

# **Kimmeridge Energy Management Company, LLC**

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## **Form ADV Part 2 Brochure**

August 7, 2012

This Brochure provides information about the qualifications and business practices of Kimmeridge Energy Management Company, LLC. If you have any questions about the contents of this Brochure, please contact us at 646-527-7334. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Kimmeridge Energy Management Company, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Kimmeridge Energy Management Company, LLC is 160432.

Kimmeridge Energy Management Company, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

Material Changes: Custody

Currently, our Brochure may be requested by contacting Noam Lockshin at 646-527-7334 or [Noam.Lockshin@KimmeridgeEnergy.com](mailto:Noam.Lockshin@KimmeridgeEnergy.com)

Additional information about our firm is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the firm who are registered, or are required to be registered, as investment advisor representatives.

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#### **Item 4 - Advisory Business**

Kimmeridge Energy Management Company, LLC (Kimmeridge, “the Firm”, “Our” or “We”) is located in New York, New York and was founded in 2011 by its owner, Benjamin Dell.

We provide investment management services to pooled private investment vehicles, individuals and institutional investors. Our services focus on oil and gas projects, assets and investments. Upon request, Kimmeridge will work with clients to accommodate client-specific investment restrictions.

The Firm will serve as the investment manager and general partner to Kimmeridge Energy Fund I (“Fund”) which consists of interests in Kimmeridge Energy Exploration Fund, LP and Kimmeridge Energy Net Profits Interest Fund, LP. The Fund is being organized by Kimmeridge Energy Management Company, Inc. to invest in oil and gas projects.

#### **Item 5 - Fees and Compensation**

Kimmeridge reserves the right to negotiate fees. Some clients pay more or less than others depending on certain factors, including but not limited to, the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a single client.

The fees charged for investment management services and payment terms are specified in an agreement between Kimmeridge and each client. Kimmeridge will provide clients fee invoices containing the amount of the fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated. Fees for partial periods are pro-rated.

Clients may pay other expenses in addition to the fees paid to Kimmeridge. For example, clients may pay costs such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Kimmeridge.

The fee to be charged to the Fund is

- 1% per annum of Unfunded Commitments plus
- 2% per annum of Contributions

Thereafter: 2% per annum of Contributions.

This fee is payable quarterly in advance.

Any prepaid but unearned fee will be promptly refunded upon termination. The final period's fees will be determined based upon a prorated calculation of the fees according to the number of days for which Kimmeridge provided services.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). The Fund may receive partial performance-based compensation.

We may enter into side letters or similar agreements with certain investors granting the investor certain specific rights, benefits, or privileges that are not made available to investors generally.

## **Item 7 - Types of Clients**

Our clients include private pooled investment vehicles, institutions and individuals, including high net worth individuals. The minimum account size is \$1,000,000; however, Kimmeridge may agree to manage separate accounts below its stated minimum account size.

Investment in the Fund is offered to eligible investors by means of a private placement memorandum. The Fund requires a minimum investment of \$500,000.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

Our objective is to provide investment management advice and services to select, qualified investors. We see an opportunity to achieve attractive returns through investments in oil and gas projects and assets.

We believe that the greatest returns on investment in the oil and gas industry are generated by first movers that prove a resource concept and access the acreage in the core of a play at a low cost. We will offer advice and strategies to take advantage of targeted opportunities involving investments of relatively small size. We believe we are well positioned to provide such services because of our access to resources in two key areas: data mining and industry relationships. Specifically, our management has developed a unique research and data gathering process that has a track record for identifying successful investments in the public markets that should be useful in identifying future deal flow.

Kimmeridge will rely heavily on the expertise of its founder, Mr. Benjamin Dell. Mr. Dell has served as the Senior Equity Research Analyst for Sanford C. Bernstein, a subsidiary of AllianceBernstein, covering the Oil and Gas E&P sector, where he ranked first in the 2010 Institutional Investor Survey for E&Ps for the third time, third for Natural Gas and fourth for Oil Services and Equipment. In his capacity as Senior Analyst, Mr. Dell covered 16 of the largest U.S. and Canadian E&Ps, and was at Sanford C. Bernstein for seven years. Before joining Sanford C. Bernstein, Mr. Dell was employed at BP in its M&A and finance group where he was the lead analyst on the \$6.75 billion acquisition of TNK-BP, the sale of BP's \$125 million convertible bond position in the Zhenhai refinery and the \$15 million acquisition of the Gudrun field offshore Norway. In addition, Mr. Dell spent a year in BP's finance group principally engaged in managing the company's internal foreign exchange activities. Before moving into the finance field, Mr. Dell also held positions as an exploration geologist and geophysicist in BP's West African, Middle East, Caspian, and Norwegian business units. His role included detailed regional prospect evaluation across much of the Middle East, West Africa and Norway for the 16th licensing round, along with well support for the Temir B well in Kazakhstan. Mr. Dell earned an undergraduate degree and a master's degree in Earth Sciences from St. Peter's College, Oxford. Mr. Dell and his associates will draw on additional research and infrastructure support from outside resources, including legal, accounting and administration, and geology and geophysics resources.

