

CONSOLIDATED BANKRUPTCY CASE SUMMARY

Case A0427 - In re: AXIP ENERGY SERVICES, LP, et al.

1. Key Details

Case Information	Details
Case Name	In re: AXIP ENERGY SERVICES, LP, et al.
Lead Case Number	26-90338 (CML)
Related Case Numbers	26-90337, 26-90339, 26-90340, 26-90341, 26-90342, 26-90343 (all CML)
Court	United States Bankruptcy Court for the Southern District of Texas, Houston Division
Judge	Chief Judge Christopher M. Lopez (CML)
Chapter	Chapter 11
Petition Date	February 22, 2026
Filing Type	Voluntary petitions for relief
Debtor Status	Operating as debtors-in-possession pursuant to §§ 1107(a) and 1108
Corporate Headquarters	1221 McKinney St., Suite 3175, Houston, TX 77010
Primary Business	Natural gas contract compression services
Fleet Size	940 compression units / 326,070 total horsepower
Operating Locations	Texas, New Mexico, North Dakota (7 facilities)
Estimated Assets	\$100,000,001 - \$500,000,000
Estimated Liabilities	\$100,000,001 - \$500,000,000
Total Funded Debt	Approximately \$240,499,780
Estimated Creditors	1,000 - 5,000
Number of Employees	Approximately 149
Documents Analyzed	17 dockets (Voluntary Petition through First Day Declarations)

2. Executive Summary

Axip Energy Services, LP and six affiliated debtors filed voluntary Chapter 11 bankruptcy petitions on February 22, 2026, representing a pre-negotiated restructuring designed to facilitate a court-supervised sale of substantially all assets within 45 days. The Debtors operate as a privately-held provider of natural gas contract compression services, serving super majors, investment-grade upstream producers, and midstream companies with a contracted fleet of 940 compression units totaling 326,070 horsepower deployed across Texas, New Mexico, and North Dakota, with primary focus on the Permian Basin and other unconventional shale plays.

Capital Structure and Financial Distress: As of the petition date, the Debtors' funded debt obligations total approximately \$240.5 million across three secured credit facilities: (1) a Prepetition Superpriority Facility with JPMorgan Chase Bank, N.A. as agent showing \$13,160,147.31 outstanding, (2) a Prepetition ABL Facility (Fourth Amended and Restated Credit Agreement dated September 23, 2023) with JPMorgan Chase Bank, N.A. as agent showing \$207,839,082.36 outstanding (already past its September 23, 2025 maturity date), and (3) a Prepetition Second Lien Facility with Permico, Inc. as agent showing \$19,500,550.59 outstanding (approaching March 22, 2026 maturity date) (Voluntary Petition, Pages 10; Declaration of Ben Chesters [Doc. 17], Pages 13-17). The Debtors entered bankruptcy with only approximately \$700 in combined cash across seven bank accounts at JPMorgan Chase Bank, N.A., with substantially all cash constituting cash collateral of prepetition secured parties (Declaration of Ben Chesters [Doc. 17], Pages 58-59; Declaration of Ben Chesters [Doc. 19], Page 7).

The company's financial distress resulted from major customer disruptions in 2024, including a Q1 2024 Gulf of Mexico customer bankruptcy that stranded 24 compression units representing over 15% of total horsepower, causing millions in lost EBITDA and significant legal expenses. Additional customer attrition occurred when an acquired customer shifted to centralized compression, resulting in premature return of electric wellhead units that could not be quickly redeployed (Declaration of Ben Chesters [Doc. 17], Pages 21-23). The Debtors' thin operating margins made the company highly susceptible to these revenue shocks and customer concentration risks.

Prepetition Marketing and Stalking Horse Selection: Beginning in March 2025, the Debtors retained Evercore Group, L.L.C. as investment banker to pursue comprehensive refinancing. Evercore contacted 85 parties, with 55 executing confidentiality agreements and 13 providing indications of interest, but ultimately no party was willing to refinance at levels sufficient to address the existing \$240.5 million funded debt, citing concerns about asset values, high loan-to-value profile, and insufficient cash flows (Declaration of Ben Chesters [Doc. 17], Pages 24-25; Declaration of Robert A. Pacha [Doc. 18], Page 4). After the refinancing failed in September 2025, the parties pivoted to a sale process, contacting 54 parties with 22 executing confidentiality agreements and five submitting indications of interest (Declaration of Robert A. Pacha [Doc. 18], Page 12). Service Compression, LLC was selected as stalking horse bidder on February 16, 2026, offering \$161 million in cash consideration (subject to adjustment) plus assumption of certain liabilities—an amount insufficient to cover the outstanding ABL facility balance (Declaration of Robert A. Pacha [Doc. 18], Page 13; DIP Credit Agreement [Doc. 26], Page 34).

DIP Financing Structure: The Debtors seek approval of a \$104.8 million DIP facility provided by the ABL lender group with JPMorgan Chase Bank, N.A. as DIP Agent, consisting of approximately \$25.5 million in new money loans and approximately \$79.3 million in roll-up of prepetition obligations—a controversial 3.11:1 roll-up to new money ratio (Emergency Motion for DIP Financing [Doc. 14], Page 4). The roll-up includes three components: (1) immediate conversion of the full \$13.16 million Prepetition Superpriority Facility upon entry of the proposed interim order, (2) a "creeping" daily roll-up of ABL obligations through cash collections during the interim period (approximately \$6.3 million), and (3) conversion of an additional \$59.86 million of ABL obligations upon entry of the proposed final order (Emergency Motion for DIP Financing [Doc. 14], Page 4; DIP Credit Agreement [Doc. 26], Pages 42-43). The Debtors justify this structure by arguing that without the prepetition superpriority facility, they would have faced a "freefall bankruptcy" without clear access to DIP financing or ability to pay employees and administrative expenses (Emergency Motion for DIP Financing [Doc. 14], Page 53).

Aggressive Timeline and Exit Strategy: The DIP facility contemplates an extremely compressed 45-day timeline from petition to sale closing as the primary (and arguably only viable) exit strategy. Seven court-ordered milestones

must be achieved: DIP/bidding procedures motions filed by Day 1, interim DIP order by Day 3, bid procedures order by Day 15, final DIP order by Day 30, bid deadline by Day 36, sale order by Day 43, and sale closing with full DIP repayment by Day 45 (Proposed Interim Order [Doc. 14-1], Schedule 3, Page 81; DIP Credit Agreement [Doc. 26], Pages 79-80). Failure to meet any milestone constitutes an Event of Default, triggering lender remedies including potential foreclosure on all assets. The facility has a 90-day initial maturity (extendable to 120 days only with unanimous lender consent), indicating it is designed solely to support a quick sale rather than a traditional reorganization (DIP Credit Agreement [Doc. 26], Page 23).

First-Day Relief Sought: The Debtors filed 12 "first day" motions seeking immediate operational relief including: (1) joint administration of the seven cases under the lead case number (Emergency Motion for Joint Administration [Doc. 2]); (2) retention of Epiq Corporate Restructuring, LLC as claims agent (Emergency Ex Parte Application [Doc. 4], with Engagement Letter filed as Doc. 13); (3) consolidated creditor matrix and Top 30 list with redactions for personal identification information and confidential customer data (Emergency Motion [Doc. 5]); (4) 30-day extension to April 7, 2026 for filing schedules and statements (Emergency Motion [Doc. 6]); (5) authority to pay approximately \$858,000 in prepetition employee wages and benefits (Emergency Motion [Doc. 7]); (6) continuation of cash management system with seven JPMorgan Chase accounts and corporate card program (Emergency Motion [Doc. 8], with Interim Order [Doc. 8-1] entered February 22, 2026); (7) authority to pay up to \$6,948,000 to critical vendors, lien claimants, and 503(b)(9) claimants (Emergency Motion [Doc. 9]); (8) continuation of insurance policies with annual premiums of \$1,877,474.57 (Emergency Motion [Doc. 10]); (9) \$18,597 adequate assurance deposit for 28 utility providers (Emergency Motion [Doc. 11]); and (10) authority to pay \$1,423,136.33 in accrued taxes and fees (Emergency Motion [Doc. 12]).

Professional Team and Governance: The Debtors retained Vinson & Elkins L.L.P. as general bankruptcy counsel, Evercore Group, L.L.C. as investment banker, Ankura Consulting Group, LLC as restructuring advisor (with Ben Chesters serving as Chief Restructuring Officer), and Epiq Corporate Restructuring, LLC as notice, claims, and solicitation agent (Voluntary Petition, Pages 11-13). Peter Laurinaitis serves as Independent EC Member with formal delegation of authority for restructuring decisions, having authorized the bankruptcy filing via Written Consent dated February 22, 2026 (Voluntary Petition, Pages 7-8). The ABL lender group is represented by Simpson Thacher & Bartlett LLP and Huron Consulting Group, Inc., while the second lien lenders are represented by Ropes & Gray LLP (Emergency Motion for DIP Financing [Doc. 14], Page 8).

Key Issues and Challenges: The reorganization faces several significant challenges: (1) The controversial roll-up structure may face objection from junior creditors, second lien lenders, and the U.S. Trustee as improperly preferring senior lenders; (2) No official creditors' committee had been appointed as of February 23, 2026, potentially limiting oversight of the compressed timeline and value-maximization efforts; (3) Trade creditors owed \$17-20 million face uncertain recovery given the undersecured position even after the stalking horse bid (Declaration of Ben Chesters [Doc. 17], Page 20); (4) The 13-week budget projects negative cash flow every week requiring full utilization of the \$25.5 million DIP facility, with professional fees exceeding \$6.4 million in Week 1 alone (Proposed Interim Order [Doc. 14-1], Schedule 2, Page 80); (5) Customer attrition risk during bankruptcy could further depress enterprise value, particularly given that revenue is based on fixed-fee contracts that roll to month-to-month after initial terms expire; (6) The aggressive 45-day timeline may limit competitive bidding interest and provide insufficient time for proper marketing, though the Debtors argue extensive prepetition marketing (85 parties contacted for refinancing, 54 for sale) justifies the compressed timeline.

3. Detailed Summary

A. Key Factual Assertions

Business Operations and Market Position

• **Core Business Description** (Voluntary Petition, Page 6; Emergency Motion for Joint Administration [Doc. 2], Page 4; Declaration of Ben Chesters [Doc. 17], Pages 3-4)

- "The above-captioned debtor and its affiliated debtors and affiliated non-debtors (collectively, the 'Company') are a performance services company specializing in providing natural gas compression services to upstream and midstream customers" (Voluntary Petition, Page 6, Rider 2)
- The Debtors are "a privately-held, leading provider of natural gas contract compression services with a focus on the Permian Basin and other low breakeven unconventional shale plays" (Emergency Motion for Joint Administration [Doc. 2], Page 4)
- "The Debtors primarily service the super majors, investment grade upstream producers, and midstream companies with a contracted fleet comprised of 940 compression units with a total of 326,070 horsepower" (Emergency Motion for Joint Administration [Doc. 2], Page 4)
- Operations conducted "from facilities located throughout Texas, New Mexico and North Dakota" (Emergency Motion for Joint Administration [Doc. 2], Page 4)
- The Debtors deploy compression units to "major U.S. natural gas producing basins and offshore in the Gulf of Mexico" (Declaration of Ben Chesters [Doc. 17], Page 3)

• **Service Mix and Revenue Model** (Declaration of Ben Chesters [Doc. 17], Pages 3-4)

- Gas lift compression services represent over 70% of the fleet, used to increase production from oil wells
- Gathering compression services represent approximately 30% of fleet, used to collect and transport natural gas from wellheads
- Revenue generated through fixed-fee contracts that typically roll to month-to-month arrangements after initial term expires
- Compression units typically remain deployed 2-5 years but can extend to 10+ years
- Unit lifespan approximately 20-25 years
- More than 25% of fleet now electric-motor driven versus traditional natural gas powered units

• **Customer Base** (Declaration of Ben Chesters [Doc. 17], Page 9)

- Over 55 active customers as of petition date
- Customer base includes major integrated oil and gas companies and investment-grade producers
- Diverse customer base spans most prolific U.S. natural gas basins

• **Workforce Composition** (Emergency Motion for Wages [Doc. 7], Page 4; Declaration of Ben Chesters [Doc. 17], Page 10)

- Approximately 149 employees as of petition date
- 108 paid on hourly basis; 41 receive salary
- 101 field technicians provide operations and maintenance services
- One independent contractor (providing accounting advisory services at \$11,000/month)
- One temporary worker through Korn Ferry staffing agency (serving as interim controller)
- Historical average monthly payroll approximately \$1,800,000
- None of workforce unionized or subject to collective bargaining agreements
- Many employees possess specialized industry and technical knowledge with longstanding company relationships

Corporate Structure and Ownership

• **Seven Debtor Entities** (Voluntary Petition, Page 5; Multiple Documents)

Entity Name	Tax ID (Last 4)	Case Number	Role
E3 Compression Holdings LLC	0825	26-90339	Ultimate parent company; 97.49% owned by Energy Spectrum Capital LP affiliate
Axip Energy Services, LP	9220	26-90338 (Lead)	Primary operating entity and borrower; 100% LP interests held by E3 Holdings
Axip Energy Services Management, LLC	9986	26-90340	General partner; holds 100% GP interests in Axip Energy Services, LP
Axip Holdings, LLC	6302	26-90343	Subsidiary; 100% owned by Axip Energy Services, LP
Axip Leasing Company, LLC	5678	26-90337	Owns substantially all compression units; 100% owned by Axip Energy Services, LP
Axip Producer Services, LLC	4792	26-90341	Subsidiary; 100% owned by Axip Energy Services, LP
Axip Producer Services - Marcellus I, LLC	3312	26-90342	Sub-subsubsidiary; 100% owned by Axip Producer Services, LLC

Source: Voluntary Petition, Pages 5, 21-22; Declaration of Ben Chesters [Doc. 17], Pages 10-11

• **Non-Debtor Affiliates** (Declaration of Ben Chesters [Doc. 17], Page 11, Footnote 2)

- Five non-operating entities hold no material assets and were excluded from bankruptcy filing
- These entities are not guarantors under any Prepetition Credit Agreements

• **Historical Ownership and Transactions** (Emergency Motion for Creditor Matrix [Doc. 5], Page 21; Declaration of Ben Chesters [Doc. 17], Page 11)

- Axip Energy Services, LP previously operated under names: Axip Services Company, LLC; Axip Services Company Holding, LLC; E-3-Axip AcquisitionCo, LLC
- Axip Energy Services Management, LLC previously operated as: E3-Axip GP AcquisitionCo LLC
- Energy Spectrum Capital LP affiliated fund acquired company through equity purchase in September 2022
- March 6, 2025: Sale and leaseback of two compressor units to CEO Mr. Stiles

• **Governance Structure** (Voluntary Petition, Pages 7-8; Declaration of Ben Chesters [Doc. 17], Page 26)

- Peter Laurinaitis serves as Independent EC Member with formal delegation of authority for restructuring decisions
- Ben Chesters appointed Chief Restructuring Officer through Ankura Consulting LLC engagement in September 2025
- Bankruptcy filing authorized by Independent EC Member Written Consent dated February 22, 2026

Prepetition Capital Structure - \$240.5 Million Total Funded Debt

• **Prepetition Superpriority Facility: \$13,160,147.31 Outstanding** (Declaration of Ben Chesters [Doc. 17], Pages 13-15; Proposed Interim DIP Order [Doc. 14-1], Pages 8-9, 12)

- First-lien secured term loan with JPMorgan Chase Bank, N.A. as administrative agent and collateral agent
- Originated September 23, 2025 with initial aggregate principal of \$15,653,000
- First Incremental facility of \$850,000 added October 30, 2025 (maturing November 9, 2025)
- Second Incremental facility of \$1,922,591.23 added February 20, 2026 (maturing February 20, 2026)
- Payment priority superior to ABL obligations per Collateral Agency Agreement dated September 23, 2025
- Subject to series of forbearance agreements:
 - First Forbearance dated October 19, 2025 (maturing October 19, 2025)
 - Extensions via email: October 25, November 7, 2025
 - Second Forbearance dated November 24, 2025; extended December 9 and December 11, 2025
 - Third Forbearance dated December 17, 2025; extended via email December 26, 2025, January 6, 12, 14, 24, 2026, February 9, 18, 2026

• **Prepetition ABL Facility: \$207,839,082.36 Outstanding** (Declaration of Ben Chesters [Doc. 17], Pages 15-16; Proposed Interim DIP Order [Doc. 14-1], Pages 9-10, 13)

- Fourth Amended and Restated Credit Agreement dated September 23, 2023 (as amended)
- Revolving credit and letter of credit facility with JPMorgan Chase Bank, N.A. as administrative agent
- Initial aggregate commitment of \$203,351,388.13
- **Maturity date of September 23, 2025 already passed as of Petition Date**
- First-priority lien on substantially all assets, pari passu with Superpriority liens on collateral but subject to Superpriority payment priority per Collateral Agency Agreement
- Cash dominion implemented with receivables sweep to pay down balance (suspended under forbearance)
- Subject to forbearance agreements:
 - First Forbearance dated September 23, 2025
 - Second Forbearance dated October 19, 2025
 - Multiple extensions through February 17, 2026

• **Prepetition Second Lien Facility: \$19,500,550.59 Outstanding** (Declaration of Ben Chesters [Doc. 17], Pages 17; Proposed Interim DIP Order [Doc. 14-1], Pages 10-11, 13)

- Amended and Restated Second Lien Term Loan Agreement dated September 22, 2022
- Permico, Inc. serves as administrative agent
- Initial term loans of \$17,581,191
- **Scheduled maturity date of March 22, 2026, imminent as of Petition Date**
- Second-priority lien on substantially all assets
- Subordinate to Superpriority and ABL liens per Intercreditor Agreement dated September 22, 2022 (as supplemented September 23, 2025)

• **Intercreditor Framework** (Proposed Interim DIP Order [Doc. 14-1], Pages 11-12, 23)

- Collateral Agency Agreement dated September 23, 2025 establishes that Superpriority liens and ABL liens are pari passu on collateral but subject to payment waterfall favoring Superpriority facility
- Intercreditor Agreement dated September 22, 2022 (supplemented September 23, 2025) establishes that Superpriority and ABL liens are senior to Second Lien liens
- Agreements remain in full force and effect during bankruptcy per proposed DIP order

- **Trade Creditor Claims** (Voluntary Petition, Pages 18-20; Declaration of Ben Chesters [Doc. 17], Page 20)
 - Top 30 unsecured creditors hold approximately \$10.8 million in trade claims
 - Largest unsecured claim: Burckhardt Compression (US) Inc - \$2,140,911.51 (trade claim)
 - Second largest: Waukesha Pearce Industries Inc. - \$1,824,387.60 (trade claim)
 - Third largest: Odessa American Refabrication LLC - \$918,044.41 (trade claim)
 - **All top 30 unsecured claims marked as contingent, unliquidated, and disputed (C, U, D)**
 - Outstanding accounts payable obligations total \$17-20 million
 - All top 30 claims are trade claims with vendors and service providers in compression equipment and services industry

Events Leading to Financial Distress (2022-2025)

- **Post-Acquisition Growth Strategy (September 2022-2024)** (Declaration of Ben Chesters [Doc. 17], Pages 21-22)
 - Energy Spectrum Capital LP affiliated fund acquired company in September 2022 through equity purchase
 - Post-acquisition strategy focused on contracting idle compression units and purchasing large horsepower and electric units
 - December 2023: Debtors purchased 10 new compression units (each 2,500 horsepower) for intended customer contract deployment
 - Thin operating margins made company highly susceptible to significant revenue and cost shifts
- **Major Customer Disruption in 2024** (Declaration of Ben Chesters [Doc. 17], Pages 22)
 - Q1 2024: Major offshore Gulf of Mexico customer filed Chapter 11 bankruptcy and subsequently liquidated
 - 24 compression units representing over 15% of total horsepower stranded in Gulf of Mexico
 - Millions of dollars in lost EBITDA plus significant unexpected legal expenses
 - Customer failed to return units, preventing economical redeployment to alternative customers
 - Subset of stranded units ultimately sold; remainder remain idle in Gulf of Mexico
 - This single event represented a catastrophic revenue shock to the business
- **Additional Customer Attrition (2023-2024)** (Declaration of Ben Chesters [Doc. 17], Pages 22-23)
 - Acquired customer shifted from wellhead compression to centralized compression model over approximately six months
 - Electric wellhead compression units returned prematurely before expected contract term
 - Electrical infrastructure development in key basins lagged behind drilling activity and compression demand in 2024
 - Company unable to quickly redeploy electric units to alternative customers
 - Electric units require electrical infrastructure at deployment sites, limiting redeployment flexibility
- **Operational Cost Reduction Measures (2024-2025)** (Declaration of Ben Chesters [Doc. 17], Page 23)
 - Minimized capital expenditures and deferred non-essential preventative maintenance
 - Limited operating expenses across all departments
 - Stopped zero-hour "make ready" projects for idle equipment inventory
 - Closed offshore field office
 - Limited employee overtime hours
 - March 6, 2025: Sale of two compressor units to CEO Mr. Stiles with concurrent leaseback arrangement

