to indemnification under the terms hereof.

Subject to the limitations set forth in Section 7.4(a), the failure of the Indemnified Party to exercise promptness in such notification shall not amount to a waiver of such Claim except to the extent the resulting delay prejudices the position of the Indemnifying Party with respect to such Claim.

7.4 ***Limitations.*** The following provisions of this Section 7.4 shall limit the indemnification obligations hereunder:

(a) The representations and warranties set forth in this Agreement shall survive the Closing until 5:00 p.m., Dallas, Texas time, on the first anniversary of the Closing Date; *provided, however*, that (i) any representation and warranty that is the subject of a Claim for indemnification hereunder which Claim was timely made pursuant to Section 7.4(b)

shall survive with respect to such Claim until such Claim is finally paid or adjudicated and (ii) the Fundamental Representations shall survive indefinitely.

(b) The Indemnifying Party shall not be liable for any Indemnified Costs pursuant to this Article VII unless a written Claim for indemnification in accordance with Section 7.2 or Section 7.3 is given by the Indemnified Party to the Indemnifying Party with respect thereto on or before 5:00 p.m., Dallas, Texas time, on or prior to the first anniversary of the Closing Date; *provided, however*, that written Claims for indemnification for Indemnified Costs arising out of (i) a breach of any covenant made in this Agreement, (ii) the Excluded Assets, (iii) the Excluded Liabilities, or (iv) any representation or warranty contained in Sections 4.1, 4.2, 4.5, 4.17, 5.1, 5.2 and 5.5 (the "**Fundamental Representations**") may be made at any time.

(c) An Indemnifying Party shall not be obligated to pay for any Indemnified Costs under this Article VII until the amount of all such Indemnified Costs exceeds, in the aggregate, One Million One Hundred Twenty-Five Thousand and No/100 Dollars ($1,125,000.00), in which event the Indemnifying Party shall pay or be liable for only such Indemnified Costs in excess of such amount. The aggregate liability of an Indemnifying Party under this Article VII shall not exceed Five Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($5,625,000.00). The limitations in the previous two sentences shall not apply to Indemnified Costs to the extent such costs arise out of (i) a breach of any covenant, (ii) a breach of any Fundamental Representation, or (iii) in the case of Buyer, for any Buyer Indemnified Costs arising out of or related in any way to the Excluded Assets or Excluded Liabilities. In addition, for purposes of this Article VII, applying the limitations set forth in this Section 7.4(c), and the determination of Indemnified Costs attributable to a breach of any representation or warranty set forth in this Agreement, the terms "Material Adverse Effect," "material" or other terms of a similar nature, to the extent contained in such representation or warranty, shall be given no effect and shall be disregarded in their entirety.

(d) Each Party acknowledges and agrees that, after the Closing Date, notwithstanding any other provision of this Agreement to the contrary, Buyer's and the other Buyer Indemnified Parties' and Seller's and the other Seller Indemnified Parties' sole and exclusive remedy with respect to the Indemnified Costs, and except with respect to criminal activity, intentional misrepresentation or fraud, shall be in accordance with, and limited by, the provisions set forth in this Article VII.

7.5 ***Exclusive Remedy; Waiver.***

(a) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT OR IN ANY ANCILLARY DOCUMENT, IF THE CLOSING OCCURS AND EXCEPT (i) AS PROVIDED IN THIS ARTICLE VII OR (ii) IN THE CASE OF CRIMINAL ACTIVITY, INTENTIONAL MISREPRESENTATION OR FRAUD ON THE PART OF ANY PARTY, NO PARTY SHALL HAVE ANY LIABILITY, AND NO OTHER PARTY SHALL MAKE ANY CLAIM FOR ANY LOSS (AND THE PARTIES HEREBY WAIVE ANY RIGHT OF CONTRIBUTION AGAINST EACH OTHER PARTY, THE INDEMNIFYING PARTIES AND THEIR RESPECTIVE AFFILIATES),

UNDER, ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY ANCILLARY DOCUMENT OR ANY CERTIFICATE DELIVERED PURSUANT TO THIS AGREEMENT, OR WHETHER BASED ON CONTRACT, TORT, STRICT LIABILITY, OTHER LAWS OR OTHERWISE.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT OR IN ANY ANCILLARY DOCUMENT, NO INDEMNIFYING PARTY SHALL BE LIABLE FOR EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE OR SPECULATIVE DAMAGES, WHETHER BASED IN CONTRACT, TORT, STRICT LIABILITY, OTHER LAW OR OTHERWISE; *PROVIDED, HOWEVER,* THAT THIS SECTION 7.5(b) SHALL NOT LIMIT A PARTY'S RIGHT TO RECOVERY UNDER THIS ARTICLE VII FOR ANY SUCH DAMAGES TO THE EXTENT SUCH PARTY IS REQUIRED TO PAY SUCH DAMAGES TO A THIRD PARTY IN CONNECTION WITH A MATTER FOR WHICH SUCH PARTY IS OTHERWISE ENTITLED TO INDEMNIFICATION UNDER THIS ARTICLE VII.