Over the last 30 years, the oil and gas markets have seen considerable volatility driven by supply disruptions (due to events in Iran, Iraq, Nigeria and Venezuela, for example) and demand shocks, such

as those experienced in 1984 and 2009. Although prices have been volatile, Kimmeridge believes that two key relationships have held true. First, over time the price of oil and gas has trended around the marginal cost of supply - or the price at which the highest-cost operator earns a marginal return. Second, price fluctuations around the marginal cost have occurred based on near-term supply-demand dynamics, most readily measured by inventories in the U.S. gas market or spare capacity in the global oil market.

Kimmeridge believes that today these two relationships still provide helpful guidance as to supply and demand conditions. In particular, Kimmeridge believes that, in the foreseeable future, oil and gas prices will remain in a secular uptrend and that prices will continue to cycle around the marginal cost of supply, creating unique entry and exit points for investment in oil and gas assets. Furthermore, increasing oil and gas prices will continue to support the exploration and development of unconventional reservoirs globally, as well as promote the reevaluation of under-explored areas that have been overlooked by the industry for a variety of reasons.

Investing involves a risk of loss that investors should understand and be prepared to bear. Our investment strategies involve significant risk of loss, including the possibility of a total loss of your investment. Material risks include, but are not limited to, the following:

**Market Risk.** Overall market risks may affect the value of an investment. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the markets.

**Newly-Formed Entity; No Operating History.** The Adviser is newly formed and has no operating history. As a result, it is subject to all of the risks inherent in the establishment of a new business enterprise.

**No Assurance of Investment Return.** The Adviser cannot provide assurance that it will be successful in selecting oil and gas projects, assets or investments. There can be no assurance that an investment will generate returns or that the returns will be commensurate with the risks of investing in the type of assets and projects selected.

**Dependence on Key Management Personnel.** The success of the Adviser will depend, in large part, upon the skill and expertise of its personnel, under the leadership of Mr. Dell. If the Adviser were to lose the services of Mr. Dell, the financial condition and operations of the Adviser could be materially and adversely affected. Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that projects, assets or investments will perform as anticipated.

**Availability of Suitable Investment Opportunities/Illiquidity.** It may be difficult to identify an adequate number of attractive and suitable investment opportunities. The business of identifying and investing in oil and gas interests is highly competitive and involves a high degree of uncertainty. Many, if not all, of the investments recommended by the Adviser will be highly illiquid and contemplated exit strategies can be adversely affected by numerous factors outside of the Adviser's control, including prevailing market and general economic conditions and economic conditions affecting the energy industry.

**Risks Related to the Energy Industry.** Investments in the energy industry are subject to a variety of risks, not all of which can be foreseen or quantified. The success of many investments is likely to be affected by factors such as the following: (1) amount, nature, and timing of property acquisitions or capital expenditures; (2) the market for oil and gas acreage or properties; (3) drilling of wells and other planned exploitation activities; (4) timing and amount of future production of oil or gas; (5) quantities of discovered

or probable, potential or proved reserves of oil or gas; (6) marketing of and market prices for oil, gas or oil or gas properties generally or in any particular location; (7) operating costs such as lease operating expenses, administrative costs and other expenses; (8) the Fund's future operating or financial results; (9) cash flow and anticipated liquidity; (10) the timing, success and cost of exploration and exploitation activities; (11) governmental and environmental regulation of the oil and gas industry; (12) environmental liabilities relating to potential pollution arising from our operations or the operations of acquirers of acreage positions we may purchase; (13) industry competition, conditions, performance and consolidation; (15) the availability of drilling rigs and other oilfield equipment and services; and (16) natural events.

**Concentration.** Recommended investments will be concentrated in the energy industry and will be subject to numerous risks that affect the energy industry as a whole or the upstream sector of the industry in particular. As a result, returns may be subject to significantly greater risk than an investment in a portfolio of investments that represents a broad range of industries or industry sectors.

**Evaluation Limitations.** The acquisition of a specific asset or project will depend in part on the evaluation of data obtained from geophysical and geological analyses, seismic data and other information, the results of which are often inconclusive and subject to various interpretations. The process of estimating oil and gas reserves is complex and inherently subjective, requiring significant estimates and assumptions. Information may be incomplete (particularly in early-stage opportunities) and implications of available data may not be fully understood.

**Market Factors.** The future prices of and the demand for oil and natural gas, which are inherently uncertain, may affect potential investments. Prices for oil, natural gas and natural gas liquids have fluctuated greatly in the past, due to numerous factors beyond the control of the Adviser. Investments may also be affected by the availability of equipment, supplies, personnel and facilities.

**Operating Hazards.** The exploration, development and operation of oil and gas properties involves a variety of operational risks including the risk of fire, explosions, blowouts, craterings, pipe failure, abnormally pressured formations and environmental hazards. Environmental hazards include oil and gas leaks, pipeline ruptures or discharges of toxic gases.