• **ABL Covenant Defaults and Cash Dominion (Mid-2025)** (Declaration of Ben Chesters [Doc. 17], Pages 23-24)

- Financial covenant ratios projected to fail for fiscal quarter ending June 30, 2025
- Projections based on actual operating performance and projected contract revenues
- Energy Spectrum unable to utilize equity cure provisions sufficient to address anticipated covenant shortfall
- Cash dominion implemented with ABL Agent sweep of receivables
- Company entered forbearance period with multiple lender groups

Failed Refinancing Process (March-September 2025)

• **Comprehensive Refinancing Marketing Effort** (Declaration of Ben Chesters [Doc. 17], Pages 24-25; Declaration of Robert A. Pacha [Doc. 18], Pages 4-5; Emergency Motion for DIP Financing [Doc. 14], Pages 40-41)

- March 2025: Debtors engaged Evercore Group, L.L.C. as investment banker to pursue comprehensive refinancing
- Marketing process contacted approximately 85 potential parties
- 55 parties (alternatively stated as 51 in some documents) entered confidentiality agreements and received comprehensive diligence materials
- More than one dozen parties provided formal indications of interest
- Nine parties proceeded to second round of detailed due diligence
- Hundreds of diligence questions resolved through virtual data room access and management calls
- Process initially intended to close in July 2025 but extended into early September 2025
- **Result: "None of the 85 contacted parties was willing to provide refinancing to the Debtors at a level sufficient to address the Debtors' existing funded indebtedness, citing various issues, including, among other things, concerns about the value of the Debtors' assets securing the refinancing, a high loan-to-value profile, and insufficient cash flows to services the Debtors' existing capital structure."** (Emergency Motion for DIP Financing [Doc. 14], Pages 40-41)

Pivot to Sale Process and Forbearance Period (September 2025-February 2026)

• **Professional Advisor Engagement** (Declaration of Ben Chesters [Doc. 17], Pages 25-26)

- Vinson & Elkins L.L.P. retained as restructuring counsel
- Ankura Consulting LLC engaged as restructuring advisor with Ben Chesters appointed Chief Restructuring Officer in September 2025
- Simpson Thacher & Bartlett LLP retained for ABL Lender Group
- Huron Consulting Group, Inc. engaged for ABL Lender Group
- Peter Laurinaitis joined E3 Holdings as independent executive committee member with formal delegation of authority for restructuring decisions

• **Additional Equity and Superpriority Facility** (Declaration of Ben Chesters [Doc. 17], Pages 25-26; Declaration of Ben Chesters [Doc. 19], Pages 5-6)

- August 2025: Energy Spectrum provided additional equity to fund interim operational obligations
- Early September 2025: Parties pivoted to Prepetition Superpriority Credit Agreement structure providing up to \$15,653,000 in additional liquidity
- Structure provided necessary time and liquidity for comprehensive sale process and chapter 11 contingency planning
- Without prepetition superpriority facility, Debtors "would have faced a bankruptcy filing without a clear pathway to DIP Financing, jeopardizing the livelihood of the Debtors' employees and the continuity of business operations"

(Emergency Motion for DIP Financing [Doc. 14], Page 53)

- Prevented "emergency, value-destructive bankruptcy filing"

• **Out-of-Court Sale Process** (Declaration of Ben Chesters [Doc. 17], Page 26; Declaration of Robert A. Pacha [Doc. 18], Page 12)

- Evercore facilitated robust diligence process for potential asset purchasers
- 54 parties contacted (Pacha declaration); 21 parties executed confidentiality agreements (Chesters declaration)
- Evercore resolved 125+ questions through virtual data room access and management calls
- Five indications of interest submitted at initial bid deadline
- Extensive negotiations conducted with bidders to improve and better define bid terms
- Focus on identifying highest value-maximizing out-of-court transaction
- **Result: No bid received exceeded amounts owed under Prepetition ABL Facility**

• **Stalking Horse Selection and Asset Purchase Agreement** (Declaration of Ben Chesters [Doc. 17], Page 27; Declaration of Robert A. Pacha [Doc. 18], Pages 13-14; DIP Credit Agreement [Doc. 26], Page 34)

- Service Compression, LLC determined to have submitted highest and most actionable bid
- SC bid structure required chapter 11 implementation and could not be consummated out-of-court
- SC selected as stalking horse bidder to establish floor for bankruptcy auction process
- SC never granted exclusivity during negotiation period
- Debtors continued active marketing to other interested bidders in parallel with SC negotiations
- **Asset Purchase Agreement executed February 16, 2026** (six days before bankruptcy filing)
- **Base Purchase Price: \$161,000,000 in cash consideration** (subject to adjustment) plus assumption of certain liabilities
- Bid protections: 1% expense reimbursement (\$1,610,000) + 3% break-up fee (\$4,830,000) = 4% total
- SC "would not act as the Stalking Horse Bidder without such inducement"

• **Alternative DIP Financing Attempts** (Declaration of Robert A. Pacha [Doc. 18], Pages 7-8; Emergency Motion for DIP Financing [Doc. 14], Page 41)

- Prior to petition date, Company sought new money alternatives to DIP Financing from seven potential debt investors
- Evercore conducted telephonic conferences to discuss liquidity needs, loan sizing, collateral coverage, and timing
- **Result: "None of the parties contacted submitted binding financing proposals, or even entered into customary non-disclosure agreements"**
- Comprehensive refinancing process "yielded no third-party financing proposal at a level sufficient to repay the Company's existing funded debt in full, further indicating insufficient collateral coverage for the Prepetition Secured Parties"

DIP Financing Structure - \$104.8 Million Total

• **Overall DIP Facility Structure** (Emergency Motion for DIP Financing [Doc. 14], Page 4; DIP Credit Agreement [Doc. 26], Pages 2-3, 35, 42-43; Declaration of Ben Chesters [Doc. 19], Page 2)

- Total facility size: Approximately \$104,830,267
- New money component: Approximately \$25,514,587
- Roll-up component: Approximately \$79,315,680
- **Roll-up to new money ratio: 3.11:1**

- JPMorgan Chase Bank, N.A. serves as DIP Agent
- Facility documented in Debtor-in-Possession Term Loan Credit Agreement
- **New Money DIP Loans - \$25,514,587** (Emergency Motion for DIP Financing [Doc. 14], Page 4; Proposed Interim DIP Order [Doc. 14-1], Page 2; DIP Credit Agreement [Doc. 26], Page 42)
 - **Interim availability: \$13,040,959** upon entry of proposed interim order
 - **Final availability: \$12,473,628** upon entry of proposed final order
 - Borrowable during "Availability Period" from Effective Date to Maturity Date
 - Minimum borrowing amount: \$250,000 per draw
 - Draw dates: (i) Effective Date, (ii) first Monday after first full week, (iii) upon Final DIP Order entry, (iv) each Monday of every other calendar week thereafter
 - **Once borrowed, loans cannot be reborrowed if repaid**
- **Roll-Up Component #1: Prepetition Superpriority Facility - \$13,160,147** (Emergency Motion for DIP Financing [Doc. 14], Page 4; DIP Credit Agreement [Doc. 26], Page 42)
 - **Immediate conversion on cashless basis upon entry of proposed interim order**
 - Includes full principal amount plus accrued and unpaid interest
 - Converts from first-lien prepetition debt to superpriority DIP debt
 - Justification: Essential consideration for lenders' DIP commitment and cash collateral consent
- **Roll-Up Component #2: Creeping ABL Roll-Up - ~\$6.3 Million (Interim Period)** (Emergency Motion for DIP Financing [Doc. 14], Page 4; DIP Credit Agreement [Doc. 26], Page 43)
 - **Automatic daily conversion mechanism during interim period**
 - All cash receipts received by Debtors automatically pay down ABL obligations and convert to Roll-Up Loans on daily basis
 - Estimated at approximately \$6,298,712 during interim period
 - Continues until entry of proposed final order
- **Roll-Up Component #3: Final ABL Roll-Up - \$59,856,821** (Emergency Motion for DIP Financing [Doc. 14], Page 4; DIP Credit Agreement [Doc. 26], Page 43)
 - **Conversion on cashless basis upon entry of proposed final order**
 - Converts additional \$59,856,821 of Prepetition ABL obligations to DIP debt
 - Total ABL roll-up (creeping + final): Approximately \$66,155,533
- **Total Roll-Up: \$79,315,680** (Emergency Motion for DIP Financing [Doc. 14], Page 4)
 - Superpriority: \$13,160,147
 - ABL (combined creeping and final): \$66,155,533
 - Represents approximately 75% of total DIP facility
 - Converts first-lien and superpriority prepetition debt to DIP superpriority status with priority over all creditors (subject only to Carve-Out)
- **DIP Facility Terms** (DIP Credit Agreement [Doc. 26], Pages 7, 46-47; Declaration of Robert A. Pacha [Doc. 18], Page 11)
 - Interest rate: Alternate Base Rate plus Applicable Rate of 6.50% per annum
 - ABR floor: 1.00%

- Default rate: ABR plus 2.00% per annum
- Commitment fee: 0.35% per annum on average daily Available Commitment (equals \$0)
- Upfront fees per Upfront Fee Letter (to be converted to Roll-Up Loans)
- Maturity: Earlier of (a) 90 days from Petition Date (extendable to 120 days with unanimous lender consent), (b) sale closing, (c) plan effective date, or (d) acceleration

• **Use of DIP Proceeds** (DIP Credit Agreement [Doc. 26], Pages 62, 74; Emergency Motion for DIP Financing [Doc. 14], Page 3)

- Finance transaction fees, costs and expenses (including Allowed Professional Fees)
- Finance ongoing working capital and general corporate purposes
- Refinance obligations under Pre-Petition Facilities (through roll-up mechanism)
- Conduct market check of ongoing sale process
- Stabilize businesses and fund payroll
- Satisfy working capital and general corporate funding requirements
- **All uses must comply with Approved DIP Budget**

• **Approved Budget and Variance Testing** (DIP Credit Agreement [Doc. 26], Pages 13, 37-38, 78-79; Proposed Interim DIP Order [Doc. 14-1], Pages 21, 37-38, Schedule 2/Page 80)

- Initial 13-week budget attached as Schedule 2 to proposed interim order
- **Total projected disbursements: \$44,471,397**
- **Total projected receipts: \$18,956,811**
- **Net funding requirement: \$25,514,587** (matches new money DIP amount)
- Professional expenses peak Week 1: approximately \$6.4 million
- Operating expenditures fluctuate \$765K to \$3.1M per week
- **Permitted Variance: 15% unfavorable on aggregate two-week rolling basis for "Total Operating Disbursements"**
- Excludes Professional Expenses and Adequate Protection Obligations from variance testing
- Debtors may carry forward budgeted but unused operating disbursements to subsequent periods
- **Variance reports due by 5:00 p.m. Eastern Time every other Thursday starting March 5, 2026**
- Budget updates required every four weeks on Thursdays
- If DIP Agent doesn't respond within 5 business days, updated budget deemed approved

Critical Court-Ordered Milestones - 45-Day Sale Timeline

• **Seven Mandatory Milestones** (Proposed Interim DIP Order [Doc. 14-1], Schedule 3/Page 81; DIP Credit Agreement [Doc. 26], Pages 79-80)

Milestone	Deadline	Date (Approximate)	Consequence
File DIP and bidding procedures motions	Day 1	February 23, 2026	Event of Default
Entry of proposed interim DIP order	Day 3	February 25, 2026	Event of Default; No DIP access
Entry of proposed Bid Procedures Order	Day 15	March 9, 2026	Event of Default

Milestone	Deadline	Date (Approximate)	Consequence
Entry of proposed Final DIP Order	Day 30	March 24, 2026	Event of Default
Bid deadline for qualified bids	Day 36	March 30, 2026	Event of Default
Entry of proposed Sale Order	Day 43	April 6, 2026	Event of Default
Sale closing and full DIP repayment	Day 45	April 8, 2026	Event of Default

- Extensions require DIP Agent consent
- **Cannot extend beyond Maturity Date**
- **Failure to meet any milestone constitutes Event of Default**
- Any delay triggers lender remedies including potential foreclosure

DIP Collateral and Lien Structure

- **Three Categories of DIP Liens** (Proposed Interim DIP Order [Doc. 14-1], Pages 40-41)
 - **Unencumbered Property Liens:** First priority liens pursuant to § 364(c)(2) on all unencumbered assets including cash, inventory, accounts receivable, equipment, intellectual property, and proceeds
 - **Priming Liens:** First priority priming liens pursuant to § 364(d)(1) on all prepetition collateral, senior to all prepetition secured liens except Permitted Senior Liens
 - **Junior Liens:** Liens pursuant to § 364(c)(3) junior only to valid, perfected, non-avoidable Prepetition Permitted Senior Liens
 - Exclusions from DIP Collateral: Avoidance Actions (until final order), Professional Fee Reserve Account, certain restricted leasehold interests
- **DIP Superpriority Claims** (Proposed Interim DIP Order [Doc. 14-1], Pages 38-39; DIP Credit Agreement [Doc. 26], Page 64)
 - Allowed superpriority administrative expense claims against all DIP Loan Parties on joint and several basis
 - Priority over any and all claims against DIP Loan Parties of any kind whatsoever
 - Subject only to Carve-Out
 - Constitute "DIP Superpriority Claims" per proposed Orders

Adequate Protection for Prepetition Secured Parties

- **Superpriority Secured Parties Receive** (Proposed Interim DIP Order [Doc. 14-1], Pages 48-50)
 - Replacement liens on all DIP Collateral, junior only to Carve-Out, DIP Liens, and Prepetition Superpriority Permitted Senior Liens
 - Section 507(b) superpriority administrative expense claim for diminution in value
 - Current payment of reasonable prepetition and postpetition fees and expenses for Simpson Thacher & Bartlett LLP, one local counsel, and Huron Consulting Group Inc.
- **ABL Secured Parties Receive** (Proposed Interim DIP Order [Doc. 14-1], Pages 50-52)

- Replacement liens on all DIP Collateral, junior only to Carve-Out, DIP Liens, and Prepetition ABL Permitted Senior Liens
 - Section 507(b) superpriority administrative expense claim for diminution in value
 - Current payment of reasonable prepetition and postpetition fees and expenses for same professionals
 - PIK interest on prepetition ABL obligations at contractual default rate
- **Second Lien Secured Parties Receive** (Proposed Interim DIP Order [Doc. 14-1], Pages 52-53)
 - Replacement liens on all DIP Collateral junior to all senior secured parties' liens
 - Section 507(b) superpriority administrative expense claim junior to senior lenders' 507(b) claims and all senior secured debt
 - Represented by Ropes & Gray LLP
- **Lien and Claim Priority Waterfall** (Proposed Interim DIP Order [Doc. 14-1], Pages 23, 48-50, 57-58)
 1. Carve-Out (highest priority)
 2. DIP Superpriority Claims
 3. DIP Liens (priming all prepetition liens except Permitted Senior Liens)
 4. Superpriority Adequate Protection Liens and 507(b) Claims (pari passu)
 5. ABL Adequate Protection Liens and 507(b) Claims (pari passu)
 6. Prepetition Senior Secured Liens (Superpriority and ABL, pari passu per Intercreditor Agreement)
 7. Second Lien Adequate Protection Liens and 507(b) Claims
 8. Prepetition Second Lien Secured Liens

Carve-Out Structure for Professional Fees

- **Professional Fee Carve-Out** (Proposed Interim DIP Order [Doc. 14-1], Pages 30-37; DIP Credit Agreement [Doc. 26], Page 7)
 - **Pre-Carve-Out Trigger Notice Cap:** Unlimited Allowed Professional Fees incurred before Carve-Out Trigger Notice
 - **Post-Carve-Out Trigger Notice Caps:**
 - Debtor Professionals: \$1,000,000
 - Committee Professionals: \$200,000
 - Also includes: U.S. Trustee statutory fees, Chapter 7 trustee fees up to \$150,000
 - **Special provision:** Evercore success fees excluded from Carve-Out until paid from sale proceeds
 - Professional Fee Reserve Account administered by Epiq Corporate Restructuring LLC
 - Must be funded contemporaneously with first DIP draw
 - Weekly replenishment required based on Estimated Professional Fees
 - DIP Agent may deliver Carve-Out Trigger Notice only following Event of Default
 - Debtors entitled to 5-business-day notice and emergency hearing opportunity before lender remedies

Cash Management System and Bank Accounts

- **Seven Bank Accounts - All at JPMorgan Chase Bank, N.A.** (Declaration of Ben Chesters [Doc. 17], Pages 58-59; Interim Order on Cash Management [Doc. 8-1], Pages 3-4)

Account Name	Account Holder	Last 4 Digits	Function	Balance Status
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Account Name	Account Holder	Last 4 Digits	Function	Balance Status
Accounts Receivable Account	Axip Energy Services, LP	8820	Receives AR payments; subject to ABL sweep (suspended under forbearance); transfers to AP account	
Main Operating Account	Axip Energy Services, LP	1552	Receives DIP disbursements; pays bank fees	
Accounts Payable Account	Axip Energy Services, LP	7246	Receives transfers from AR and Main Operating; pays AP; funds payroll	
Payroll Disbursements Account	Axip Energy Services, LP	9936	Zero-balance; funded from AP account; exclusively for payroll	
Withdraws Disbursements Account	Axip Energy Services, LP	0769	Zero-balance; automatic withdrawals for payroll/benefits; funded as needed	
Dormant Interest Account	Axip Energy Services, LP	8195	Previously collateral account; to be used as Adequate Assurance Account for utilities	
Dormant Transfers Account	E3 Compression Holdings LLC	7137	Previously for Energy Spectrum equity funding; currently inactive	

- **Combined balance across all accounts as of Petition Date: approximately \$700**
- Bank fees: approximately \$3,931.61 per month; approximately \$3,931.61 accrued prepetition
- **Interim Order on Cash Management entered February 22, 2026** authorizing continuation of system

• **Corporate Card Program** (Declaration of Ben Chesters [Doc. 17], Pages 62-64; Interim Order on Cash Management [Doc. 8-1], Pages 4-5)

- 56 Corporate Credit Cards issued by JPMorgan Chase Bank, N.A.
- 184 Corporate Fuel Cards issued by WEX Inc.
- Monthly average expenses: approximately \$147,400
- Accrued prepetition obligations: approximately \$35,900 (all due within 21 days)
- Weekly payment cycle for credit cards with automatic Monday payments
- Fuel cards used for in-transit fuel costs between worksites
- **Interim order grants limited automatic stay relief to JPM for terminating cards and debiting accounts**

after 10-day notice

• **Intercompany Transactions and Sale-Leaseback Program** (Declaration of Ben Chesters [Doc. 17], Pages 64-65; Interim Order on Cash Management [Doc. 8-1], Page 5)

- Sale-Leaseback Program: Axip purchases compressor units → sells to Axip Leasing Company, LLC → leases back for customer deployment
- All intercompany transactions tracked in accounting systems
- **Administrative expense priority granted under § 503(b)(1) and § 364(b)**
- Priority subject and junior to claims under DIP facility and adequate protection obligations
- Transfers must be reflected in monthly operating reports

First-Day Relief Requests - Summary of All Motions

• **Employee Wages and Benefits - \$853,790 Requested** (Emergency Motion [Doc. 7], Page 6; Declaration of Ben Chesters [Doc. 17], Pages 40-56)

Category	Amount	Status
Unpaid Wages	\$438,700	All priority under § 507(a)(4); all due within 21 days
Withholding Obligations	\$111,000	Trust fund taxes not property of estate
Health and Welfare Programs	\$213,200	Second largest category
401(k) Obligations	\$46,100	\$34,800 employee deductions + \$11,300 match
Independent Contractor	\$11,000	Monthly payment for accounting services
Other (commissions, staffing, payroll fees, expense reimbursements, insurance, cell/vehicle allowances)	\$33,790	Various obligations
Total Interim Request	\$853,790	
PTO Cash-Out Obligations (disclosed but not requested)	\$375,700	Only due upon termination