(c) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT OR IN ANY ANCILLARY DOCUMENT TO THE CONTRARY AND EXCEPT WITH RESPECT TO CRIMINAL ACTIVITY, INTENTIONAL MISREPRESENTATION OR FRAUD, NO REPRESENTATIVE OR AFFILIATE OF ANY PARTY (OR ANY REPRESENTATIVE OF ANY SUCH AFFILIATE) IN SUCH CAPACITY SHALL HAVE ANY PERSONAL LIABILITY TO ANY PARTY AS A RESULT OF THE BREACH OF ANY REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR OBLIGATION IN THIS AGREEMENT OR ANY CERTIFICATE DELIVERED PURSUANT TO THIS AGREEMENT. EXCEPT AS OTHERWISE PROVIDED IN THE IMMEDIATELY PRECEDING SENTENCE, EACH PARTY HEREBY WAIVES, AND SHALL CAUSE EACH OF ITS AFFILIATES TO WAIVE, ANY CLAIMS OR OTHER METHOD OF RECOVERY, WHETHER BASED IN CONTRACT, TORT OR STRICT LIABILITY, OR UNDER APPLICABLE LAW, AGAINST ANY SUCH REPRESENTATIVE OR AFFILIATE RELATING TO THE TRANSACTIONS CONTEMPLATED BY THE TRANSACTION DOCUMENTS.

7.6 ***Express Negligence.*** THE INDEMNIFICATION, RELEASE AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT (EXCEPT FOR GROSS NEGLIGENCE, CRIMINAL ACTIVITY, INTENTIONAL MISREPRESENTATION AND FRAUD) OF ANY INDEMNITEE. BUYER AND SELLER ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.

7.7 ***Conspicuous Disclosure.*** The Parties agree and confirm that all provisions set forth in Section 7.5 and Section 7.6 are stated conspicuously and they understand and agree to such provisions.

7.8 ***Tax Related Adjustments.*** Seller and Buyer agree that any payment of Indemnified Costs made hereunder will be treated by the Parties on their Tax Returns as an adjustment to the Purchase Price.

ARTICLE VIII
MISCELLANEOUS

8.1 ***Expenses.*** Except as otherwise provided in this Agreement, all costs and expenses incurred by the Parties in connection with the consummation of the transactions contemplated hereby shall be borne solely and entirely by the Party which has incurred such expense.

8.2 ***Notices.*** All notices, requests, demands, and other communications hereunder will be in writing and will be deemed to have been duly given: (a) if by transmission by facsimile or hand delivery, when delivered; (b) if mailed via the official governmental mail system, five Business Days after mailing, provided that said notice is sent first class, postage pre-paid, via certified or registered mail, with a return receipt requested; (c) if mailed by an internationally recognized overnight express mail service such as FedEx, UPS, or DHL Worldwide, one Business Day after deposit therewith is prepaid; or (d) if by e-mail, one Business day after delivery when receipt is confirmed. All notices will be addressed to the Parties at the respective addresses as follows:

if to Seller:

Marlin Midstream, LLC
12377 Merit Drive, Suite 300
Dallas, Texas 75251
Attn: Chief Executive Officer

with a copy, which shall not constitute notice, to:

Azure Midstream Partners GP, LLC
12377 Merit Drive, Suite 300
Dallas, Texas 75251
Attn: General Counsel

if to Buyer:

AMP ETX Gathering, LLC
2200 Ross Avenue, Suite 4600E
Dallas, Texas 75201
Attn: Chief Financial Officer

or to such other address or to such other person as either Party will have last designated by written notice to the other Party.