**Regulation.** The energy industry is affected from time to time in varying degrees by political developments and a wide range of federal, state and local statutes, rules, orders and regulations that may, in turn, affect the operations and costs of the companies engaged in the energy industry.

**Hydraulic Fracturing.** Hydraulic fracturing is an important and commonly used process that the Adviser anticipates will be engaged in by some or all opportunities it recommends. In recent years, some experts have warned that hydraulic fracturing could adversely affect groundwater. To the extent that such claims are made with respect to investments, they could have an adverse effect on returns.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of the Firm's management.

We do not have any material legal, financial or other “disciplinary” events to report. This statement applies to our Firm, and every employee.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Benjamin Dell is the Managing Member of Kimmeridge. Kimmeridge is engaged by the Fund to provide investment advice. Mr. Dell is also the sole shareholder of Kimmeridge Energy Management Company, Inc., the General Partner of the Fund.

### **Kimmeridge Energy Fund I**

Kimmeridge Energy Fund I was organized by Kimmeridge Energy Management Company, Inc. to provide select, qualified Limited Partners an opportunity to achieve attractive returns through Investments in early-stage oil and gas projects in the United States. The Fund’s objective is to provide select, qualified investors an opportunity to achieve attractive returns through Investments in early-stage oil and gas assets in the United States. The Fund will invest in the two Founding Investments and expects to invest in one further Investment. The Fund, through individual project entities, will invest either directly in working interests or else in direct equity structure.

## **Item 11 - Code of Ethics**

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Kimmeridge must acknowledge the terms of the Code of Ethics annually, or as amended.

From time to time, the principals and employees of Kimmeridge may be investors in the Fund and other projects, assets and investments at or around the same time as clients. You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2.

We have also adopted policies and procedures to prevent the misuse of “insider” information (material, non-public information). A copy of such policies and procedures is available to any person upon request.

## **Item 12 - Brokerage Practices**

The projects, assets and investment strategy employed by Kimmeridge do not generally result in the opportunity for trade execution. In situations where it is necessary, obtaining the best execution is important. Brokers used to execute trades are selected based on the reasonableness of their compensation based on the range and quality of a services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness.



Kimmeridge does not have any commitments or understandings with specific brokers, generally known as soft dollar arrangements. Certain brokers may from time to time provide unsolicited proprietary research. Receipt of research, even on an unsolicited basis, involves conflicts of interest considerations. To mitigate any conflict, we adopted a policy that prohibits us from considering any factor other than best execution when placing a client trade with a broker-dealer. Kimmeridge does not consider referrals when we select or recommend broker-dealers to clients.

### **Item 13 - Review of Accounts**

Kimmeridge will periodically monitor investments for consistency with client objectives and restrictions. Reviews may also be triggered by material market, economic or political events, or by changes in clients' financial situations or material additions or withdrawals. Each review is conducted by Benjamin Dell, Managing Member.

Kimmeridge provides written reports no less than annually. These reports generally contain a list of assets, investment results, and statistical data related to the client's account. We urge clients to carefully review these reports and compare the statements that they receive from their custodian to the reports that we provide. The information may vary based on accounting procedures, reporting dates, or valuation methodologies but any discrepancy should be understood.

Each Fund distributes audited financial statements to its investors on an annual basis, within 180 days of its fiscal year end.

### **Item 14 - Client Referrals and Other Compensation**

Kimmeridge and its affiliates may enter into compensation arrangements with unaffiliated placement agents or third parties for introducing investors to the Fund.

### **Item 15 – Custody**

In general, Kimmeridge does not provide custodial services to its clients. Client assets are held with banks or registered broker-dealers that are "qualified custodians." With respect to the Fund, Kimmeridge affiliates serve as general partner and therefore are deemed to have custody of clients' funds. The Funds are subject to an annual audit by an independent auditor that is registered with the Public Company Accounting Oversight Board. Fund investors receive audited financial statements within 120 days of the end of the fiscal year of the fund.

### **Item 16 - Investment Discretion**

Kimmeridge accepts discretionary authority to manage the assets in a client's account. The client appoints Kimmeridge as attorney-in-fact for purposes of exercising the foregoing power and authority. We observe investment limitations and restrictions that are outlined in each account's investment management agreement. Kimmeridge will have full investment discretion related to the activities of the Fund, while adhering to the investment strategy set forth in the Fund's private placement memorandum.

## **Item 17 - Voting Client Securities**

As a matter of firm policy and practice, Kimmeridge does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Kimmeridge may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Kimmeridge's financial condition. Kimmeridge has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance therefore have no material additional financial disclosures to make.

### **Business Continuity Plan**

We have a Business Continuity Plan that addresses how the Firm will respond to events that may disrupt its business. If the main telephone line is inactive, the emergency number is 212-203-9476. If the emergency line is down, please contact your custodian. We will resume operations as quickly as possible (preferably within twenty-four hours) depending on the severity of the business disruption. Our Business Continuity Plan covers data backup and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, regulatory reporting and the assurance of prompt access to funds and securities for our customers. Additional details regarding the firm's Business Continuity Plan are available upon request.

### **Privacy Notice To Customers**

We do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.