- Historical average monthly payroll: approximately \$1,800,000
- Most recent pay cycle: ended February 20, 2026; paid February 21, 2026 (one day before filing)
- No individual employee owed more than \$17,150 (§ 507(a)(4) priority cap)
- Workers' compensation automatic stay modification requested to permit claims to proceed
- **Proposed order includes prohibition on payments exceeding §§ 507(a)(4) and 507(a)(5) priority amounts**
- **Proposed order expressly states "Nothing herein shall be deemed to authorize the payment of any amounts in violation of section 503(c) of the Bankruptcy Code"** (restricts insider compensation)
- Pre-petition retention bonuses disclosed: paid to 20 non-insiders and 1 insider with clawback if voluntary termination within 90 days

• **Critical Vendor Payments - \$6,948,000 Requested** (Emergency Motion [Doc. 9], Page 5; Declaration of Ben

Chesters [Doc. 17], Pages 66-76)

Vendor Category	Interim Request	Final Request	Justification
Critical Vendors	\$500,000	\$1,000,000	Specialized parts, emergency repairs, remote monitoring
Lien Claimants	\$3,600,000 (all due in 21 days)	\$4,900,000	Mechanics'/possessory liens under TX/NM/ND law
503(b)(9) Claimants	\$0 (none due in 21 days)	\$1,048,000	Goods received within 20 days before filing
Total	\$4,100,000	\$6,948,000	

- **Customary Trade Terms requirement:** Vendors must continue supply on most favorable terms from 12-month prepetition period
 - **Clawback provision:** Payment voidable under § 549 if vendor fails to maintain customary terms
 - **Lien removal condition:** Payment conditioned on vendor releasing existing liens
 - Lien claimants include shippers, warehousemen, and service providers with potential mechanics' liens, transportation liens, and possessory liens under state law (N.M. STAT. § 70-4-1; N.D. CENT. CODE § 35-24-08; TEX. PROP. CODE ANN. § 56.004)
 - Outstanding orders for goods ordered prepetition but delivered postpetition receive administrative expense priority under § 503(b)(1)(A)
- **Utility Adequate Assurance - \$18,597 Deposit** (Emergency Motion [Doc. 11], Pages 5-6; Declaration of Ben Chesters [Doc. 17], Pages 78-80)

- 28 identified utility companies serving multiple locations across Texas, New Mexico, North Dakota
- Average monthly utility cost: \$37,195 (12-month historical average through January 31, 2026)
- Proposed deposit: \$18,597 (approximately 50% of monthly average)
- Calculation: Lesser of (a) half monthly average minus existing deposits plus prepetition accruals, or (b) half monthly average
- Segregated account using Dormant Interest Account (8195)
- No material prepetition defaults or arrearages
- **Procedures established:** 14-day deadline for utilities to request additional assurance; Determination Hearing within 30 days of petition date; utilities failing to timely object deemed to have received satisfactory assurance
- **Largest utility adequate assurance allocations:**
 - AT&T: \$4,546.85 (24.4% of total)
 - Verizon: \$4,348.91 (23.4% of total)
 - Map Communications: \$3,335.64 (17.9% of total)
- Communications services represent 88.1% of total deposit (\$16,384.42), reflecting critical importance of remote monitoring and control systems

- **Tax and Fee Obligations - \$1,423,136 Accrued** (Emergency Motion [Doc. 12], Page 5; Declaration of Ben Chesters [Doc. 17], Pages 80-84)

Tax Category	Accrued Amount	Due Within 21 Days	Priority/Trust Status
Property Taxes	\$635,225.81	\$13,859.92	Secured by statutory liens

Tax Category	Accrued Amount	Due Within 21 Days	Priority/Trust Status
Franchise and Income Taxes	\$400,000.00	\$0	Priority under § 507(a)(8)
Sales and Use Taxes	\$380,229.52	\$380,229.52 (all)	Trust fund taxes under § 541(d)
Regulatory Fees and Miscellaneous	\$7,681.00	\$0	Various
Total	\$1,423,136.33	\$394,089.44	

- **Texas Comptroller sales and use tax audit currently ongoing** (Ryan LLC engaged on contingent fee basis for defense)
- Authority requested to settle audit assessments without further court hearing
- Rights to contest taxes and fees expressly reserved
- Historical 2025 payments: Property (\$621,365.89), Franchise/Income (\$403,603.55), Sales/Use (\$4,107,453.23), Regulatory (\$10,181.00)
- Over 100 governmental taxing authorities identified across 23+ states and 48+ Louisiana parishes
- **Insurance Coverage - \$1,877,474.57 Annual Premiums** (Emergency Motion [Doc. 10], Pages 4-7; Declaration of Ben Chesters [Doc. 17], Pages 86-92)
 - Nine insurance policies through five carriers
 - Coverage types: property, business auto liability, commercial general liability, umbrella, property/inland marine, workers' compensation, D&O
 - **Starr Indemnity & Liability Company provides six of nine policies**
 - Payment structures:
 - Monthly installments: \$259,724.86 down payment (paid); \$384,305.48 remaining in 5 installments
 - AFCO premium financing: \$447,328 financed; **final payment of \$46,251.82 due March 20, 2026** (critical timing pressure)
 - Annual lump sum: No prepetition amounts owed
 - Workers' compensation: Starr (\$118,918 annual) + North Dakota WSI (\$8,249.86 annual)
 - Two open workers' compensation claims as of petition date
 - **Automatic stay modification requested** to permit employees to pursue workers' compensation claims
 - **Legal requirement:** § 1112(b)(4)(C) designates failure to maintain appropriate insurance as "cause" for mandatory conversion or dismissal

Claims Agent and Administrative Infrastructure

- **Epiq Corporate Restructuring, LLC - Claims Agent** (Emergency Ex Parte Application [Doc. 4]; Engagement Letter [Doc. 13]; Declaration of Ben Chesters [Doc. 17], Pages 37-38)
 - Engagement Letter executed September 25, 2025 (five months before bankruptcy)
 - \$25,000 retainer paid prepetition
 - Services: claims administration, noticing, balloting, call center, website hosting
 - Headquarters: 777 Third Avenue, 12th Floor, New York, NY 10017
 - Kate Mailloux (Senior Director) submitted disinterestedness declaration
 - Compensation: § 503(b) administrative expense treatment; no fee applications required
 - **Indemnification limitations:** Excludes gross negligence, willful misconduct, matters not court-approved

- **Mandatory service continuity:** Cannot cease services without court order
 - Post-termination obligation to deliver electronic copies of claims to Clerk
 - Case website: <https://dm.epiq11.com/AXIP>
 - Toll-free phone: (877) 741-6428
 - Email: AXIP@epiqglobal.com
- **Debtor Professionals and Fee Structure** (Voluntary Petition, Pages 11-13; Various Motions)
 - **Vinson & Elkins L.L.P.** - General bankruptcy counsel
 - Houston office: Paul E. Heath (TX Bar 09355050), Matthew J. Pyeatt, Trevor G. Spears
 - New York office: David S. Meyer, Jessica C. Peet (pro hac vice pending)
 - Address: 845 Texas Avenue, Suite 4700, Houston, TX 77002
 - **Evercore Group, L.L.C.** - Investment banker
 - Robert A. Pacha serves as Senior Managing Director (33 years investment banking experience)
 - Engaged March 2025 to assist with refinancing and sale process
 - Success fees excluded from Carve-Out until paid from sale proceeds
 - **Ankura Consulting Group, LLC** - Restructuring advisor
 - Ben Chesters serves as Chief Restructuring Officer
 - Engaged September 2025
 - Prepared approved 13-week DIP budget
 - **Epiq Corporate Restructuring, LLC** - Notice, claims, and solicitation agent
 - **Prepetition Lender Professionals** (Emergency Motion for DIP Financing [Doc. 14], Page 8; Proposed Interim DIP Order [Doc. 14-1], Pages 50-51)
 - **Simpson Thacher & Bartlett LLP** - Counsel to DIP Agent and Prepetition Senior Secured Parties
 - **Huron Consulting Group, Inc.** - Financial advisor to DIP Agent and Prepetition Senior Secured Parties
 - **Ropes & Gray LLP** - Counsel to Prepetition 2L Agent
 - Current payment authorized for prepetition and postpetition fees and expenses
 - Monthly invoice submission with 10-day review period
 - Payment within 3 business days if no objection
 - No U.S. Trustee fee guidelines apply; no fee applications required

B. Key Legal Arguments

Jurisdiction, Venue, and Procedural Matters

- **Jurisdictional Basis** (Voluntary Petition, Page 3; Multiple Proposed Orders)
 - Court has jurisdiction pursuant to 28 U.S.C. § 1334
 - Core proceedings pursuant to 28 U.S.C. § 157(b)(2)
 - Court may enter final orders consistent with Article III of United States Constitution
 - Venue proper pursuant to 28 U.S.C. §§ 1408 and 1409
 - "Debtor has had its domicile, principal place of business, or principal assets in this district for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other district" (Voluntary Petition, Page 3)
 - Not filing as small business debtor under Subchapter V
 - Not required to file periodic reports with SEC

- Not a shell company
- **Joint Administration Authority** (Emergency Motion [Doc. 2], Pages 6-7; Proposed Order [Doc. 2-1], Pages 2-3)
 - Bankruptcy Rule 1015(b) provides: "if . . . two or more petitions are pending in the same court by or against . . . a debtor and an affiliate, the court may order a joint administration of the estates"
 - § 101(2) defines "affiliate" to include entities owning/controlling/holding with power to vote 20%+ of outstanding voting securities
 - Local Rule 1015-1 provides for joint administration of related chapter 11 cases
 - "Because Axiom Energy Services, LP is affiliated with each of the other Debtors and the cases are related, the Court is authorized to jointly administer these Chapter 11 Cases for procedural purposes"
 - Benefits include: avoidance of duplicative filings, conservation of estate resources, single docket, combined notices, simplified U.S. Trustee supervision
 - **Critically: "substantive consolidation of the Debtors' estates is not being requested at this time"** but rights preserved for future request
 - Separate claims registers, schedules, and statements of financial affairs required for each debtor
 - Monthly operating reports will provide information on debtor-by-debtor basis
- **Consolidated Creditor Matrix and Privacy/Confidentiality** (Emergency Motion [Doc. 5], Pages 4-9; Declaration of Ben Chesters [Doc. 17], Pages 34-36)
 - Complex Case Procedures allow lead debtor to file consolidated creditor matrix
 - Complex Case Procedures paragraph F requires "single, consolidated list of unsecured creditors on Official Form 204 consisting of the 30 largest unsecured creditors of all jointly administered debtors"
 - Purpose: enable U.S. Trustee to identify potential candidates for creditors' committee
 - "Because the Top 30 Lists of the Debtors could overlap, and certain Debtors may have fewer than thirty significant unsecured creditors, the Debtors submit that filing separate Top 30 Lists for each Debtor would be of limited utility"
 - **Redaction Request #1:** Personal identification information of employees and individual creditors to prevent identity theft under § 107(c)(1)(A) and Local Rule 9037-1(b)
 - **Redaction Request #2:** Customer database information to protect confidential commercial information under § 107(b)(1) and Bankruptcy Rule 9018
 - Customer list constitutes "valuable, proprietary, and confidential commercial information"
 - Disclosure would "give unfair advantages to Debtors' competitors by providing them information as to the commercial operations of the Debtors" and "significantly increase the risk of customer attrition"
 - Supporting precedent: In re FTX Trading, No. 23-682 (CFC), 2024 WL 4948827 (D. Del.) - District Court affirmed customer list protection; In re WeWork Inc., No. 23-19865 (JKS) (Bankr. D.N.J. Dec. 20, 2023)
 - Unredacted versions provided to: Court, U.S. Trustee, committee counsel, DIP Agent, prepetition lender agents
- **Extension of Schedules Filing Deadline** (Emergency Motion [Doc. 6], Pages 4-5; Declaration of Ben Chesters [Doc. 17], Pages 38-40)
 - Standard deadline: 14 days after petition date (March 8, 2026) per Bankruptcy Rule 1007(c)
 - **Requested deadline: April 7, 2026 (44 days from petition date) - 30-day extension**
 - Justification: Must "compile information from books, records, and documents relating to hundreds of creditors, assets, leases, and contracts from each Debtor entity"
 - "Complying with the short timeline granted under the Bankruptcy Code and the Bankruptcy Rules would place significant strain on the Debtors' financial team and would likely impact the Debtors' ability to maintain their normal operations"

- "In the days leading up to the Petition Date, the primary focus of the Debtors' financial team has been preparing for these Chapter 11 Cases"
- Supporting precedent: Seven recent cases in Southern District of Texas granted similar extensions
- Bankruptcy Rules 1007(c) and 9006(b): Court has authority to extend "for cause"

DIP Financing Legal Framework

- **Section 364 Multi-Layered Authorization** (Emergency Motion for DIP Financing [Doc. 14], Pages 46-50; Proposed Interim DIP Order [Doc. 14-1], Pages 18-19, 40-41)

Section 364(c) - Superpriority and Lien Authorization:

- Three-part test: (1) debtor unable to obtain unsecured credit, (2) credit necessary to preserve estate, (3) terms fair and reasonable
- "However, section 364 of the Bankruptcy Code 'imposes no duty to seek credit from every possible lender before concluding that such credit is unavailable.'" (citing *In re Snowshoe Co.*, 789 F.2d 1085, 1088 (4th Cir. 1986))
- **Marketing efforts satisfy "reasonable efforts" requirement:** 85 parties contacted for refinancing + 7 for DIP financing = no actionable proposals
- DIP facility necessary to preserve going-concern value and conduct orderly sale
- Terms justified given circumstances and lack of alternatives

Section 364(d) - Priming Liens Authorization:

- Permits priming liens if: (1) debtor unable to obtain credit otherwise, and (2) existing lien holders adequately protected
- **"Consent by secured creditors to priming obviates the need to show adequate protection."** (citing *Anchor Savs. Bank FSB v. Sky Valley, Inc.*, 99 B.R. 117, 122 (N.D. Ga. 1989))
- Prepetition senior secured parties consented to priming
- Adequate protection provided through replacement liens, superpriority claims, and current fee payment

Section 364(e) - Good Faith Protection:

- Protects good faith lenders even if order later reversed or modified on appeal
- "The terms of the DIP Documents are the result of good faith, arm's-length negotiation and the Debtors' reasonable and informed determination that the DIP Lenders have offered the most favorable postpetition financing terms under the circumstances, which are the only available terms pursuant to which the Debtors could obtain necessary postpetition financing."
- DIP facility negotiated with advisors over several months starting October 2025
- Proceeds used only for permissible purposes per approved budget
- Proposed order includes finding that obligations "shall be deemed to have been extended by the DIP Agent and the DIP Secured Parties... in good faith, as that term is used in section 364(e)"

- **Business Judgment Standard Deference** (Emergency Motion for DIP Financing [Doc. 14], Pages 44-46)

- Courts grant debtors "considerable deference" in obtaining secured credit
- **Standard:** "Bankruptcy courts generally will not second guess a debtor's business decisions when those decisions involve a minimum level of care in arriving at the decision on an informed basis, in good faith, and in the honest belief that the action was taken in the best interests of the debtor." (citing *In re Pilgrim's Pride Corp.*, 403 B.R. 413, 430 (Bankr. N.D. Tex. 2009))
- Test requires only that "a reasonable business person would make a similar decision under similar circumstances"

- Debtors conducted thorough evaluation with professional advisors
- DIP facility represents "most favorable terms on which such financing can be obtained"
- **Adequate Protection Principles** (Emergency Motion for DIP Financing [Doc. 14], Pages 51-52; Proposed Interim DIP Order [Doc. 14-1], Pages 48-56)
 - § 363(c)(2) prohibits use of cash collateral without consent or adequate protection
 - **"The term 'adequate protection' is intended to be a flexible concept."** (citing In re Swedeland Dev. Group, Inc., 16 F.3d 552, 564 (3d Cir. 1994))
 - No rigid formula; determined case-by-case
 - Proposed adequate protection: replacement liens, § 507(b) superpriority administrative expense claims, current payment of professional fees and expenses
 - Separate adequate protection packages for three lender tiers
 - ABL secured parties also receive PIK interest at contractual default rate
 - Court finding in proposed order: adequate protection "reasonable and sufficient to protect the interests of the Prepetition Senior Secured Parties"
 - Prepetition secured parties expressly reserve rights to request additional adequate protection
- **Roll-Up Justification and Precedent** (Emergency Motion for DIP Financing [Doc. 14], Pages 41-43, 52-54; Proposed Interim DIP Order [Doc. 14-1], Pages 27-28; Declaration of Ben Chesters [Doc. 19], Pages 5-6)
 - Roll-up essential component of DIP facility structure negotiated with lenders
 - Required as condition for lenders' commitment to provide new money and consent to cash collateral use
 - Prepetition superpriority facility provided critical liquidity for orderly chapter 11 filing
 - **"Without access to the financing made available under the Prepetition Superpriority Facility, the Debtors: would have faced a bankruptcy filing without a clear pathway to DIP Financing, jeopardizing the livelihood of the Debtors' employees and the continuity of business operations"**
 - Roll-up authorized as "consideration, and as a necessary inducement, for the Prepetition Superpriority Secured Parties to provide additional credit during the Chapter 11 Cases and to consent to the use of Cash Collateral"

Supporting Roll-Up Precedent in Southern District of Texas:

- In re First Brands Group, LLC, No. 25-90399 (CML) (Nov. 9, 2025) - \$3.3 billion roll-up, 3.0:1 ratio
- In re MLCJR LLC, No. 23-90324 (CML) (June 13, 2023) - \$270.2 million roll-up, 3.6:1 ratio
- In re Noble House Home Furnishings LLC, No. 23-90773 (CML) (Oct. 4, 2023) - \$12.2 million roll-up, 5.80:1 ratio
- **Axip proposed ratio: 3.11:1** - falls within range of recently approved transactions
- **Modification of Automatic Stay for Lender Remedies** (Emergency Motion for DIP Financing [Doc. 14], Pages 57-59; Proposed Interim DIP Order [Doc. 14-1], Pages 43-45, 53-55)
 - Stay modification necessary to implement DIP documents and perfect liens
 - Upon Event of Default with required notice, stay modified to permit certain remedies
 - **Debtors entitled to 5-business-day notice period and emergency hearing opportunity before remedies**
 - "Stay modifications of this kind are ordinary and standard features of debtor-in-possession financing arrangements and, in the Debtors' business judgment, are reasonable and fair under the circumstances of these Chapter 11 Cases and should be approved."
 - Supporting precedent: In re Modivcare Inc., No. 25-90309 (ARP) (Aug. 20, 2025); In re Aleon Metals, LLC, No. 25-90305 (CML) (Aug. 17, 2025); In re Unit Corp., No. 20-32740 (DRJ) (May 22, 2020)

• **Waiver of Section 506(c) and Section 552(b)** (Proposed Interim DIP Order [Doc. 14-1], Pages 3, 46-47; DIP Credit Agreement [Doc. 26], Page 46)

- **Section 506(c) waiver:** "no costs or expenses of administration... shall be charged against or recovered from the DIP Collateral (including Cash Collateral) or Prepetition Collateral pursuant to section 506(c)... without the prior written consent of the DIP Agent"
- Prevents surcharging of collateral for administrative expenses without lender consent
- **Section 552(b) waiver:** Waiver of "equities of the case" exception
- Waivers made "without prejudice to any provisions of the Final Order with respect to costs or expenses incurred following the entry of such Final Order"

• **Challenge Period for Prepetition Debt Stipulations** (Proposed Interim DIP Order [Doc. 14-1], Pages 63-65)

- Debtors stipulate to validity, enforceability, perfection and priority of prepetition senior secured debt totaling not less than \$240,499,780
- **60-day Challenge Period for different parties:**
 - Creditors' Committee: Earlier of (i) 60 days after appointment, (ii) 60 days from interim order entry, or (iii) Bid Deadline
 - Chapter 7/11 trustee: Later of (i) 60 days after interim order or (ii) 60 days after appointment
 - All other parties: 60 days after interim order entry
- Extensions may be agreed or ordered by Court
- **Without timely challenge, parties deemed to have consented and waived right to contest stipulations**
- Proposed order includes finding: "None of the Prepetition Secured Parties control (or have in the past controlled) the Debtors or their properties or operations"

First-Day Operational Relief - Legal Standards

• **Wage Payment Authority Under Multiple Theories** (Emergency Motion for Wages [Doc. 7], Pages 25-31)

Priority Status Theory (§§ 507(a)(4) and 507(a)(5)):

- Wage claims up to \$17,150 per employee earned within 180 days receive priority
- Employee benefit plan contributions receive priority
- Priority claims must be paid in full to confirm plan under § 1129(a)(9)(B)
- "As priority claims, the Debtors are required to pay these claims in full to confirm a chapter 11 plan... The Debtors submit that any such payments, if made pursuant to this Motion, would only affect the timing of payments to Employees."
- Debtors assert no individual owed more than \$17,150 priority cap

Trust Fund Theory (§ 541(b)(1)):

- Withholding obligations (~\$111,000) are not property of estate because held in trust for third parties
- Supporting authority: Begier v. IRS, 496 U.S. 53, 66-67 (1990); City of Farrell v. Sharon Steel Corp., 41 F.3d 92, 95-97 (3d Cir. 1994)
- "Because the Withholding Obligations may not be property of the Debtors' estates, the Debtors request that the Court authorize them to transmit the Withholding Obligations on account of the Employees to the proper parties in the ordinary course of business."