8.3 ***One Integrated Agreement; Severability.*** This Agreement and the Ancillary Documents, and the terms and provisions hereof and thereof, are intended to be and shall be construed to be one integrated and interdependent agreement, and this Agreement and each

Ancillary Document and the terms and provisions hereof and thereof shall not be deemed severable from the other agreements constituting this Agreement and the Ancillary Documents or the terms and provisions hereof or thereof as a whole. However, if any provision of this Agreement or any Ancillary Document is held illegal by a court of competent jurisdiction, such illegality will not affect the other provisions hereof and thereof, and the Parties will negotiate in good faith with a view to substitute for such illegal provision a suitable and equitable solution in order to carry out, so far as may be valid and enforceable, the intent and purpose of such illegal provision. The Parties acknowledge and agree that in the event the provisions of Section 6.7 (Agreements Concerning the Shared Facilities) or Section 6.9 (License Agreement) are materially breached by Seller or the material terms thereof are otherwise determined inoperative by a Governmental Authority, then upon such breach or determination Buyer shall provide written notice thereof to Seller and Seller shall have thirty (30) days to cure the breach. In the event that Seller has not cured the breach within such thirty (30) day period, then (a) the provisions of Section 6.8 (Right of First Offer to Purchase) shall automatically be null and void and of no further force and effect and (b) the gathering fee as described in paragraph one of Exhibit C to the Gas Transportation Agreement (subject to further escalation as provided therein) shall thereupon be automatically increased by ten cents ($0.10) per MMBtu without further action of any Party or any other Person. At the request of either Party, the Parties shall, and shall cause their respective Affiliates to, execute and deliver an amendment or any other instruments necessary to formally amend the Gas Transportation Agreement to reflect the provisions set forth herein.

8.4 ***Governing Law.*** THIS AGREEMENT AND EACH ANCILLARY DOCUMENT SHALL BE SUBJECT TO AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT REFER THE CONSTRUCTION OR INTERPRETATION OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT TO THE LAWS OF ANOTHER STATE.

8.5 ***Confidentiality.*** Reference is made to that certain Confidentiality and Non-Disclosure Agreement, dated February 1, 2016, executed by the Parties, which the Parties agree shall be automatically terminated effective as of the date hereof without further action of either Party. Until the first year anniversary of the Closing Date, except as may be disclosed by Seller in connection with its compliance with Applicable Laws (e.g., governmental, regulatory or agency filings required of Seller or Guarantor and customary public company press releases, including without limitation Guarantor's SEC filings and press release related to this Agreement, applicable portions of which have been or will be provided to Buyer for its review), (a) Seller will treat and hold as confidential all confidential and/or proprietary information relating to the Purchased Assets or operation thereof held by it prior to Closing and (b) Buyer will treat and hold as confidential all material non-public information it has received regarding Seller or Guarantor other than with respect to the Purchased Assets (collectively, the "**Confidential Information**"). If either Party is requested or required (by oral question or request for information or documents in any proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, such Party will notify the other Party promptly of the request or requirement so that such other Party may seek an appropriate protective order or waive the requirements of this paragraph with respect thereto. If, in the absence of a protective order or the receipt of a waiver hereunder, a Party is compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, such Party may disclose the Confidential Information to the tribunal; provided, however, that such Party shall use its reasonable best efforts to obtain, at

the reasonable request of the other Party, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed, as such other Party shall designate.

8.6 ***Parties in Interest.*** This Agreement shall be binding upon and inure solely to the benefit of each Party hereto and their successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person (other than the Indemnified Parties with respect to Article VII) any rights or remedies of any nature whatsoever under or by reason of this Agreement.

8.7 ***Assignment of Agreement.*** Neither this Agreement nor any of the rights, interests, or obligations hereunder may be assigned by any Party without the prior written consent of the other Party hereto, *provided*, that Buyer may assign its rights, interests or obligations hereunder to any of its Affiliates, but any such assignment shall not relieve Buyer of its obligations under this Agreement.

8.8 ***Counterparts.*** This Agreement may be executed in one or more counterparts (including by facsimile or portable document format (pdf)) for the convenience of the Parties hereto, each of which counterparts will be deemed an original, but all of which counterparts together will constitute one and the same agreement.

8.9 ***Integration.*** This Agreement and the Ancillary Documents supersede any previous understandings or agreements between the Parties, whether oral or written, with respect to their subject matter. This Agreement and the Ancillary Documents contain the entire understanding of the Parties with respect to the subject matter hereof and thereof. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement or the Ancillary Documents unless it is contained in a written amendment hereto or thereto and executed by the Parties hereto or thereto after the date of this Agreement and the Ancillary Documents.

8.10 ***Amendment; Waiver.*** This Agreement may be amended only in a writing signed by all Parties. Any waiver of rights hereunder must be set forth in writing by the Party waiving its rights. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit or waive any Party's rights at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

ARTICLE IX
INTERPRETATION

9.1 ***Interpretation.*** It is expressly agreed that this Agreement shall not be construed against any Party, and no consideration shall be given or presumption made, on the basis of who drafted this Agreement or any particular provision hereof or who supplied the form of Agreement. Each Party agrees that this Agreement has been purposefully drawn and correctly reflects its understanding of the transaction that this Agreement contemplates. In construing this Agreement:

(a) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(b) the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions;

(c) a defined term has its defined meaning throughout this Agreement and each Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined;

(d) each Schedule to this Agreement is a part of this Agreement, but if there is any conflict or inconsistency between the main body of this Agreement and any Schedule, the provisions of the main body of this Agreement shall prevail;

(e) the term "cost" includes expense and the term "expense" includes cost;

(f) the headings and titles herein are for convenience only and shall have no significance in the interpretation;

(g) the inclusion of a matter on a Schedule in relation to a representation or warranty shall not be deemed an indication that such matter necessarily would, or may, breach such representation or warranty absent its inclusion on such Schedule;

(h) any reference to a statute, regulation or law shall include any amendment thereof or any successor thereto and any rules and regulations promulgated thereunder;

(i) currency amounts referenced herein, unless otherwise specified, are in U.S. Dollars;

(j) unless the context otherwise requires, all references to time shall mean time in Dallas, Texas;

(k) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified; and

(l) if a term is defined as one part of speech (such as a noun), it shall have a corresponding meaning when used as another part of speech (such as a verb).

9.2 ***References, Gender, Number.*** All references in this Agreement to an "Article," "Section," "subsection," or "Schedule" shall be to an Article, Section, subsection or Schedule of this Agreement, unless the context requires otherwise. Unless the context clearly requires otherwise, the words "this Agreement," "hereof," "hereunder," "herein," "hereby," or words of similar import shall refer to this Agreement as a whole and not to a particular Article, Section, subsection, clause or other subdivision hereof. Cross references in this Agreement to a subsection or a clause within a Section may be made by reference to the number or other subdivision reference of such subsection or clause preceded by the word "Section." Whenever the context requires, the words used herein shall include the masculine, feminine and neuter gender, and the singular and the plural.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

SELLER:

MARLIN MIDSTREAM, LLC

By: /s/ I.J. Berthelot, II

Name: I.J. Berthelot, II

Title: President

BUYER:

AMP ETX GATHERING, LLC

By: Align Joaquin Gathering, LLC,
its sole and managing Member

By: AMP Gathering I, LP,
its sole member

By: AMP Gathering I GP, LLC,
its general partner

By: /s/ Francis Brinkman

Name: Francis Brinkman

Title: President and Chief
Executive Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, I.J. "Chip" Berthelot II, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "report") of Azure Midstream Partners, LP (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

/s/ I.J. "Chip" Berthelot II

I.J. "Chip" Berthelot II
Chief Executive Officer of
Azure Midstream Partners GP, LLC
(the general partner of Azure Midstream Partners, LP)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Amanda Bush, certify that:

1. I have reviewed this quarterly report on Form 10-Q (the "report") of Azure Midstream Partners, LP (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

/s/ Amanda Bush

Amanda Bush
Chief Financial Officer of
Azure Midstream Partners GP, LLC
(the general partner of Azure Midstream Partners, LP)

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the quarterly report on Form 10-Q for the period ending June 30, 2016 of Azure Midstream Partners, LP (the "Partnership"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I.J. "Chip" Berthelot II, Chief Executive Officer of Azure Midstream Partners GP, LLC, the general partner of the Partnership, and Amanda Bush, Chief Financial Officer of Azure Midstream Partners GP, LLC, the general partner of the Partnership, each certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: August 8, 2016

/s/ I.J. "Chip" Berthelot II
I.J. "Chip" Berthelot II
Chief Executive Officer of
Azure Midstream Partners GP, LLC
(the general partner of Azure Midstream Partners, LP)

Date: August 8, 2016

/s/ Amanda Bush
Amanda Bush
Chief Financial Officer of
Azure Midstream Partners GP, LLC
(the general partner of Azure Midstream Partners, LP)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate document. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.