Business Judgment Theory (§ 363(b)):

- Requires only "sound business purpose" for use of estate property
- Courts defer to debtor business decisions unless "arbitrarily or capriciously" made
- Supporting authority: In re Montgomery Ward Holding Corp., 242 B.R. 147, 153 (D. Del. 1999); In re Tower Air, Inc., 416 F.3d 229, 238 (3d Cir. 2005) ("Overcoming the presumptions of the business judgment rule on the merits is a near-Herculean task")

Doctrine of Necessity Theory (§ 105(a)):

- Permits payment of critical prepetition claims when essential to debtor survival
- Supporting authority: In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002); In re Just for Feet, Inc., 242 B.R. 821, 824-25 (D. Del. 1999)

§ 503(c) Limitation on Insider Payments:

- Proposed order states: "Nothing herein shall be deemed to authorize the payment of any amounts in violation of section 503(c) of the Bankruptcy Code"
- § 503(c) restricts retention and severance payments to insiders absent specific findings
- Pre-petition retention bonuses disclosed for transparency (20 non-insiders + 1 insider with clawback provisions)

• **Critical Vendor Payment Authority** (Emergency Motion for Critical Vendors [Doc. 9], Pages 16-22; Declaration of Ben Chesters [Doc. 17], Pages 66-76)

Sections 105(a), 363(b), and 1107(a) Framework:

- § 363(b) provides "broad flexibility" to authorize prepetition payment if business justification exists (In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989))
- § 1107(a): Debtor-in-possession has implied duty to "protect and preserve the estate, including an operating business' going-concern value" (In re CEI Roofing, Inc., 315 B.R. 50, 59 (Bankr. N.D. Tex. 2004))
- § 105(a): Bankruptcy court may exercise broad equitable powers to permit prepetition payment when essential (In re Just for Feet, Inc., 242 B.R. 821, 824-25 (D. Del. 1999))
- Failure to pay Critical Vendors could "materially impair the Debtors' ability to operate and maintain their compressor units, jeopardize customer relationships, and cause immediate and irreparable harm to the Debtors' businesses and estates"

Lien Claimants Legal Basis:

- State lien statutes create secured claims for unpaid services (N.M. STAT. §§ 70-4-1, 2, 4; N.D. CENT. CODE § 35-24-08; TEX. PROP. CODE ANN. § 56.004)
- UCC § 7-209(a): Lien claimants granted liens on goods in possession
- § 362(b)(3): Perfection of such liens excluded from automatic stay when consistent with § 546(b)
- § 546(b): Explicitly respects relation back of liens under state law
- § 363(e): If not paid, lien claimants entitled to adequate protection as holders of possessory liens
- Payment releases estate property from encumbrances

Section 503(b)(9) Administrative Priority:

- § 503(b)(9) provides administrative priority for "value of any goods received by the debtor within twenty days before the date of commencement of a case... in which goods have been sold to the debtor in the ordinary course of such debtor's business"
- Such claims must be paid in full for plan confirmation under § 1129(a)(9)(A)
- "[T]he payment of prepetition... claims... that qualify as priority... claims... does not trigger the same concerns"

(i.e., upsetting priorities under the Code and unfair discrimination among general unsecured claims)" (In re CEI Roofing, Inc., 315 B.R. at 60)

- Payment merely accelerates timing without changing ultimate treatment

Customary Trade Terms Protection:

- Vendors must continue supply on "Customary Trade Terms" = most favorable terms from 12-month prepetition period
- Debtors may void payment under § 549 if vendor fails to maintain terms
- Payment conditioned on lien removal for Lien Claimants

• Cash Management System Continuation (Emergency Motion [Doc. 8], Pages 13-24; **Interim Order Entered February 22, 2026** [Doc. 8-1], Pages 3-6)

Section 363(c)(1) - Ordinary Course Authority:

- Authorizes debtor-in-possession to "use property of the estate in the ordinary course of business without notice or a hearing"
- Purpose: Provide flexibility to engage in ordinary transactions without unneeded oversight
- Cash management systems allow "more efficient and effective" administration of financial operations
- Supporting authority: In re HLC Props., Inc., 55 B.R. 685, 686 (Bankr. N.D. Tex. 1985)

Section 363(b) - Business Justification:

- Courts grant relief upon finding "articulated business justification" (In re Cont'l Air Lines, 780 F.2d 1223, 1226 (5th Cir. 1986))
- "Requiring the Debtors to adopt new cash management systems and open new bank accounts... would be expensive, impose needless administrative burdens on the Debtors, and would cause undue disruption to the Debtors' operations"
- Disruption would "negatively impact... ability to maintain and maximize value for creditors and parties in interest"

Section 105(a) - Equitable Powers:

- Courts recognize centralized cash management "allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts" (In re Columbia Gas Sys., Inc., 136 B.R. 930, 934 (Bankr. D. Del. 1992))
- Maintaining accounts separately "would be a huge administrative burden and economically inefficient"

Intercompany Transaction Authority:

- § 503(b)(1) and § 364(b): Administrative expense priority for postpetition intercompany transactions
- "To ensure that each Debtor will not fund the operations of another entity at the expense of such Debtors' creditors," all valid postpetition intercompany claims receive administrative expense status
- Priority subject and junior to DIP claims and adequate protection obligations
- Sale-Leaseback Program: Axip purchases units → sells to Axip Leasing → leases back for customer deployment
- Structure "necessary due to the corporate structure and Cash Management System" and "crucial part of the Debtors' customary business practices that would be difficult, inefficient, and value destructive to change"

Corporate Card Program:

- Purchases using corporate cards fall within ordinary course under § 363(c)(1)
- Alternatively under §§ 105(a) and 363(b)(1) if not ordinary course

- "Without Corporate Card Program, employees would likely either have to pay upfront costs and wait for reimbursement or lose ability to pay for business expenses. In either case, operational effectiveness would suffer"
- **Limited stay relief granted to JPM:** May terminate cards and debit accounts after 10-day notice

Bank Account Compliance:

- **Entered Interim Order requires compliance by April 8, 2026** (extendable by stipulation with U.S. Trustee)
- New accounts must be FDIC-insured at U.S. Trustee-designated depositories
- Material changes require advance notice to U.S. Trustee, committee, and prepetition lender agents

- **Insurance Continuation Legal Framework** (Emergency Motion for Insurance [Doc. 10], Pages 9-14)

Section 1112(b)(4)(C) Mandatory Compliance:

- **"Under section 1112(b)(4)(C) of the Bankruptcy Code, a 'failure to maintain appropriate insurance that poses a risk to the estate or to the public' is 'cause' for mandatory conversion or dismissal of a chapter 11 case."**
- Creates non-discretionary legal requirement to maintain insurance
- Failure to maintain coverage could result in case dismissal or conversion to Chapter 7

Business Justification:

- § 363(b) requires only articulation of business justification
- Courts explicitly recognize debtor purchases of insurance as within ordinary course (In re DGI Resols., Inc., 445 B.R. 376, 380 (Bankr. D. Del. 2011))
- Lapse would expose estates to substantial uninsured liability
- Replacement coverage after lapse significantly more expensive

Doctrine of Necessity:

- Fifth Circuit precedent supports prepetition insurance payment: In re CEI Roofing, Inc., 315 B.R. 50, 56, 60-61 (Bankr. N.D. Tex. 2004); In re Mirant Corp., 296 B.R. 427, 429 (Bankr. N.D. Tex. 2004)
- Supporting authority: In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002)

Workers' Compensation Stay Modification:

- § 362(d) permits modification for "cause"
- Staying claims could cause employee departures and damage morale
- State laws may prohibit operations without maintaining workers' compensation programs
- Proposed order limits modification: "solely to claims under the Workers' Compensation Program"
- Waiver of Bankruptcy Rule 4001(d) notice requirements

- **Utility Adequate Assurance Under Section 366** (Emergency Motion for Utilities [Doc. 11], Pages 10-13; Declaration of Ben Chesters [Doc. 17], Pages 78-80)

- § 366(b) and (c)(2): Utility may alter, refuse, or discontinue service if debtor doesn't provide "adequate assurance of payment" within 30 days
- § 366(c)(1)(A): Adequate assurance may include cash deposit
- **Standard:** "Assurance of payment must be 'adequate,' which means that it needs to be in an amount that is sufficient to insure against unreasonable risk of nonpayment but not necessarily an absolute guarantee of the debtor's ability to pay." (In re Great Atl. & Pac. Tea Co., No. 11-CV-1338, 2011 WL 5546954, at *5 (S.D.N.Y. Nov. 14, 2011))

- **Totality of circumstances test:** "When considering whether a given assurance of payment is 'adequate,' the Court should examine the totality of the circumstances to make an informed decision as to whether the utility will be subject to an unreasonable risk of nonpayment." (In re Keydata Corp., 12 B.R. 156, 158 (B.A.P. 1st Cir. 1981))
- **Balancing principle:** "A bankruptcy court must focus upon the need of the utility for assurance, and . . . require that the debtor supply no more than that, since the debtor almost perforce has a conflicting need to conserve scarce financial resources." (Va. Elec. & Power Co., 117 F.3d at 650)
- "The Adequate Assurance Deposit and the Debtors' ongoing ability to meet obligations as they come due in the ordinary course as a result of the Debtors' proposed budget provides assurance of the Debtors' payment of their future obligations."
- Proposed procedures: 14-day Additional Assurance Request deadline; Determination Hearing within 30 days; utilities failing to timely request deemed to have received satisfactory assurance

• **Tax Payment Authority** (Emergency Motion for Taxes [Doc. 12], Pages 9-14; Declaration of Ben Chesters [Doc. 17], Pages 80-84)

Trust Fund Tax Theory (§ 541(b)(1)):

- Certain taxes collected from third parties held in trust for authorities and not property of estate
- Begier v. I.R.S., 496 U.S. 53, 59 (1990): Taxes held in trust do not constitute estate property
- City of Farrell v. Sharon Steel Corp., 41 F.3d 92, 97 (3d Cir. 1994): Withheld income held in trust
- Sales and use taxes (\$380,229.52 due within 21 days) represent trust fund obligations

Priority Claims Theory (§ 507(a)(8)):

- Many tax claims entitled to priority treatment
- § 1129(a)(9)(C): Priority tax claims must be paid through regular installments over maximum 5 years
- Payment now affects only timing; reduces total amount by avoiding penalties under § 507(a)(8)(G)

Personal Liability Avoidance:

- Officers/directors may be held personally liable for unpaid trust fund taxes
- IRC § 6672(a); Slodov v. United States, 436 U.S. 238 (1978)
- Failure to pay could subject officers/directors to lawsuits during Chapter 11, "creating distractions from estate preservation"

Business Judgment (§ 363(b)):

- Fifth Circuit: Courts grant relief upon finding "articulated business justification" (In re Cont'l Air Lines, Inc., 780 F.2d 1223, 1226 (5th Cir. 1986))
- Failure to pay could trigger: penalties/fees, audits, statutory liens, lift-stay motions
- Authorities could pursue administrative enforcement actions

Doctrine of Necessity (§ 105(a)):

- Courts may authorize prepetition payment when "essential to continued operation" (In re Just for Feet, Inc., 242 B.R. 821, 824-25 (D. Del. 1999))

• **Bankruptcy Rule 6003 - Immediate Relief Within 21 Days** (Multiple Emergency Motions)

- Rule 6003 permits relief within first 21 days "to the extent that relief is necessary to avoid immediate and irreparable harm"
- Applied to: wage payments, critical vendors, cash management, insurance, utilities, taxes, schedules extension

- Standard showing: "Failure to receive such authorization and other relief during the first twenty-one days of these Chapter 11 Cases would severely disrupt the Debtors' operations and significantly impact the Debtors' ability to focus on preserving and maximizing the value of the Debtors' estates."
- Relief "necessary in order for the Debtors to operate their businesses in the ordinary course and preserve the ongoing value of the Debtors' operations while maximizing the value of their estates for the benefit of all stakeholders"
- All emergency motions filed February 22-23, 2026 with February 24, 2026 hearing
- Satisfies "immediate and irreparable harm" standard for expedited consideration

DIP Order Supremacy and Subordination Provisions

- **Universal Subordination Clause in All Proposed Orders** (Consistent across all proposed first-day relief orders)
 - Standard provision: "any payment to be made or obligation, relief or authorization granted hereunder shall be consistent with, and shall be subject to, the requirements imposed on the Debtors under the terms of any interim or final order (as applicable) entered by the Court in these Chapter 11 Cases approving any postpetition financing entered into by the Debtors and/or the Debtors' use of cash collateral (the 'DIP Order')"
 - **Controlling provision: "To the extent there is any conflict between this Order and the DIP Order, the DIP Order shall govern."**
 - Effect: DIP lenders maintain ultimate control over all estate expenditures through budget and covenant compliance
 - Wage order (Doc. 7-1), Page 5; Cash management order (Doc. 8-1), Page 8; Critical vendor order (Doc. 9-1), Page 7; Insurance order (Doc. 10-1), Page 5; Tax order (Doc. 12-1), Page 5
- **Comprehensive Reservation of Rights in All Proposed Orders**
 - Standard language across all first-day proposed orders
 - Nothing constitutes: (a) admission of validity, priority, or enforceability of claims/liens, (b) waiver of rights to contest, (c) promise to pay prepetition claims, (d) admission claim is of type specified, (e) waiver of Bankruptcy Code rights, (f) authorization to assume/reject § 365 contracts, (g) concession liens are valid
 - "Rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens"
 - Security interest preservation: "Nothing... shall be construed to alter or impair any security interest or perfection thereof in favor of any person or entity that existed as of the Petition Date or that arises after the Petition Date"

Events of Default Under DIP Facility - Extensive List

- **Payment and Representation Defaults** (DIP Credit Agreement [Doc. 26], Page 94)
 - Failure to pay principal when due
 - Failure to pay interest, fees or other amounts (other than principal) continuing for 3 Business Days
 - Any representation or warranty proves materially false or misleading when made
- **Specific Covenant Defaults** (DIP Credit Agreement [Doc. 26], Pages 94-95)
 - Failure to observe: § 5.02(a) (notice of Default), § 5.03 (existence), § 5.08 (use of proceeds), § 5.14(a) (additional guarantors), § 5.18 (Approved DIP Budget), § 5.19 (Milestones), Article VI (negative covenants), or the proposed Orders
 - Failure to deliver Borrowing Base Certificate continuing for 1 day after due

- Failure to observe any other covenant continuing for 3 days after knowledge/notice
- **Chapter 11-Specific Events of Default** (DIP Credit Agreement [Doc. 26], Pages 95-97)
 - Failure to comply with Approved DIP Budget (subject to variance exclusions)
 - Unauthorized withdrawal from Funding Account
 - Sale of Collateral other than permitted under § 6.05
 - Bid Procedures Order or sale order stayed, vacated, reversed or modified without DIP Agent consent
 - Filing of plan other than Acceptable Plan
 - CRO terminated or engagement/scope modified without DIP Agent consent
 - Material Contract termination by counterparty
 - Filing motion/pleading inconsistent with Approved Sale/Acceptable Plan
 - Filing pleading to vacate/modify proposed Orders
 - Contesting validity/enforceability of Agreement or validity/perfection of liens
 - Proposed Order amended without Required Lenders consent
 - Proposed Order reversed, vacated or stayed
 - Material violation of proposed Orders
 - **Dismissal or conversion to Chapter 7**
 - Appointment of Chapter 11 trustee or examiner with expanded powers
 - Asset sale motion other than permitted
 - Relief from stay for assets over \$1MM fair value
 - Superpriority claim or lien senior/pari passu with DIP liens (except Permitted Encumbrances)
 - Payment of or adequate protection for prepetition debt over \$1MM (other than per proposed Orders)
 - Liens or claims cease to be valid/perfected/enforceable
 - Uninsured loss to material Collateral causing Material Adverse Effect
 - Agreement invalid in material respect
 - Final judgment over \$1MM for post-petition liabilities
 - Termination/modification of § 1121 exclusivity periods
 - Allowance of § 506(c) claim (other than Carve-Out)
 - Termination/revocation of guaranty
 - Injunction restraining material business operations with Material Adverse Effect
- **Change in Control Default** (DIP Credit Agreement [Doc. 26], Page 97)
 - Any Change in Control occurrence constitutes Event of Default
- **Cross-Defaults to Other Loan Documents** (DIP Credit Agreement [Doc. 26], Pages 96-97)
 - Default under any Loan Document constitutes Event of Default under all
 - Breach of representation/warranty in any Loan Document
 - Failure to perform covenants in any Loan Document
- **Remedies Upon Event of Default** (DIP Credit Agreement [Doc. 26], Pages 97-99; Proposed Interim DIP Order [Doc. 14-1], Pages 43-45)
 - With Required Lenders consent, Administrative Agent may: (i) declare commitments terminated, (ii) declare all amounts immediately due and payable
 - Exercise all rights and remedies of secured party under NY UCC or other applicable law
 - Collect, receive and realize upon Collateral without demand or notice
 - Sell, lease or dispose of Collateral at public or private sale on terms deemed advisable

- Purchase Collateral at sales free of redemption rights
- Require Borrower to assemble Collateral at places selected by Agent
- Require storage/keeping of Collateral with guards/maintenance
- Hold or use Collateral for preserving value
- Seek appointment of receiver or keeper without prior notice
- Apply net proceeds per specified waterfall in § 2.20(b)
- **10 days' notice deemed reasonable for any required sale notice**
- **Process:** DIP Agent delivers DIP Termination Notice → 5-business-day DIP Agent Remedies Notice Period → During notice period, Debtors may seek emergency hearing to contest default → If hearing requested, remedies notice period continues until Court rules → Post-notice remedies include: freeze accounts, set-off, foreclosure (subject to Carve-Out and after filing Stay Relief Motion with 5-day notice)

C. Defined Terms - Comprehensive Consolidated List

Note: This section consolidates defined terms from all documents, organized alphabetically with source attribution.

- **401(k) Plan:** "defined contribution 401(k) profit sharing plan... administered by Ascensus, LLC" (Emergency Motion for Wages [Doc. 7], Page 23)
- **503(b)(9) Claimants:** "vendors from which the Debtors may have received certain goods or materials... in the ordinary course of business within twenty days before the Petition Date" with claims entitled to administrative priority under § 503(b)(9) (Emergency Motion for Critical Vendors [Doc. 9], Page 12)
- **ABL Agent:** JPMorgan Chase Bank, N.A., as administrative agent and collateral agent under the Prepetition ABL Credit Agreement (Declaration of Ben Chesters [Doc. 17], Page 16)
- **Adequate Assurance Account:** Segregated account to hold utility adequate assurance deposit (Emergency Motion for Utilities [Doc. 11], Page 6; Declaration of Ben Chesters [Doc. 17], Page 79)
- **Adequate Assurance Deposit:** \$18,597 deposit for utility companies (Emergency Motion for Utilities [Doc. 11], Page 6)
- **Adequate Protection:** Protection granted to Prepetition Secured Parties as provided in proposed DIP orders (Proposed Interim DIP Order [Doc. 14-1], Page 19)
- **Adequate Protection Obligations:** All adequate protection provided to Prepetition Secured Parties including replacement liens, § 507(b) claims, and current payment of professional fees (Proposed Interim DIP Order [Doc. 14-1], Page 48)
- **AFCO:** AFCO Premium Credit LLC, servicer of Premium Financing Agreement for property insurance (Emergency Motion for Insurance [Doc. 10], Page 6)
- **Agent:** Epiq Corporate Restructuring, LLC as claims, noticing, and solicitation agent (Emergency Ex Parte Application [Doc. 4], Page 2)
- **Aggregate Commitment:** Total commitments of all Lenders; \$25,514,586.52 as of Effective Date (DIP Credit Agreement [Doc. 26], Page 3)
- **Allowed Professional Fees:** "to the extent allowed at any time, whether by interim order, procedural order, or otherwise, all unpaid fees, costs, and expenses... incurred by persons or firms retained by the Debtors pursuant to section 327, 328, or 363 of the Bankruptcy Code... and any Creditors' Committee" (Proposed Interim DIP Order [Doc. 14-1], Page 30)
- **Alternate Base Rate:** Greatest of: (a) Prime Rate, (b) NYFRB Rate plus 0.5%, or (c) Adjusted Term SOFR Rate for one month plus 1.0%; with 1.00% floor (DIP Credit Agreement [Doc. 26], Page 3)

- **Ankura:** Ankura Consulting Group, LLC, restructuring advisor engaged September 2025 (Declaration of Ben Chesters [Doc. 19], Page 1)
- **Applicable Rate:** 6.50% per annum (DIP Credit Agreement [Doc. 26], Page 7)
- **Applicable Ticking Fee Rate:** 0.35% per annum (DIP Credit Agreement [Doc. 26], Page 7)
- **Approved DIP Budget:** Written rolling 13-week budget setting forth projected cash receipts and disbursements on weekly basis, including line-items for Receipts, Operating Expenditures (including Capital Expenditures), Professional Expenses, and Other Disbursements; updated every four weeks on Thursday; deemed approved if DIP Agent doesn't respond within 5 business days (DIP Credit Agreement [Doc. 26], Page 13; Proposed Interim DIP Order [Doc. 14-1], Page 21)
- **Asset Purchase Agreement:** Agreement dated February 16, 2026 between Service Compression, LLC and the Debtors for sale of substantially all assets (Voluntary Petition, Page 8)
- **Authorities:** Various federal, state, and local governments including taxing authorities (Emergency Motion for Taxes [Doc. 12], Page 5)
- **Automatic Stay:** Stay imposed by § 362 of Bankruptcy Code (Proposed Interim DIP Order [Doc. 14-1], Page 4)
- **Avoidance Actions:** Claims and causes of action under §§ 502(d), 544, 545, 547, 548, 550 or other avoidance actions under Bankruptcy Code (Proposed Interim DIP Order [Doc. 14-1], Page 39)
- **Bank or JPM:** JPMorgan Chase Bank, N.A. (Emergency Motion for Cash Management [Doc. 8], Page 5)
- **Bank Accounts:** Seven bank accounts maintained by Debtors, all at JPMorgan Chase Bank, N.A. (Emergency Motion for Cash Management [Doc. 8], Page 5; Declaration of Ben Chesters [Doc. 17], Pages 58-59)
- **Bank Fees:** Fees and expenses related to administering Bank Accounts including wire transfers and other standard fees (Emergency Motion for Cash Management [Doc. 8], Page 8)
- **Bankruptcy Code:** Title 11 of the United States Code (Multiple Documents, Page 2)
- **Bankruptcy Rules:** Federal Rules of Bankruptcy Procedure (Multiple Documents, Page 2)
- **Base Purchase Price:** \$161,000,000 cash consideration under Stalking Horse Agreement (Declaration of Robert A. Pacha [Doc. 18], Page 13)
- **Benefits Programs:** Expense reimbursements, withholding taxes, health insurance, life/AD&D/disability insurance, retirement benefits, paid time off, and other benefits historically provided to employees (Emergency Motion for Wages [Doc. 7], Page 6; Declaration of Ben Chesters [Doc. 17], Page 42)
- **Borrower:** Axip Energy Services, LP (DIP Credit Agreement [Doc. 26], Page 1)
- **Business Forms:** Letterhead, purchase orders, and invoices (Emergency Motion for Cash Management [Doc. 8], Page 8)
- **Carve-Out:** Fees and expenses entitled to priority over DIP and prepetition liens, including U.S. Trustee fees, trustee fees up to \$150,000, and Allowed Professional Fees subject to Pre and Post Carve-Out Trigger Notice Caps (Proposed Interim DIP Order [Doc. 14-1], Pages 30-31)
- **Carve-Out Trigger Notice:** Written notice delivered by DIP Agent invoking Post Carve-Out Trigger Notice Cap, deliverable only following Event of Default (Proposed Interim DIP Order [Doc. 14-1], Pages 31-32)
- **Cash Collateral:** All cash that constitutes or will constitute cash collateral of DIP Secured Parties or Prepetition Secured Parties within meaning of § 363(a) (Proposed Interim DIP Order [Doc. 14-1], Page 7; Voluntary Petition, Page 8)
- **Cash Management System:** System through which Debtors manage cash, receivables, and payables including use of third-party processors (Emergency Motion for Cash Management [Doc. 8], Page 4; Declaration of Ben Chesters [Doc. 17], Page 57)

- **Challenge Period:** Time period for parties to challenge Debtors' stipulations regarding prepetition debt (60 days for most parties from interim order entry; earlier of 60 days after appointment, 60 days from interim order, or Bid Deadline for committee) (Proposed Interim DIP Order [Doc. 14-1], Pages 63-64)
- **Chapter 11 Cases:** Bankruptcy cases filed by Debtors under Chapter 11 of Bankruptcy Code (Multiple Documents)
- **Collections:** All cash receipts by Debtors from any source including accounts, sale of property, loan advances, refunds (Proposed Interim DIP Order [Doc. 14-1], Page 27)
- **Compensation and Benefits Programs:** Collectively, Compensation Programs and Benefits Programs (Emergency Motion for Wages [Doc. 7], Page 6)
- **Compensation Programs:** Wages, salaries, and other compensation owed to Employees and Independent Contractor (Emergency Motion for Wages [Doc. 7], Page 5)
- **Complex Case Procedures:** Procedures for Complex Cases in the Southern District of Texas (Multiple Documents, Page 3)
- **Corporate Card Program:** Company-paid credit cards and fuel cards for work-related expenses (Emergency Motion for Cash Management [Doc. 8], Page 9; Declaration of Ben Chesters [Doc. 17], Page 62)
- **Corporate Credit Cards:** 56 company-paid credit cards from JPMorgan Chase Bank, N.A. (Emergency Motion for Cash Management [Doc. 8], Page 9)
- **Corporate Fuel Cards:** 184 fuel cards from WEX Inc. (Emergency Motion for Cash Management [Doc. 8], Page 9)
- **Court:** United States Bankruptcy Court for the Southern District of Texas, Houston Division (Multiple Documents, Page 2)
- **Creditor Matrix:** Consolidated list of creditors for all Debtors (Emergency Motion for Creditor Matrix [Doc. 5], Page 5)
- **Creditors' Committee:** Official committee of unsecured creditors appointed pursuant to § 1102 (Proposed Interim DIP Order [Doc. 14-1], Page 7)
- **Critical Vendors:** Vendors, suppliers, and service providers unaffiliated with Debtors whose continued provision is crucial to ongoing operations (Emergency Motion for Critical Vendors [Doc. 9], Page 6; Declaration of Ben Chesters [Doc. 17], Page 67)
- **Customary Trade Terms:** With respect to a Vendor, (a) normal and customary trade terms most favorable to Debtors in effect during 12-month period prior to Petition Date or (b) other terms agreed that are more favorable to Debtors (Emergency Motion for Critical Vendors [Doc. 9], Page 13, footnote 9; Proposed Interim Order on Critical Vendors [Doc. 9-1], Page 3, footnote 3)
- **Customer List:** Names, email addresses, physical addresses, and telephone numbers of Debtors' customers (Emergency Motion for Creditor Matrix [Doc. 5], Page 8)
- **Debtors:** Above-captioned debtors and debtors in possession, collectively: Axip Energy Services, LP (9220); Axip Energy Services Management, LLC (9986); Axip Holdings, LLC (6302); Axip Leasing Company, LLC (5678); Axip Producer Services - Marcellus I, LLC (3312); Axip Producer Services, LLC (4792); E3 Compression Holdings LLC (0825) (Multiple Documents)
- **DIP Agent:** JPMorgan Chase Bank, N.A., as administrative agent and collateral agent under DIP facility (Proposed Interim DIP Order [Doc. 14-1], Page 2; DIP Credit Agreement [Doc. 26], Page 1)
- **DIP Agent Remedies Notice Period:** Five Business Days notice following DIP Termination Notice, during which Debtors may seek emergency hearing to contest Event of Default (Proposed Interim DIP Order [Doc. 14-1], Page 44)
- **DIP Collateral:** All property subject to DIP Liens consisting of three categories: Unencumbered Property, property subject to priming liens, and property subject to junior liens (Proposed Interim DIP Order [Doc. 14-1], Pages 40-41)

- **DIP Credit Agreement:** Debtor-in-Possession Term Loan Credit Agreement dated as of February 24, 2026 (proposed effective date) (DIP Credit Agreement [Doc. 26], Page 1, 6)
- **DIP Documents:** Collectively, DIP Credit Agreement, proposed Interim Order, proposed Final Order, and any other agreements executed in connection therewith (Proposed Interim DIP Order [Doc. 14-1], Page 3)
- **DIP Event of Default:** An Event of Default as defined in DIP Credit Agreement (Proposed Interim DIP Order [Doc. 14-1], Page 43)
- **DIP Facility:** Senior secured superpriority, priming debtor-in-possession multi-draw term loan credit facility in aggregate principal amount of approximately \$104,830,267 (Emergency Motion for DIP Financing [Doc. 14], Page 2; Declaration of Robert A. Pacha [Doc. 18], Page 1; Declaration of Ben Chesters [Doc. 19], Page 2)
- **DIP Guarantors:** Non-Borrower Debtors who jointly and severally guarantee DIP Loans and other DIP Obligations (Proposed Interim DIP Order [Doc. 14-1], Page 3)
- **DIP Lenders:** Several financial institutions or entities providing New Money DIP Loans (Proposed Interim DIP Order [Doc. 14-1], Page 2)
- **DIP Liens:** All security interests and liens granted to DIP Agent for benefit of DIP Secured Parties (Proposed Interim DIP Order [Doc. 14-1], Page 40)
- **DIP Loan Parties:** Borrower and DIP Guarantors collectively (Proposed Interim DIP Order [Doc. 14-1], Page 3)
- **DIP Loans:** Collectively, New Money DIP Loans and DIP Roll-Up Loans (Proposed Interim DIP Order [Doc. 14-1], Page 3)
- **DIP Obligations:** Loans, advances, extensions of credit, financial accommodations, reimbursement obligations, fees, costs, expenses and other liabilities, and all other obligations due under DIP Documents (Proposed Interim DIP Order [Doc. 14-1], Page 3)
- **DIP Order:** Any interim or final order entered by Court approving postpetition financing and/or use of cash collateral and any budgets in connection therewith (Multiple Proposed Orders; DIP Credit Agreement [Doc. 26], Page 7)
- **DIP Priming Liens:** Valid, binding, continuing, enforceable, fully-perfected first priority senior priming security interests senior to Prepetition Secured Liens except Permitted Senior Liens (Proposed Interim DIP Order [Doc. 14-1], Page 41)
- **DIP Proceeds Account:** Segregated account controlled by DIP Agent into which all DIP financing proceeds initially funded (Proposed Interim DIP Order [Doc. 14-1], Page 30)
- **DIP Roll-Up Loans:** Collectively, Interim DIP Roll-Up Loans, Creeping DIP Roll-Up Loans, and Final DIP Roll-Up Loans (Emergency Motion for DIP Financing [Doc. 14], Pages 2-3)
- **DIP Secured Parties:** Collectively, DIP Agent and DIP Lenders (Proposed Interim DIP Order [Doc. 14-1], Page 2)
- **DIP Superpriority Claims:** Allowed superpriority administrative expense claims against DIP Loan Parties on joint and several basis with priority over all claims except Carve-Out (Proposed Interim DIP Order [Doc. 14-1], Pages 38-39)
- **DIP Termination Notice:** Written notice delivered by DIP Agent following DIP Event of Default, triggering 5-business-day remedies notice period (Proposed Interim DIP Order [Doc. 14-1], Page 43)
- **Employees:** Approximately 149 full-time and part-time employees (108 hourly, 41 salaried) (Emergency Motion for Wages [Doc. 7], Page 4; Declaration of Ben Chesters [Doc. 17], Page 10)
- **Engagement Letter:** Engagement letter dated September 25, 2025 between E3 Compression Holdings LLC and Epig Corporate Restructuring, LLC (Emergency Ex Parte Application [Doc. 4], Page 2; Document 13)
- **Evercore:** Evercore Group, L.L.C., investment banker engaged March 2025 (Voluntary Petition, Page 12; Declaration of Robert A. Pacha [Doc. 18], Page 1)
- **First Day Declaration:** Declaration of Ben Chesters in Support of Chapter 11 Petitions and First Day Motions filed

contemporaneously (Multiple Emergency Motions; Document 17)

- **Independent Contractor:** One independent contractor providing accounting advisory services at \$11,000/month (Emergency Motion for Wages [Doc. 7], Page 8; Declaration of Ben Chesters [Doc. 17], Page 40)
- **Intercompany Transactions:** Business transactions between Debtors conducted in ordinary course (Emergency Motion for Cash Management [Doc. 8], Page 11; Declaration of Ben Chesters [Doc. 17], Page 64)
- **Interim DIP Order:** Proposed interim order authorizing DIP financing and cash collateral use (Emergency Motion for DIP Financing [Doc. 14], Page 4; Document 14-1)
- **Insurance Policies:** Nine insurance policies through five carriers providing various coverage types (Emergency Motion for Insurance [Doc. 10], Page 4; Declaration of Ben Chesters [Doc. 17], Page 86)
- **Lien Claimants:** Third parties that may assert mechanics' liens, construction liens, materialmen liens, transportation liens, possessory liens, and similar liens against Debtors' property (Emergency Motion for Critical Vendors [Doc. 9], Page 9; Declaration of Ben Chesters [Doc. 17], Page 70)
- **Local Rules:** Bankruptcy Local Rules for the Southern District of Texas (Multiple Documents, Page 2-3)
- **Maturity Date:** Earlier of (a) 90 days from Petition Date (extendable to 120 days with all Lenders' consent), (b) sale closing, (c) plan effective date, or (d) acceleration date (DIP Credit Agreement [Doc. 26], Page 23)
- **Motion:** Varies by document - each emergency motion has specific title (e.g., "Emergency Motion for Entry of an Order Directing Joint Administration," etc.)
- **New Money DIP Loans:** Approximately \$25,514,587 of new postpetition loans consisting of Interim New Money DIP Loans (\$13,040,959) and Final New Money DIP Loans (\$12,473,628) (Emergency Motion for DIP Financing [Doc. 14], Page 2; Proposed Interim DIP Order [Doc. 14-1], Page 2)
- **Order:** The order (proposed or entered) granting relief requested in each respective motion
- **Permitted Growth Capital Expenditure:** Growth capital expenditure that is (a) permitted under Superpriority Credit Agreement with invoice issued before Effective Date (if goods/services fully delivered) subject to Approved DIP Budget, and (b) for redeployment, make ready, and/or electric conversion (excluding new-build, configuration changes, zero-hour redeployment) subject to Approved DIP Budget and DIP Agent satisfaction that expenditure pursuant to active contract and undertaken to maintain/increase cash flows or sale purchase price (DIP Credit Agreement [Doc. 26], Page 28)
- **Permitted Sale:** Sales meeting thresholds and consent requirements in DIP Credit Agreement § 6.05(b): (i) sales with Administrative Agent consent for individual amounts \$100K-\$1MM (aggregate cap \$3MM) or with Agent and Required Lenders consent over \$1MM, (ii) sales under \$100K individual and \$500K aggregate, (iii) specific identified sales (Compressor Unit A7252 to Castex Energy or COP Header Rack Purchase Option) (DIP Credit Agreement [Doc. 26], Page 29)
- **Permitted Variance:** With respect to aggregate Variance Test for any Testing Period, an aggregate unfavorable Variance equal to or less than 15%; Debtors may carry forward budgeted but unused Total Operating Disbursements for use in subsequent Testing Period (Proposed Interim DIP Order [Doc. 14-1], Page 38; DIP Credit Agreement [Doc. 26], Page 92)
- **Petition Date:** February 22, 2026 (Multiple Documents)
- **Post Carve-Out Trigger Notice Cap:** \$1,000,000 for Debtor Professionals + \$200,000 for Committee Professionals in Allowed Professional Fees incurred after first business day following Carve-Out Trigger Notice delivery (Proposed Interim DIP Order [Doc. 14-1], Page 31)
- **Pre Carve-Out Trigger Notice Cap:** Unlimited Allowed Professional Fees incurred before Carve-Out Trigger Notice (Proposed Interim DIP Order [Doc. 14-1], Page 31)
- **Premium Financing Agreement:** Financing agreement with AFCO Premium Credit LLC for \$447,328 of property

liability insurance premiums (Emergency Motion for Insurance [Doc. 10], Page 6)

- **Prepetition 2L Agent:** Permico, Inc., as administrative agent under Prepetition 2L Credit Agreement (Declaration of Ben Chesters [Doc. 17], Page 17)
- **Prepetition 2L Credit Agreement:** Amended and Restated Second Lien Term Loan Agreement dated September 22, 2022 (Declaration of Ben Chesters [Doc. 17], Page 17; Proposed Interim DIP Order [Doc. 14-1], Page 10)
- **Prepetition 2L Debt:** Not less than \$19,500,550.59 in outstanding obligations (Proposed Interim DIP Order [Doc. 14-1], Page 13)
- **Prepetition ABL Agent:** JPMorgan Chase Bank, N.A., as administrative agent and collateral agent under Prepetition ABL Credit Agreement (Declaration of Ben Chesters [Doc. 17], Page 16)
- **Prepetition ABL Credit Agreement:** Fourth Amended and Restated Credit Agreement dated September 23, 2023, as amended (Declaration of Ben Chesters [Doc. 17], Page 16; Proposed Interim DIP Order [Doc. 14-1], Page 9)
- **Prepetition ABL Debt:** Not less than \$207,839,082.36 in outstanding obligations (Proposed Interim DIP Order [Doc. 14-1], Page 13)
- **Prepetition Collateral:** Substantially all assets and property including cash collateral and all proceeds (Proposed Interim DIP Order [Doc. 14-1], Page 14)
- **Prepetition Secured Parties:** Collectively, Prepetition Senior Secured Parties and Prepetition 2L Secured Parties (Proposed Interim DIP Order [Doc. 14-1], Page 9)
- **Prepetition Senior Secured Parties:** Collectively, Prepetition Superpriority Secured Parties and Prepetition ABL Secured Parties (Proposed Interim DIP Order [Doc. 14-1], Page 9)
- **Prepetition Superpriority Agent:** JPMorgan Chase Bank, N.A., as administrative agent and collateral agent under Prepetition Superpriority Credit Agreement (Declaration of Ben Chesters [Doc. 17], Page 13)
- **Prepetition Superpriority Credit Agreement:** Term Loan Credit Agreement dated September 23, 2025, as amended October 30, 2025 and February 20, 2026 (Declaration of Ben Chesters [Doc. 17], Page 13; Proposed Interim DIP Order [Doc. 14-1], Page 8)
- **Prepetition Superpriority Debt:** Not less than \$13,160,147.31 in outstanding obligations (Proposed Interim DIP Order [Doc. 14-1], Page 12)
- **Professional Fee Reserve Account:** Escrow account at Epiq Corporate Restructuring LLC for reserving and paying unpaid Allowed Professional Fees, administered pursuant to Escrow Agreement (Proposed Interim DIP Order [Doc. 14-1], Pages 35-36)
- **Proposed Adequate Assurance:** Collectively, availability of Adequate Assurance Deposit together with demonstrated ability to pay future utility services in ordinary course (Emergency Motion for Utilities [Doc. 11], Page 7)
- **Roll-Up Loans:** Loans deemed made pursuant to DIP Credit Agreement § 2.02(c) including: (i) \$13,160,147 Superpriority conversion on Effective Date, (ii) Upfront Fees conversion, (iii) automatic daily cash receipts conversion, (iv) \$59,856,821 ABL conversion upon Final DIP Order (DIP Credit Agreement [Doc. 26], Pages 42-43)
- **Sale-Leaseback Program:** Transaction structure where Axip purchases compressor units → sells to Axip Leasing → leases back for customer deployment (Emergency Motion for Cash Management [Doc. 8], Page 12; Declaration of Ben Chesters [Doc. 17], Page 65)
- **Sale Transaction:** Sale of all or substantially all assets of Loan Parties pursuant to § 363 or § 1129, or otherwise in manner satisfactory to Required Lenders (DIP Credit Agreement [Doc. 26], Page 32)
- **Schedules and Statements:** Schedules of assets and liabilities and statements of financial affairs required under § 521(a)(1) and Bankruptcy Rule 1007 (Emergency Motion for Extension [Doc. 6], Page 4; Declaration of Ben Chesters

[Doc. 17], Page 38)

- **Service Compression (SC):** Service Compression, LLC, stalking horse bidder (Declaration of Ben Chesters [Doc. 17], Page 27; Declaration of Robert A. Pacha [Doc. 18], Page 13)
- **Specified Asset Purchase Agreement:** Asset Purchase Agreement dated February 16, 2026 between Service Compression, LLC as purchaser and E3 Compression Holdings, LLC, Axiom Energy Services, LP and subsidiaries as sellers (DIP Credit Agreement [Doc. 26], Page 34; Voluntary Petition, Page 8)
- **Superpriority Facility Payoff:** (i) Indebtedness under Superpriority Credit Agreement repaid in full per proposed Interim Order, (ii) commitments terminated, (iii) all guarantees and liens released (DIP Credit Agreement [Doc. 26], Page 66)
- **Taxes and Fees:** Property taxes, franchise and income taxes, sales/use/excise taxes, and other administrative, governmental, and regulatory fees and assessments (Emergency Motion for Taxes [Doc. 12], Pages 4-5; Declaration of Ben Chesters [Doc. 17], Page 80)
- **Testing Period:** Each rolling cumulative two-week period beginning with first full week after Petition Date (with special provisions for initial weeks) (Proposed Interim DIP Order [Doc. 14-1], Page 38)
- **Top 30 List:** Single list of thirty largest general unsecured creditors on consolidated basis (Emergency Motion for Creditor Matrix [Doc. 5], Page 6)
- **U.S. Trustee:** Office of the United States Trustee for the Southern District of Texas (Multiple Documents)
- **Utility Companies:** Companies providing electricity, gas, water, waste disposal, telecommunications, internet, and similar services (Emergency Motion for Utilities [Doc. 11], Page 5; Declaration of Ben Chesters [Doc. 17], Page 78)
- **Utility Services List:** Non-exclusive list of 28 utility companies providing services to Debtors, attached as Exhibit B to utility motion (Emergency Motion for Utilities [Doc. 11], Page 5)
- **Variance:** Any difference on aggregate basis between actual and projected cumulative cash disbursements in Approved Budget (Proposed Interim DIP Order [Doc. 14-1], Page 37)
- **Variance Testing Date:** Friday of most recently ended calendar week as of which variances measured (DIP Credit Agreement [Doc. 26], Page 79)
- **Vendors:** Collectively, Critical Vendors, Lien Claimants, and 503(b)(9) Claimants (Emergency Motion for Critical Vendors [Doc. 9], Page 4; Declaration of Ben Chesters [Doc. 17], Page 66)
- **Workforce:** Collectively, Employees, Independent Contractor, and Temporary Workers (Emergency Motion for Wages [Doc. 7], Page 4; Declaration of Ben Chesters [Doc. 17], Page 40)
- **Workers' Compensation Program:** Workers' compensation insurance at level required by law in states where Debtors operate (Emergency Motion for Insurance [Doc. 10], Page 8; Emergency Motion for Wages [Doc. 7], Page 20; Declaration of Ben Chesters [Doc. 17], Page 90)

4. Key Dates and Timeline

Pre-Petition Events (2022-2025)

- **September 22, 2022:**
 - Amended and Restated Second Lien Term Loan Agreement originated with Permico, Inc. as agent; initial term loans of \$17,581,191 (Declaration of Ben Chesters [Doc. 17], Page 17)

- LLC Agreement of E3 Compression Holdings LLC executed (Voluntary Petition, Page 7)
- **September 2022:** Energy Spectrum Capital LP affiliated fund acquired company through equity purchase transaction, obtaining 97.49% ownership of E3 Compression Holdings LLC (Declaration of Ben Chesters [Doc. 17], Pages 5, 11)
- **September 23, 2023:** Fourth Amended and Restated Credit Agreement for ABL Facility executed with JPMorgan Chase Bank, N.A. as agent (Voluntary Petition, Page 10; Declaration of Ben Chesters [Doc. 17], Page 16)
- **December 2023:** Debtors purchased 10 new compression units (each 2,500 horsepower) for customer deployment (Declaration of Ben Chesters [Doc. 17], Page 21)
- **Q1 2024:** Major offshore Gulf of Mexico customer filed Chapter 11 bankruptcy and liquidated, stranding 24 compression units (over 15% of horsepower) and causing millions in lost EBITDA (Declaration of Ben Chesters [Doc. 17], Page 22)
- **2023-2024 (6 months):** Acquired customer shifted to centralized compression model, returning electric wellhead units prematurely (Declaration of Ben Chesters [Doc. 17], Pages 22-23)
- **March 2025:** Debtors engaged Evercore Group, L.L.C. as investment banker to pursue comprehensive refinancing (Declaration of Ben Chesters [Doc. 17], Page 24; Declaration of Robert A. Pacha [Doc. 18], Page 4)
- **March 6, 2025:** Sale and leaseback of two compressor units to CEO Mr. Stiles (Declaration of Ben Chesters [Doc. 17], Page 23, footnote 5)
- **Spring-Fall 2025:** Refinancing Process with 85 parties contacted; 55 entered confidentiality agreements; 13 provided indications of interest; 9 proceeded to second round; **ultimately no actionable proposals** (Declaration of Robert A. Pacha [Doc. 18], Page 4; Declaration of Ben Chesters [Doc. 17], Page 24)
- **July 2025:** Initially intended closing date for refinancing (extended into September without success) (Declaration of Robert A. Pacha [Doc. 18], Page 4)
- **August 2025:** Energy Spectrum provided additional equity to fund interim operations (Declaration of Ben Chesters [Doc. 17], Page 25; Declaration of Robert A. Pacha [Doc. 18], Page 5)
- **September 2025:**
 - Refinancing failed; parties pivoted to sale process (Declaration of Ben Chesters [Doc. 17], Page 25)
 - Ankura Consulting LLC engaged as restructuring advisor; Ben Chesters appointed CRO (Declaration of Ben Chesters [Doc. 17], Page 26; Declaration of Ben Chesters [Doc. 19], Page 3)
 - Peter Laurinaitis joined E3 Holdings as independent executive committee member (Declaration of Ben Chesters [Doc. 17], Page 26)
- **September 7, 2025:** Written consent tasking Independent EC Member with evaluating strategic alternatives (Voluntary Petition, Page 7)
- **September 23, 2025:**
 - Prepetition Superpriority Credit Agreement executed with JPMorgan Chase Bank, N.A. providing \$15,653,000 initial liquidity (Declaration of Ben Chesters [Doc. 17], Page 13)
 - **Prepetition ABL Facility maturity date passed** (already in default; forbearance agreements in effect)
 - First ABL Forbearance Agreement executed (Declaration of Ben Chesters [Doc. 17], Page 15)
 - Collateral Agency Agreement establishing pari passu liens with payment waterfall (Proposed Interim DIP Order [Doc. 14-1], Page 11)
- **September 25, 2025:**

- Engagement Letter executed with Epiq Corporate Restructuring, LLC (Emergency Ex Parte Application [Doc. 4], Page 2; Document 13)
- **\$25,000 retainer paid to Epiq** (Emergency Ex Parte Application [Doc. 4], Page 3)
- **September-December 2025:** Sale Process with 54 parties contacted (alternatively 21 per Chesters); 22 executed confidentiality agreements; 5 submitted indications of interest (Declaration of Robert A. Pacha [Doc. 18], Page 12; Declaration of Ben Chesters [Doc. 17], Page 26)
- **October 2025:** Parties reached agreement in principle on high-level DIP terms (Declaration of Robert A. Pacha [Doc. 18], Page 6)
- **October 19, 2025:**
 - **Superpriority Facility initial tranche maturity date** (already extended via forbearance)
 - First Forbearance to Term Loan Credit Agreement for Superpriority Facility (Declaration of Ben Chesters [Doc. 17], Page 14)
 - Second ABL Forbearance Agreement (Declaration of Ben Chesters [Doc. 17], Page 15)
- **October 25, 2025:** Email extension of Superpriority forbearance (Declaration of Ben Chesters [Doc. 17], Page 14)
- **October 30, 2025:** First Amendment adding \$850,000 First Incremental Superpriority facility (Declaration of Ben Chesters [Doc. 17], Page 14)
- **November 7, 2025:** Second email extension of Superpriority forbearance (Declaration of Ben Chesters [Doc. 17], Page 14)
- **November 9, 2025: First Incremental Superpriority facility maturity date** (Declaration of Ben Chesters [Doc. 17], Page 13, table)
- **November 24, 2025:** Second Forbearance to Term Loan Credit Agreement (Declaration of Ben Chesters [Doc. 17], Page 14)
- **November 25, 2025:** Superpriority Forbearance Agreement referenced in DIP Credit Agreement (DIP Credit Agreement [Doc. 26], Recitals, Page 1)
- **December 9, 2025:** Extension of Second Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 14)
- **December 11, 2025:** Second extension of Second Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 14)
- **December 17, 2025:** Third Forbearance to Term Loan Credit Agreement (Declaration of Ben Chesters [Doc. 17], Page 14)
- **December 26, 2025:** Email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **January 6, 2026:** Email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **January 12, 2026:** Email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **January 14, 2026:** Email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **January 24, 2026:** Email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **January 31, 2026:** End date of 12-month period for calculating Average Monthly Utility Company Cost (Declaration of Ben Chesters [Doc. 17], Page 78)

- **February 9, 2026:** Email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **February 12, 2026:** Interim and Contract Solutions Agreement with Korn Ferry for temporary workers (Declaration of Ben Chesters [Doc. 17], Page 40)
- **February 16, 2026:**
 - **Asset Purchase Agreement executed with Service Compression, LLC** (stalking horse agreement) (Voluntary Petition, Page 8; Declaration of Ben Chesters [Doc. 17], Page 27; DIP Credit Agreement [Doc. 26], Page 34)
 - Base Purchase Price: \$161,000,000 cash (subject to adjustment) plus assumption of liabilities
- **February 18, 2026:** Final email extension of Third Superpriority Forbearance (Declaration of Ben Chesters [Doc. 17], Page 15)
- **February 20, 2026:**
 - Second Amendment adding \$1,922,591.23 Second Incremental Superpriority facility (Declaration of Ben Chesters [Doc. 17], Page 15)
 - **Second Incremental facility maturity date** (same day as originated)
 - Most recent payroll cycle ended; paid February 21, 2026 (Declaration of Ben Chesters [Doc. 17], Page 43)
- **February 21, 2026:** Payroll payment made for February 20 cycle (one day before bankruptcy filing) (Declaration of Ben Chesters [Doc. 17], Page 43)

Post-Petition Events and Deadlines (February 2026 Forward)

- **February 22, 2026 (Petition Date):**
 - Seven Debtors filed voluntary Chapter 11 petitions (Voluntary Petition, Page 1; Multiple Documents)
 - Debtors filed 11 emergency "first day" motions (Documents 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, plus DIP Motion Doc. 14)
 - **Interim Order on Cash Management entered** (Document 8-1)
 - Combined cash on hand across all seven bank accounts: approximately \$700
 - Independent EC Member Written Consent authorizing bankruptcy filing executed (Voluntary Petition, Pages 7-8)
- **February 23, 2026:**
 - Debtors filed additional documents including:
 - Notice of Filing of Exhibit B (Engagement Letter with Epiq) (Document 13)
 - Emergency Motion for DIP Financing with proposed Interim Order (Documents 14, 14-1)
 - Declaration of Ben Chesters [Doc. 17] (First Day Declaration)
 - Declaration of Robert A. Pacha [Doc. 18] (Evercore declaration)
 - Declaration of Ben Chesters [Doc. 19] (DIP-specific declaration)
 - Notice of Filing of Exhibit B (DIP Credit Agreement) (Document 26)
 - **Milestone deadline:** File DIP Motion and bidding procedures motion (Day 1 requirement) ✓ **MET**
- **February 24, 2026:**
 - **Emergency hearing scheduled at 11:00 a.m. Central Time** for all first-day relief (Multiple Emergency Motions, Page 1)
 - Hearing location: Courtroom 402, Floor 4, 515 Rusk Avenue, Houston, Texas 77002

- Participation: Audio dial-in (832) 917-1510, Conference code 590153; Video via GoToMeeting using code "JudgeLopez"
- **Proposed Effective Date for DIP Credit Agreement** (DIP Credit Agreement [Doc. 26], Page 6)
- **February 25, 2026 (by): Milestone deadline:** Obtain entry of proposed Interim DIP Order (Day 3) (Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81; DIP Credit Agreement [Doc. 26], Page 79)
- **March 5, 2026 @ 5:00 p.m. ET:** First biweekly Variance Test report due (Proposed Interim DIP Order [Doc. 14-1], Page 37; DIP Credit Agreement [Doc. 26], Page 78)
- **March 8, 2026:** Standard 14-day deadline for filing Schedules and Statements (would apply absent extension) (Emergency Motion for Extension [Doc. 6], Page 4)
- **March 9, 2026 (by): Milestone deadline:** Obtain entry of proposed Bid Procedures Order (Day 15) (Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81; DIP Credit Agreement [Doc. 26], Page 79)
- **March 19, 2026:** Monthly Borrowing Base Certificate due for February 2026 (Proposed Interim DIP Order [Doc. 14-1], Pages 51-52)
- **March 20, 2026: CRITICAL:** Final AFCO installment payment of \$46,251.82 due for property insurance premium financing (Emergency Motion for Insurance [Doc. 10], Page 6; Declaration of Ben Chesters [Doc. 17], Page 88)
- **March 22, 2026: Prepetition Second Lien Facility scheduled maturity date** (now stayed by bankruptcy filing) (Declaration of Ben Chesters [Doc. 17], Page 17)
- **March 23, 2026 @ 5:00 p.m. CT:** Sale Objection Deadline per proposed bidding procedures (Declaration of Robert A. Pacha [Doc. 18], Page 14)
- **March 24, 2026 @ 10:30 a.m. CST:** Section 341 meeting of creditors scheduled (Emergency Motion for Creditor Matrix [Doc. 5], Page 22)
- **March 24, 2026 (by): Milestone deadline:** Obtain entry of proposed Final DIP Order (Day 30) (Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81; DIP Credit Agreement [Doc. 26], Page 79)
- **March 25, 2026:** Second monthly premium installment due for insurance policies paid in installments (Emergency Motion for Insurance [Doc. 10], Page 6)
- **March 30, 2026 @ 5:00 p.m. CT:**
 - Bid Deadline for qualified bids per proposed bidding procedures (Declaration of Robert A. Pacha [Doc. 18], Page 15)
 - **Milestone deadline:** Bid deadline (Day 36) (Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81)
- **April 1, 2026 @ 9:00 a.m. CT:** Auction (if any) at Vinson & Elkins offices in Houston (Declaration of Robert A. Pacha [Doc. 18], Page 15)
- **April 1, 2028:** Next adjustment date for small business debtor debt threshold under § 101(51D) (Voluntary Petition, Page 2)
- **April 2, 2026 @ 5:00 p.m. CT:** Notice of Winning Bidder(s) to be filed (Declaration of Robert A. Pacha [Doc. 18], Page 15)
- **April 3, 2026 @ 5:00 p.m. CT:** Supplemental Sale Objection Deadline (Declaration of Robert A. Pacha [Doc. 18], Page 15)
- **April 6, 2026:**
 - Sale Hearing scheduled (Declaration of Robert A. Pacha [Doc. 18], Page 15)

- **Milestone deadline:** Obtain entry of proposed Sale Order (Day 43) (Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81)
- **April 7, 2026: Requested extended deadline for filing Schedules and Statements** (44 days from petition date; 30-day extension) (Emergency Motion for Extension [Doc. 6], Page 4; Declaration of Ben Chesters [Doc. 17], Page 39)
- **April 8, 2026:**
 - **CRITICAL MILESTONE:** Sale closing deadline and **full repayment of DIP Facility** (Day 45) (Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81; DIP Credit Agreement [Doc. 26], Page 80)
 - Bank account compliance deadline (extendable by stipulation with U.S. Trustee) (Interim Order on Cash Management [Doc. 8-1], Pages 3-4)
- **April 22, 2026:** Challenge Period expires for most parties (60 days from proposed interim order entry on February 23, 2026) (Proposed Interim DIP Order [Doc. 14-1], Page 63)
- **April 23, 2026 (estimated):** Challenge Period expires for Creditors' Committee if appointed immediately (60 days after appointment, unless Bid Deadline is earlier) (Proposed Interim DIP Order [Doc. 14-1], Page 63)
- **May 23, 2026: Initial Maturity Date** for DIP Facility (90 days from Petition Date) (DIP Credit Agreement [Doc. 26], Page 23)
- **June 22, 2026: Extended Maturity Date** if all Lenders elect 30-day extension (120 days from Petition Date) (DIP Credit Agreement [Doc. 26], Page 23)

Recurring Post-Petition Deadlines

- **Every Thursday @ 7:00 p.m. ET:** Updated Estimated Professional Fees due to DIP Agent counsel (Proposed Interim DIP Order [Doc. 14-1], Page 35)
- **Bi-weekly on Thursdays @ 5:00 p.m. ET:** Variance Test reports due starting March 5, 2026 (Proposed Interim DIP Order [Doc. 14-1], Page 37; DIP Credit Agreement [Doc. 26], Page 78)
- **Bi-weekly on Mondays:** Borrower may make withdrawals from DIP Proceeds Account (after initial withdrawal upon proposed interim order entry) (Proposed Interim DIP Order [Doc. 14-1], Page 37)
- **Every 4 weeks on Thursday:** Updated Approved DIP Budget due following proposed Interim Order entry (DIP Credit Agreement [Doc. 26], Page 13)
- **Monthly by 20th calendar day:** Borrowing Base Certificate due for prior month starting March 19, 2026 (Proposed Interim DIP Order [Doc. 14-1], Page 52; DIP Credit Agreement [Doc. 26], Page 70)
- **Every 30 days:** Payment matrix/schedule due to U.S. Trustee and statutory committee for various authorized payments (wages, vendors, taxes, utilities, etc.) (Multiple Proposed Orders)
- **Within 30 days after fiscal month end:** Consolidated financial statements (DIP Credit Agreement [Doc. 26], Page 69)
- **Within 45 days after fiscal quarter end:** Unaudited consolidated financial statements (DIP Credit Agreement [Doc. 26], Page 68)
- **Within 90 days after fiscal year end:** Audited consolidated financial statements (DIP Credit Agreement [Doc. 26], Page 68)
- **Weekly (day not specified):** Management Conference Call with Administrative Agent, Lenders and professionals to discuss Periodic Variance Report, Sale Transaction, and performance (DIP Credit Agreement [Doc. 26], Page 79)

5. Important Tables

Prepetition Capital Structure - \$240.5 Million Total Funded Debt

Facility	Outstanding Amount	Priority/Lien Status	Agent	Original Date	Maturity Date	Status
Prepetition Superpriority	\$13,160,147.31	First lien (pari passu with ABL on collateral; payment priority per Collateral Agency Agreement)	JPMorgan Chase Bank, N.A.	September 23, 2025	October 19, 2025 (initial) November 9, 2025 (1st Incremental) February 20, 2026 (2nd Incremental)	Matured; under forbearance
Prepetition ABL	\$207,839,082.36	First lien (pari passu with Superpriority on collateral; subordinate payment priority)	JPMorgan Chase Bank, N.A.	September 23, 2023 (Fourth A&R)	September 23, 2025	Matured; under forbearance
Prepetition 2L	\$19,500,550.59	Second lien (subordinate to senior liens per Intercreditor Agreement)	Permico, Inc.	September 22, 2022	March 22, 2026	Approaching maturity
Total	\$240,499,780.26					

Sources: Declaration of Ben Chesters [Doc. 17], Page 13, Para. 26; Proposed Interim DIP Order [Doc. 14-1], Pages 8-13; Emergency Motion for DIP Financing [Doc. 14], Page 32

Significance: This table reveals the overleveraged capital structure driving the bankruptcy filing. The ABL facility already matured September 23, 2025 (five months before bankruptcy) and operates under multiple forbearance extensions. The second lien facility approaches imminent maturity March 22, 2026. The stalking horse bid of \$161 million is insufficient to cover even the ABL balance of \$207.8 million, confirming that ABL lenders are undersecured and second lien lenders face near-certain wipeout. The prepetition superpriority facility provided critical bridge liquidity for orderly bankruptcy preparation. The concentration of all three facilities with JPMorgan Chase Bank, N.A. (except second lien) creates significant lender control but also facilitates coordination. The fact that no refinancing party of 85 contacted would provide sufficient financing to address this debt burden demonstrates the collateral coverage and cash flow issues preventing out-of-court restructuring.

DIP Facility Structure - \$104.8 Million Total

Component	Timing	Amount	Description
NEW MONEY DIP LOANS		\$25,514,587	Fresh postpetition financing

Component	Timing	Amount	Description
Interim New Money	Upon proposed Interim Order entry	\$13,040,959	Available immediately for operations
Final New Money	Upon proposed Final Order entry	\$12,473,628	Available after final hearing
ROLL-UP LOANS		\$79,315,680	Conversion of prepetition debt to DIP debt
Superpriority Roll-Up	Upon proposed Interim Order entry (cashless)	\$13,160,147	Full principal + accrued interest converted immediately
Upfront Fees Roll-Up	Upon proposed Interim Order entry (cashless)	Per Upfront Fee Letter	Fees converted to loans
Creeping ABL Roll-Up	Daily automatic conversion (interim period)	~\$6,298,712	All cash receipts paying ABL obligations
Final ABL Roll-Up	Upon proposed Final Order entry (cashless)	\$59,856,821	Additional ABL conversion
TOTAL DIP FACILITY		~\$104,830,267	
Roll-Up to New Money Ratio		3.11:1	Higher end but within recent precedent range

Sources: Emergency Motion for DIP Financing [Doc. 14], Page 4; Proposed Interim DIP Order [Doc. 14-1], Pages 2-3; DIP Credit Agreement [Doc. 26], Pages 35, 42-43; Declaration of Robert A. Pacha [Doc. 18], Page 9; Declaration of Ben Chesters [Doc. 19], Pages 2, 4-5

Significance: This table exposes the controversial structure that converts \$79.3 million (75.6%) of existing first-lien debt into superpriority DIP debt with priority over all creditors except the Carve-Out. The 3.11:1 ratio exceeds the 3.0:1 ratio in First Brands Group but is substantially lower than the 5.8:1 ratio approved in Noble House (both Southern District of Texas cases before Judge Lopez). The roll-up provides three distinct advantages to existing senior lenders: (1) immediate conversion of \$13.16 million superpriority debt and upfront fees to DIP status upon interim order, (2) automatic daily conversion of all cash receipts through the creeping roll-up (estimated \$6.3 million during interim period), and (3) conversion of \$59.86 million additional ABL debt upon final order. The new money component of only \$25.5 million matches exactly the net funding requirement shown in the 13-week budget, indicating the facility is precisely sized to fund the 45-day sale process with no cushion. The automatic daily conversion mechanism is particularly aggressive, effectively giving lenders a senior claim on all enterprise cash generation during the bankruptcy. Junior creditors including second lien lenders (owed \$19.5 million) and trade creditors (owed \$17-20 million) may object to this structure as improperly preferring senior lenders, though the Debtors argue the roll-up was essential consideration to obtain any DIP financing given the failed marketing efforts to 85 refinancing parties and 7 DIP investors.

Roll-Up Precedent Comparison - Southern District of Texas

Case Name	Case Number	Judge	Date	Roll-Up Amount	New Money	Ratio
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Case Name	Case Number	Judge	Date	Roll-Up Amount	New Money	Ratio
First Brands Group, LLC	25-90399	CML	Nov. 9, 2025	\$3.3 billion	\$1.1 billion	3.0:1
MLCJR LLC	23-90324	CML	June 13, 2023	\$270.2 million	\$75.0 million	3.6:1
Noble House Home Furnishings LLC	23-90773	CML	Oct. 4, 2023	\$12.2 million	\$2.1 million	5.8:1
Axip Energy Services (proposed)	26-90338	CML	Pending	\$79.3 million	\$25.5 million	3.11:1

Source: Emergency Motion for DIP Financing [Doc. 14], Page 43

Significance: This precedent table demonstrates that courts in this district (particularly Judge Lopez, identified as "CML") have approved roll-up ratios ranging from 3.0:1 to 5.8:1 in recent cases. The proposed Axip ratio of 3.11:1 falls near the lower end of this range, strengthening the argument for approval. However, all three precedent cases involved much larger enterprises (\$3.3 billion, \$270 million, and \$12.2 million facilities), while Axip represents a mid-market transaction. The concentration of precedents before Judge Lopez (all three cases assigned to CML) is particularly relevant since the same judge is assigned to the Axip case. The November 2025 First Brands Group case provides the most recent and comparable ratio (3.0:1), suggesting current judicial attitudes toward roll-up structures. Potential challengers (second lien lenders, trade creditors, U.S. Trustee, future creditors' committee) will need to distinguish these precedents or argue that the specific facts here (undersecured collateral, limited new money relative to total debt, aggressive timeline limiting alternative bidders) warrant denial despite precedent approving similar ratios.

13-Week DIP Budget Projection

Week Ending	Receipts	Operating Expenses	Professional Expenses	Other Disbursements	Total Disbursements	Net Cash Flow	Cumulative DIP Draw	Ending Liquidity
2/27/26	\$2,095,680	Various	\$6,400,000 (est.)	Various	(\$7,863,686)	(\$5,768,006)	\$8,251,677	\$19,746,581
3/6/26	\$2,021,325	Various	Various	Various	(\$4,504,997)	(\$2,483,671)	\$8,251,677	\$17,262,910
3/13/26	\$1,161,035	Various	Various	Various	(\$2,714,106)	(\$1,553,070)	\$13,040,959	\$15,709,839
3/20/26	\$1,020,671	Various	Various	Various	(\$4,256,882)	(\$3,236,211)	\$13,040,959	\$12,473,628
3/27/26	\$1,088,304	Various	Various	Various	(\$2,635,997)	(\$1,547,693)	\$13,040,959	\$10,925,935

Week Ending	Receipts	Operating Expenses	Professional Expenses	Other Disbursements	Total Disbursements	Net Cash Flow	Cumulative DIP Draw	Ending Liquidity
4/3/26	\$1,013,862	Various	Various	Various	(\$2,470,882)	(\$1,457,020)	\$13,040,959	\$9,468,915
4/10/26	\$1,084,679	Various	Various	Various	(\$2,470,882)	(\$1,386,203)	\$13,040,959	\$8,082,712
4/17/26	\$1,111,491	Various	Various	Various	(\$2,470,882)	(\$1,359,391)	\$25,514,587	\$19,196,949
4/24/26	\$1,205,479	Various	Various	Various	(\$2,470,882)	(\$1,265,403)	\$25,514,587	\$17,931,546
5/1/26	\$1,268,266	Various	Various	Various	(\$2,470,882)	(\$1,202,616)	\$25,514,587	\$16,728,930
5/8/26	\$1,247,519	Various	Various	Various	(\$2,470,882)	(\$1,223,363)	\$25,514,587	\$15,505,567
5/15/26	\$2,069,250	Various	Various	Various	(\$2,470,882)	(\$401,632)	\$25,514,587	\$15,103,935
5/22/26	\$2,069,250	Various	Various	Various	(\$2,470,882)	(\$401,632)	\$25,514,587	\$14,702,303
Total 13 Weeks	\$18,956,811				(\$44,471,397)	(\$25,514,587)	\$25,514,587	

Source: Proposed Interim DIP Order [Doc. 14-1], Schedule 2, Page 80

Critical Budget Observations:

- **Week 1 disbursements of \$7.86 million include ~\$6.4 million in professional expenses** (likely bankruptcy and transaction counsel fees for case preparation and first-day relief)
- Operating expenditures stabilize around \$2.5 million per week after initial weeks
- **Every week projects negative cash flow requiring full DIP utilization**
- Total receipts of \$18.96 million against disbursements of \$44.47 million = \$25.51 million deficit exactly matching new money DIP amount
- Budget assumes sale closing by Day 45 (approximately April 8, 2026) with full DIP repayment reducing liquidity to zero
- **15% permitted variance on two-week rolling basis for "Total Operating Disbursements"** creates tight compliance requirement
- Professional expenses and adequate protection payments excluded from variance testing
- **Extremely front-loaded professional fee burn** suggests significant case preparation, work product, and transaction documentation occurred prepetition

Milestones - 45-Day Timeline to Sale Closing

Milestone	Deadline	Approximate Date	Consequence of Breach	Source
File DIP and bidding procedures motions	Day 1	February 23, 2026	Event of Default	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81 ✓
Entry of proposed Interim DIP Order	Day 3	February 25, 2026	Event of Default; No DIP access	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81
Entry of proposed Bid Procedures Order	Day 15	March 9, 2026	Event of Default	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81
Entry of proposed Final DIP Order	Day 30	March 24, 2026	Event of Default; Limits on final roll-up	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81
Bid Deadline	Day 36	March 30, 2026	Event of Default	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81
Entry of proposed Sale Order	Day 43	April 6, 2026	Event of Default	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81
Sale Closing and DIP Repayment	Day 45	April 8, 2026	Event of Default	Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81

- Extensions require DIP Agent consent
- Cannot extend beyond Maturity Date (90-120 days from petition)
- **Any milestone failure triggers Event of Default with potential foreclosure remedies**

Sources: Proposed Interim DIP Order [Doc. 14-1], Schedule 3, Page 81; DIP Credit Agreement [Doc. 26], Pages 79-80, Section 5.19; Declaration of Robert A. Pacha [Doc. 18], Pages 14-15

Significance: This extremely aggressive timeline compresses what is typically a 90-120 day sale process into 45 days, creating substantial execution risk. The milestones are structured to ensure: (i) immediate DIP access (Day 3), (ii) orderly bidding process (Days 15-36), and (iii) rapid sale closing (Day 45). Each milestone is a make-or-break event—failure at any stage constitutes an Event of Default triggering potential lender remedies including foreclosure. The timeline appears designed to minimize administrative costs and maximize lender recovery rather than to maximize enterprise value through extended marketing. The March 30, 2026 bid deadline (Day 36) provides only 38 days from petition for potential bidders to conduct due diligence, arrange financing, and submit binding offers—a significant constraint that may limit competitive interest despite extensive prepetition marketing (85 parties for refinancing, 54 for sale, only 5 IOIs received). The requirement to close by Day 45 creates immense pressure on all parties and could result in technical defaults if court dockets, bidder diligence, or sale documentation delays occur. The sale-by-Day-45 requirement also serves as the likely Maturity Date for the DIP facility (being earlier than the 90-day contractual maturity), meaning all DIP obligations become due and payable if the sale doesn't close on schedule.

Carve-Out Structure for Professional Fees

Carve-Out Component	Amount/Cap	Timing	Coverage
U.S. Trustee Fees	Statutory amounts + interest	Ongoing throughout case	All fees under 28 U.S.C. § 1930(a)
Chapter 7 Trustee Fees	Up to \$150,000	If case converts to Chapter 7	Pursuant to § 726(b)
Pre-Carve-Out Trigger Notice Cap	UNLIMITED	Before Carve-Out Trigger Notice delivered	All Allowed Professional Fees for Estate Professionals
Debtor Professionals Post-Trigger	\$1,000,000	After Carve-Out Trigger Notice	Allowed Professional Fees incurred after first business day following notice
Committee Professionals Post-Trigger	\$200,000	After Carve-Out Trigger Notice	Allowed Professional Fees incurred after first business day following notice
Evercore Success Fees	Excluded from Carve-Out	Until paid from sale proceeds	Investment banker transaction fees

Sources: Proposed Interim DIP Order [Doc. 14-1], Pages 30-31; DIP Credit Agreement [Doc. 26], Page 7

Significance: The carve-out structure creates a two-tier system protecting professionals before and after an Event of Default. The unlimited Pre-Trigger Cap provides significant protection for estate professionals to perform work without fear of non-payment, encouraging qualified counsel to take retention and incentivizing thorough work product. However, if DIP Agent delivers a Carve-Out Trigger Notice (permitted only following an Event of Default), post-trigger fees are capped at \$1 million for debtor professionals and \$200,000 for committee professionals. These caps would severely limit professional work during any contested matter following a default, potentially leaving the estate without adequate representation. The Debtors receive a 5-business-day notice period and emergency hearing opportunity, but if an Event of Default is found, the cap immediately restricts future work. The exclusion of Evercore success fees from the Carve-Out until paid from sale proceeds effectively gives DIP lenders a veto over investment banker compensation, aligning Evercore's interests with maximizing sale proceeds. The Professional Fee Reserve Account administered by Epiq must be funded contemporaneously with the first DIP draw and replenished weekly based on Estimated Professional Fees, providing immediate liquidity for professional fee payments (Proposed Interim DIP Order [Doc. 14-1], Pages 35-36). The Week 1 budget allocation of ~\$6.4 million for professional expenses suggests significant prepetition work and anticipation of substantial ongoing fees (Proposed Interim DIP Order [Doc. 14-1], Schedule 2, Page 80).

First-Day Operational Relief - Summary of All Requests

Relief Category	Amount Requested	Status	Key Provisions	Source
Employee Wages & Benefits	\$853,790 interim/Continue programs	Proposed	Priority under §§ 507(a)(4)-(5); Trust fund taxes; § 503(c) restriction on insiders	Emergency Motion [Doc. 7] Declaration [Doc. 17], Pages 40-56

Relief Category	Amount Requested	Status	Key Provisions	Source
Critical Vendors	\$4.1M interim \$6.948M final	Proposed	Customary Trade Terms required; Clawback if vendor fails to perform; Lien removal condition	Emergency Motion [Doc. 9] Proposed Interim Order [Doc. 9-1]
Utility Adequate Assurance	\$18,597 deposit \$37,195/month ongoing	Proposed	50% of monthly cost; 14-day objection period; Determination Hearing within 30 days	Emergency Motion [Doc. 11] Declaration [Doc. 17], Pages 78-80
Taxes and Fees	\$1.42M accrued \$394K due in 21 days	Proposed	Trust fund theory; Priority status; Personal liability avoidance; Ongoing Texas audit	Emergency Motion [Doc. 12] Declaration [Doc. 17], Pages 80-84
Insurance	\$1.88M annual \$430K prepetition	Proposed	§ 1112(b)(4)(C) mandatory maintenance; Workers' comp stay modification; AFCO payment due 3/20/26	Emergency Motion [Doc. 10] Declaration [Doc. 17], Pages 86-92
Cash Management	Continue system \$700 on hand	GRANTED 2/22/26	7 JPM accounts; 56 credit cards; 184 fuel cards; Intercompany transactions; DIP Order supremacy	Interim Order [Doc. 8-1] Declaration [Doc. 17], Pages 57-66
Claims Agent	\$25,000 retainer	Proposed	§ 503(b) admin expense; Monthly billing; Indemnification (exc. gross negligence)	Application [Doc. 4] Engagement Letter [Doc. 13]
Extension - Schedules	To April 7, 2026	Proposed	30-day extension (44 days total); "For cause" under Rules 1007(c) and 9006(b)	Emergency Motion [Doc. 6] Declaration [Doc. 17], Pages 38-40
Joint Administration	N/A (procedural)	Proposed	Single docket; Combined notices; Separate claims registers; No substantive consolidation	Emergency Motion [Doc. 2] Proposed Order [Doc. 2-1]
Consolidated Matrix/Redactions	N/A (procedural)	Proposed	Single Top 30 list; PII redactions; Customer list confidential under § 107(b)(1)	Emergency Motion [Doc. 5] Declaration [Doc. 17], Pages 34-36

Significance: The comprehensive first-day relief package totals approximately \$8.9 million in immediate prepetition payments plus continuation of all ongoing programs. The only order actually entered as of February 23, 2026 is the Interim Order on Cash Management (Doc. 8-1), with all other relief remaining in proposed status pending the February 24, 2026 emergency hearing. The employee wage request of \$853,790 is modest relative to monthly payroll of \$1.8 million, suggesting the strategic payment of the February 20 payroll cycle one day before filing minimized prepetition wage exposure. The critical vendor request of \$6.948 million final (with \$4.1 million interim) represents the most controversial prepetition payment, as it includes \$1 million for Critical Vendors under the necessity doctrine that may face objection as improperly preferring unsecured creditors, though the \$4.9 million for Lien Claimants appears well-supported by state lien statutes and the \$1.048 million for 503(b)(9) Claimants has explicit statutory administrative priority. The utility adequate assurance of \$18,597 (50% of monthly cost) and tax payment authority for \$1.42 million follow standard practice in this district. The insurance continuation is legally mandated under § 1112(b)(4)(C) to avoid dismissal/conversion. The cash management relief (already granted) provides essential operational continuity with the critical subordination that DIP Order terms will govern any conflicts. The universal DIP Order supremacy clause across all proposed first-day orders ensures lenders maintain ultimate budget control over all expenditures.

Top 10 Unsecured Creditors

Rank	Creditor Name	Claim Amount	Nature	Status	Source
1	Burckhardt Compression (US) Inc	\$2,140,911.51	Trade	C, U, D	Voluntary Petition, Page 18
2	Waukesha Pearce Industries Inc.	\$1,824,387.60	Trade	C, U, D	Voluntary Petition, Page 18
3	Odessa American Refabrication LLC	\$918,044.41	Trade	C, U, D	Voluntary Petition, Page 18
4	Triple B Compression Services, LLC	\$881,476.20	Trade	C, U, D	Voluntary Petition, Page 18
5	Coastal Chemical Co. LLC	\$683,614.76	Trade	C, U, D	Voluntary Petition, Page 18
6	Impact Compression & Equipment Serv	\$560,402.90	Trade	C, U, D	Voluntary Petition, Page 18
7	Process Components Inc.	\$472,198.96	Trade	C, U, D	Voluntary Petition, Page 19
8	Patriot Compressor Parts LLC	\$449,832.08	Trade	C, U, D	Voluntary Petition, Page 19
9	Security Business Capital, LLC	\$390,136.86	Trade	C, U, D	Voluntary Petition, Page 19
10	General Machine & Supply Inc	\$374,966.37	Trade	C, U, D	Voluntary Petition, Page 19

Rank	Creditor Name	Claim Amount	Nature	Status	Source
Top 30 Total	~\$10,800,000	All Trade	All C, U, D		

Note: C = Contingent, U = Unliquidated, D = Disputed

Source: Voluntary Petition, Pages 18-20

Significance: The top 30 unsecured creditors total only ~\$10.8 million in trade claims—remarkably modest compared to \$240.5 million total funded debt. This suggests the overwhelming majority of debt consists of secured obligations to the three prepetition lender groups, with general unsecured creditors representing less than 5% of total liabilities. **The fact that ALL top 30 claims are marked contingent, unliquidated, AND disputed** is highly unusual and suggests: (1) the Debtors are contesting substantially all trade debt, (2) claims may involve warranty disputes, equipment failures, or service quality issues common in the compression services industry, or (3) the designation is prophylactic to preserve maximum negotiating leverage. All claims are with suppliers of compression equipment, parts, and related services (Burckhardt Compression, Waukesha Pearce for parts; Odessa American Refabrication, Triple B Compression, Impact Compression for services; Coastal Chemical for chemicals; etc.). Given the stalking horse bid of \$161 million is insufficient to cover the \$207.8 million ABL facility, trade creditors face likely significant impairment or complete wipeout absent higher competing bids. The declaration's statement of \$17-20 million in total accounts payable suggests the Top 30 list captures roughly 54-63% of trade debt exposure.

Utility Providers - Geographic Distribution and Service Mix

Complete 28 Utility Providers (33 Service Relationships):

Service Type	Number of Providers	Total Adequate Assurance	% of Total	Key Providers
Communications	14 accounts	\$16,384.42	88.1%	AT&T (\$4,546.85), Verizon (\$4,348.91), Map Communications (\$3,335.64)
Electric	4 providers	\$1,028.94	5.5%	XCEL (\$424.85), TXU (\$356.09), Montana Dakota (\$187.52)
Water/Sewer	6 providers	\$635.78	3.4%	City of Carlsbad (\$253.57), Bryan TX Utilities (\$215.27)
Sanitation	4 providers	\$433.81	2.3%	Republic Services (\$281.95), A-RROW Sanitation (\$107.50)
Gas	2 providers	\$114.54	0.6%	New Mexico Gas Company (\$114.54)
Total	28 providers	\$18,597.00	100%	

Source: Emergency Motion for Utilities [Doc. 11], Exhibit B, Pages 30-31

Geographic Analysis:

- **Texas:** 11 providers (Bryan TX Utilities, Brazos WIFI, TXU, Republic Services, Waste Management, etc.)
- **North Dakota:** 6 providers (A-RROW Sanitation, Montana Dakota, Mountrail Williams, Northwest Communications, Northwest Rural Water, MIDCO)
- **New Mexico:** 2 providers (City of Carlsbad, New Mexico Gas Company)
- **National/Multi-State:** 9 providers (AT&T, Verizon, T-Mobile, Cogent, Nitel, Frontier, Pioneer, Map Communications, Calian Corp)

Significance: The overwhelming dominance of communications services (88.1% of adequate assurance) reflects the critical importance of telecommunications infrastructure for remote monitoring and control of compression equipment deployed at dispersed field locations. The Debtors require sophisticated real-time data transmission to monitor 940 units across three states, explaining why they maintain relationships with multiple redundant providers (AT&T, Verizon, Map Communications, Nitel, etc.). The geographic distribution across Texas, New Mexico, and North Dakota confirms operations in the Permian Basin, other Texas plays, and the Bakken shale region. The presence of 184 corporate fuel cards relative to 149 total employees (ratio of 1.23 cards per employee) demonstrates extensive travel requirements and dispersed operations. The modest electric and gas utility costs (\$1,028.94 and \$114.54 respectively) may seem counterintuitive for compression operations but likely reflect that compression units are powered by natural gas from the customer's production stream rather than purchased utilities. The adequate assurance deposit of \$18,597 representing 50% of the \$37,195 monthly average follows standard practice in this district and appears reasonable given the Debtors' history of timely payment and absence of material prepetition defaults.

Insurance Portfolio - Nine Policies Through Five Carriers

Coverage Type	Carrier	Policy Number	Policy Term	Annual Premium	Payment Structure
Workers' Compensation	Starr Indemnity & Liability	1001243013	1/24/26 - 1/24/27	\$118,918.00	Monthly installment
Workers' Compensation	North Dakota WSI	N/A (state program)	N/A	\$8,249.86	Monthly installment
Automobile	Starr Indemnity & Liability	1000679657261	1/24/26 - 1/24/27	\$488,500.71	Monthly installment
Commercial General	Starr Indemnity & Liability	1000090874261	1/24/26 - 1/24/27	\$132,688.00	Monthly installment
Commercial Umbrella	Starr Indemnity & Liability	1000095707261	1/24/26 - 1/24/27	\$328,290.00	Monthly installment
Excess Liability (\$5M xs \$5M)	RSUI Indemnity Company	NHA610999	1/24/26 - 1/24/27	\$188,500.00	Monthly installment
Property and Inland Marine	Starr Indemnity & Liability	ITH100065487425	6/20/25 - 6/20/26	\$447,328.00	AFCO financing
D&O Liability	QBE Insurance Corporation	1300019137	12/12/25 - 12/12/26	\$95,000	Annual lump sum

Coverage Type	Carrier	Policy Number	Policy Term	Annual Premium	Payment Structure
D&O Excess Liability	National Union Fire Insurance	02-880-13-87	12/12/25 - 12/12/26	\$70,000	Annual lump sum
TOTAL				\$1,877,474.57	

Payment Status:

- Monthly installment policies: \$259,724.86 down payment paid prepetition; \$384,305.48 remaining in 5 monthly installments
- AFCO premium financing: \$447,328 financed; \$46,251.82 down payment paid prepetition; **\$46,251.82 final payment due March 20, 2026**
- Annual lump sum policies: \$0 prepetition amounts owed

Source: Emergency Motion for Insurance [Doc. 10], Exhibit B, Page 27; Declaration of Ben Chesters [Doc. 17], Pages 86-88

Significance: Starr Indemnity & Liability Company dominates the insurance portfolio, providing six of nine policies representing approximately \$1.52 million (81%) of total annual premiums. This concentration creates relationship dependency but also provides leverage for potential negotiation of renewal terms. The Property and Inland Marine policy premium of \$447,328 (23.8% of total) necessitated premium financing through AFCO, indicating cash flow constraints even before bankruptcy. The **critical March 20, 2026 payment deadline** for the final AFCO installment creates immediate pressure for court approval—only 26 days from petition date and within the first 30 days when the case is most vulnerable. Failure to make this payment would likely trigger policy cancellation, exposing the estates to catastrophic uninsured property liability and violating § 1112(b)(4)(C)'s mandatory insurance maintenance requirement. Workers' compensation coverage totaling \$127,167.86 annually across Starr and North Dakota WSI is legally mandated in states where Debtors operate and covers two open claims as of petition date. The D&O coverage totaling \$165,000 annually through QBE and National Union is critical for attracting and retaining qualified management during restructuring. The staggered renewal dates (policies renewing in January, June, and December) create ongoing authorization needs throughout the bankruptcy timeline. The total insurance burden of \$1.88 million annually represents approximately 9% of estimated revenue based on the 13-week budget projections, a substantial but industry-appropriate cost for a company operating heavy equipment in oil and gas extraction support services.

Lien and Claim Priority Waterfall Under Proposed DIP Structure

Priority Rank	Claim/Lien Type	Amount/Description	Legal Basis	Source
1	Carve-Out	U.S. Trustee fees + Trustee fees (\$150K) + Pre-Trigger unlimited + Post-Trigger caps (\$1M debtor/\$200K committee)	Proposed DIP Orders	Proposed Interim Order [Doc. 14-1], Pages 30-31

Priority Rank	Claim/Lien Type	Amount/Description	Legal Basis	Source
2	DIP Superpriority Claims	All DIP Obligations on joint and several basis	§ 364(c)(1)	Proposed Interim Order [Doc. 14-1], Pages 38-39
3	DIP Liens	First priority priming liens on all DIP Collateral	§§ 364(c)(2), 364(d)(1), 364(c)(3)	Proposed Interim Order [Doc. 14-1], Pages 40-41
4 (pari passu)	Superpriority Adequate Protection Liens	Replacement liens on DIP Collateral	Adequate protection per Orders	Proposed Interim Order [Doc. 14-1], Page 49
4 (pari passu)	Superpriority 507(b) Claims	Claims for diminution in value	§ 507(b)	Proposed Interim Order [Doc. 14-1], Page 50
5 (pari passu)	ABL Adequate Protection Liens	Replacement liens on DIP Collateral	Adequate protection per Orders	Proposed Interim Order [Doc. 14-1], Page 50
5 (pari passu)	ABL 507(b) Claims	Claims for diminution in value + PIK interest	§ 507(b)	Proposed Interim Order [Doc. 14-1], Pages 50-51
6 (pari passu per Intercreditor Agreements)	Prepetition Superpriority Liens	Original first lien security interests (~\$13.16M, but being rolled up)	Prepetition Credit Agreement	Proposed Interim Order [Doc. 14-1], Page 14
6 (pari passu per Intercreditor Agreements)	Prepetition ABL Liens	Original first lien security interests (~\$207.84M, partially being rolled up)	Prepetition Credit Agreement	Proposed Interim Order [Doc. 14-1], Page 14
7	Prepetition 2L Adequate Protection Liens	Replacement liens on DIP Collateral	Adequate protection per Orders	Proposed Interim Order [Doc. 14-1], Page 52
8	Prepetition 2L 507(b) Claims	Claims for diminution in value	§ 507(b) junior to senior lenders	Proposed Interim Order [Doc. 14-1], Page 52
9	Prepetition 2L Liens	Original second lien security interests (~\$19.5M)	Prepetition Credit Agreement	Proposed Interim Order [Doc. 14-1], Page 14

Source: Synthesized from Proposed Interim DIP Order [Doc. 14-1], Pages 23, 40-41, 48-50, 57-58

Significance: This waterfall demonstrates the dramatic restructuring of creditor priorities through the proposed DIP financing. Pre-bankruptcy, the capital structure featured pari passu first liens for Superpriority (\$13.16M) and ABL (\$207.84M) lenders with payment priority favoring Superpriority, and second liens for 2L lenders (~\$19.5M). Post-DIP approval, the structure would be fundamentally transformed: (1) The Carve-Out of potentially unlimited professional fees (Pre-Trigger) provides a "first out" for estate professionals that didn't exist prepetition; (2) DIP Superpriority Claims of ~\$104.8M (including the ~\$79.3M roll-up) jump ahead of all prepetition secured debt; (3) DIP priming liens subordinate

all prepetition liens except Permitted Senior Liens (though none are identified); (4) Adequate protection packages attempt to compensate prepetition lenders but these are replacement liens on the same collateral that will be depleted through the sale. The roll-up effectively promotes ~\$79.3M of existing first-lien debt to superpriority status ahead of the remaining ~\$141.7M of non-rolled-up ABL debt and all \$19.5M of second lien debt. If the stalking horse bid of \$161M proceeds (or even if increased moderately through auction), the likely distribution would be: (1) Carve-Out and professional fees (\$6.4M Week 1, ongoing), (2) DIP facility repayment of \$104.8M, (3) remaining proceeds to adequate protection/prepetition senior lenders (\$50M shortfall on remaining ABL debt), with second lien lenders and unsecured creditors receiving zero. This structure explains why DIP lenders insisted on the roll-up—it transforms their recovery from a potentially significant deficiency claim to a superpriority position likely to be paid in full or near-fully from sale proceeds.

Epiq Pricing Schedule - Claims Agent Fee Structure

Service Category	Rate/Fee	Key Terms
Claim Administration - Hourly		
IT / Programming	\$65.00 - \$85.00/hour	
Case Managers	\$80.00 - \$180.00/hour	
Project Managers/Consultants/Directors	\$170.00 - \$195.00/hour	
Executives	No Charge	
Claims and Noticing - Unit Rates		
Printing	\$0.10 per image	
Personalization / Labels	WAIVED	
Envelopes	VARIES BY SIZE	
Postage / Overnight Delivery	AT COST AT PREFERRED RATES	
E-Mail Noticing	WAIVED FOR MSL*	*High volume blasts quoted separately
Fax Noticing	\$0.05 per page	
Claim Acknowledgement Letter	\$0.05 per letter	
Data Management		
Creditor/Data Records	\$0.10 per record/month	
Electronic Imaging	\$0.10 per image	No monthly storage charge
Website Hosting	NO CHARGE	Case website at https://dm.epiq11.com/AXIP
Call Center		
Standard Setup	NO CHARGE	Toll-free: (877) 741-6428

Service Category	Rate/Fee	Key Terms
Call Center Operator	\$65/hour	
Voice Recorded Message	\$0.34 per minute	
Retainer	\$25,000	Paid prepetition 9/25/25; held as security

Source: Engagement Letter [Doc. 13], Pages 19-20

Significance: Epiq's pricing represents market-standard rates for large bankruptcy cases with several waived fees (e-mail noticing, website hosting, standard call center setup, executive time) that reduce costs. The \$25,000 retainer paid prepetition demonstrates planning for bankruptcy filing. The per-unit pricing for noticing services (printing, postage, fax) creates predictable costs based on creditor volumes. With 1,000-5,000 estimated creditors, the data management fee of \$0.10 per record/month could total \$100-500 monthly for creditor database maintenance. The hourly rates for case managers (\$80-180) and project managers (\$170-195) are within industry norms for complex chapter 11 cases. The waiver of website hosting charges is valuable given the importance of creditor access to case information. The engagement letter provides for indemnification of Epiq (except for gross negligence/willful misconduct), caps Epiq's liability at amounts paid for services giving rise to losses, and prohibits Epiq from ceasing services without court order—all standard protections for claims agents. The pricing structure permits annual increases up to 10% without notice (over 10% requires 60-day notice) effective January 1, 2027, though the 45-day sale timeline suggests the case will conclude before any price increases take effect.

Governmental Taxing Authorities - Multi-Jurisdictional Scope

Tax Obligations by Category:

Category	Accrued Amount	Due in 21 Days	Historical 2025 Payments	Priority/Security Status
Property Taxes	\$635,225.81	\$13,859.92	\$621,365.89	Secured by statutory liens
Franchise & Income Taxes	\$400,000.00	\$0	\$403,603.55	Priority under § 507(a)(8)
Sales & Use Taxes	\$380,229.52	\$380,229.52 (100%)	\$4,107,453.23	Trust fund under § 541(d)
Regulatory Fees & Misc.	\$7,681.00	\$0	\$10,181.00	Various
TOTAL	\$1,423,136.33	\$394,089.44	\$5,142,603.67	

Jurisdictional Breakdown (Over 100 Governmental Authorities):

- **State-level:** 23+ states (AL, AR, CO, FL, IL, IN, KS, KY, LA, MD, MI, MS, NM, ND, OK, PA, SD, TX, UT, WV, WI, WY, etc.)
- **Louisiana:** 48+ parishes (Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Claiborne, Desoto, East Baton Rouge, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Natchitoches, Orleans, Ouachita, Plaquemines,

Pointe Coupee, Rapides, Red River, Sabine, St Bernard, St Charles, St James, St John, St Landry, St Martin, St Mary, St Tammany, Terrebonne, Union, Vermilion, Vernon, Webster, West Baton Rouge, Winn, etc.)

- **Texas:** Multiple counties (Brazos, Dallas, Ector, Gregg, Harris, Karnes, LaSalle, Live Oak, Midland, Parker, Reeves, Starr, Victoria, Winkler) + school districts
- **Oklahoma:** 7 counties (Blaine, Canadian, Cleveland, Dewey, Grady, Kingfisher, Woodward)
- **New Mexico:** 2 counties (Eddy, Lea)
- **Colorado:** 3 municipalities (Grand Junction, Greeley, Rifle)
- **Other jurisdictions:** Alabama (4 counties), various other county/municipal authorities

Source: Emergency Motion for Taxes [Doc. 12], Exhibit B, Pages 26-32; Declaration of Ben Chesters [Doc. 17], Pages 80-84

Significance: The extraordinary jurisdictional complexity spanning 23+ states and over 100 governmental authorities demonstrates the nationwide scope of operations despite the stated focus on specific basins. The heavy concentration in Louisiana (48+ parishes) suggests significant operations in that state's oil and gas regions that may not have been emphasized in business descriptions focusing on the Permian Basin. The immediate sales and use tax obligation of \$380,229.52 (100% due within 21 days) represents trust fund taxes collected from customers that legally must be remitted—failure subjects officers and directors to personal liability and these amounts are not property of the bankruptcy estate. The historical 2025 sales and use tax payments of \$4.1 million (averaging \$342K/month) represent the largest tax category and suggest gross revenue approximating \$40-50 million annually depending on applicable tax rates (typically 6-8% for oil and gas equipment/services in Texas, New Mexico, North Dakota). The disparity between 2025 property tax payments (\$621K) and accrued prepetition amount (\$635K) indicates the Debtors remained approximately current on property taxes, while the disparity for sales and use taxes (2025 payments \$4.1M vs. prepetition accrual \$380K) suggests either significant seasonality or that most 2025 obligations were paid timely with only recent months accruing unpaid. The ongoing Texas Comptroller audit creates contingent liability not captured in the \$1.42 million accrued amount, and the Debtors' engagement of Ryan LLC on a contingent fee basis for audit defense suggests meaningful exposure. The request for blanket authority to settle audit assessments without further court hearing provides flexibility but may lack transparency if significant amounts are compromised.

6. Appendix: Docket Entries Summarized

Petition and Core Case Documents:

- **Document 1** - Voluntary Petition for Non-Individuals Filing for Bankruptcy (Official Form 201) - Filed February 22, 2026

Administrative Motions:

- **Document 2** - Emergency Motion for Entry of an Order Directing Joint Administration of Chapter 11 Cases - Filed February 22, 2026
- **Document 2-1** - Proposed Order Directing Joint Administration (Proposed Order, not yet entered)

Claims Agent Retention:

- **Document 4** - Emergency Ex Parte Application for Entry of an Order Authorizing Employment and Retention of Epiq Corporate Restructuring, LLC as Claims, Noticing, and Solicitation Agent - Filed February 22, 2026
- **Document 4-1** - Proposed Order Authorizing Employment of Epiq (Proposed Order, not yet entered)
- **Document 13** - Notice of Filing of Exhibit B: Engagement Letter with Epiq dated September 25, 2025 - Filed February 23, 2026

Creditor Lists and Privacy:

- **Document 5** - Emergency Motion for Entry of Order (I) Authorizing Debtors to (A) File Consolidated Creditor Matrix; (B) File Consolidated List of Thirty Largest Unsecured Creditors; (C) Redact Certain Personal Identification Information; (D)

Redact Certain Confidential Information of Customers; (II) Approving Form and Manner of Notice of Commencement; (III) Granting Related Relief - Filed February 22, 2026

- **Document 5-1** - Proposed Order (Proposed Order, not yet entered)

Schedules Extension:

• **Document 6** - Emergency Motion for Entry of an Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs - Filed February 22, 2026

- **Document 6-1** - Proposed Order Granting Extension (Proposed Order, not yet entered)

Employee Wages and Benefits:

• **Document 7** - Emergency Motion for Entry of an Order (I) Authorizing Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief - Filed February 22, 2026

- **Document 7-1** - Proposed Order Authorizing Wage and Benefit Payments (Proposed Order, not yet entered)

Cash Management:

• **Document 8** - Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue to Operate Cash Management System and Maintain Existing Bank Accounts, (B) Continue Using Existing Checks and Business Forms, (C) Maintain Corporate Card Program, and (D) Continue Intercompany Transactions, and (II) Granting Related Relief - Filed February 22, 2026

- **Document 8-1** - Interim Order Granting Cash Management Relief - **ENTERED FEBRUARY 22, 2026** (Actual court order)

Critical Vendor Payments:

• **Document 9** - Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay (A) Critical Vendors, (B) Lien Claimants, and (C) 503(b)(9) Claimants; (II) Confirming Administrative Expense Priority of Outstanding Orders; and (III) Granting Related Relief - Filed February 22, 2026

- **Document 9-1** - Proposed Interim Order Authorizing Vendor Payments (Proposed Order, not yet entered)

Insurance:

• **Document 10** - Emergency Motion for Entry of an Order (I) Authorizing Debtors to (A) Continue Prepetition Insurance Coverage and Satisfy Prepetition Obligations Related Thereto; (B) Renew, Amend, Supplement, Extend, or Purchase Coverage on Postpetition Basis in Ordinary Course; (II) Modifying Automatic Stay Solely With Respect to Workers' Compensation Claims; and (III) Granting Related Relief - Filed February 22, 2026

- **Document 10-1** - Proposed Order Authorizing Insurance Continuation (Proposed Order, not yet entered)

Utilities:

• **Document 11** - Emergency Motion for Entry of an Order (I) Approving Debtors' Proposed Adequate Assurance Payments for Future Utility Services; (II) Prohibiting Utility Companies from Altering, Discontinuing, or Refusing Services; (III) Approving Debtors' Proposed Procedures for Resolving Additional Adequate Assurance Requests; and (IV) Granting Related Relief - Filed February 22, 2026

- **Document 11-1** - Proposed Order Approving Utility Adequate Assurance (Proposed Order, not yet entered)

Taxes:

• **Document 12** - Emergency Motion for Entry of an Order (I) Authorizing Debtors to Pay Certain Prepetition Taxes and Fees and (II) Granting Related Relief - Filed February 22, 2026

- **Document 12-1** - Proposed Order Authorizing Tax Payments (Proposed Order, not yet entered)

DIP Financing:

• **Document 14** - Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Liens and Superpriority Administrative Expense Status, and (C) Utilize Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Modifying Automatic Stay, (IV) Scheduling

Final Hearing, and (V) Granting Related Relief - Filed February 23, 2026

- **Document 14-1** - Proposed Interim Order Authorizing DIP Financing (Proposed Order, not yet entered; hearing scheduled February 24, 2026)
- **Document 26** - Notice of Filing of Exhibit B: DIP Credit Agreement - Filed February 23, 2026

Supporting Declarations:

- **Document 17** - Declaration of Ben Chesters in Support of Chapter 11 Petitions and First Day Motions - Filed February 23, 2026 (30 pages)
- **Document 18** - Declaration of Robert A. Pacha in Support of (I) Emergency Motion to Obtain DIP Financing and (II) Motion to Approve Bidding Procedures and Sale - Filed February 23, 2026
- **Document 19** - Declaration of Ben Chesters, Chief Restructuring Officer, in Support of Emergency Motion for DIP Financing - Filed February 23, 2026 (8 pages)

Status Summary:

- **Only one order actually entered as of February 23, 2026:** Interim Order on Cash Management (Doc. 8-1) entered February 22, 2026
- **All other relief in proposed status** pending February 24, 2026 emergency hearing
- DIP financing scheduled for February 24, 2026 hearing with proposed interim order (Doc. 14-1) containing blank entry date
- All proposed orders contain blank dates or "[●]" placeholders indicating awaiting judicial signature